

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 109	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2021 - * 006 Amendment No. (req. for Amendments *)
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Filing by National Securities Clearing Corporation  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input checked="" type="checkbox"/> 19b-4(f)(4)	<input type="checkbox"/> 19b-4(f)(6)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Make Clarifications, Corrections and Certain Other Changes

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* James Last Name \* Nygard  
 Title \* Director and Assistant General Counsel  
 E-mail \* jnygard@dtcc.com  
 Telephone \* (813) 470-1898 Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)  
 Date 05/07/2021 Managing Director and Deputy General Counsel  
 By Nikki Poulos  
 (Name \*)  
 npoulos@dtcc.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

## 1. Text of the Proposed Rule Change

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) consists of modifications to the NSCC Rules & Procedures (“Rules”),<sup>1</sup> attached hereto as Exhibit 5, in order to (i) correct or clarify the use of certain defined terms in the Rules, (ii) make certain clarifications in the Rules, (iii) make certain technical changes to the Rules, (iv) add a disclaimer regarding trademarks and servicemarks in the Rules and (v) change certain notice provisions relating to rule changes, each as described in more detail below.

(b) Not applicable.

(c) Not applicable.

## 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Deputy General Counsel of NSCC on May 6, 2021 pursuant to delegated authority from NSCC’s Board of Directors.

## 3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

### (a) Purpose

NSCC is proposing to (i) correct or clarify the use of certain defined terms in the Rules, (ii) make certain clarifications in the Rules, (iii) make certain technical changes to the Rules, (iv) add a disclaimer regarding trademarks and servicemarks in the Rules and (v) change certain notice provisions relating to rule changes, each as described in more detail below.

### *(i) Proposal to correct the use of certain defined terms in the Rules*

Certain capitalized terms are used but not defined, certain terms are defined but the defined terms are not used consistently and certain defined terms are duplicative in the Rules. NSCC is proposing to correct and clarify the use of certain defined terms in the Rules as follows:

- Move the defined term “Affiliate” from Rule 4A to Rule 1 as the term is used in a number of places in the Rules and remove “, as defined in Rule 4A” after the use of the term Affiliate in Section 7 of Rule 7 and Section A of Procedure II
- clarify the definitions of “Board” and “Board of Directors” in Rule 1 to ensure that it is clear that both terms are defined and have the same meaning
- capitalize “business day” throughout the Rules to reflect that it is a defined term
- add a defined term “Exchange Act” in Rule 1 for the Securities Exchange Act of 1934, as amended and replace “Securities Exchange Act of 1934, as amended” and

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<sup>1</sup> Capitalized terms not defined herein are defined in the Rules, available at [http://dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

- “Securities Exchange Act of 1934” and “Act” with the new defined term in a number of places in the Rules
- capitalize “affiliate” in the definition of “Family-Issued Securities” in Rule 1 to reflect that it is a defined term
  - add a defined term “GAAP” in Rule 1 as the abbreviation is currently used in a number of places in the Rules to describe generally accepted accounting principles, consistently applied
  - delete “(or IMA Member)” from the definition of “Investment Manager/Agent Member” in Rule 1 and delete “IMA” as a defined term in Section 2(j) of Rule 2 as they are duplicative of an existing defined term “Investment Manager/Agent Member” that has the same meaning; replace the use of “IMA Members” in a footnote in Rule 2A with “Investment Manager/Agent Members” using the existing defined term Investment Manager/Agent Member
  - add a defined term “NSCC” in Rule 1 as the term is currently used in a number of places in the Rules to describe NSCC
  - add a defined term “SEC” in Rule 1 for the Securities Exchange Commission and replace “Securities Exchange Commission,” “U.S. Securities and Exchange Commission” and “Commission” with the defined term in a number of places in the Rules
  - change reference of “Non-U.S.” to “non-U.S.” in a footnote in Rule 2A to reflect that Non-U.S. is not a defined term
  - use the existing defined term “NSCC Website” rather than other descriptions of the NSCC Website such as the “Corporation’s Website” and “Website” in Section 2 of Rule 2B and “website” and “NSCC’s Website” in Section 7 of Rule 45; remove a duplicative definition of NSCC Website in Section 7 of Rule 45
  - capitalize “corporation” in Section 4 of Rule 7 to reflect the existing defined term
  - use the existing defined term “CFTC” in place of “Commodity Futures Trading Commission” in Section 6 of Rule 7 and in place of “Commodities Futures Trading Commission” in, Section (b) of Rule 49
  - change “Guidelines” to “guidelines” in Section 2(b)(vii) of Rule 15 to reflect that Guidelines is not a defined term
  - change references to “Time of Insolvency” to “time of insolvency” in Section 4 of Rule 45 to reflect that the term is not defined in the Rules
  - capitalize “rules” in Section 7 of Rule 45 and in Section C(3) of Rule 52 to reflect the existing defined term
  - change “Fund/Serv Eligible Fund” to “Fund/SERV Eligible Fund” in Section 12 of Rule 50 to reflect the correct capitalization of the defined term
  - replace “the Fund/SERV Service” with “Fund/SERV” in a footnote in Section A.2 of Rule 52 and Section A.10 of Rule 52 to reflect that the defined term Fund/SERV is referring to the Fund/SERV service
  - remove references of “NSCC” and “NSCC full service” before “Members” and “Member” in Section 1 of Rule 54 and Section A of Procedure XVII as they are unnecessary

- capitalize “balance” in the phrase “Net Debit balance” and capitalize “net credit balance” and “net debit balance” in Section 2 of Rule 55 to reflect the existing defined terms
- capitalize the words “registered clearing agencies” in a number of places in Section VII of Addendum A to reflect the existing defined term
- replace “Investment Company” with “investment company” in Section 1.A(v) of Addendum B to reflect that it is not a defined term
- replace “Principal Underwriter” with “principal underwriter” in Section 3.A(i) of Addendum B to reflect that it is not a defined term
- replace “Investment Company” with “investment company” in Section 3.A(ii) of Addendum B to reflect that it is not a defined term
- replace “Investment Adviser” with “investment adviser” in Section 3.A(iii) of Addendum B to reflect that it is not a defined term
- replace “Services” with “services” in Section 3.A(vi) of Addendum B to reflect that it is not a defined term
- replace “Investment Company” with “investment company” in Section 5.A(v) of Addendum B to reflect that it is not a defined term
- replace “Principal Underwriter” with “principal underwriter” in Section 6.A(vi) of Addendum B to reflect that it is not a defined term
- replace “Investment Adviser” with “investment adviser” in Section 6.A(vii) of Addendum B to reflect that it is not a defined term
- capitalize the word “system” in the reference to “Federal Reserve system” in Section 10.A.(iii) of Addendum B to be consistent with the use of the reference to Federal Reserve System in other sections of the Rules
- add “of 1940, as amended” after Investment Company Act in Section 10.A(vi) of Addendum B to reflect that it is not a defined term
- replace “registered clearing agencies” and “SEC registered clearing agencies” with “Registered Clearing Agencies” in Addendum L to reflect that it is a defined term
- add a definition of “AML” in Addendum O to clarify that AML refers to Anti-Money Laundering

***(ii) Proposal to make certain clarifications in the Rules***

NSCC is proposing to make the following changes in the Rules to better clarify the meaning of certain provisions and the usage of certain defined terms:

- change “acting on delegated authority” to “acting under delegated authority” in the definition of “Board” and “Board of Directors” in Rule 1 to reflect the more common phraseology
- clarify that the NSCC Website may include DTCC’s website in the definition of “NSCC Website” in Rule 1
- remove “decline or” or “declined or” in each instance where the phrase “decline or cease to act” or “declined or ceased to act” is used in a number of places in the Rules to reflect that declining to act is not different from ceasing to act in the context used in the Rules

- add “and set forth in these Rules & Procedures” in the definition of “Procedures” to clarify that the defined term Procedures is referring to the Procedures set forth in the NSCC Rules & Procedures
- make “General Rules and Regulations” lowercase in the definition of “Security” in Rule 1 to reflect that it is not a defined term and add “promulgated” to reflect that it is referring to general rules and regulations promulgated under the Exchange Act
- replace “Corporation” with “entity” in two places in Section 1(G)(v) of Rule 2A to reflect that the phrase is referring to any entity that engages in clearance and settlement activities and not to NSCC
- replace the phrase “SEC Rule 17a-11” with “Rule 17a-11 of the Exchange Act” in Section 2.A(b) of Rule 2B to reflect that it is referring to Rule 17a-11 promulgated under the Exchange Act
- replace a reference to the “Securities and Exchange Commission” with “Exchange Act” in Section 1(a) of Rule 3 to clarify that Rule 10b-17 is referring to Rule 10b-17 promulgated under the Exchange Act
- add Mutual Fund/Insurance Services Members and AIP Members as Limited Members that are required to file signatures in Section 2 of Rule 5 in order to formalize that NSCC requires those Limited Members to file signatures in the same manner as the other Members and Limited Members listed in that section
- replace the heading “Sec” with “SEC” in Section 4 of Rule 9 to conform to usage of section references in other Rules
- remove the word “for” in Section 1(a) of Rule 11 as it is unnecessary
- change the phrase “information and otherwise” to “information or otherwise” in Section 4 of Rule 15 to reflect that the phrase is intended to mean that a participant could be subject to a fine for failure to furnish information or for failure to otherwise comply with the requirements of Rule 15
- capitalize “important notice” in Section 3 of Rule 18 to conform to other usage of that term in the Rules
- replace “Commission Rules 8c-1 and 15c2-1” with “Rules 8c-1 and 15c2-1 of the Exchange Act” in Section 8(b) of Rule 18 to reflect that it is referring to rules promulgated under the Exchange Act
- change the reference of the title “Vice President” to “Executive Director” in Rule 23 to reflect that NSCC changed the title of Vice President to Executive Director<sup>2</sup>
- clarify in Rule 26 that fee descriptions and charges are set forth in Addendum A by adding the following sentence: “Please refer to Addendum A (Fee Structure) for fee descriptions and charges.”
- clarify in Rule 35 that the financial statements provided by NSCC are U.S. GAAP financial statements and that the audited financial statements include the independent auditors’ report on the financial statements

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<sup>2</sup> In 2018, the Securities and Exchange Commission (“Commission”) approved NSCC’s proposed rule change to amend NSCC’s By-Laws to, among other things, change the title of “Vice President” to “Executive Director.” Securities Exchange Act Release No. 82916 (March 20, 2018), 83 FR 12974 (March 26, 2018) (SR-NSCC-2018-001).

- replace “close” with “last day” in two places in Rule 35 to clarify that the close of each fiscal quarter is meant to be the last day of each fiscal quarter
- add “or Procedure” in Rule 36 to clarify that NSCC will notify Members, Limited Members and Registered Clearing Agencies of proposals to change, revise, add or repeal any Procedure as well as any Rule
- clarify in Rule 36 that NSCC will notify Members, Limited Members and Registered Clearing Agencies of any rule change proposals to any Rule or Procedure by posting the proposal on the NSCC Website
- replace “five” with “5” in Sections 1 and 3 of Rule 37 to conform to other descriptions of the number of business days in Rule 37
- add “decision” after “Panel’s” in Section 7 of Rule 37 to clarify that in subsection (iii) an action or proposed action shall be deemed final if a hearing has been held when the Corporation gives notice to the Interested Person of the Panel’s decision
- change a reference of “Rules, Procedures” in Rule 38 to “Rules and Procedures” to conform the phrase to other instances in the Rules and add a comma after the phrase for grammatical effect
- remove the references to NSCC delivering notice to an Interested Person’s box maintained on NSCC’s premises in Section 1 of Rule 45 because NSCC does not maintain boxes for Members, Limited Members or applicants
- add a heading title “E. MF Info Xchange” and place the MF Info Xchange description under the heading and remove the subsection reference “SEC 6.” in Rule 52 in order to reflect that MF Info Xchange is a separate service from Mutual Fund Profile Service<sup>3</sup>
- replace “Securities and Commission Rule 15c3-3” with “Rule 15c3-3 of the Exchange Act” in Section 9(b)(vi) of Rule 53 to reflect that it is referring to a rule promulgated under the Exchange Act
- replace “Securities and Commission Rule 17a-3” with “Rule 17a-3 of the Exchange Act” in Section 9(c)(ii) of Rule 53 to reflect that it is referring to a rule promulgated under the Exchange Act
- remove references to settlement of payments in Section 4 of Rule 57 as NSCC stopped settlement with respect to Licensing and Appointments in 2012<sup>4</sup>
- replace “SEC Rule 15c3-3” with “Rule 15c3-3 of the Exchange Act” in Section E(5) of Procedure VII to reflect that it is referring to a rule promulgated under the Exchange Act
- replace “SEC Rule 15c3-3(d)(1)” with “Rule 15c3-3(d)(1) of the Exchange Act” in

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<sup>3</sup> MF Info Xchange was added to the Rules in 2018 as an enhancement of the Mutual Fund Profile Service. Securities Exchange Act Release No. 84611 (November 16, 2018), 83 FR 59427 (November 23, 2018) (SR-NSCC-2018-010). Although it is still integrated with the Mutual Fund Profile Service, NSCC would like to market MF Info Xchange as a separate service and not just a function of the Mutual Fund Profile Service.

<sup>4</sup> NSCC removed the settlement function of Licensing and Appointments in 2012 because it was not being used by Members or Limited Members but the references were not removed from the Rules at that time.

- Section E(5) of Procedure VII to reflect that it is referring to a rule promulgated under the Exchange Act
- replace “NSCC’s Rule & Procedures” with “these Rules and Procedures” in Section D.2 of Procedure VIII to conform to usage throughout the Rules
  - remove “NSCC’s” and “NSCC” before Settling Banks in Section D.2 of Procedure VIII as the reference is unnecessary
  - replace “SEC Rule 15c3-1(a)(8)” with “Rule 15c3-1(a)(8) of the Exchange Act” in Section 1.B.1 of Addendum B to reflect that it is referring to rules promulgated under the Exchange Act
  - remove “it is” in Section 6.A(v) of Addendum B as it is unnecessary
  - remove “it is” in Section 6.A(xi) of Addendum B as it is unnecessary
  - add “(as defined in Rule 53)” in Section 10.A(xi) of Addendum B to reflect that AIP Manufacturer is defined in Rule 53
  - replace “under Section 4 of this Rule” with “in Rule 53” in Section 10.A(xi) of Addendum B to reflect that Eligible AIP Products is defined in Rule 53
  - replace “SEC Rule 15c3-3” with “Rule 15c3-3 of the Exchange Act” in Section I of Addendum G to reflect that it is referring to a rule promulgated under the Exchange Act
  - add “of the Exchange Act” following Rule 19(b) in Addendum L to reflect that it is a rule promulgated under the Exchange Act
  - change references of “Non-US” to “non-U.S.” in Addendum O to reflect that Non-US is not a defined term
  - change reference of “Standard Requirements” to “standard requirements” in Addendum O to reflect that the term is not defined in the Rules
  - change reference of “US Entities” to “U.S. entities” in Addendum O to reflect the correct abbreviation for U.S. and to reflect that entities is not defined in the Rules
  - change a reference from “the Corporation” to “NSCC” in Addendum O to be consistent with other references to NSCC in Addendum O and to reflect the proposed defined term NSCC

***(iii) Proposal to make certain technical changes in the Rules***

NSCC is proposing to make the following technical changes in the Rules to better clarify the meaning of certain provisions and to be consistent with other provisions in the Rules:

- conform the use of dashes in Section 2 of Rule 2
- delete the parentheses in references to “Rule 4(A)” in Rule 4(A) to conform to titles of other Rules
- conform the use of the abbreviation “SEC” for “Section” or to identify the sections in Rules 42, 44 and 60 and the use of letters to identify subsections in Section 4 of Rule 60 to be consistent with other Rules
- delete the parentheses in the titles of Rule 40, Rule 41 and Rule 60 to conform to titles in other Rules
- add tabs to the paragraphs in Rule 54 to conform with formatting in other Rules
- replace “Section XII” with “Procedure XIII” in Procedure I to reflect that Procedure



- XIII contains the definitions referred to in that paragraph
- remove a duplicative use of the word “plus” prior to subsection I.(A)(1)(d) of Procedure XV
  - replace the subsection reference (i) with (h) in I.(A)(1) of Procedure XV
  - replace the subsection reference (g) with (f) in I.(A)(2) of Procedure XV
  - replace “Rule 2A, Section 4 (Ongoing Monitoring (Surveillance Status))” with “Rule 2B, Section 4 (Ongoing Monitoring)” in a footnote in Addendum B as that section is referring to Rule 2B, Section 4
  - delete the incorrect use of an apostrophe in Addendum J
  - remove a reference to item “seven” in Addendum P as there is no item seven in Addendum P

***(iv) Proposal to add a disclaimer regarding trademarks and servicemarks in the Rules***

NSCC is proposing to add a disclaimer in a footnote to Rule 1 regarding trademarks and servicemarks that appear or may appear in the future in the Rules. NSCC has adapted the disclaimer that appears in the Terms of Use page on The Depository Trust & Clearing Corporation’s (“DTCC”) website for this purpose. The disclaimer would state that (i) all products and services provided by NSCC referenced in the Rules are either registered trademarks or servicemarks of, or trademarks or servicemarks of, DTCC or its affiliates, and (ii) other names of companies, products or services appearing in the Rules are the trademarks or servicemarks of their respective owners.

While certain terms that are registered trademarks are denoted with a TM or a ® in the Rules, NSCC believes that the addition of this disclaimer provides additional protection to the marks of DTCC and/or its affiliates as well as the marks of third parties.

***(v) Proposal to change certain notice provisions relating to rule changes.***

NSCC is proposing to delete a requirement in Rule 33 that Members and Limited Members be given 10 business days’ notice of any proposed amendment to the Procedures. NSCC is also proposing to replace “immediately” with “promptly” in Rule 36 in order to provide that NSCC will promptly—but might not immediately—notify Members and Limited Members of any proposed rule changes. NSCC believes that the foregoing requirements are not necessary or practical because, as explained below, Members and Limited Members are already provided adequate notice of any changes or proposed changes to NSCC’s Rules or Procedures through the rule change process.

As a clearing agency registered with the Commission, the Securities Exchange Act of 1934 (the “Act”) provides a clear framework under which NSCC’s Rules are adopted and enforced. Under the rule change process, generally, before a proposed rule change may take effect, (i) the change and an explanatory statement must be filed with the Commission and posted by NSCC on the NSCC Website, (ii) notice of the filing and the substantive terms or description of the change must be published by the Commission in the *Federal Register* for public review and comment, and (iii) the Commission must approve the change (or the change

must otherwise be permitted to take effect). NSCC's Rules are filed with and reviewed by the Commission. As a clearing agency registered under Section 17A of the Act,<sup>5</sup> a self-regulatory organization subject to Section 19 of the Act,<sup>6</sup> and a systemically important financial market utility under Title VIII of Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"),<sup>7</sup> NSCC is required to follow: (1) a specified process<sup>8</sup> whenever it proposes a new rule or a change or amendment to its Rules and (2) a specified process<sup>9</sup> whenever it proposes to make a change to its rules, procedures or operations that could materially affect the nature or level of risks presented by NSCC.

These rule change processes provide notice to Members and Limited Members and provide an opportunity for those parties to comment on such changes. Rule 19b-4 under the Act requires that NSCC post any rule change proposals on its website within two business days after the filing of a proposed rule change,<sup>10</sup> post any rule changes that are approved by the Commission within two business days after it has been notified of the Commission's approval<sup>11</sup> and post any rule change within two business days of the Commission's notice of such proposed change for rule changes that are effective upon filing.<sup>12</sup> NSCC complies—and will continue to comply—with such notice requirements which it believes are adequate.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>13</sup>

NSCC believes that the proposed changes to (i) correct or clarify the use of certain defined terms in the Rules, (ii) make certain clarifications in the Rules, (iii) make certain technical changes to the Rules and (iv) add a disclaimer regarding trademarks and servicemarks

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<sup>5</sup> 15 U.S.C. 78q-1.

<sup>6</sup> 15 U.S.C. 78s.

<sup>7</sup> 12 U.S.C. 5465(e)(1).

<sup>8</sup> This process is set forth in Section 19(b) of the Act and Rule 19b-4 thereunder. 15 U.S.C. 78s(b) and 17 CFR 240.19b-4.

<sup>9</sup> This process is set forth in Section 806(e) of Dodd-Frank and Rule 19b-4 thereunder. 12 U.S.C. 5465(e) and 17 CFR 240.19b-4.

<sup>10</sup> 17 CFR 240.19b-4(l).

<sup>11</sup> 17 CFR 240.19b-4(m)(2).

<sup>12</sup> Id.

<sup>13</sup> 15 U.S.C. 78q-1(b)(3)(F).

in the Rules are consistent with Section 17(A)(b)(3)(F) of the Act<sup>14</sup> because such changes would enhance the clarity and transparency of the Rules. By enhancing the clarity and transparency of the Rules, the proposed changes would allow Members and Limited Members to more efficiently and effectively conduct their business in accordance with the Rules, which NSCC believes would promote the prompt and accurate clearance and settlement of securities transactions. As such, NSCC believes that the proposed changes would be consistent with Section 17A(b)(3)(F) of the Act.<sup>15</sup>

NSCC believes that the proposed changes would enhance the efficiency of NSCC's process for notifying its Members and Limited Members about changes to its Rules and Procedures. As discussed above in detail, NSCC believes that Members and Limited Members are already provided adequate notice of any rule changes, including changes to its Procedures, through the rule change process. As such, the requirements for NSCC to immediately provide notice of any proposal it has made to change any Rule and to provide ten Business Days' notice of any proposed amendment to the Procedures are impractical and unnecessary and therefore can negatively impact the efficiency of the process. Specifically, because NSCC is already subject to—and complies with—the timeframes required by the Act and Dodd Frank, NSCC believes that self-imposed requirements to provide notice more quickly (in the case of proposed rule changes) or farther in advance (in case of changes to Procedures) than what is required by statute is unnecessary. In addition, NSCC believes that the requirements are impractical because (i)(x) the requirement to immediately give notice requires NSCC to coordinate an almost simultaneous submission of a proposed rule filing and notification to Members and Limited Members, and (y) Members and Limited Members would not be prejudiced by the delta between immediately and promptly; and (ii) the requirement to provide Members and Limited Members notice of changes to Procedures ten Business Days in advance, especially when such parties already receive adequate notice of the changes, could cause delays in the rule filing process and/or the implementation of an amended rule and procedure. Accordingly, NSCC believes that, by removing unnecessary and impractical timing requirements for notice, the proposed rule change is designed to enhance the efficiency of NSCC's notice process and implementation of the amended Rules and Procedures, thereby promoting the prompt and accurate clearance and settlement of securities transactions, as provided under such amended Rules and Procedures. As such, NSCC believes that the proposed changes would be consistent with Section 17A(b)(3)(F) of the Act.<sup>16</sup>

#### **4. Self-Regulatory Organization's Statement on Burden on Competition**

NSCC does not believe the proposed rule changes to (i) correct or clarify the use of certain defined terms in the Rules, (ii) make certain clarifications in the Rules, (iii) make certain technical changes to the Rules, (iv) add a disclaimer regarding trademarks and servicemarks in the Rules and (v) change certain notice provisions relating to rule changes would impact

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<sup>14</sup> Id.

<sup>15</sup> Id.

<sup>16</sup> Id.

competition. The proposed rule changes described in (i) – (iv) above would merely enhance the clarity and transparency of the Rules and would not affect NSCC’s operations or the rights and obligations of the membership. While the proposed changes to the notice provisions described in (v) above would impact the rights and obligations of the Members and Limited Members to receive notices more quickly (in the case of proposed rule changes) or farther in advance (in case of changes to Procedures) than what is required by statute, the impact of the proposed changes on the Members and Limited Members would be minimal. As discussed above, NSCC believes that the proposed changes to the notice provisions are removing unnecessary and impractical timing requirements for notices, and Members and Limited Members would continue to receive adequate notice under the rule change process and continue to be treated equally with respect to such notices. As such, NSCC believes the proposed rule changes would not have any impact on competition.

**5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others**

NSCC has not received or solicited any written comments relating to this proposal. NSCC will notify the Commission of any written comments received by NSCC.

**6. Extension of Time Period for Commission Action**

Not applicable.

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

(a) The proposed rule change is to become effective pursuant to paragraph (A) of Section 19(b)(3) of the Act.<sup>17</sup>

(b) The proposed rule change effects a change in an existing service of NSCC that (A) does not adversely affect the safeguarding of securities or funds in the custody or control of NSCC or for which it is responsible and (B) does not significantly affect the respective rights or obligations of NSCC or Members because the proposed rule change would not affect the rights or obligations of the Members or NSCC other than establishing when the rule changes described above would begin to impact the Members.<sup>18</sup>

(c) Not applicable.

(d) Not applicable.

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<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(4).

**8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

**9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**11. Exhibits**

Exhibit 1 – Not applicable.

Exhibit 1A – Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – Not applicable.

Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Rules.

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_\_]; File No. SR-NSCC-2021-006)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Make Clarifications, Corrections and Certain Other Changes to the NSCC Rules & Procedures

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May \_\_, 2021, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(4) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of modifications to the NSCC Rules & Procedures (“Rules”) in order to (i) correct or clarify the use of certain defined terms in the Rules, (ii) make certain clarifications in the Rules, (iii) make certain technical changes to the Rules, (iv) add a disclaimer regarding trademarks and servicemarks in the

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(4).

Rules and (v) change certain notice provisions relating to rule changes, each as described in more detail below.<sup>5</sup>

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NSCC is proposing to (i) correct or clarify the use of certain defined terms in the Rules, (ii) make certain clarifications in the Rules, (iii) make certain technical changes to the Rules, (iv) add a disclaimer regarding trademarks and servicemarks in the Rules and (v) change certain notice provisions relating to rule changes, each as described in more detail below.

***(i) Proposal to correct the use of certain defined terms in the Rules***

Certain capitalized terms are used but not defined, certain terms are defined but the defined terms are not used consistently and certain defined terms are duplicative in the Rules. NSCC is proposing to correct and clarify the use of certain defined terms in

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<sup>5</sup> Terms not defined herein are defined in the Rules, available at [http://dtcc.com/~//media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://dtcc.com/~//media/Files/Downloads/legal/rules/nscc_rules.pdf).

the Rules as follows:

- Move the defined term “Affiliate” from Rule 4A to Rule 1 as the term is used in a number of places in the Rules and remove “, as defined in Rule 4A” after the use of the term Affiliate in Section 7 of Rule 7 and Section A of Procedure II
- clarify the definitions of “Board” and “Board of Directors” in Rule 1 to ensure that it is clear that both terms are defined and have the same meaning
- capitalize “business day” throughout the Rules to reflect that it is a defined term
- add a defined term “Exchange Act” in Rule 1 for the Securities Exchange Act of 1934, as amended and replace “Securities Exchange Act of 1934, as amended” and “Securities Exchange Act of 1934” and “Act” with the new defined term in a number of places in the Rules
- capitalize “affiliate” in the definition of “Family-Issued Securities” in Rule 1 to reflect that it is a defined term
- add a defined term “GAAP” in Rule 1 as the abbreviation is currently used in a number of places in the Rules to describe generally accepted accounting principles, consistently applied
- delete “(or IMA Member)” from the definition of “Investment Manager/Agent Member” in Rule 1 and delete “IMA” as a defined term in Section 2(j) of Rule 2 as they are duplicative of an existing defined term “Investment Manager/Agent Member” that has the same meaning; replace



the use of “IMA Members” in a footnote in Rule 2A with “Investment Manager/Agent Members” using the existing defined term Investment Manager/Agent Member

- add a defined term “NSCC” in Rule 1 as the term is currently used in a number of places in the Rules to describe NSCC
- add a defined term “SEC” in Rule 1 for the Securities Exchange Commission and replace “Securities Exchange Commission,” “U.S. Securities and Exchange Commission” and “Commission” with the defined term in a number of places in the Rules
- change reference of “Non-U.S.” to “non-U.S.” in a footnote in Rule 2A to reflect that Non-U.S. is not a defined term
- use the existing defined term “NSCC Website” rather than other descriptions of the NSCC Website such as the “Corporation’s Website” and “Website” in Section 2 of Rule 2B and “website” and “NSCC’s Website” in Section 7 of Rule 45; remove a duplicative definition of NSCC Website in Section 7 of Rule 45
- capitalize “corporation” in Section 4 of Rule 7 to reflect the existing defined term
- use the existing defined term “CFTC” in place of “Commodity Futures Trading Commission” in Section 6 of Rule 7 and in place of “Commodities Futures Trading Commission” in, Section (b) of Rule 49
- change “Guidelines” to “guidelines” in Section 2(b)(vii) of Rule 15 to reflect that Guidelines is not a defined term

- change references to “Time of Insolvency” to “time of insolvency” in Section 4 of Rule 45 to reflect that the term is not defined in the Rules
- capitalize “rules” in Section 7 of Rule 45 and in Section C(3) of Rule 52 to reflect the existing defined term
- change “Fund/Serv Eligible Fund” to “Fund/SERV Eligible Fund” in Section 12 of Rule 50 to reflect the correct capitalization of the defined term
- replace “the Fund/SERV Service” with “Fund/SERV” in a footnote in Section A.2 of Rule 52 and Section A.10 of Rule 52 to reflect that the defined term Fund/SERV is referring to the Fund/SERV service
- remove references of “NSCC” and “NSCC full service” before “Members” and “Member” in Section 1 of Rule 54 and Section A of Procedure XVII as they are unnecessary
- capitalize “balance” in the phrase “Net Debit balance” and capitalize “net credit balance” and “net debit balance” in Section 2 of Rule 55 to reflect the existing defined terms
- capitalize the words “registered clearing agencies” in a number of places in Section VII of Addendum A to reflect the existing defined term
- replace “Investment Company” with “investment company” in Section 1.A(v) of Addendum B to reflect that it is not a defined term
- replace “Principal Underwriter” with “principal underwriter” in Section 3.A(i) of Addendum B to reflect that it is not a defined term
- replace “Investment Company” with “investment company” in Section

- 3.A(ii) of Addendum B to reflect that it is not a defined term
- replace “Investment Adviser” with “investment adviser” in Section 3.A(iii) of Addendum B to reflect that it is not a defined term
- replace “Services” with “services” in Section 3.A(vi) of Addendum B to reflect that it is not a defined term
- replace “Investment Company” with “investment company” in Section 5.A(v) of Addendum B to reflect that it is not a defined term
- replace “Principal Underwriter” with “principal underwriter” in Section 6.A(vi) of Addendum B to reflect that it is not a defined term
- replace “Investment Adviser” with “investment adviser” in Section 6.A(vii) of Addendum B to reflect that it is not a defined term
- capitalize the word “system” in the reference to “Federal Reserve system” in Section 10.A.(iii) of Addendum B to be consistent with the use of the reference to Federal Reserve System in other sections of the Rules
- add “of 1940, as amended” after Investment Company Act in Section 10.A(vi) of Addendum B to reflect that it is not a defined term
- replace “registered clearing agencies” and “SEC registered clearing agencies” with “Registered Clearing Agencies” in Addendum L to reflect that it is a defined term
- add a definition of “AML” in Addendum O to clarify that AML refers to Anti-Money Laundering

**(ii) *Proposal to make certain clarifications in the Rules***

NSCC is proposing to make the following changes in the Rules to better clarify

the meaning of certain provisions and the usage of certain defined terms:

- change “acting on delegated authority” to “acting under delegated authority” in the definition of “Board” and “Board of Directors” in Rule 1 to reflect the more common phraseology
- clarify that the NSCC Website may include DTCC’s website in the definition of “NSCC Website” in Rule 1
- remove “decline or” or “declined or” in each instance where the phrase “decline or cease to act” or “declined or ceased to act” is used in a number of places in the Rules to reflect that declining to act is not different from ceasing to act in the context used in the Rules
- add “and set forth in these Rules & Procedures” in the definition of “Procedures” to clarify that the defined term Procedures is referring to the Procedures set forth in the NSCC Rules & Procedures
- make “General Rules and Regulations” lowercase in the definition of “Security” in Rule 1 to reflect that it is not a defined term and add “promulgated” to reflect that it is referring to general rules and regulations promulgated under the Exchange Act
- replace “Corporation” with “entity” in two places in Section 1(G)(v) of Rule 2A to reflect that the phrase is referring to any entity that engages in clearance and settlement activities and not to NSCC
- replace the phrase “SEC Rule 17a-11” with “Rule 17a-11 of the Exchange Act” in Section 2.A(b) of Rule 2B to reflect that it is referring to Rule 17a-11 promulgated under the Exchange Act

- replace a reference to the “Securities and Exchange Commission” with “Exchange Act” in Section 1(a) of Rule 3 to clarify that Rule 10b-17 is referring to Rule 10b-17 promulgated under the Exchange Act
- add Mutual Fund/Insurance Services Members and AIP Members as Limited Members that are required to file signatures in Section 2 of Rule 5 in order to formalize that NSCC requires those Limited Members to file signatures in the same manner as the other Members and Limited Members listed in that section
- replace the heading “Sec” with “SEC” in Section 4 of Rule 9 to conform to usage of section references in other Rules
- remove the word “for” in Section 1(a) of Rule 11 as it is unnecessary
- change the phrase “information and otherwise” to “information or otherwise” in Section 4 of Rule 15 to reflect that the phrase is intended to mean that a participant could be subject to a fine for failure to furnish information or for failure to otherwise comply with the requirements of Rule 15
- capitalize “important notice” in Section 3 of Rule 18 to conform to other usage of that term in the Rules
- replace “Commission Rules 8c-1 and 15c2-1” with “Rules 8c-1 and 15c2-1 of the Exchange Act” in Section 8(b) of Rule 18 to reflect that it is referring to rules promulgated under the Exchange Act
- change the reference of the title “Vice President” to “Executive Director” in Rule 23 to reflect that NSCC changed the title of Vice President to

Executive Director<sup>6</sup>

- clarify in Rule 26 that fee descriptions and charges are set forth in Addendum A by adding the following sentence: “Please refer to Addendum A (Fee Structure) for fee descriptions and charges.”
- clarify in Rule 35 that the financial statements provided by NSCC are U.S. GAAP financial statements and that the audited financial statements include the independent auditors’ report on the financial statements
- replace “close” with “last day” in two places in Rule 35 to clarify that the close of each fiscal quarter is meant to be the last day of each fiscal quarter
- add “or Procedure” in Rule 36 to clarify that NSCC will notify Members, Limited Members and Registered Clearing Agencies of proposals to change, revise, add or repeal any Procedure as well as any Rule
- clarify in Rule 36 that NSCC will notify Members, Limited Members and Registered Clearing Agencies of any rule change proposals to any Rule or Procedure by posting the proposal on the NSCC Website
- replace “five” with “5” in Sections 1 and 3 of Rule 37 to conform to other descriptions of the number of business days in Rule 37
- add “decision” after “Panel’s” in Section 7 of Rule 37 to clarify that in

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<sup>6</sup> In 2018, the Securities and Exchange Commission (“Commission”) approved NSCC’s proposed rule change to amend NSCC’s By-Laws to, among other things, change the title of “Vice President” to “Executive Director.” Securities Exchange Act Release No. 82916 (March 20, 2018), 83 FR 12974 (March 26, 2018) (SR-NSCC-2018-001).

subsection (iii) an action or proposed action shall be deemed final if a hearing has been held when the Corporation gives notice to the Interested Person of the Panel's decision

- change a reference of “Rules, Procedures” in Rule 38 to “Rules and Procedures” to conform the phrase to other instances in the Rules and add a comma after the phrase for grammatical effect
- remove the references to NSCC delivering notice to an Interested Person's box maintained on NSCC's premises in Section 1 of Rule 45 because NSCC does not maintain boxes for Members, Limited Members or applicants
- add a heading title “E. MF Info Xchange” and place the MF Info Xchange description under the heading and remove the subsection reference “SEC 6.” in Rule 52 in order to reflect that MF Info Xchange is a separate service from Mutual Fund Profile Service<sup>7</sup>
- replace “Securities and Commission Rule 15c3-3” with “Rule 15c3-3 of the Exchange Act” in Section 9(b)(vi) of Rule 53 to reflect that it is referring to a rule promulgated under the Exchange Act
- replace “Securities and Commission Rule 17a-3” with “Rule 17a-3 of the Exchange Act” in Section 9(c)(ii) of Rule 53 to reflect that it is referring to

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<sup>7</sup> MF Info Xchange was added to the Rules in 2018 as an enhancement of the Mutual Fund Profile Service. Securities Exchange Act Release No. 84611 (November 16, 2018), 83 FR 59427 (November 23, 2018) (SR-NSCC-2018-010). Although it is still integrated with the Mutual Fund Profile Service, NSCC would like to market MF Info Xchange as a separate service and not just a function of the Mutual Fund Profile Service.

a rule promulgated under the Exchange Act

- remove references to settlement of payments in Section 4 of Rule 57 as NSCC stopped settlement with respect to Licensing and Appointments in 2012<sup>8</sup>
- replace “SEC Rule 15c3-3” with “Rule 15c3-3 of the Exchange Act” in Section E(5) of Procedure VII to reflect that it is referring to a rule promulgated under the Exchange Act
- replace “SEC Rule 15c3-3(d)(1)” with “Rule 15c3-3(d)(1) of the Exchange Act” in Section E(5) of Procedure VII to reflect that it is referring to a rule promulgated under the Exchange Act
- replace “NSCC’s Rule & Procedures” with “these Rules and Procedures” in Section D.2 of Procedure VIII to conform to usage throughout the Rules
- remove “NSCC’s” and “NSCC” before Settling Banks in Section D.2 of Procedure VIII as the reference is unnecessary
- replace “SEC Rule 15c3-1(a)(8)” with “Rule 15c3-1(a)(8) of the Exchange Act” in Section 1.B.1 of Addendum B to reflect that it is referring to rules promulgated under the Exchange Act
- remove “it is” in Section 6.A(v) of Addendum B as it is unnecessary
- remove “it is” in Section 6.A(xi) of Addendum B as it is unnecessary
- add “(as defined in Rule 53)” in Section 10.A(xi) of Addendum B to

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<sup>8</sup> NSCC removed the settlement function of Licensing and Appointments in 2012 because it was not being used by Members or Limited Members but the references were not removed from the Rules at that time.



reflect that AIP Manufacturer is defined in Rule 53

- replace “under Section 4 of this Rule” with “in Rule 53” in Section 10.A(xi) of Addendum B to reflect that Eligible AIP Products is defined in Rule 53
- replace “SEC Rule 15c3-3” with “Rule 15c3-3 of the Exchange Act” in Section I of Addendum G to reflect that it is referring to a rule promulgated under the Exchange Act
- add “of the Exchange Act” following Rule 19(b) in Addendum L to reflect that it is a rule promulgated under the Exchange Act
- change references of “Non-US” to “non-U.S.” in Addendum O to reflect that Non-US is not a defined term
- change reference of “Standard Requirements” to “standard requirements” in Addendum O to reflect that the term is not defined in the Rules
- change reference of “US Entities” to “U.S. entities” in Addendum O to reflect the correct abbreviation for U.S. and to reflect that entities is not defined in the Rules
- change a reference from “the Corporation” to “NSCC” in Addendum O to be consistent with other references to NSCC in Addendum O and to reflect the proposed defined term NSCC

***(iii) Proposal to make certain technical changes in the Rules***

NSCC is proposing to make the following technical changes in the Rules to better clarify the meaning of certain provisions and to be consistent with other provisions in the Rules:

- conform the use of dashes in Section 2 of Rule 2
- delete the parentheses in references to “Rule 4(A)” in Rule 4(A) to conform to titles of other Rules
- conform the use of the abbreviation “SEC” for “Section” or to identify the sections in Rules 42, 44 and 60 and the use of letters to identify subsections in Section 4 of Rule 60 to be consistent with other Rules
- delete the parentheses in the titles of Rule 40, Rule 41 and Rule 60 to conform to titles in other Rules
- add tabs to the paragraphs in Rule 54 to conform with formatting in other Rules
- replace “Section XII” with “Procedure XIII” in Procedure I to reflect that Procedure XIII contains the definitions referred to in that paragraph
- remove a duplicative use of the word “plus” prior to subsection I.(A)(1)(d) of Procedure XV
- replace the subsection reference (i) with (h) in I.(A)(1) of Procedure XV
- replace the subsection reference (g) with (f) in I.(A)(2) of Procedure XV
- replace “Rule 2A, Section 4 (Ongoing Monitoring (Surveillance Status))” with “Rule 2B, Section 4 (Ongoing Monitoring)” in a footnote in Addendum B as that section is referring to Rule 2B, Section 4
- delete the incorrect use of an apostrophe in Addendum J
- remove a reference to item “seven” in Addendum P as there is no item seven in Addendum P

*(iv) Proposal to add a disclaimer regarding trademarks and servicemarks in the Rules*

NSCC is proposing to add a disclaimer in a footnote to Rule 1 regarding trademarks and servicemarks that appear or may appear in the future in the Rules. NSCC has adapted the disclaimer that appears in the Terms of Use page on The Depository Trust & Clearing Corporation's ("DTCC") website for this purpose. The disclaimer would state that (i) all products and services provided by NSCC referenced in the Rules are either registered trademarks or servicemarks of, or trademarks or servicemarks of, DTCC or its affiliates, and (ii) other names of companies, products or services appearing in the Rules are the trademarks or servicemarks of their respective owners.

While certain terms that are registered trademarks are denoted with a TM or a ® in the Rules, NSCC believes that the addition of this disclaimer provides additional protection to the marks of DTCC and/or its affiliates as well as the marks of third parties.

**(v) *Proposal to change certain notice provisions relating to rule changes.***

NSCC is proposing to delete a requirement in Rule 33 that Members and Limited Members be given 10 business days' notice of any proposed amendment to the Procedures. NSCC is also proposing to replace "immediately" with "promptly" in Rule 36 in order to provide that NSCC will promptly—but might not immediately—notify Members and Limited Members of any proposed rule changes. NSCC believes that the foregoing requirements are not necessary or practical because, as explained below, Members and Limited Members are already provided adequate notice of any changes or proposed changes to NSCC's Rules or Procedures through the rule change process.

As a clearing agency registered with the Commission, the Securities Exchange Act of 1934 (the "Act") provides a clear framework under which NSCC's Rules are adopted and enforced. Under the rule change process, generally, before a proposed rule

change may take effect, (i) the change and an explanatory statement must be filed with the Commission and posted by NSCC on the NSCC Website, (ii) notice of the filing and the substantive terms or description of the change must be published by the Commission in the *Federal Register* for public review and comment, and (iii) the Commission must approve the change (or the change must otherwise be permitted to take effect). NSCC's Rules are filed with and reviewed by the Commission. As a clearing agency registered under Section 17A of the Act,<sup>9</sup> a self-regulatory organization subject to Section 19 of the Act,<sup>10</sup> and a systemically important financial market utility under Title VIII of Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"),<sup>11</sup> NSCC is required to follow: (1) a specified process<sup>12</sup> whenever it proposes a new rule or a change or amendment to its Rules and (2) a specified process<sup>13</sup> whenever it proposes to make a change to its rules, procedures or operations that could materially affect the nature or level of risks presented by NSCC.

These rule change processes provide notice to Members and Limited Members and provide an opportunity for those parties to comment on such changes. Rule 19b-4 under the Act requires that NSCC post any rule change proposals on its website within

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<sup>9</sup> 15 U.S.C. 78q-1.

<sup>10</sup> 15 U.S.C. 78s.

<sup>11</sup> 12 U.S.C. 5465(e)(1).

<sup>12</sup> This process is set forth in Section 19(b) of the Act and Rule 19b-4 thereunder. 15 U.S.C. 78s(b) and 17 CFR 240.19b-4.

<sup>13</sup> This process is set forth in Section 806(e) of Dodd-Frank and Rule 19b-4 thereunder. 12 U.S.C. 5465(e) and 17 CFR 240.19b-4.

two business days after the filing of a proposed rule change,<sup>14</sup> post any rule changes that are approved by the Commission within two business days after it has been notified of the Commission's approval<sup>15</sup> and post any rule change within two business days of the Commission's notice of such proposed change for rule changes that are effective upon filing.<sup>16</sup> NSCC complies—and will continue to comply—with such notice requirements which it believes are adequate.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>17</sup>

NSCC believes that the proposed changes to (i) correct or clarify the use of certain defined terms in the Rules, (ii) make certain clarifications in the Rules, (iii) make certain technical changes to the Rules and (iv) add a disclaimer regarding trademarks and servicemarks in the Rules are consistent with Section 17(A)(b)(3)(F) of the Act<sup>18</sup> because such changes would enhance the clarity and transparency of the Rules. By enhancing the clarity and transparency of the Rules, the proposed changes would allow Members and Limited Members to more efficiently and effectively conduct their business in accordance with the Rules, which NSCC believes would promote the prompt and accurate clearance and settlement of securities transactions. As such, NSCC believes that

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<sup>14</sup> 17 CFR 240.19b-4(l).

<sup>15</sup> 17 CFR 240.19b-4(m)(2).

<sup>16</sup> Id.

<sup>17</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>18</sup> Id.

the proposed changes would be consistent with Section 17A(b)(3)(F) of the Act.<sup>19</sup>

NSCC believes that the proposed changes would enhance the efficiency of NSCC's process for notifying its Members and Limited Members about changes to its Rules and Procedures. As discussed above in detail, NSCC believes that Members and Limited Members are already provided adequate notice of any rule changes, including changes to its Procedures, through the rule change process. As such, the requirements for NSCC to immediately provide notice of any proposal it has made to change any Rule and to provide ten Business Days' notice of any proposed amendment to the Procedures are impractical and unnecessary and therefore can negatively impact the efficiency of the process. Specifically, because NSCC is already subject to—and complies with—the timeframes required by the Act and Dodd Frank, NSCC believes that self-imposed requirements to provide notice more quickly (in the case of proposed rule changes) or farther in advance (in case of changes to Procedures) than what is required by statute is unnecessary. In addition, NSCC believes that the requirements are impractical because (i)(x) the requirement to immediately give notice requires NSCC to coordinate an almost simultaneous submission of a proposed rule filing and notification to Members and Limited Members, and (y) Members and Limited Members would not be prejudiced by the delta between immediately and promptly; and (ii) the requirement to provide Members and Limited Members notice of changes to Procedures ten Business Days in advance, especially when such parties already receive adequate notice of the changes, could cause delays in the rule filing process and/or the implementation of an amended rule and procedure. Accordingly, NSCC believes that, by removing unnecessary and

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<sup>19</sup> Id.

impractical timing requirements for notice, the proposed rule change is designed to enhance the efficiency of NSCC's notice process and implementation of the amended Rules and Procedures, thereby promoting the prompt and accurate clearance and settlement of securities transactions, as provided under such amended Rules and Procedures. As such, NSCC believes that the proposed changes would be consistent with Section 17A(b)(3)(F) of the Act.<sup>20</sup>

(B) Clearing Agency's Statement on Burden on Competition

NSCC does not believe the proposed rule changes to (i) correct or clarify the use of certain defined terms in the Rules, (ii) make certain clarifications in the Rules, (iii) make certain technical changes to the Rules, (iv) add a disclaimer regarding trademarks and servicemarks in the Rules and (v) change certain notice provisions relating to rule changes would impact competition. The proposed rule changes described in (i) – (iv) above would merely enhance the clarity and transparency of the Rules and would not affect NSCC's operations or the rights and obligations of the membership. While the proposed changes to the notice provisions described in (v) above would impact the rights and obligations of the Members and Limited Members to receive notices more quickly (in the case of proposed rule changes) or farther in advance (in case of changes to Procedures) than what is required by statute, the impact of the proposed changes on the Members and Limited Members would be minimal. As discussed above, NSCC believes that the proposed changes to the notice provisions are removing unnecessary and impractical timing requirements for notices, and Members and Limited Members would continue to receive adequate notice under the rule change process and continue to be

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<sup>20</sup>

Id.

treated equally with respect to such notices. As such, NSCC believes the proposed rule changes would not have any impact on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

NSCC has not received or solicited any written comments relating to this proposal. NSCC will notify the Commission of any written comments received by NSCC.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>21</sup> of the Act and paragraph (f)<sup>22</sup> of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form

(<http://www.sec.gov/rules/sro.shtml>); or

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<sup>21</sup> 15 U.S.C 78s(b)(3)(A).

<sup>22</sup> 17 CFR 240.19b-4(f).



- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2021-006 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-NSCC-2021-006. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<https://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2021-006 and should be submitted on or before [insert date 21 days from publication in the Federal

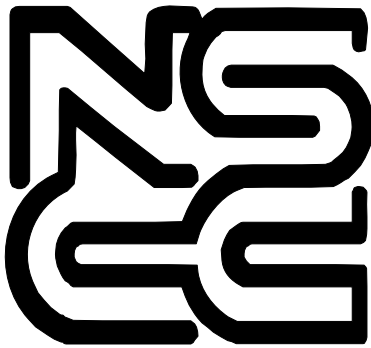
Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

Secretary

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<sup>23</sup> 17 CFR 200.30-3(a)(12).



NATIONAL  
SECURITIES  
CLEARING  
CORPORATION

**RULES & PROCEDURES**

TEXT OF PROPOSED RULE CHANGE

**Bold and underlined text** indicates proposed added language.

**~~Bold and strikethrough text~~** indicates proposed deleted language.

## RULE 1. DEFINITIONS AND DESCRIPTIONS\*

Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules and Procedures, have the meanings herein specified.

\*\*\*\*

### *Actual Deposit*

The term “Actual Deposit” has the meaning specified in Rule 4.

### **Affiliate**

**The term “Affiliate” means a Person that controls or is controlled by or is under common control with another Person. Control of a Person means the direct or indirect ownership or power to vote more than 50% of any class of the voting securities or other voting interests of any Person.**

\*\*\*\*

### **Board or Board of Directors**

The terms **“Board” or “Board of Directors”** means the Board of Directors ~~or “Board”~~ of National Securities Clearing Corporation, or a committee thereof, acting ~~on~~ **under** delegated authority.

\*\*\*\*

### *Business Day*

The term **“Business Day”** means any day on which the Corporation is open for business. However, on any **Business Day** that banks or transfer agencies in New York State are closed or a Qualified Securities Depository is closed, no deliveries of securities and no payments of money shall be made through the facilities of the Corporation.

\*\*\*\*

### *Closing Position*

The term “Closing Position” means the Long Position or the Short Position of a Member in a security at the close of business on any **Business Day**.

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\* **All products and services provided by the Corporation referenced in these Rules are either registered trademarks or servicemarks of, or trademarks or servicemarks of, The Depository Trust & Clearing Corporation or its affiliates. Other names of companies, products or services appearing in these Rules are the trademarks or servicemarks of their respective owners.**

\*\*\*\*

### *Current Market Price*

The term “Current Market Price” means the price for a security determined daily by the Corporation for the purposes of the CNS System. Such price shall be closing price of such security on the principal stock exchange on which such security is listed on the last previous day on which there were trades on such exchange in such security, or if the security is not listed on a national securities exchange, in such market as the Corporation shall deem appropriate, for trades on the **Bb**usiness **Dd**ay prior to the day such price is used. If no last sale price is available for the **Bb**usiness **Dd**ay prior to the day such price is used, then such price shall be such price as the Corporation shall deem appropriate.

\*\*\*\*

### *Event Period*

The term “Event Period” has the meaning specified in Rule 4.

### **Exchange Act**

**The term “Exchange Act” means the Securities Exchange Act of 1934, as amended.**

### *Family-Issued Security*

The term “Family-Issued Security” means a security that was issued by a Member or an **affiliateAffiliate** of that Member.

\*\*\*\*

*Fund/SERV Member - (See “Fund Member”)*

### **GAAP**

**The term “GAAP” means generally accepted accounting principles, consistently applied.**

### *Gross Credit Balance*

The term “Gross Credit Balance” for a **Bb**usiness **Dd**ay as used in respect of a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member means the aggregate amount of money the Corporation credits to the Member’s, Mutual Fund/Insurance Services Member’s, Insurance Carrier/Retirement Services Member’s or Fund Member’s account pursuant to these Rules on such **Bb**usiness **Dd**ay without accounting for any amount of money the Corporation debits or charges to such participant’s account pursuant to these Rules for

such **Bb**usiness **Dd**ay. The contribution of a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member to the Clearing Fund from time to time does not constitute part of such participant's Gross Credit Balance.

### *Gross Debit Balance*

The term "Gross Debit Balance" for a **Bb**usiness **Dd**ay as used in respect of a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member means the aggregate amount of money the Corporation debits or charges to the Member's, Mutual Fund/Insurance Services Member's, Insurance Carrier/Retirement Services Member's or Fund Member's account pursuant to these Rules on such **Bb**usiness **Dd**ay without accounting for any amount of money the Corporation credits to such participant's account pursuant to these Rules for such **Bb**usiness **Dd**ay. Any obligation of a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member to contribute, or make up a deficit in its contribution, to the Clearing Fund does not constitute part of such participant's Gross Debit Balance.

\*\*\*\*

### *Illiquid Security*

The term "Illiquid Security" means a security that either

- (i) is not listed on a specified securities exchange (defined below), as determined on a daily basis;
- (ii) is listed on a specified securities exchange and, as determined on a monthly basis, (a)(i) its market capitalization is considered a micro-capitalization as of the last **Bb**usiness **Dd**ay of the prior month or (ii) it is an American depositary receipt and (b) the median of its calculated illiquidity ratio (defined below) of the prior six months exceeds a threshold that will be determined by the Corporation on a monthly basis that is based on the 99th percentile of the illiquidity ratio of all non-micro-capitalization common stocks over the prior six months; or
- (iii) is listed on a specified securities exchange, and, as determined on a monthly basis, has fewer than 31 **Bb**usiness **Dd**ays of trading history over the past 153 **Bb**usiness **Dd**ays on such exchange.

For purposes of this definition,

- (i) a "specified securities exchange" is a national securities exchange that has established listing services and is covered by industry pricing and data vendors.
- (ii) a security's market capitalization shall be considered micro-capitalization if

its capitalization is below a threshold to be determined by the Corporation from time to time. The Corporation will set the micro-capitalization threshold at a level that the Corporation determines indicates that securities with such capitalization exhibit illiquid characteristics based on its regular review of margining methodologies. Initially, the capitalization threshold shall be \$300 million and may be updated from time to time as announced by Important Notice. For purposes of this criterion, NSCC would calculate the product of the outstanding shares and market price with respect to a security on a daily basis. Each month, NSCC would use the average of those calculations over the prior month to determine market capitalization with respect to a security.

- (iii) the “illiquidity ratio” of a security on any day is equal to (i) the price return of such security on such day (based on the natural logarithm of the ratio between the closing price of the security on such day to the closing price of the security on the prior trading day) divided by (ii) the average daily trading amount<sup>1</sup> of such security over the prior 20 ~~B~~business ~~D~~days.<sup>2</sup>

\*\*\*\*

#### *Investment Manager/Agent Member*

The term “Investment Manager/Agent Member” ~~(or IMA Member)~~ means any Person who is specified in Section 2. (ii)(j) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

\*\*\*\*

#### *Municipal Comparison Only Member*

The term “Municipal Comparison Only Member” means any municipal securities broker or municipal securities dealer, as defined in Section 3(a)(30) and 3(a)(31) respectively, of the ~~Securities Exchange Act of 1934, as amended~~, who is specified in Section 2.(ii)(d) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

#### *Municipal Securities Brokers’ Broker*

The term “Municipal Securities Brokers’ Broker” means any municipal securities broker as defined in Rule 15c3-1(a)(8)(ii) of the ~~Securities Exchange Act of 1934, as amended~~.

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<sup>1</sup> The daily trading amount equals the daily trading volume multiplied by the end of day price.

<sup>2</sup> Securities that are exchange-traded products or American depositary receipts are not included when calculating the illiquidity ratio threshold. In addition, if the Corporation is unable to retrieve data to calculate the illiquidity ratio for the median illiquidity ratio for a security on any day, the Corporation will use a default value for that day for purposes of the calculation for the security (i.e., the security would essentially be treated as illiquid for that day).

\*\*\*\*

### *Net Credit Balance*

The term “Net Credit Balance” for a **B**usiness **D**ay as used with respect to a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member means the amount by which its Gross Credit Balance for such **B**usiness **D**ay exceeds its Gross Debit Balance on such **B**usiness **D**ay.

### *Net Debit Balance*

The term “Net Debit Balance” for a **B**usiness **D**ay as used with respect to a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member means the amount by which its Gross Debit Balance for such **B**usiness **D**ay exceeds its Gross Credit Balance on such **B**usiness **D**ay.

\*\*\*\*

## **NSCC**

**The term “NSCC” means National Securities Clearing Corporation.**

### *NSCC Website*

The term “NSCC Website” means any URL (Uniform Resource Locator) designated by the Corporation from time to time **which may include DTCC’s website at <https://www.dtcc.com>**.

\*\*\*\*

### *Procedures*

The term “Procedures” means the Procedures of the Corporation adopted pursuant to Rule 33 **and set forth in these Rules & Procedures.**

\*\*\*\*

### *Registered Broker-Dealer*

The term “Registered Broker-Dealer” means a broker or dealer registered under the **Securities Exchange Act of 1934, as amended.**

### *Registered Clearing Agency*

The term “Registered Clearing Agency” means a clearing agency as defined in Section 3(a)(23) of the **Securities Exchange Act of 1934, as amended** which has been registered by the **Securities and Exchange Commission** **SEC** pursuant to the provisions of Section 19(a) of the **Securities Exchange Act of 1934, as amended.**



\*\*\*\*

*RVP/DVP Customer*

The term “RVP/DVP Customer” means a party who has executed a RVP/DVP Transaction with a Member for whom the Corporation has ~~declined or~~ ceased to act, or with an introducing broker who clears through a Member for whom the Corporation has ~~declined or~~ ceased to act.

\*\*\*\*

**SEC**

**The term “SEC” means the Securities and Exchange Commission.**

*Security*

The term “security” shall have the meaning given that term in the ~~Securities~~-Exchange Act ~~of 1934, as amended~~, and the ~~G~~eneral ~~R~~ules and ~~R~~egulations promulgated thereunder. The term “securities” shall mean more than one security.

\*\*\*\*

*Settlement Day*

The term “settlement day” means any ~~B~~usiness ~~D~~ay on which banks and transfer agencies in New York State are open and on which deliveries of securities and payments of money may be made through the facilities of the Corporation.

\*\*\*\*

*Statutory Disqualification*

The term “Statutory Disqualification” shall have the meaning given that term in Section 3(a)(39) of the ~~Securities~~-Exchange Act ~~of 1934, as amended~~.

\*\*\*\*

RULE 2. MEMBERS AND LIMITED MEMBERS

\*\*\*\*

SEC. 2. Membership Types

\*\*\*\*

- (c) Insurance Carrier/Retirement Services Member =  
Participates in the Corporation’s Insurance and Retirement

Processing Services as provided for in Rule 57.

\*\*\*\*

(e) Mutual Fund/Insurance Services Member =

Participates in the Corporation's Mutual Fund Services and Insurance and Retirement Processing Services as provided for in Rules 52 and 57.

(f) Settling Bank Only Member =

Undertakes to perform settlement services with respect to transactions or matters covered by these Rules on behalf of Members, Fund Members, Mutual Fund/Insurance Services Members and Insurance Carrier/Retirement Services Members.

(g) Third Party Administrator Member =

Participates in the Corporation's Mutual Fund Services for the purpose of communicating order, redemption or other information on behalf of a retirement or other benefit plan.

(h) AIP Member =

Participates in the Corporation's AIP Services as provided in Rule 53.

(i) AIP Settling Bank Only Member =

Undertaken to perform settlement services with respect to AIP Settlement on behalf of AIP Members and/or AIP Non-Member Funds.

(j) Investment Manager/Agent (~~“IMA”~~) Member =

Participates in the Corporation's Mutual Fund Services as or on behalf of one or more investment managers to a managed account or similar program.

(k) Third Party Provider Member =

Participates in the Corporation's Mutual Fund Services as a routing platform for financial intermediaries.

\*\*\*\*

## RULE 2A. INITIAL MEMBERSHIP REQUIREMENTS

### SEC. 1. ELIGIBILITY FOR MEMBERSHIP

\*\*\*\*

#### B. Membership Standards

The Corporation shall approve a membership application only upon a determination by the Corporation that the applicant meets the qualifications and financial, operational and other standards applicable to its membership type as set forth in Addendum B of these Rules, or such other qualifications and standards as the Corporation may promulgate.<sup>3</sup> In addition, with regard to any applicant that shall be an FFI Member, such applicant must be FATCA Compliant.

\*\*\*\*

#### E. Membership and Other Agreements

\*\*\*\*

(k) That its books and records<sup>4</sup> shall at all times be open to the inspection of the duly authorized representatives of the Corporation, and that the Corporation shall be furnished with all such information in respect of the participant's business and transactions as it may require, provided that if the participant shall cease to be a participant, the Corporation shall have no right to inspect the participant's books and records or to require information relating to transactions

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<sup>3</sup> Pursuant to its authority, the Corporation has established (i) a policy statement on the admission of **Non**-U.S. entities as Members, Mutual Fund/Insurance Services Members, Fund Members and Insurance Carrier/Retirement Services Members, which policy statement is set forth as Addendum O to these Rules and (ii) guidelines with regard to character and other considerations that are reflected in subsection G of this Rule.

<sup>4</sup> With respect to Fund Members, the applicant shall agree that the Fund Member's books and records and, to the extent the applicant is not a management company, the books and records of each management company affiliated with the applicant and, with respect to Fund/SERV Eligible Funds that are not investment companies regulated under the Investment Company Act of 1940, as amended, the books and records of any entity affiliated or having any regulatory connection with the fund, shall at all times be open to inspection by the duly authorized representatives of the Corporation and that the Corporation shall be furnished with all such information in respect of its business and transactions as the Corporation may require; provided that if it shall cease to be a Fund Member, the Corporation shall have no right to inspect its books and records, or the books and records of each such management company and/or entity affiliated or connected with the fund, as the case may be, or to require information relating to transactions wholly subsequent to the time when it ceased to be a Fund Member.

wholly subsequent to the time when the participant ceases to be such;<sup>5</sup> and

\*\*\*\*

In addition to the above:

1. Members:

Members that are Municipal Securities Brokers' Broker sponsored account applicants shall sign and deliver to the Corporation an agreement in writing whereby the applicant shall agree that (i) if securities received on a ~~B~~**business D**day are pledged prior to money settlement on that ~~B~~**business D**day, the Corporation shall be paid directly by the pledgee bank the amount the applicant is required to pay for the securities received or the applicant's net settlement obligation for that ~~B~~**business D**day, whichever is less; and (ii) no securities received on a ~~B~~**business D**day through a qualified securities depository shall be placed in transfer, withdrawn or delivered to a third party for no value prior to paying the Corporation the amount the applicant is obligated to pay for the receipt of the securities or the applicant's net settlement obligation for that ~~B~~**business D**day, whichever is less.

\*\*\*\*

G. Disqualification Criteria

\*\*\*\*

(v) the applicant has been expelled or suspended from or had its participation terminated by a national securities association or exchange registered under the Exchange Act, or self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act, or ~~a Corporation~~**an entity** that engages in clearance and settlement activities or a securities depository, or has been barred or suspended from being associated with any member of such an exchange, association, organization, ~~entity~~**Corporation**, or securities depository.

\*\*\*\*

RULE 2B. ONGOING MEMBERSHIP REQUIREMENTS AND MONITORING

\*\*\*\*

SEC. 2. DATA TO BE FILED WITH THE CORPORATION

A. Reports and Information

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<sup>5</sup> This provision is not applicable to DSO Members, **IMA Investment Manager/Agent** Members, TPP Members or TPA Members.

Each Member, Mutual Fund/Insurance Services Member, Fund Member, and Insurance Carrier/Retirement Services Member (each hereinafter in this rule referred to collectively as “participants”) shall submit to the Corporation the following reports and information as applicable to such participant, together with all addenda and amendments applicable thereto, within the time periods prescribed by the Corporation from time to time. (Unless specifically set forth below, the time periods prescribed by the Corporation are set forth in the form of notices posted at the **Corporation’s NSCC Website**. Pursuant to Section 7 of Rule 45, it is the participant’s responsibility to retrieve all notices daily from the **NSCC Website**):

\*\*\*\*

(b) with respect to a participant that is a broker or dealer registered under Section 15 of the Exchange Act, a copy of its: (i) Form X-17-A-5 (Financial and Operational Combined Uniform Single (“FOCUS”) Report); (ii) report of its independent auditors on internal controls; and (iii) any supplemental report required to be filed with the SEC pursuant to **SEC Rule 17a-11 of the Exchange Act** or 17 C.F.R. Section 405.3, or any successor rules or regulations thereto;

\*\*\*\*

#### B. Notification of Changes in Condition

(a) Each Member, Mutual Fund/Insurance Services Member, Fund Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, AIP Member and Data Services Only Member shall:

- (i) promptly inform the Corporation, within two **Bb**business **Dd**days, both orally and in writing, if it is no longer in compliance with any of the relevant qualifications and standards for membership set forth in these Rules as applicable to its type of membership (regardless of whether in effect at the time the participant was admitted), or with respect to any additional qualifications as required by the Corporation in connection with approval of its admission to, or continued participation in, the Corporation, including in the event of the participant becoming subject to a Statutory Disqualification. Such notification must be given by the participant as soon as practicable and in any event must be received by the Corporation within two **Bb**business **Dd**days from the date on which the participant first learns of its non-compliance;

\*\*\*\*

#### SEC. 5. VOLUNTARY TERMINATION

\*\*\*\*

Such termination will not be effective until accepted by the Corporation, which shall be no later than ten (10) ~~B~~**business** ~~D~~**days** after the receipt of the Voluntary Termination Notice from such participant. The Corporation's acceptance shall be evidenced by a notice to the Corporation's participants announcing the participant's termination and the last trade date for the participant. The effective date of the participant's termination shall be the final settlement date of all transactions of the participant (the "Termination Date"). After the close of business on the Termination Date, a participant that terminates its membership in the Corporation shall no longer be eligible or required to submit transactions to the Corporation for clearance and settlement, unless the Board determines otherwise in order to ensure an orderly liquidation of the participant's open obligations. If any transaction is submitted to the Corporation by such participant that is scheduled to settle after the Termination Date, such participant's Voluntary Termination Notice will be deemed void, and the participant will remain subject to these Rules and Procedures as if it had not given such Voluntary Termination Notice.

\*\*\*\*

### RULE 3. LISTS TO BE MAINTAINED

SEC. 1. (a) The Corporation shall maintain a list of the securities which may be the subject of contracts cleared through the Corporation (hereinafter referred to as "Cleared Securities"), and may from time to time add securities to such list or remove securities therefrom. Unless the Corporation shall otherwise determine, Cleared Securities may only be those issues of securities the issuer of which is subject to, or regularly complies with, Rule 10b-17 of the ~~Securities and Exchange Commission~~**Exchange Act**, promulgated pursuant to the ~~Securities~~**Exchange Act of 1934, as amended**. The Corporation shall accept an issue of securities as a Cleared Security only upon a determination by the Corporation that it has the existing operational capability to do so and to continue successfully to provide its services to Members.

A Cleared Security that the Corporation in its discretion determines no longer meets the requirements imposed pursuant to this Section 1 shall cease to be a Cleared Security. In addition, the Corporation may determine that a Cleared Security shall cease to be a Cleared Security in the event that: (1) such Cleared Security shall have been suspended from trading in the over-the-counter market or on any national securities exchange by the ~~Securities and Exchange Commission~~**SEC** pursuant to Section 12(k) of the ~~Securities~~**Exchange Act of 1934, as amended**, or has been suspended from trading by another regulatory authority or by a self-regulatory organization (as defined in Section 3(a)(26) of the ~~Securities~~**Exchange Act of 1934, as amended**), which has authority to suspend such activity; or (2) the Corporation finds that the level of activity in the security during the period of three consecutive months preceding that determination is insufficient to produce benefits commensurate with the costs to the Members arising from its continued inclusion as a Cleared Security; or (3) the Corporation determines that there may exist a legal impediment to the validity or legality of the issuance or continued transfer or delivery of the security; or (4) the Corporation

determines, after discussion with the appropriate marketplace regulator, where possible, that continued clearance and settlement by the Corporation presents unacceptable risks to the Corporation and/or its participants; or (5) the Corporation determines that the location of the transfer agent(s) for the security or such transfer agent's capability for reissuing certificates for the security is such as to impair the efficient operation of clearing procedures.

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#### RULE 4. CLEARING FUND

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*SEC. 2. Permitted Use, Investment, and Maintenance of Clearing Fund Assets.* The Clearing Fund shall only be used by the Corporation (i) to secure each Member's performance of obligations to the Corporation, including each Member's obligations with respect to any loss allocations as set forth in Section 4 of this Rule, (ii) to provide liquidity to the Corporation to meet its settlement obligations, including, without limitation, through the direct use of cash in the Clearing Fund or through the pledge or rehypothecation of pledged Eligible Clearing Fund Securities in order to secure liquidity, and (iii) for investment as set forth in this section.

Each time the Corporation uses any part of the Clearing Fund pursuant to clause (ii) in the preceding paragraph for more than 30 calendar days, the Corporation, at the close of business on the 30th calendar day (or on the first **B**business **D**day thereafter) from the day of such use, shall consider the amount used but not yet repaid as a loss to the Clearing Fund incurred as a result of a Defaulting Member Event and immediately allocate such loss in accordance with Section 4 of this Rule.

\*\*\*\*

*SEC. 4. Loss Allocation Waterfall, Off-the-Market Transactions.* For the purposes of this Rule, the following terms shall have the following meanings:

\*\*\*\*

Defaulting Member Events and/or Declared Non-Default Loss Events that occur within a period of ten (10) **B**business **D**days (an "Event Period") shall be grouped together for purposes of applying the limits on loss allocation set forth in this Rule.

In the case of a Defaulting Member Event, an Event Period begins on the day the Corporation notifies Members that it has ceased to act for the Defaulting Member (or the next **B**business **D**day, if such day is not a **B**business **D**day).

In the case of a Declared Non-Default Loss Event, an Event Period begins on the day that the Corporation notifies Members of the Declared Non-Default Loss Event (or the next **B**business **D**day, if such day is not a **B**business **D**day), which notification shall be issued promptly following any such determination. If a subsequent Defaulting

Member Event or Declared Non-Default Loss Event occurs during an Event Period, any losses or liabilities arising out of or relating to any such subsequent event shall be resolved as losses or liabilities that are part of the same Event Period, without extending the duration of such Event Period.

\*\*\*\*

Each Member that is a Member on the first day of an Event Period shall be obligated to pay its pro rata share of losses and liabilities arising out of or relating to each Defaulting Member Event (other than a Defaulting Member Event with respect to which it is the Defaulting Member) and each Declared Non-Default Loss Event occurring during the Event Period. Any Member for which the Corporation ceases to act on a non-**B**usiness **D**day, triggering an Event Period that commences on the next **B**usiness **D**day, shall be deemed to be a Member on the first day of that Event Period.

\*\*\*\*

Each loss allocation shall be communicated to Members by the issuance of a notice that advises the Members of the amount being allocated to them (“Loss Allocation Notice”). Each Member’s pro rata share of losses and liabilities to be allocated in any round shall be equal to (i) the average of its Required Fund Deposit for the seventy (70) **B**usiness **D**days preceding the first day of the applicable Event Period or such shorter period of time that the Member has been a Member (each Member’s “Average RFD”), divided by (ii) the sum of Average RFD amounts of all Members subject to loss allocation in such round.

Each Loss Allocation Notice shall specify the relevant Event Period and the round to which it relates. The first Loss Allocation Notice in any first, second, or subsequent round shall expressly state that such Loss Allocation Notice reflects the beginning of the first, second, or subsequent round, as the case may be, and that each Member in that round has five (5) **B**usiness **D**days from the issuance of such first Loss Allocation Notice for the round (such period, a “Loss Allocation Withdrawal Notification Period”) to notify the Corporation of its election to withdraw from membership pursuant to Section 6 of this Rule, and thereby benefit from its Loss Allocation Cap. The “Loss Allocation Cap” of a Member shall be equal to the greater of (x) its Required Fund Deposit on the first day of the applicable Event Period and (y) its Average RFD.

After a first round of loss allocations with respect to an Event Period, only Members that have not submitted a Loss Allocation Withdrawal Notice in accordance with Section 6 of this Rule shall be subject to further loss allocation with respect to that Event Period.

Members shall pay to the Corporation the amount specified in any first round Loss Allocation Notice on the second **B**usiness **D**day after the Corporation issues any such notice. Members shall pay to the Corporation the amount specified in any subsequent round Loss Allocation Notice on the second **B**usiness **D**day after the Corporation issues such notice, unless the Member has timely notified (or will timely



notify) the Corporation of its election to withdraw from membership with respect to a prior loss allocation round pursuant to Section 6 of this Rule.

\*\*\*\*

**SEC. 5. *Corporate Contribution.*** For any loss allocation pursuant to Section 4 of this Rule, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, the Corporation's corporate contribution to losses or liabilities that are incurred by the Corporation with respect to an Event Period ("Corporate Contribution") shall be an amount that is equal to fifty (50) percent of the amount calculated by the Corporation in respect of its General Business Risk Capital Requirement as of the end of the calendar quarter immediately preceding the Event Period. The Corporation's General Business Risk Capital Requirement, as defined in its Clearing Agency Policy on Capital Requirements, is, at a minimum, equal to the regulatory capital that the Corporation is required to maintain in compliance with Rule 17Ad-22(e)(15) under the ~~Securities Exchange Act of 1934, as amended~~. If the Corporate Contribution is applied by the Corporation against a loss or liability relating to an Event Period, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, the Corporate Contribution for any subsequent Event Periods occurring during the two hundred fifty (250) ~~Business Days~~ thereafter shall be reduced to the remaining unused portion of the Corporate Contribution amount that applied for the first Event Period. The Corporation shall notify Members of any such reduction to the Corporate Contribution.

\*\*\*\*

**SEC. 6. *Withdrawal Following Loss Allocation.*** If a Member timely notifies the Corporation of its election to withdraw from membership in respect of a loss allocation round as set forth in Section 4 of this Rule ("Loss Allocation Withdrawal Notice"), the Member shall:

- (i) specify in the Loss Allocation Withdrawal Notice an effective date for its withdrawal from membership, which date shall not be later than ten (10) ~~Business Days~~ following the last day of the Loss Allocation Withdrawal Notification Period,

\*\*\*\*

## **RULE 4(A). SUPPLEMENTAL LIQUIDITY DEPOSITS**

**SEC. 1. Overview.** The Corporation requires sufficient liquidity to enable it to effect the settlement of its payment obligations as a central counterparty. The two principal sources of liquidity for the Corporation currently are deposits to the Clearing Fund and a committed line of credit. A substantial proportion of the liquidity needed by the Corporation is attributable to the exposure presented to the Corporation by its Members who would generate the largest settlement debits during options expiration activity periods in stressed market conditions. In order to ensure that the Corporation has sufficient liquidity to meet its payment obligations, it is appropriate that such

Members provide additional liquidity to the Corporation in the form of supplemental liquidity deposits to the Clearing Fund, offset by (i) commitments under the line of credit and (ii) any other qualifying liquid resources the Corporation may secure to settle its payment obligations as a central counterparty. This Rule 4(A) describes how such additional liquidity in the form of supplemental liquidity deposits to the Clearing Fund shall be calculated and provided.

SEC. 2. Defined Terms. The following terms shall have the meanings specified:

~~“Affiliate” means a person that controls or is controlled by or is under common control with another person. Control of a person means the direct or indirect ownership or power to vote more than 50% of any class of the voting securities or other voting interests of any person.~~

\*\*\*\*

“Special Activity Prefund Deposit” means a cash deposit of a Member to the Clearing Fund made by wire transfer to an account designated by the Corporation:

- a. that is in excess of the Required Fund Deposit of the Member;
- b. that the Member deposits to the Clearing Fund, not later than the time specified by the Corporation on the first Business Day of an Options Expiration Activity Period, if the Member anticipates that its Special Activity Peak Liquidity Exposure at any time during such Options Expiration Activity Period will be greater than the amount calculated by the Corporation pursuant to this Rule 4(A);

\*\*\*\*

Capitalized terms that are used but not defined in this Rule 4(A) shall have the meanings given to such terms elsewhere in these Rules.

\*\*\*\*

## RULE 5. GENERAL PROVISIONS

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SEC. 2. Every Member, Mutual Fund/Insurance Services Member, Settling Bank Only Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Manager, Fund Member, Data Services Only Member and AIP Member (each hereinafter referred to as a “participant” for purposes of this Rule 5) shall designate a representative that is authorized in the name of the participant to sign all instruments, to correct errors and to perform such other duties as may be required under these Rules and to transact all business requisite in connection with the operations of the Corporation which representative shall be capable of taking such action in a manner consistent with the daily time schedules and other requirements established by or pursuant to these Rules.

If the representative of the participant is not a general partner or officer of the participant's firm, such representative shall, in the case of a firm, be authorized to act by written power of attorney, or in the case of a corporation, by resolution by the board of directors of such corporation. Such power of attorney or resolution, as the case may be, shall be in such form as approved by the Corporation.

Members, **Mutual Fund/Insurance Services Members**, Settling Bank Only Members, Municipal Comparison Only Members, Insurance Carrier/Retirement Services Members, TPA Members, TPP Members, Investment Manager/Agent Members, Fund Members, **and** Data Services Only Members **and AIP Members** shall file with the Corporation the signatures of the members of their firms or the officers of their corporations and of the representatives of such firms or corporations who are authorized to sign checks, agreements, receipts, orders and other papers necessary for conducting business with the Corporation together with the powers of attorney or other instruments giving such authority.

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SEC. 4. The Corporation may, in its discretion, require a participant to provide appropriate staff in their offices during specified hours on non-~~B~~business ~~D~~ays when such is deemed necessary by the Corporation to insure the integrity of its systems and/or for the protection of the Corporation.

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RULE 7. COMPARISON AND TRADE RECORDING OPERATION  
(INCLUDING SPECIAL REPRESENTATIVE/INDEX RECEIPT AGENT)

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SEC. 4. Index Receipt Agent

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(b) An Index Receipt Agent may submit to the ~~e~~C Corporation transaction data, which may reflect the netted results of other transactions, as to the rights and obligations of Members which calls for the delivery of cleared securities and is between Members. The obligations of the Member reflected in such transaction data shall be deemed to have been confirmed and acknowledged by each Member or designated by the Index Receipt Agent as a party thereto and to have been adopted by such Member and, for the purposes of these Rules and determining the rights and obligations between the Corporation and any such Member under these Rules shall be valid and binding upon such Member to the same extent as any Compared Contract under this Rule.

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SEC. 6. The Corporation may determine, in its discretion, to accept, from self-regulatory organizations, as defined in the ~~Securities~~ Exchange Act ~~of 1934~~, and/or

derivatives clearing organizations that are registered or deemed to be registered with the ~~Commodity Futures Trading Commission~~**CFTC** pursuant to the Commodity Exchange Act (either directly or through subsidiary or affiliated organizations<sup>6</sup>) and/or service bureaus, initial, or supplemental trade data on behalf of Members for trade recording and input into the Corporation's Comparison Operation (with respect to debt securities) or compared trade data, on behalf of Members for input into the Corporation's Accounting Operation provided that a Member is a party to the trade or transaction. In determining whether to accept trade data from an organization, as described in this Section 6, the Corporation may require such organization to provide a Cybersecurity Confirmation, as described in Rule 2B, Section 2A.

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SEC. 7. All trade data submitted to the Corporation for trade recording pursuant to Sections 2(b), 3(b) or 6 of this Rule shall be submitted in Real-time, as that term is defined in Procedure XIII of these Rules, and on a trade-by-trade basis, in the form executed without any form of "pre-netting" of such trades prior to their submission. The Corporation shall deem any form of trade summarization, compression, or other form of netting or practice that combines two or more trades prior to their submission to the Corporation, or any practice or action designed to contravene this prohibition, as a violation of this Rule, and this prohibition shall apply to any Member (including any Special Representative or Qualified Special Representative) that, directly or indirectly, engages in such pre-netting.

Trade data submitted to the Corporation for trade recording pursuant to Section 2(b) of this Rule is not subject to the requirements of this Section if (1) the counterparty to that trade is an Affiliate, ~~as defined in Rule 4A,~~ of the submitting firm on the Corporation's records at the time the trade data is submitted; or (2) the trade data is submitted to facilitate a position movement between two unaffiliated clearing brokers on behalf of a common client for custody purposes ("Client Custody Movements").

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## RULE 9. ENVELOPE SETTLEMENT SERVICE

### SEC. 1. General

The Corporation may, at its facilities (at those locations as it may determine from time to time as announced via Important Notice) offer a service, to be known as the Envelope Settlement Service ("ESS"), through which it may receive envelopes, of the type approved by the Corporation, from Members (each, a "delivering Member") addressed to Members (each, a "receiving Member") on ~~B~~**B**usiness ~~D~~**D**days. The services offered by the Corporation through ESS will include the processing and

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<sup>6</sup> This may include a trade reporting facility that: (i) is affiliated with, and is operated as a facility of, a self-regulatory organization (SRO), and (ii) the rules and operations of which are the subject of a rule change of the SRO that has been duly filed with the ~~Securities and Exchange Commission~~**SEC** and is effective.

settlement of: (a) security deliveries and receives and associated charges, (b) money-only settlement-related charges, and (c) claims for dividends and interest, each of which has been submitted by Members in accordance with the provisions of these Rules. Such envelopes will be sorted and made available, at the same facility where received by the Corporation, to the authorized representatives of the Members to whom they are addressed as provided in this Section 1. The delivery of envelopes and the related processing of payments by the Corporation are not guaranteed services of the Corporation and are subject to reversal as provided in Section 4 of this Rule.

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8. Each receiving Member shall send to the Corporation at the times on ~~B~~business ~~D~~days specified by the Corporation and, in addition, at frequent intervals on ~~B~~business ~~D~~days a representative authorized, pursuant to Rule 27, to receive envelopes delivered through the Corporation's facilities.
9. In case of any irregularity or error in an item, the receiving Member may return such item to the delivering Member outside the Corporation, or through the service provided under this Rule by putting such item in an envelope and delivering the envelope in the same manner as provided by this Section 1 for the delivery by Members, except that the tickets in the envelope and the credit list accompanying the envelope, which are used in connection therewith, shall bear the legend "Reclamation". If such delivery of returned items is to be made through the Corporation it shall be made on the day received or on the next ~~B~~business ~~D~~day in accordance with the schedule specified by the Corporation. An irregularity in an item shall be deemed to exist only when the receiving Member does not know the delivery, such as deliveries of the wrong securities, deliveries of the wrong number of shares or units, deliveries for the wrong payment amount, or deliveries which do not meet the requirements of Rule 44, if applicable. No irregularity in an item shall be deemed to exist solely by reason of the delivery having been effected through the Corporation, rather than by another means, unless the delivering Member and the receiving Member shall have entered into a prior agreement providing for such delivery by another means or the rules of a self-regulatory organization, as defined in the ~~Securities Exchange Act of 1934~~, require delivery of such item through other means.
10. Payment amounts which the Corporation has agreed to credit to a Member on account of deliveries made to receiving Members and payment amounts which the Corporation has agreed to debit to a receiving Member on account of receipts from delivering Members pursuant to this Section shall be credited or debited from time to time during each ~~B~~business ~~D~~day and shall be included in the settlement for that day, pursuant to Rule 12, subject to the rights of the Corporation pursuant Section 4 of this Rule and Section 2 of Rule 12.

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SEC. 3. In the event a Member receives an envelope that contains only part of

the securities described by the accompanying ticket or order and the Member does not reclaim the envelope within the time frame prescribed by the Corporation, the Member may request the delivering Member to furnish certificate numbers of the missing securities.

In the event a receiving Member does not receive an envelope or receives an envelope that does not contain any securities and the receiving Member determines that he has been charged for the delivery, the receiving Member may request the delivering Member to identify the securities and furnish certificate numbers related to the delivery.

Requests for certificate numbers should be made promptly.

If a request is made on the day of delivery, the delivering Member must furnish certificate numbers no later than the end of the second **B**usiness **D**day following delivery. If a request is made on the day following delivery or any subsequent day, the delivering Member must furnish certificate numbers no later than the end of the first **B**usiness **D**day following the request. If certificate numbers are not furnished to the receiving Member within the requisite time frame and if the Corporation determines that the receiving Member's request was made promptly, the charges related to the delivery will be subject to reversal.

#### **SECec. 4. Reversal of Payment Amount Credits and Debits.**

1. The Corporation may reverse, in whole or in part in its sole discretion, any payment amount credited to a delivering Member and debited to a respective receiving Member with respect to any envelope delivery under this Rule 9 if, on any **B**usiness **D**day:

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#### **RULE 10. FAILURE TO DELIVER ON SECURITY BALANCE ORDERS**

If a Member shall not make delivery of all the Cleared Securities to be delivered pursuant to a security balance order by the time on **B**usiness **D**days specified by the Corporation, the Member to whom the Cleared Securities are to be delivered may cause such securities as are not so delivered to be bought-in as provided for in the rules of the applicable marketplace.

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#### **RULE 11. CNS SYSTEM**

SEC. 1. (a) The CNS System is a system for accounting ~~for~~ and settling CNS Contracts whereby a Member's Settling Trades in CNS Securities are netted so that with respect to each issue of CNS Securities in which the Member has activity, the Member is either obligated to deliver units of that security (a "Short Position") or is entitled to receive units of that security (a "Long Position"), the delivery obligation being

to the Corporation and the right to receive being against the Corporation as more specifically set forth in paragraphs (b) and (c) below; whereby Short Positions or Long Positions outstanding in respect of prior activity are brought forward on a perpetual basis and, together with stock dividends or distributions payable or receivable in respect of Short Positions or Long Positions, miscellaneous entries and CNS Securities delivered to or by Members, are merged, netted and carried forward, leaving in each Member's account all transactions which have failed in delivery or receipt; and whereby the contract money of all Settling Trades is netted with cash dividends or distributions receivable and payable and increases and decreases in obligations to the Clearing Fund, if applicable, and miscellaneous items resulting in the closing CNS System money balance for each Member which, for the purpose of computing the CNS System money settlement (including marking any Long or Short Position of a Member at the close of business to the Current Market Price), is adjusted by the net market value of all Closing Positions.

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SEC. 8. After receipt of notice by the Corporation that the issuer of a CNS Security has declared a stock or cash dividend on such security or has authorized a stock-split or a distribution of rights or other property with respect to a CNS Security, the Corporation will issue a Record Date Report which will show each Member's record date Long or Short Position in the security at the close of business on the Record Date (herein called "Record Date Position").

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(d) An "as of" trade entered at least two settlement days prior to the payable date in respect of a cash or stock dividend or other distribution not trading with due bills after the record date, provided the original trade date for the trade is before the exdividend date for such dividend, will be subject to the same procedures as those set forth above; an "as of" trade entered at least one settlement day prior to the Due Bill Redemption Date in respect of other distributions which trade with due bills after the record date will be subject to the same procedures as those set forth above. Any such trades entered less than two settlement days or one ~~B~~business ~~D~~day, as the case may be, prior to the payable date or the Due Bill Redemption Date shall not be accorded dividend protection in the CNS System.

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## RULE 12. SETTLEMENT

SEC. 1. Settlement of money payments with respect to transactions or matters covered by these Rules, shall be made as provided in this Rule or, with respect to settlement of money payments with respect to the AIP Service ("AIP Settlement"), as provided in Rule 53. The Corporation shall debit or credit itself, Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members, Fund Members and AIP Members with the amounts payable and receivable in

accordance with the provisions of such Rules. AIP Settlement shall not be subject to the remaining provisions of this Rule 12 and shall be subject to the provisions of Rule 53.

At such time as determined by the Corporation, the Corporation shall produce, each ~~B~~business ~~D~~day, a settlement statement which will reflect the debits and credits which have been entered into a Member's, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member's or Fund Member's (each hereinafter referred to as a "participant" for purposes of this Rule 12) account with respect to matters or transactions covered by these Rules, plus debits or credits, if any, reflecting amounts that the Corporation will pay to or receive from any entity under any Clearing Agency Cross-Guaranty Agreement, and shall reflect a net amount payable to or payable by the Corporation. Each such participant shall settle, by such time as established by the Corporation, through a Settling Bank (unless the Corporation permits otherwise), by Federal Funds payment in the manner provided in the Procedures, the net amount reflected on such settlement statement.

A participant will be deemed to have failed to settle when the Corporation receives a Refusal from such participant's Settling Bank and the participant has failed to pay its Net Debit Balance (or it has failed to pay its Net Debit Balance if permitted by the Corporation to settle otherwise than through a Settling Bank), or when its Settling Bank has failed to pay the Settling Bank's net-net debit balance by the time specified by the Corporation from time to time.

If the Corporation does not produce such settlement statement each such participant shall settle with the Corporation by a Federal Funds wire transfer, by determining the amount payable to or by such participant as reflected on such participant's records. A participant that fails to timely settle may be subject to action by the Corporation pursuant to Rule 46 or 48. Such participant shall also be subject to such fines as the Corporation deems appropriate pursuant to these Rules. Any difference between said amount and the actual net settlement amount which is not settled on that ~~B~~business ~~D~~day, shall be settled on the next ~~B~~business ~~D~~day by Federal Funds payment by such time as determined by the Corporation.

Notwithstanding any other provisions of these Rules, the Corporation maintains the right to require a participant to furnish to the Board of Directors all documents relied upon by such participant in determining amounts payable to or by the Corporation in respect of this Rule.

In the event the Board of Directors determines that such books, records and documents do not appropriately support amounts tendered pursuant to this Rule, such participant shall be subject to action by the Corporation pursuant to Rule 46 or Rule 48.

At such time as determined by the Corporation, the Corporation shall also produce, each ~~B~~business ~~D~~day, a settlement statement which shall reflect the information contained in that ~~B~~business ~~D~~day's prior settlement statement, any adjustments to those amounts and the payments made to or by the Corporation.



SEC. 2. Notwithstanding any provision in these Rules to the contrary, until the effective time (as defined below):

(a) any action taken by the Corporation or a Qualified Securities Depository pursuant to an instruction given by the Corporation to deliver securities from the Corporation's account at a Qualified Securities Depository to the account of a Member at a Qualified Securities Depository by book- entry on a **Bb**business **Dd**day for which payment is to be made by the Member to the Corporation (a "Depository Instruction") shall, notwithstanding the nature of such action, not constitute an appropriate entry on the books of the Qualified Securities Depository specifically identifying the securities so as to constitute a delivery thereof or reducing the account of the Corporation and increasing the account of the Member by the amount of the obligation or the number of shares or rights subject to the instruction;

(b) any receipt of securities by a Member pursuant to Rule 9 on such **Bb**business **Dd**day for which payment is to be made by the Member to the Corporation (a "physical receipt") shall, whether or not the securities subject to the physical receipt remain in the possession of the Corporation, not constitute a voluntary transfer of possession of such securities by the Corporation to the Member; and

(c) any action taken by the Corporation pursuant to an instruction given to the Corporation by a Member to move a position to its Fully-Paid-For Subaccount shall not constitute an appropriate entry on the Corporation's books so as to constitute such movement.

The "effective time" referred to in the foregoing sentence shall be the time that is (A) the earlier of (i) the time it is finally determined by the Corporation on such **Bb**business **Dd**day that the Member's Gross Credit Balance for such **Bb**business **Dd**day equals or exceeds his Gross Debit Balance for such **Bb**business **Dd**day, or (ii) if the Member's Gross Debit Balance exceeds his Gross Credit Balance and the Member settles through a Settling Bank, the time as finally determined by the Corporation, that the Settling Bank representing such Member has a net-net credit balance or (iii) if the Member's Gross Debit Balance exceeds his Gross Credit Balance, the time as finally determined by the Corporation that the Member has paid its Net Debit Balance or, if the Member settles through a Settling Bank, the Settling Bank representing such Member has settled its net-net debit balance; and (B) when the Corporation has no obligation on account of a receive or deliver obligation of a Member under the terms of any Clearing Agency Cross Guaranty Agreement which creates an obligation on the part of the Corporation irrespective of whether the Member is in a net credit or net debit position with the Corporation. In the event the Corporation, prior to the effective time, ceases to act for the Member with respect to transactions generally pursuant to Rule 46 or Rule 48, the Corporation shall have the right

(A) in respect of securities subject to a Depository Instruction to take such actions as permitted under the terms of any Clearing Agency Cross-Guaranty Agreement or as otherwise specified in these Rules and

(B) in respect of securities subject to a physical receipt, to retain possession of such securities and sell out such securities in the manner specified in Section 3 of this Rule provided, however, that if

(i) in the case of a Depository Instruction, any security subject thereto is

(A) transferred out of the Member's account at the Qualified Securities Depository by book-entry or

(B) physically withdrawn by the Member from his account at the Qualified Securities Depository and physically delivered by the Member to a third party for value, or

(ii) in the case of a physical receipt and physical possession by the Member, any security is physically delivered by the Member to a third party for value, such security shall be deemed for all purposes to have been delivered by the Corporation to the Member; and provided, further, that, to the extent that a Member shall obtain physical possession of any such security by physical withdrawal thereof from the Qualified Securities Depository or receipt from the Corporation or obtain control of any such security, the Member shall hold the same in trust for the benefit of the Corporation and the Corporation shall have the right to reclaim possession thereof from the Member and if the Member shall transfer or pledge the securities to a third party for value by a book-entry transaction on the books of the Qualified Securities Depository or by a physical delivery of securities of which it has obtained physical possession, the Corporation shall have the right to reclaim, and shall be entitled to, any proceeds obtained by the Member as a result thereof. Notwithstanding the foregoing, the Corporation shall not have the right to instruct a Qualified Securities Depository to retain securities pursuant to clause (A) of the foregoing sentence until the Qualified Securities Depository has effected any retention or sale which the Qualified Securities Depository elects to effect pursuant to the rules of the Qualified Securities Depository or the Qualified Securities Depository elects not to effect any such retention and then the Corporation's right to instruct the Qualified Securities Depository to retain securities pursuant to said clause (A) shall be limited to instructing the Qualified Securities Depository to retain such amount of securities as shall not reduce the amount of securities of any issue remaining in the Member's account below the Minimum Amount (as defined in the rules of the Qualified Securities Depository). In the event a Settling Bank which represents a Member with a Net Debit Balance, which Settling Bank has a net-net credit balance or has paid its net-net debit balance to the Corporation prior to such time as the Corporation ceases to act for such Member with respect to transactions generally pursuant to Rule 46 or Rule 48, the Corporation shall thereafter (a) instruct the Qualified Securities Depository to transfer the securities covered by any Depository Instruction from the Corporation's account at the Qualified Securities Depository to the Member's account at the Qualified Securities Depository by book-entry and such instruction shall constitute an entry on the books of the Qualified Securities Depository reducing the account of the

Corporation at the Qualified Securities Depository and increasing the account of the Member at the Qualified Securities Depository by the amount of the obligation or the number of shares or rights subject to the instruction, and (b) deliver the securities covered by any physical receipt to the Member and possession of any securities shall be deemed to have been voluntarily transferred by the Corporation to the Member, and the Corporation shall make appropriate adjustments in the accounts of the Members to reflect such transactions.

SEC. 3. In the event the Corporation shall sell any securities pursuant to any Clearing Agency Cross-Guaranty Agreement or these Rules, such sale may be made in any available market or at public auction or by private sale, including the sale to a Member or Members having Long Positions in the CNS System, and may be made without further demand or notice to the Member. If the sale is made on any market, or if the sale is at public auction, the Corporation may purchase the securities sold for its own account. The Corporation shall retain the Gross Credit Balance of the Member for the **Bb**business **Dd**day on which the instruction to deliver was given and shall, upon receipt of the proceeds of the sale of such securities, apply the Gross Credit Balance and such proceeds to the payment of the Member's Gross Debit Balance for such **Bb**business **Dd**day and any surplus shall be credited to the account of the Member with the Corporation.

SEC. 4. Any action taken by the Corporation or a Qualified Securities Depository pursuant to an instruction given by the Corporation or a Member to the Qualified Securities Depository to deliver securities from the Member's account at the Qualified Securities Depository to the Corporation's account at the Qualified Securities Depository on a **Bb**business **Dd**day for which payment is to be made by the Corporation which does not become effective under the rules of the Qualified Securities Depository shall not result in a reduction in the Member's Short Position in the CNS System in the amount of such securities. If the amount of money to be paid to the Member in respect of such an attempted delivery shall have been credited to the Member's money account with the Corporation, the Corporation may deduct such amount from the Member's Gross Credit Balance for such **Bb**business **Dd**day (the "withheld amount") and may apply such withheld amount to the purchase of equivalent securities for delivery to the Qualified Securities Depository in order to eliminate any Short Position of the Corporation in its account at the Qualified Securities Depository and, prior to such purchase, may upon demand of the Qualified Securities Depository, pay the withheld amount to the Qualified Securities Depository for its retention subject to return to the Corporation upon the Corporation's delivery to the Qualified Securities Depository of the purchased securities. Such (RULE 12) 85 securities may be purchased by the Corporation in any available market or by private purchase, including purchase from the Qualified Securities Depository. If the purchase price of such securities is less than the withheld amount, the difference between the purchase price and the withheld amount shall be credited to the account of the Member with the Corporation. If the purchase price of such securities is more than the withheld amount, the difference between the purchase price and the withheld amount shall be debited to the account of the Member with the Corporation.

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RULE 15. ASSURANCES OF FINANCIAL RESPONSIBILITY AND OPERATIONAL CAPABILITY

SEC. 1. The Corporation shall have the authority to examine the financial responsibility and operational capability of any Member or Limited Member or any applicant to become such, to determine whether the requisite standards of financial responsibility and operational capability are met. In conducting such examinations, the Corporation may require a participant or applicant to furnish such information, to make its books and records available and to provide sworn or unsworn testimony, as will be sufficient, in the opinion of the Corporation, to demonstrate the financial responsibility and operational capability of the participant. In connection with such examinations, the Corporation may also require testimony from the employees of the participant or applicant under examination or from any other person and may request and receive records, reports or other information as may be relevant to the matter under examination from any other self-regulatory organization (as defined by Section 3(a)(26) of the ~~Securities Exchange Act of 1934, as amended~~) or other examining authority or regulator having authority to examine, regulate or license such participant or applicant.

SEC. 2. (a) Each Member or Limited Member, or any applicant to become such, shall furnish to the Corporation such adequate assurances of its financial responsibility and operational capability as the Corporation may at any time or from time to time deem necessary or advisable in order to protect the Corporation, its participants, creditors or investors, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions. Upon the request of a participant or applicant, or otherwise, the Corporation may choose to confer with the participant or applicant before or after requiring it to furnish adequate assurances pursuant to this Rule.

(b) Adequate assurances of the financial responsibility or operational capability of a participant or applicant to become such, as may be required pursuant to these Rules and Procedures, may include, but shall not be limited to, as appropriate under the context of the participant's use of the Corporation's services:

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- (vii) assurances as may be required pursuant to the Corporation's **gG**Guidelines and/or Procedures.

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SEC. 4. A participant's failure to furnish information orand otherwise comply with the requirements of this Rule may subject the participant to the imposition of a fine pursuant to Rule 17, restriction on access to the Corporation's services pursuant to Rule 46 or disciplinary proceedings pursuant to Rule 48, amongst other rights of the Corporation as provided under these Rules.

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RULE 18. PROCEDURES FOR WHEN THE CORPORATION  
~~DECLINES OR~~ CEASES TO ACT

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SEC. 1. When the Corporation has ~~declined or~~ ceased to act for a Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, Data Services Only Member or AIP Member (each hereinafter referred to as a “participant” for purposes of this Rule 18) pursuant to Rule 46, it shall provide participants with notice pursuant to the provisions of Section 3 of Rule 45.

SEC. 2. (a) Except as otherwise may be determined by the Board of Directors the following transactions of a Member for which the Corporation has ~~declined or~~ ceased to act shall be excluded from all operations of the Corporation applicable to such transactions:

- (i) any CNS trade which, at the time the Corporation ~~declined or~~ ceased to act for such Member, was not guaranteed by the Corporation pursuant to Addendum K;
- (ii) any Balance Order trade which, at the time the Corporation ~~declined or~~ ceased to act for such Member, was not guaranteed by the Corporation pursuant to Addendum K;

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SEC. 3. (a) Notwithstanding any other provision of this Rule, promptly after the Corporation has ~~declined or~~ ceased to act for a Member, the Corporation shall attempt to complete, in accordance with the provisions of this Section, the open RVP/DVP Transactions of such Member. The Corporation shall notify the relevant RVP/DVP Customer and the trustee or receiver of the Member (if one has been appointed) of the Corporation’s intent to attempt to complete such RVP/DVP Transactions. Such notices shall also contain a statement notifying RVP/DVP Customers of the presumed waiver stated in paragraph (f) of this Section. Such notice shall be given by any commercially reasonable means, which shall not be limited to those means specified in Rule 45, and include, but are not limited to, ~~I~~important ~~N~~notice or notification to the RVP/DVP Customer’s depository agent or its depository agent’s depository.

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SEC. 4. (a)(i) After the Corporation has ~~declined or~~ ceased to act for a Member generally, the Corporation may accept from him envelopes to be delivered to other Members (whether such deliveries are pursuant to security balance orders issued by the Corporation or are otherwise provided for in these Rules) or it may decline to accept

any such deliveries, in which case such Member shall make such deliveries and obtain payment therefor otherwise than through the Corporation.

(ii) After the Corporation has ~~declined or~~ ceased to act for a Member generally, it shall decline to accept from other Members envelopes or orders to be delivered to such Member, in which case such other Members shall make such deliveries to such Member and obtain payment therefor otherwise than through the Corporation; provided, however, that the Corporation may accept such envelopes in order to complete open RVP/DVP Transactions pursuant to paragraph (e) of Section 3.

SEC. 5 After the Corporation has ~~declined or~~ ceased to act for a Member generally, the Corporation may, in respect of the CNS System, take any of the following actions:

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SEC. 6. (a) Promptly after the Corporation has given notice that it has ~~declined or~~ ceased to act for the Member, and in a manner consistent with the provisions of Section 3, the Net Close Out Position with respect to each CNS Security shall be closed out (whether it be by buying in, selling out or otherwise liquidating the position) by the Corporation; provided however, if, in the opinion of the Corporation, the close out of a position in a specific security would create a disorderly market in that security, then the completion of such close-out shall be in the discretion of the Corporation.

If, in the aggregate, the closing out of CNS securities deliverable to or deliverable by such Member results in a profit, said profit shall be credited to the account of such Member with the Corporation. If, in the aggregate, the selling out and buying in of CNS securities deliverable to or deliverable by such Member results in a loss, said loss shall be debited to the account of such Member with the Corporation.

(b) Except as otherwise may be determined by the Board of Directors:

(i) securities deliverable to or by the Member for whom the Corporation has ~~declined or~~ ceased to act pursuant to security balance orders (except such securities as shall at the time the Corporation so ~~declined or~~ ceased to act have been delivered pursuant to such orders) relating to Balance Order transactions not excluded pursuant to paragraph (a) of Section 2 shall be sold out or bought in by the Members named in such security balance orders without unnecessary delay in the best available market, subject to such terms and conditions as the Corporation may require, and the delivery of and payment for securities deliverable pursuant to such balance orders shall be governed by the provisions of this paragraph (b);

(ii) Separate accountings as to each Business Day, as hereinafter provided, shall be had with respect to the profits and losses of other Members (computed on the basis of the Settlement Prices shown on the security balance orders) resulting from the buying in or selling out of Balance Order Securities deliverable to or by the Member for whom the Corporation has ~~declined or~~ ceased to act

under security balance orders calling for such delivery on such day; provided, however, in the event that the Corporation instructs a Member that the buy in or sell out of an open Balance Order position must be for cash or guaranteed delivery, as the case may be, then any loss relating to such a buy in or sell out shall only be included in such accountings if such Member complied with such instructions.

(iii) With respect to each separate accounting for the close outs of Balance Order transactions directed by the Corporation:

(A) If a profit results from the selling out or the buying in of Balance Order Securities deliverable to or deliverable by the Member for whom the Corporation has ~~declined or~~ ceased to act under a security balance order, the Member realizing such profit shall at once send a statement of the transaction to the Corporation and shall pay over such profit to it. Such profit shall be applied by the Corporation to the payment of losses incurred by such Member or by other Members in selling out or buying in Balance Order Securities deliverable to or deliverable by the Member, for whom the Corporation has ~~declined or~~ ceased to act, under other security balance orders calling for delivery on the same day.

(B) If a loss results from the selling out or buying in of Balance Order Securities deliverable by the Member for whom the Corporation has ~~declined or~~ ceased to act, under a security balance order the Member sustaining such loss shall at once send a statement of the transaction to the Corporation, which shall pay him the amount of the loss in the manner and to the extent hereinafter provided.

(C)(i) If, in the aggregate, the selling out and buying in of Balance Order Securities deliverable to or deliverable by the Member for whom the Corporation has ~~declined or~~ ceased to act under security balance orders calling for delivery on the same day results in a profit, said profit shall be credited to the account with the Corporation of the Member for whom the Corporation has ~~declined or~~ ceased to act.

(ii) If, in the aggregate, the selling out and buying in of Balance Order Securities deliverable to or deliverable by the Member for whom the Corporation has ~~declined or~~ ceased to act under security balance orders calling for delivery on the same day results in a loss, the Corporation shall pay the same to the Members sustaining such losses, and debit the net amount to the account with the Corporation of the Member for whom the Corporation has ~~declined or~~ ceased to act.

SEC 7. After the Corporation has ~~declined or~~ ceased to act for a Member, the Corporation shall exclude any OW Obligations of that Member from further processing in the OW service.

SEC. 8. (a) After the Corporation has ~~declined or~~ ceased to act for a participant either in respect to a particular transaction or transactions generally, the Corporation shall nevertheless have the same rights and remedies in respect to any debit balance due from such participant or any liability incurred on his behalf as though it had not ceased to act for him.

(b) As security for any and all liabilities now existing, or hereafter arising, of a Member or Mutual Fund/Insurance Services Member to the Corporation, the Corporation shall maintain a lien on all property placed by such participant in its possession, including but not limited to, securities and cash in the process of clearance or on deposit with, or pledged to, the Corporation in satisfaction and/or in excess of such participant's Clearing Fund deposit pursuant to Rule 4, Section 1, and Rule 12, Section 1; provided, however, that in no event shall the Corporation have any lien on securities carried by a Member or Mutual Fund/Insurance Services Member for the account of its customers where: (i) such lien would be prohibited under **Commission Rules 8c-1 and 15c2-1 of the Exchange Act**, or (ii) such securities have been delivered from the Corporation's account at a Qualified Securities Depository pursuant to the ACATS Settlement Accounting Operation, and received into a Receiving Member's account at a Qualified Securities Depository.

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## RULE 22. SUSPENSION OF RULES

The time fixed by these Rules, the Procedures or any regulations issued by the Corporation for the doing of any act or acts may be extended or the doing of any act or acts required by these Rules, the Procedures or any regulations issued by the Corporation may be waived or any provision of these Rules, the Procedures or any regulations issued by the Corporation may be suspended by the Board of Directors or by the Chairman of the Board, the President, the General Counsel or such other officers of the Corporation having a rank of Managing Director or higher whenever, in its or his judgment, such extension, waiver or suspension is necessary or expedient.

A written report of any such extension, waiver or suspension (other than an extension of time of less than eight hours), stating the pertinent facts, the identity of the person or persons who authorized such extension, waiver or suspension and the reason such extension, waiver or suspension was deemed necessary or expedient, shall be promptly made and filed with the Corporation's records and shall be available for inspection by any Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, Data Services Only Member or AIP Member during regular business hours on **Bb** Business Days. Any such extension or waiver may continue in effect after the event or events giving rise thereto but shall not continue in effect for more than 60 calendar days after the date thereof unless it shall be approved the Board of Directors within such period of 60 calendar days.



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### RULE 23. ACTION BY THE CORPORATION

Where action by the Board of Directors is required by these Rules, the Corporation may act, to the full extent permitted by law, by the Chairman of the Board, the President, or any Managing Director or ~~Vice President~~ Executive Director, or by such other Person or Persons, whether or not employed by the Corporation, as may be designated by the Board of Directors from time to time.

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### RULE 26. BILLS RENDERED

The Corporation will render bills to Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members, TPA Members, TPP Members, Investment Manager/Agent Members, Fund Members and AIP Members for charges on account of the business of any month and will charge their respective accounts with the amounts thereof on or before such date as determined by the Corporation from time to time.

The Corporation will render bills to Data Services Only Members monthly for charges, if any, in connection with the use of the Corporation's services, and such bills shall be paid immediately.

The Corporation will render bills to Municipal Comparison Only Members monthly for charges in connection with the comparison of municipal securities transactions and such bills shall be paid immediately.

**Please refer to Addendum A (Fee Structure) for fee descriptions and charges.**

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### RULE 33. PROCEDURES

The Board of Directors shall, pursuant to these Rules, prescribe from time to time Procedures and other regulations in respect of the business of the Corporation. The Board of Directors may, by resolution, delegate to the Chairman of the Board, the President, any Senior Managing Director, Managing Director or any other officer of the Corporation the power to prescribe Procedures and regulations. Each Member and Limited Member (each hereinafter referred to as a "participant" for purposes of this Rule 33) will be bound by such Procedures and regulations and any amendment thereto in the same manner as it is bound by the provisions of these Rules. ~~Participants shall be given 10 business days' notice of any proposed amendment to the Procedures.~~

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## RULE 34. INSURANCE

The Corporation shall use its best efforts to maintain, or arrange for the maintenance of, such insurance, including fidelity bonds, in such amounts and having such coverage regarding the business of the Corporation as the Board of Directors shall deem appropriate. The insurance policies or contracts pursuant to which such insurance is provided shall be open to the inspection of the Members, Mutual Fund/Insurance Services Members, Municipal Comparison Only Members, Insurance Carrier/Retirement Services Members, TPA Members, TPP Members, Investment Manager/Agent Members, Fund Members, Data Services Only Members and AIP Members (each hereinafter referred to as a “participant” for purposes of this Rule 34) at the offices of the Corporation during regular business hours on ~~B~~**business** ~~D~~**days**. If the Corporation shall materially reduce the amount or coverage of any such insurance or the persons providing such insurance shall notify the Corporation of a material reduction in the amount of coverage thereof, the Corporation shall promptly notify each participant and the ~~Securities and Exchange Commission~~**SEC** thereof stating the effective date of such reduction.

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## RULE 35. FINANCIAL REPORTS

As soon as practicable after the end of each calendar year, the Corporation shall make available to each Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, Data Services Only Member and AIP Member (each hereinafter referred to as a “participant” for purposes of this Rule 35) **audited U.S. GAAP** financial statements of the Corporation **audited, including the independent auditors’ report on the financial statements and covered by a report prepared by independent public accountants** for such calendar year. The Corporation shall undertake to make available such financial statements and report to participants within 60 days following the **close last day** of the Corporation’s fiscal year.

The Corporation shall also undertake to make available to participants unaudited **U.S. GAAP** financial statements of the Corporation within 30 days following the **close last day** of the Corporation’s fiscal quarter for each of the first three fiscal quarters of each year.

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## RULE 36. RULE CHANGES

The Corporation shall **immediately promptly** notify all Members, Limited Members and Registered Clearing Agencies of any proposal it has made to change, revise, add or repeal any Rule **or Procedure**, and of the text or a brief description of the proposed Rule **or Procedure** and its purpose and effect, **by posting such proposal on the NSCC Website**. Members, Limited Members and Registered Clearing Agencies

may submit to the Corporation for its consideration their comments with respect to any such proposal, and such comments shall be filed with the Corporation's records and copies thereof delivered to the ~~Securities and Exchange Commission~~SEC.

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## RULE 37. HEARING PROCEDURES

SEC. 1. A Member, a Mutual Fund/Insurance Services Member, Settling Bank Only Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, a Data Services Only Member, AIP Member or AIP Settling Bank Only Member or applicant (each hereinafter in this Rule referred to as the "Interested Person") may, when permitted by these Rules, request a hearing by filing with the Secretary of the Corporation within ~~five~~5 ~~B~~Bbusiness ~~D~~Ddays from the date on which the Corporation informed it of an action or proposed action of the Corporation with respect to the Interested Person, or 2 ~~B~~Bbusiness ~~D~~Ddays in the case of summary action taken against the Interested Person pursuant to Rule 46 (or such other applicable time period specified by these Rules), a written request for a hearing setting forth (i) the action or proposed action of the Corporation with respect to which the hearing is requested and (ii) the name of the representative of the Interested Person who may be contacted with respect to the hearing. Within 7 ~~B~~Bbusiness ~~D~~Ddays after the Interested Person files such written request with the Corporation, or 3 ~~B~~Bbusiness ~~D~~Ddays in the case of summary action taken against the Interested Person pursuant to Rule 46, the Interested Person shall submit to the Corporation a clear and concise written statement setting forth with particularity the action or proposed action of the Corporation with respect to which the hearing is requested, the basis for objection to such action, whether the Interested Person intends to attend the hearing and whether the Interested Person chooses to be represented by counsel at the hearing. If the written statement contests the Corporation's determination that the Interested Person has violated a Rule or procedure, the statement must specifically admit or deny each violation alleged and detail the reasons why the Rules or procedures alleged to have been violated are being contested. Any alleged violation not specifically denied shall constitute an admission to that violation. The Corporation may deny the statement if it fails to set forth a prima facie basis for contesting the violation. The failure of the Interested Person to file the written request referred to above within the time period required by these Rules and/or the failure of the Interested Person to submit the written statement within the time period specified above will be deemed to be an election to waive the right to a hearing. The Corporation shall notify the Interested Person in writing of the date, place and hour of the hearing at least 5 ~~B~~Bbusiness ~~D~~Ddays prior to the hearing (unless the parties agree to waive the 5 ~~B~~Bbusiness ~~D~~Dday requirement).

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### SEC. 3. Minor Rule Violations.

A hearing requested in connection with a violation of the Rules of the Corporation

for which a fine may be assessed against the Interested Person in an amount not to exceed \$5,000 (a "Minor Rule Violation"), shall be held before a panel of three officers of the Corporation (a "Minor Violation Panel"). The members of the Minor Violation Panel shall select one of their numbers to be the chairman, and the chairman shall be the person in charge of the conduct of the hearing. At the hearing, an officer of the Corporation shall present the case against the Interested Person. The Interested Person shall have an opportunity to be heard and may be represented by counsel. A record shall be kept of the hearing and the costs associated with the hearing may, in the discretion of the Corporation, be charged in whole or in part to the Interested Person if the decision is adverse to the Interested Person. The Minor Violation Panel shall provide the Interested Person with a written statement of its decision no later than 10 ~~Bb~~**B**usiness ~~Dd~~**D**days after the conclusion of the hearing. If the decision of the Minor Violation Panel is adverse to the Interested Person, the Interested Person may request a further hearing under Section 4 of this Rule by filing a written request with the Secretary of the Corporation within ~~five5~~**five5** Business Days of receipt of such written statement. The Corporation shall notify the Interested Person of the date, time and place of the hearing at least ~~five5~~**five5** ~~Bb~~**B**usiness ~~Dd~~**D**days prior to the hearing. The failure of the Interested Person to submit the written request within the required time period shall be deemed an election to waive the right to any further hearing.

A Minor Rule Violation as defined in this Rule shall be deemed a minor rule violation within the meaning of Rule 19d-1(c)(2) under the ~~Securities~~**Securities**-Exchange Act of ~~1934, as amended (the "Act")~~, and this Rule shall be deemed a "plan" within the meaning thereof. The action imposed by the Corporation shall not be considered "final" for purposes of paragraph (c) (1) of Rule 19d - 1 of the ~~Exchange~~**Exchange** Act in any instance in which the fine is in an amount that does not exceed \$2,500, imposed against an Interested Person that is not a Member and with respect to which the Interested Person does not seek an adjudication pursuant to Section 4 of this Rule 37.

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SEC 5. The Panel shall advise the Interested Person of its decision within 10 ~~Bb~~**B**usiness ~~Dd~~**D**days after the conclusion of the hearing. If the decision of the Panel shall have been to deny the Interested Person's application to become a Member, a Mutual Fund/Insurance Services Member, a Settling Bank Only Member, a Municipal Comparison Only Member, an Insurance Carrier/Retirement Services Member, a TPA Member, a TPP Member, an Investment Manager/Agent Member, a Fund Member, a Data Services Only Member or an AIP Member or to prohibit or limit the Interested Person's access to the services offered by the Corporation in accordance with Rule 46, a notice of decision setting forth the specific grounds upon which the decision is based shall be furnished to the Interested Person. If the decision of the Panel shall have been to impose a disciplinary sanction on the Interested Person in accordance with Rule 48 or to affirm any summary action previously taken against the Interested Person pursuant to Section 3 of Rule 46, a notice of decision setting forth (i) any act or practice in which the Interested Person has been found to have engaged, or which the Interested Person has been found to have omitted, (ii) the specific provision(s) of the Rules or Procedures of the Corporation or of the applicable agreements with the

Corporation which any such act or practice or omission to act has been deemed to violate, and (iii) the sanction imposed and the reasons therefor shall be furnished to the Interested Person. A copy of the Panel's notice of decision shall also be furnished to the Chairman of the Board.

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SEC. 7. Any action or proposed action of the Corporation as to which an Interested Person has the right to request a hearing pursuant to Rule 37 shall be deemed final (i) when the Interested Person stipulates to the taking of such action by the Corporation, at which time the Corporation shall furnish the Interested Person with a statement containing the information referred to in Section 4 of this Rule, or (ii) upon the expiration of the applicable time period provided in these Rules for the filing of a written request for a hearing or a written statement pursuant to Section 1 of this Rule, at which time any such proposed action of the Corporation shall become effective and at which time the Corporation shall furnish the Interested Person with a statement containing the information referred to in Section 4 of this Rule, or (iii) if a hearing has been held pursuant to Section 4 of this Rule 37, when the Corporation gives notice to the Interested Person of the Panel's decision.

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#### RULE 38. GOVERNING LAW AND CAPTIONS

##### SEC. 1 Governing Law

The Rules, and Procedures, and the rights and obligations under the Rules and Procedures, shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and performed therein.

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#### RULE 39. RELIANCE ON INSTRUCTIONS

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Notwithstanding the foregoing, the Corporation will not act upon any instruction purporting to have been given by a participant which is received by wire transmission or in the form of facsimile copies or magnetic tape or media other than written instructions or from a Special Representative, TPA Member, TPP Member, or Investment Manager/Agent Member, commencing one Bbusiness Dday after the Corporation receives written notice from the participant that the Corporation shall not accept such instructions until such time as the participant shall withdraw such notice.

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#### RULE 40. {WIND-DOWN OF A MEMBER, FUND MEMBER OR INSURANCE CARRIER/RETIREMENT SERVICES MEMBER}

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RULE 41. {CORPORATION DEFAULT}

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RULE 42. WIND-DOWN OF THE CORPORATION

**SEC. Section 1. Defined Terms**

“Recovery and Wind-down Plan” means the plan for the recovery and orderly wind-down of the Corporation necessitated by credit losses, liquidity shortfalls, losses from general business risk or any other losses, adopted by the Corporation pursuant to Rule 17Ad-22(e)(3)(ii) under the ~~Securities~~ Exchange Act ~~of 1934, as amended~~.

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**SEC. Section 2. Initiation of Wind-down Plan**

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**SEC. Section 3. Notice of Transfer of the Business**

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**SEC. Section 4. Transfer of Members, Limited Members and Settling Banks**

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**SEC. Section 5. Status of Members, Limited Members and Settling Banks**

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**SEC. Section 6. Right of Non-Eligible Members and Limited Members to Apply to the Transferee**

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**SEC. Section 7. Right to Withdraw from the Transferee**

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**SEC. Section 8. Disposition of Pending Transactions**

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**SEC. Section 9. Certain Ex Ante Matters**

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**SEC. Section** 10. Subordination of Claims

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**SEC. Section** 11. Further Assurances; Additional Powers; Miscellaneous Matters

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**RULE 44. DELIVERIES PURSUANT TO BALANCE ORDERS**

**SEC.** 1. All deliveries of securities pursuant to a deliver balance order produced in the Balance Order System or as the consequence of the pairing of Long and Short Positions in the CNS System (Order), other than security orders relating to Special Trades, shall be subject to the provisions of this Rule.

**SEC.** 2. Deliveries must be made at the receiver's Specified Location.

**SEC.** 3. The receiver shall accept a partial delivery on any Order provided the portion remaining undelivered is not an amount which includes an odd-lot.

**SEC.** 4. Without limiting the rights of any receiver that has designated a Specified Location other than New York City, to the extent a deliver balance order is for a security that is eligible for book-entry transfer on the books of DTC, and the deliverer has filed with the Corporation a standing instruction, the Corporation will issue an instruction on file to DTC specifying the quantity of each security to be delivered from the deliverer to the receiver and the money settlement related thereto.

**SEC.** 5. Each delivery of certificates evidencing equity securities:

(1) in which the Order is for 100 shares may be in one certificate for the exact number of shares or certificates totaling 100 shares,

(2) in which the Order is greater than 100 shares and a multiple of 100 shall be in the exact amount of the contract, or in multiples of 100 shares, or in amounts from which units of 100 shares can be made, or a combination thereof equaling the amount of the contract,

(3) in which the Order is for more than 100 shares but not in a multiple of 100 shall be in multiples of 100 shares, or in amounts from which units of 100 shares can be made, or a combination thereof, plus either the exact amount for the odd lot or smaller amounts equaling the odd lot, or

(4) in which the Order is for less than 100 shares shall be in the exact amount of the contract or for smaller units aggregating the amount of the contract.

**SEC.** 6. (a) Each delivery of bonds or similar evidences of indebtedness in coupon bearer form shall be made in denominations of \$1,000 or in denominations of \$100 or multiples thereof aggregating \$1,000.

(b) Each delivery of bonds or similar evidences of indebtedness in fully registered bond issues shall be made in denominations of \$1,000 or multiples thereof or in amount of \$100 or multiples aggregating \$1,000, but in no event in denominations larger than \$100,000.

**SEC. 7.** The units of delivery for certificates of deposit for bonds shall be the same as prescribed for bonds in Section 6 of this Rule.

**SEC. 8.** Each delivery must also meet the good delivery requirements set forth in the rules of the primary market place where the securities are traded notwithstanding that such requirements would not otherwise apply to a transaction compared, cleared or settled through the Corporation.

#### RULE 45. NOTICES

SEC. 1. Any notice pursuant to these Rules from the Corporation to an Interested Person as defined in Rule 37 shall be sufficiently served on such Interested Person if the notice is in writing, ~~is delivered to the Interested Person's box, if any, maintained by the Corporation on its premises, and~~ is mailed to the Interested Person's office address or e-mailed to the Interested Person's e-mail address. Any notice to an Interested Person, if mailed ~~to the person's address~~, shall be deemed to have been given when deposited in the United States Postal Service, with postage thereon prepaid, directed to the Interested Person at its office address, and if e-mailed, shall be deemed to have been given when routed to the e-mail address of the Interested Person ~~and, if delivered to the Interested Person's box, shall be deemed to have been given when deposited in the Interested Person's box.~~

SEC. 2. Any notice from an Interested Person to the Corporation shall be sufficiently served on the Corporation if the notice is in writing and is delivered or mailed to the Corporation at its principal place of business, Attention: Secretary, or such other place as it designates. Any such notice to the Corporation shall be deemed to have been given when received.

SEC. 3. Any notice required to be given to participants by the Corporation pursuant to Rule 18 shall state the Corporation's decision to ~~decline or~~ cease to act for a participant. The Corporation may provide in such notice or a subsequent notice the steps to be taken in the Comparison Operation, Accounting Operation, Settlement or other activities as well as how pending transactions shall be affected.

SEC. 4. Any notice required to be given to the Corporation by a participant pursuant to Rule 20 shall be given both orally and in writing as soon as possible after the ~~T~~Time of ~~I~~Insolvency. Notice by the Corporation pursuant to Rule 20 to all participants shall be given as soon as possible after the ~~T~~Time of ~~I~~Insolvency and shall state whether the Corporation has ceased to act for the insolvent participant as well as how pending matters will be affected and what steps will be taken in connection therewith.

SEC. 5. Any notice required to be given by the Corporation pursuant to Section 2



of Rule 46 shall set forth the specific grounds under consideration upon which any suspension, prohibition or limitation of access may be based and shall contain notice to the participant of its right to request a hearing, such request to be filed by such participant with the Corporation pursuant to Rule 37.

SEC. 6. Any notice required to be given by the Corporation to a participant pursuant to Section 2 of Rule 48 shall set forth the charges against the participant and shall contain notice to such participant of its right to request a hearing, such request to be filed by it with the Corporation pursuant to Rule 37.

SEC. 7. Notwithstanding anything in these ~~R~~Rules to the contrary, and other than with respect to notices covered by Sec. 5 or 6 of this Rule, the Corporation may distribute notices to participants by posting such notices on the ~~its website~~ (“NSCC Website”). The Corporation shall deem a notice sufficiently served once the notice is posted on the NSCC’s Website, and it is the responsibility of the participants to retrieve notices daily from the NSCC Website.

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#### RULE 46. RESTRICTIONS ON ACCESS TO SERVICES

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SEC. 3. Notwithstanding Section 2 of this Rule, the Board of Directors may summarily suspend a participant’s access to services offered by the Corporation in the event that either one or more of conditions (a), (b) or (c) of Section 1 of this Rule apply to such participant. In the event that any such participant has been summarily suspended, the Corporation shall cease to act for such participant in accordance with Rule 18, except as otherwise provided in the Rules. Any summary action which may be taken by the Board of Directors pursuant to this Section of Rule 46 may instead be taken by one or more designees of the Board of Directors in the event that a quorum of the Board of Directors is unable to meet, provided that any summary action taken by one or more designees must be confirmed by the Board of Directors within 3 ~~B~~Business ~~D~~Days. Any participant that has been summarily suspended or whose access has been summarily prohibited or limited pursuant to this Section of Rule 46 shall be promptly furnished a written statement of the grounds for the decision and shall be notified of its right to request a hearing, pursuant to Rule 37. A request for a hearing must be in writing and filed within 2 ~~B~~Business ~~D~~Days of receipt from the Corporation of such statement. Any such hearing requested pursuant to Rule 37 shall be held as promptly as possible after the Corporation has taken summary action against the participant pursuant to this Rule.

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#### RULE 49. RELEASE OF CLEARING DATA AND CLEARING FUND DATA

(a) Absent valid legal process or as provided in paragraph (b) hereof, the Corporation will only release Clearing Data relating to transactions of a particular

participant and Clearing Fund Data to such participant upon his written request.

(b) The Corporation, in its sole discretion, may release Clearing Data relating to transactions of participants and/or the Clearing Fund Data of participants to (i) regulatory organizations and self-regulatory organizations, as defined in the ~~Securities Exchange Act of 1934, as amended~~, or other comparable Federal or State statutes, (ii) clearing agencies registered with the SEC of which the participant is a member, and (iii) to any clearing organization that is affiliated with or has been designated by a futures contract market under the oversight of the ~~Commodities Futures Trading Commission~~**CFTC**, of which the participant is a member. Provided, however, that nothing in this Rule shall prevent the Corporation from releasing Clearing Data to others, provided that such data shall be in a form as to prevent the disclosure, whether patently or in easily discernible format, of proprietary and/or confidential financial, operational or trading data of a particular participant or inappropriately arranged groups of participants.

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#### RULE 50. AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE

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SEC. 6. The Corporation will notify a Receiving Member, in such manner as determined by the Corporation from time to time, of customer account transfer requests that have been rejected by the Delivering Member and the Corporation will cause such requests to be deleted from the ACATS unless a correction is submitted by the Receiving Member as set forth below. To the extent the rejection is for enumerated categories, as specified by the Corporation from time to time, within one (1) ~~B~~**B**usiness ~~D~~**D**ay after notification of a Delivering Member's rejection, a Receiving Member may adjust a customer account transfer request by submitting corrections to the Corporation in such manner as determined by the Corporation from time to time. A Delivering Member must either reject the adjusted transfer request by submitting a rejection to the Corporation or submit to the Corporation detailed customer account asset data, in such manner and by such time as determined by the Corporation from time to time. If the Delivering Member fails to respond to the adjusted transfer request within such time frame as established by the Corporation from time to time, the Corporation will delete such request from the ACATS and the Receiving and Delivering Members will be notified accordingly. A Receiving Member who desires to resubmit a transfer request that is deleted will be required to reinitiate the request as if one had never been previously submitted.

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SEC. 8 . A Receiving Member will have one (1) ~~B~~**B**usiness ~~D~~**D**ay after receipt from the Corporation of the report detailing the customer account asset data to review the account and accept all assets, or, to the extent permitted by the Receiving Member's DEA, if applicable, reject one or more assets within a DEA determined asset

category, request the Delivering Member to make adjustments to it or, as permitted by the Corporation or, to the extent applicable, the Receiving Member's DEA, reject the account. No action is required by the Receiving Member if it determines to accept all assets in an account. A Receiving Member may accelerate the transfer of the customer account by either (i) providing an acceleration instruction to the Corporation upon receipt of the customer account asset data list from the Corporation and accepting all assets or (ii) deleting MF/IPS Products (as defined below) and accepting the remaining assets. Once a Receiving Member has accelerated the transfer, the transfer will be in accelerated status. During the one (1) **B**business **D**day time period, only the Delivering Member will be able to add, delete or change an item, provided that the Receiving Member did not accelerate the transfer, by delivering to the Corporation such information in such form and by such time as established by the Corporation from time to time, other than with respect to MF/IPS Products, which can also be deleted by the Receiving Member. Once the Receiving Member accelerates the transfer, the Delivering Member will be prohibited from making any adjustments to the account. If the transfer is not in an accelerated status, each **B**business **D**day that a Delivering Member causes an adjustment to be made to an account will give the Receiving Member an additional one (1) **B**business **D**day to review the account. If Fund/SERV Eligible Fund assets and/or IPS Eligible Products ("MF/IPS Products") are to be transferred the Receiving Member shall also, within one (1) **B**business **D**day after receipt from the Corporation of the report detailing the MF/IPS Products data or simultaneous with the submission of an acceleration instruction, submit to the Corporation detailed transfer instructions in such format as established by the Corporation from time to time, which instructions shall be processed through Mutual Fund Services in accordance with Section 16 of Subsection A of Rule 52 or through IPS in accordance with Section 6 of Rule 57, as applicable. If a Receiving Member submits instructions and determines that a modification must be made to such instruction, such modifications must be submitted within the same deadline. Modifications to an already submitted instruction will not be permitted if the transfer is in accelerated status. Each **B**business **D**day that the Delivering Member causes an adjustment to be made to an account will give the Receiving Member an additional one (1) **B**business **D**day to submit such transfer information. With respect to Fund/SERV Eligible Fund assets, if the Receiving Member fails to properly submit such transfer information within the required time period, the Corporation shall transmit through Mutual Fund Services such standing transfer information as the Corporation shall determine. Each day the Corporation will produce a report indicating the transfer instructions that have been received by the Corporation, if any, and, with respect to Fund/SERV Eligible Fund assets, if no instructions have been received, the standing instructions which will be submitted to the Mutual Fund Processor or Fund Member. Each day the Corporation will produce a report to the Receiving and Delivering Member, indicating the Fund/SERV Eligible Fund customer account asset transfers which have been confirmed or rejected by the Mutual Fund Processor or Fund Member in accordance with Section 16 of Subsection A of Rule 52. Such report will also indicate those transfers which the Mutual Fund Processor or Fund Member has not confirmed or rejected or which have been deleted. Each day the Corporation will produce a report to the Receiving and Delivering Member, indicating the IPS Eligible Products transfers which have been confirmed or rejected by

the Insurance Carrier/Retirement Services Member in accordance with Section 6 of Rule 57, or which have been deleted.

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SEC. 11. On each **B**usiness **D**day, the Corporation will issue to each Member and QSD such reports, in such forms and containing such information as established by the Corporation from time to time, indicating the status and details of requested customer account transfers. On each **B**usiness **D**day, Members and QSDs must compare the reports received against their records and any discrepancies between the two must be immediately reported to the Corporation. To the extent necessary or appropriate, the Corporation will cause an adjustment to be made to the report.

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SEC. 12. The Corporation may also provide services to enable Delivering Members to initiate the transfer of:

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2. A Receiving Member may reject the transfer by submitting such information as determined by the Corporation by the time and in the manner specified by the Corporation on the same day as the transfer request is received or, in respect of Reclaim transfers, no later than two **B**usiness **D**days following the day the Reclaim transfer request is received. No action is required by the Receiving Member if it determines to accept the transfer. A Receiving Member may not submit corrections and a Delivering Member may not make adjustments to such transfer request, except a Receiving Member may delete Fund/SERV Eligible Fund assets for Partial Accounts and Residual Credits.

3. Settlement Date for all transfers covered by this section shall be one **B**usiness **D**day following the day the Corporation receives the transfer request unless:

- (i) the request is Reclaim transfer, in which case Settlement Date shall be one **B**usiness **D**day following the day the Receiving Member accepts the request or the Corporation deems the request accepted, or
- (ii) the request includes either options assets which are eligible for processing an ACAT RCA, or Fund/SERV Eligible Fund assets, whereby the settlement date for all assets included in the transfer shall be two **B**usiness **D**days following the day the Corporation receives the transfer request.

SEC. 13. A Receiving Member may submit a request to a Delivering Member to initiate the transfer of a partial customer account, in such form as determined by the Corporation from time to time. Such request shall be delivered by the Corporation to the Delivering Member on the same day as received by the Corporation. Each day for a period not to exceed two days, the Corporation will produce a report, in such form as

determined by the Corporation from time to time, indicating all such requests received by the Corporation. A Delivering Member must either reject a customer account transfer request by submitting a rejection to the Corporation in such form as determined by the Corporation from time to time, or submit to the Corporation detailed customer account asset data in such format as established by the Corporation from time to time. If a request is rejected, the Delivering Member must indicate the reason for the rejection. If the Delivering Member submits detailed account asset data, and the transfer is not rejected by the Receiving Member, Settlement Date for this transfer request will be one **B**usiness **D**day after the Delivering Member has submitted the asset account data unless the transfer contains options assets or Fund/SERV Eligible Fund assets, in which case the settlement date for all assets will be two **B**usiness **D**days.

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## RULE 51. OBLIGATION WAREHOUSE

### SEC. 1. General

The Corporation may offer a service to Members for: (i) the comparison of securities transactions that are not otherwise submitted by or on behalf of Members for trade comparison or recording through other NSCC systems or services, (ii) tracking, storage and maintenance of obligations either compared through the service, or forwarded to it from other NSCC accounting operations or services in accordance with the Rules and Procedures through the time of settlement of such obligations (such obligations shall collectively be referred to as "OW Obligations"), (iii) the repricing and updating of fail obligations, (iv) the pair off of certain eligible open obligations. As regards to tracking and maintenance, the Corporation will cause CNS-eligible OW Obligations to be entered into the CNS Accounting Operation on a regular basis.<sup>7</sup> This service shall be known as the "Obligation Warehouse" service. In addition, in accordance with this Rule and the Obligation Warehouse Procedure, a Member shall submit to the Obligation Warehouse for repricing, netting and allotting, fail data with respect to transactions already compared through the facilities of the Corporation or other facilities.

### SEC. 2. Eligible Obligations

The Obligation Warehouse shall be available for use by Members for the tracking, records storage and maintenance of transactions in such securities or classes of securities as the Corporation shall determine from time to time.

### SEC. 3. Non-Guaranteed Service and Settlement

The Obligation Warehouse shall not be a guaranteed service of the Corporation. Except with respect to: (i) OW Obligations that have been forwarded to the CNS

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<sup>7</sup> This functionality will be made available to Members at a date no less than 10 **B**usiness **D**days following announcement of its implementation by Important Notice

Accounting Operation in accordance with Procedure II A. and Procedure VII, and (ii) any cash adjustment forwarded to the settlement system of the Corporation in accordance with the Obligation Warehouse Procedure, the settlement of OW Obligations shall occur between the parties themselves. Any obligations (settlement or otherwise) arising from OW Obligations shall be the sole responsibility of the Members that are parties to the obligation. In the event of the default of a Member, the Corporation within such time frames as determined from time to time and whether before or after settlement on any **B**usiness **D**day, may: (i) exit all OW Obligations of such Member, (ii) reverse all credits and debits for the Member relating to OW Obligations that have entered the CNS Accounting Operation, and (iii) reverse any cash adjustment of the Member forwarded to settlement pursuant to the Obligation Warehouse Procedures.

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## RULE 52. MUTUAL FUND SERVICES

### A. Fund/SERV<sup>®</sup>

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SEC. 2. A Member, Mutual Fund/Insurance Services Member, TPA Member, TPP Member or Investment Manager/Agent Member who desires to submit a Fund/SERV Eligible Fund order (e.g. purchase, redemption, exchange) or transaction to another Member (referred to as a Mutual Fund Processor) or Fund Member may do so by submitting order data to the Corporation on the day the order is intended to take place ("Trade Date") or, to the extent established by each Fund Member, any day thereafter (hereinafter referred to as "As-Of" orders) in such form and by such times as established by the Corporation from time to time.<sup>1</sup> An order submitted by a Member, Mutual Fund/Insurance Services Member, Investment Manager/Agent Member, TPP Member or TPA Member that does not indicate otherwise shall be settled through the facilities of the Corporation. An order processed through Fund/SERV but not settled through the Corporation's facilities is referred to hereinafter as a "Fund/SERV Processing Only Transaction," and the settlement of such transactions is the responsibility of the parties thereto.

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SEC. 10. A Member, Mutual Fund/Insurance Services Member, Investment Manager/Agent Member, TPP Member, TPA Member or TPP/TPA/IMA Settling Entity who does not want an order (including an exchange order) to settle within ~~the~~ Fund/SERV-~~Service~~, may submit an exit instruction in such form and by such time as established by the Corporation from time to time. Upon receipt of an exit instruction the Corporation will review the data for such information as the Corporation determines from time to time to be necessary. If the data does not contain the information required

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<sup>1</sup> A Fund Member or Mutual Fund Processor may indicate to the Corporation the parameters and types of orders it is willing to process through ~~the~~ Fund/SERV-~~service~~.

by the Corporation, the Corporation will reject the exit and advise the Member, Mutual Fund/Insurance Services Member, Investment Manager/Agent Member, TPP Member, TPA Member or TPP/TPA/IMA Settling Entity, as the case may be, in such form and by such time as established by the Corporation from time to time. If the exit instruction appears to contain the information required by the Corporation, the Corporation will report such exit to a Fund Member, Mutual Fund Processor, Investment Manager/Agent Member, TPP Member or TPA Member and corresponding TPP/TPA/IMA Settling Entity, as the case may be, within such time as established by the Corporation from time to time. A properly submitted exit instruction will cause such order to be deleted from ~~the Fund/SERV-Service~~, and such order must be adjusted directly between the Member, Mutual Fund/Insurance Services Member and Fund Member or Mutual Fund Processor. If a TPP/TPA/IMA Settling Entity does not submit an exit instruction in such form and by such time as established by the Corporation from time to time, the TPP/TPA/IMA Settling Entity shall be responsible for the settlement of such order in accordance with the provisions of these Rules.

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#### SEC. 17. Underwritings/Tender Offers

(a) A Mutual Fund Processor or Fund Member who desires orders to be processed as part of an underwriting or tender offer (hereinafter called "Event") shall, in such form and by such time as established by the Corporation from time to time, submit to the Corporation such details of the Event as the Corporation may require or permit, including but not limited to the Members, Mutual Fund/Insurance Services Members, Investment Manager/Agent Members, TPP Members or the TPA Members and corresponding TPP/TPA/IMA Settling Entities entitled to participate in the Event as established by the Mutual Fund Processor or Fund Member, duration of the Event (hereinafter called the "Acceptance Period"), the type of order data that may be accepted and, the settlement date of the Event. Order data received by the Corporation for Fund/SERV Eligible Funds undergoing an Event for which the Corporation has not received details of the Event will not be processed in accordance with this Section.

(b) Upon receipt of the details, the Corporation will review the details for such information as the Corporation determines from time to time to be necessary. If the details do not include the required data the Corporation will reject the details. If the settlement date provided is not a **B**usiness **D**day, the data shall not be rejected but the next valid **B**usiness **D**day will be assigned by the Corporation as the settlement date.

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(f) Settlement will occur in accordance with the time frames as established by the Corporation from time to time based upon data provided by a Mutual Fund Processor or Fund Member provided, however, that in no event shall settlement occur earlier than three (3) **B**usiness **D**days after the date the Corporation receives notice of the settlement date from the Mutual Fund Processor or Fund Member.

(g) If notice of cancellation of an Event is not received by the Corporation in such form and by such time as established by the Corporation and in no event later than three (3) ~~B~~**business D**days prior to settlement date, settlement shall occur as previously established and it shall be the responsibility of the Member, Mutual Fund/Insurance Services Member or TPP/TPA/IMA Settling Entity and Mutual Fund Processor or Fund Member to adjust the item directly.

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#### SEC. 21. Transfers of Fund/SERV Eligible Fund Shares.

(a) A Fund Member or Mutual Fund Processor to whom the value of Fund/SERV Eligible Fund shares is to be transferred (hereinafter referred to as the "Receiving Fund Member") may initiate the process by submitting a transfer request to the Corporation in such form and by such time on the submission date as established by the Corporation from time to time.

(b) The Fund Member or Mutual Fund Processor indicated by the Receiving Fund Member (hereinafter referred to as the "Delivering Fund Member") must acknowledge or reject a transfer request by submitting either an acknowledgment containing such information and in such form as established by the Corporation from time to time or a rejection instruction containing such information and in such form as established by the Corporation from time to time. The Delivering Fund Member will have up to two (2) ~~B~~**business D**days after the submission of a transfer request to acknowledge or reject the transfer request. A transfer request that is not responded to timely by a Delivering Fund Member, and a transfer request that is rejected by a Delivering Fund Member, will be deleted from Fund/SERV.

(c) A Delivering Fund Member that has acknowledged a transfer request must confirm the value of the Fund/SERV Eligible Fund shares to be transferred by submitting a confirmation to the Corporation in such form as established by the Corporation from time to time. The Delivering Fund Member must submit the confirmation no earlier than one (1) ~~B~~**business D**day and no later than ten (10) ~~B~~**business D**days after the submission of an acknowledgment. Failure to timely submit a confirmation will cause the transfer request to be deleted from Fund/SERV.

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SEC. 47. Each ~~B~~**business D**day, the Corporation will make data available to Members, Mutual Fund/Insurance Services Member, Data Services Only Members, Investment Manager/Agent Members, TPP Members, TPA Members, TPP/TPA/IMA Settling Entities, Mutual Fund Processors and Fund Members, indicating the status of (RULE 52) 171 all Fund/Serv transactions and instructions submitted to the Corporation. On a daily basis, Members, Mutual Fund/Insurance Services Members, Data Services Only Members, Investment Manager/Agent Members, TPP Members, TPA Members, TPP/TPA/IMA Settling Entities, Mutual Fund Processors and Fund Members must compare the data against their records and any discrepancies must be immediately



reported to the Corporation. To the extent necessary or appropriate, the Corporation may cause an adjustment to be made to the data within such time as the Corporation determines to be necessary.

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SEC. 49. (a) The Corporation may delete from Fund/SERV any incompleated Fund/SERV items, with the exception of incompleated ACAT-Fund/SERV items, upon the withdrawal of a Member or Mutual Fund/Insurance Services Member from participation in Fund/SERV, but not earlier than five ~~B~~business ~~D~~days following notification to Members and Mutual Fund/Insurance Services Members of such Member's or Mutual Fund/Insurance Services Member's intention to withdraw from Fund/SERV, where such Member or Mutual Fund/Insurance Services Member continues as such or is merged into or acquired by another Member or Mutual Fund/Insurance Services Member which is not a participant in Fund/SERV.

(b) The Corporation may delete from Fund/SERV any incompleated Fund/SERV items upon the withdrawal of a TPP Member, TPA Member or Investment Manager/Agent Member from participation in Fund/SERV, but not earlier than five ~~B~~business ~~D~~days following notification to the TPP/TPA/IMA Settling Entity of such TPP Member's, TPA Member's or Investment Manager/Agent Member's intention to withdraw from Fund/SERV.

#### B. Networking

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SEC. 3. Settlement of Networking Payments shall occur as follows:

(a) Dividend Payments. Each Fund Member and Mutual Fund Processor must submit to the Corporation by the time specified by the Corporation, the payable date in respect of dividend data submitted to the Corporation. If the payable date is a Business ~~d~~Day on which banks in New York are open for business (hereinafter referred to as a "Dividend Payable Date") settlement will occur on the payable date. If the payable date is not a Dividend Payable Date, settlement will occur on the next Dividend Payable Date after the payable date. Each day the Corporation will produce a report indicating the dividend amounts which will be required to be paid that day and the following day (hereinafter referred to as the "Dividend Payable Amount"). On a daily basis, the Fund Members and Mutual Fund Processors must compare the Dividend Payable Amount against their records and any errors must be reported to the Corporation in such form and by such time as established by the Corporation from time to time. The Corporation will report any corrections submitted by the Fund Member and Mutual Fund Processor to the Member, Mutual Fund/Insurance Services Member, Investment Manager/Agent Member, TPP Member, TPA Member and corresponding TPP/TPA/IMA Settling Entity, Fund Member and Mutual Fund Processor, as the case may be, on the next issued report after receipt by the Corporation of the correction.

(b) Other Networking Payments. On the Business Day prior to the day the Fund

Member and Mutual Fund Processor intends to be debited (hereinafter referred to as “Debit Day”) the Fund Member and Mutual Fund Processor must submit to the Corporation, within the time specified by the Corporation, the dollar value of amounts to be debited against the Fund Member and Mutual Fund Processor (hereinafter referred to as “Other Payable Amounts”). If the Debit Day is not a Business Day on which banks in New York are open for business the Debit Day will be the next ~~b~~Business ~~d~~Day the banks in New York are open for business. Each day the Corporation will produce a report or reports indicating the Other Payable Amounts which will be required to be paid that day and the following day.

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### C. DTCC Payment aXis

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SEC. 3. Except as otherwise described with regard to Payee Initiated Fee Types, settlement of commission and fee payments, including settlement of commission and fee payments with regard to investor accounts held in Omnibus, shall occur as follows: On the Business Day prior to the day the amount is intended to be debited (hereinafter referred to as “Debit Day”) the entity submitting the amount must submit to the Corporation, within the time specified by the Corporation, the dollar value and the appropriate accounts to which such amount is to be credited and debited. If the Debit Day is not a Business Day on which banks in New York are open for business the Debit Day will be the next ~~b~~Business ~~d~~Day the banks in New York are open for business. On Debit Day, the Corporation will credit and debit the appropriate accounts in accordance with the instructions of the Member, Mutual Fund/Insurance Services Member, Fund Member or Mutual Fund Processor. Settlement of payments arising out of such instructions shall be made in accordance with Rule 12 and other provisions of these rRules.

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### E. MF Info Xchange

~~SEC 6.~~ The Corporation shall provide a service (“MF Info Xchange”) to enable Members, Mutual Fund/Insurance Services Members, Investment Manager/Agent Members, TPP Members, TPA Members, Data Services Only Members and Fund Members (“data providers”) to transmit event notifications relating to mutual funds or other pooled investment entities to other Members or Limited Members and to other third parties identified by the data providers to receive the event notifications, or to otherwise supply and provide access to event notification data directly to or from the Corporation through a data repository. The Corporation may determine from time to time, and shall announce by Important Notice, which types of event notifications may be transmitted using MF Info Xchange. The Corporation shall not be responsible for the completeness or accuracy of any event notifications transmitted using MF Info Xchange nor for any errors, omissions or delays that may occur relating to the event notifications.

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RULE 53. ALTERNATIVE INVESTMENT PRODUCT SERVICES AND MEMBERS

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SEC. 9. Designation of “Broker-Controlled” and “Customer-Controlled” Accounts

(a) AIP Data includes the designation of a specified AIP Distributor’s customer account as “broker-controlled” or “customer-controlled” in respect of an AIP Manufacturer’s Eligible AIP Product.

(b) For so long as any specified customer account is designated as “broker-controlled” by the applicable AIP Manufacturer, such AIP Manufacturer shall be making continual and ongoing representations and assurances to the controlling AIP Distributor with respect to such customer account that:

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- (iii) the Eligible AIP Product securities held (or to be held) in such customer account are registered with the ~~Securities and Exchange Commission~~**SEC** pursuant to the Securities Act of 1933, as amended, are exempt from such registration, or are not required to be registered;

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- (vi) such AIP Manufacturer understands and acknowledges that the controlling AIP Distributor may be relying on the above representations in order to establish custody in accordance with ~~Securities and Exchange Commission~~**Rule 15c3-3** of the Exchange Act, and that failure to comply with the above representations may require that the controlling AIP Distributor remove the Eligible AIP Product securities from the applicable customer’s brokerage account.

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(c) Each AIP Distributor that is a Registered-Broker Dealer and that is relying on a specified AIP Manufacturer’s Representations and Assurances with respect to a customer’s account, shall, for so long as the applicable “broker-controlled” designation remains in place, be continually stating that:

- (i) such AIP Distributor carries those Eligible AIP Product securities “long” in such customer’s account;
- (ii) such AIP Distributor reflects all share positions of the applicable Eligible AIP Product separately in such AIP Distributor’s securities records or ledgers maintained pursuant to ~~Securities and Exchange Commission~~**Rule 17a-3** of the Exchange Act;

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## RULE 54. DTCC LIMIT MONITORING RISK MANAGEMENT TOOL

### SEC. 1. General

\_\_\_\_\_ NSCC may provide its Members with a risk management tool called DTCC Limit Monitoring that will enable Members to monitor trading activity on an intraday basis of their organizations and/or their correspondent firms through review of post-trade data. DTCC Limit Monitoring will be available to all ~~NSCC~~ Members. Members required to register for DTCC Limit Monitoring include: (1) any ~~NSCC full service~~ Member that clears trades for others; (2) any ~~NSCC full service~~ Member that submits transactions to NSCC's trade capture system either as a Qualified Special Representative (QSR) or Special Representative, pursuant to Procedure IV (Special Representative Service); and (3) any ~~NSCC full service~~ Member that has established a 9A/9B relationship in order to allow another ~~NSCC~~ Member (either a QSR or Special Representative) to submit locked in trade data on its behalf.

\_\_\_\_\_ DTCC Limit Monitoring will provide ~~NSCC~~ Members with: (i) post-trade data relating to unsettled equity and debt securities trades for a given day that have been compared or recorded through the Corporation's trade capture mechanisms on that day ("LM Trade Date Data"), and (ii) other information as provided in this Rule and the DTCC Limit Monitoring Procedure. The trade capture mechanisms utilized in the production of LM Trade Date Data shall be as determined by the Corporation from time to time.

\_\_\_\_\_ A Member is able to access LM Trade Date Data and other information through DTCC Limit Monitoring only with respect to its own account(s) at the Corporation. Through the utilization of filtering criteria known as "Risk Entities", a Member can define activity it seeks to monitor through the risk management tool, including that of its correspondents, or other entities or groups for which LM Trade Date Data is processed through the Members' account, including relating to subgroups within its own business.<sup>2</sup>

\_\_\_\_\_ Members using the tool will have the ability to input or load start of day and/or intra-day position data representing open activity from prior days into DTCC Limit Monitoring on their own ("LM Member-provided Data") (LM Trade Date Data and LM Member-provided Data shall collectively be referred to as "LM Transaction Data"). Through its definition of Risk Entities, and as otherwise provided in the Procedures, a Member may create rules for the aggregation of LM Transaction Data, set parameters for the monitoring of each Risk Entities' activity in relation to LM Transaction Data, and receive alerts for the display of parameter brakes relating to the LM Transaction Data. These functions, and the responsibilities of the Corporation and Members with respect to DTCC Limit Monitoring are further described in the DTCC Limit Monitoring Procedure

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<sup>2</sup> The Corporation does not distinguish a Member's overall activity from that of the Member's customers or other groups. Therefore, a Member's ability to receive LM Trade Date Data organized by Risk Entity is entirely dependent upon the Member's provision of defining criteria in accordance with this Rule and the DTCC Limit Monitoring Procedure.

(Procedure XVII).

SEC. 2. No Impact on Trade Guaranty and Other Provisions

\_\_\_\_\_ Neither reports nor data supplied to Members through DTCC Limit Monitoring, nor the timing of their distribution, will impact the timing, status, or effectiveness of a trade guaranty, or lack thereof, of any transaction in CNS Securities or Balance Order Securities. Furthermore, the provision of information or data to Members, or lack thereof, through DTCC Limit Monitoring will not be deemed to indicate or have any bearing on the status of any transaction, including, but not limited to, as compared, locked-in, validated, guaranteed, or not guaranteed. Any Member that registers for DTCC Limit Monitoring shall indemnify the Corporation, and any of its employees, officers, directors, shareholders, agents, and participants who may sustain any loss, liability, or expense as a result of any act or omission by the Member made in reliance upon data or information furnished through DTCC Limit Monitoring to the Member (whether derived from LM Trade Date Data, LM Member-provided Data, or LM Transaction Data).

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RULE 55. SETTLING BANKS AND AIP SETTLING BANKS

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SEC. 2. Each Settling Bank shall settle with the Corporation on a net-net basis on each Business ~~d~~Day: the Net Credit Balance of each participant that settles through such Settling Bank and has a Net Credit Balance on that ~~b~~Business ~~d~~Day and the Net Debit ~~B~~balance of each participant that settles through the same Settling Bank and has a Net Debit Balance on that ~~b~~Business ~~d~~Day will be aggregated with the Net Debit Balance or Net Credit Balance on that ~~b~~Business ~~d~~Day of the Settling Bank itself, if any, and all such balances will be netted to a single net-net debit balance or net-net credit balance for the Settling Bank for that business day. Throughout each ~~b~~Business ~~d~~Day the Corporation will provide each Settling Bank with reports of the ~~N~~net ~~D~~debit ~~B~~balance or ~~N~~net ~~C~~credit ~~b~~Bbalance in the Settlement account of each participant which the Settling Bank represents and the arithmetic sum of these amounts. The Settling Bank will be responsible for collecting the Net Debit Balances from, and paying the Net Credit Balances to, participants represented by the Settling Bank.

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SEC. 6. A Settling Bank shall not terminate its status as a Settling Bank and shall not terminate its representation of a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member without having given 10 ~~b~~Business ~~d~~Days advance written notice thereof to the Corporation. No Settling Bank shall commence representation of any such participant without having given 5 ~~b~~Business ~~d~~Days advance written notice thereof to the Corporation.

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SEC. 9. Each AIP Settling Bank shall settle with the Corporation on a gross basis on each Business **d**Day: the AIP Debit Balance and AIP Credit Balance (or, if applicable, the AIP Adjusted Credit Balance) of each AIP Member and AIP Non-Member Fund which settles through such AIP Settling Bank. Each AIP Debit Balance of each AIP Member and each AIP Non-Member Fund which settles through the same AIP Settling Bank and has a AIP Debit Balance on that **b**Business **d**Day will be aggregated with the AIP Debit Balance on that **b**Business **d**Day of the AIP Settling Bank itself, if any, and all such balances will be aggregated to a single gross debit balance for the AIP Settling Bank for that **b**Business **d**Day. Each AIP Credit Balance (or if applicable, AIP Adjusted Credit Balance) of each AIP Member and each AIP Non-Member Fund which settles through the same AIP Settling Bank and has an AIP Credit Balance (or, if applicable AIP Adjusted Credit Balance) on that **b**Business **d**Day will be aggregated with the AIP Credit Balance (or AIP Adjusted Credit Balance, as applicable) on that **b**Business **d**Day of the AIP Settling Bank itself, if any, and all such balances shall be aggregated to a single gross credit balance for the AIP Settling Bank for that **b**Business **d**Day. Throughout each **b**Business **d**Day the Corporation will provide each AIP Settling Bank with reports of the debit balance or credit balance in the AIP settlement account of each AIP Member (including AIP Settling Sub-Account) which the AIP Settling Bank represents and the arithmetic sum of these amounts. The AIP Settling Bank will be responsible for collecting the AIP Debit Balances from, and paying the AIP Credit Balances (or, if applicable, the AIP Adjusted Credit Balances) to AIP Members and AIP Non-Member Funds represented by the AIP Settling Bank.

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SEC. 12. If an AIP Settling Bank or the AIP Member (including the AIP Fund Administrator with respect to its AIP Settling Sub-Accounts) in the case of a Refusal, fails to settle in the manner and at the time prescribed in the Procedures, the Corporation shall reduce the AIP Credit Balances of all contra side AIP Members' accounts (including contra side AIP Settling Sub-Accounts) having an AIP Credit Balance on that **b**Business **d**Day as a result of transactions with the AIP Member(s) and/or AIP Settling Sub-Account(s) which AIP Debit Balance failed to settle, in accordance with Rule 53 and the Procedures of the Corporation. The Settling AIP Bank or AIP Member (including an AIP Fund Administrator with respect to its AIP Settling Sub-Accounts) will not be deemed to have defaulted in a payment obligation to the Corporation. The Corporation may assess penalties against an AIP Settling Bank or, the AIP Member (including the AIP Fund Administrator with respect to its AIP Settling Sub-Accounts) as specified in the Procedures, in the event the AIP Settling Bank or, in the case of a Refusal, the AIP Member (including AIP Fund Administrators with respect to AIP Settling Sub-Accounts) fails to settle.

SEC. 13. An AIP Settling Bank shall not terminate its status as an AIP Settling Bank and shall not terminate its representation of a AIP Member or AIP Non-Member Fund without having given 10 **b**Business **d**Days advance written notice thereof to the Corporation. No AIP Settling Bank shall commence representation of a AIP Member or AIP Non-Member Fund without having given 5 **b**Business **d**Days advance written notice thereof to the Corporation.

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## RULE 57. INSURANCE AND RETIREMENT PROCESSING SERVICES

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## COMMISSIONS AND COMPENSATION

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(c) Commission transactions received for settlement through the Corporation prior to the time established by the Corporation for this purpose will settle in the settlement cycle occurring immediately following the completion of the processing of data relating to such payment, unless the Insurance Carrier/Retirement Services Member's initiation instruction indicated that such transaction will settle on a date thereafter; provided, however, that no transaction shall settle more than five ~~b~~Business ~~d~~Days after the day on which the transaction was submitted to the Corporation.

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## LICENSING AND APPOINTMENTS

SEC. 4 ~~(a)~~ The Corporation may provide a service to enable Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members and Data Services Only Members to transmit I&RS Data regarding licensing and appointment authorizations and activity (including, but not limited to, licensing and appointment authorizations and activity relating to licensee or appointee training) ("Licensing and Appointments") among themselves or to otherwise supply and access I&RS Data regarding Licensing and Appointments directly to or from NSCC, as the case may be, ~~and, with respect to Members, Mutual Fund/Insurance Services Members and Insurance Carrier/Retirement Services Members, to settle payments in respect thereof.~~

~~(b) Licensing and Appointments transactions submitted for settlement through the Corporation prior to the time established by the Corporation for this purpose shall settle in the settlement cycle occurring immediately following the submission of data relating to such payment.~~

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## RULE 60. ~~(MARKET DISRUPTION AND FORCE MAJEURE)~~

### SEC. Section 1. Market Disruption Events

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### SEC. Section 2. Powers of the Corporation

If the Board of Directors or any officer of the Corporation listed below determines, in its, his, or her judgment that there is a Market Disruption Event, the Corporation shall be entitled to act (or refrain from acting) as prescribed in Section 3 of this Rule 60. To the extent practicable, the determination of the existence of a Market Disruption Event, and the actions to be taken in response thereto, shall be made by the Board of Directors at a

meeting where a quorum is present and acting. However, if the Corporation is unable to convene a Board meeting promptly and timely in such event, then such determination may be made by either the Chief Executive Officer, the Chief Financial Officer, the Group Chief Risk Officer, or the General Counsel, or by any management committee on which all of the foregoing officers serves (an "Officer Market Disruption Event Action"), provided that the Corporation shall convene a Board meeting as soon as practicable thereafter (and in any event within 5 ~~b~~Business ~~d~~Days following such determination) to ratify, modify or rescind such Officer Market Disruption Event Action.

**SEC.Section 3. Authority to take Actions**

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**SEC.Section 4. Notifications**

**(a)4.1** Each Member and Limited Member shall notify the Corporation immediately upon becoming aware of any Market Disruption Event.

**(b)4.2** The Corporation shall promptly notify Members and Limited Members of any action the Corporation takes or intends to take pursuant to Section 3 of this Rule 60.

**(c)4.3** The Corporation shall attempt to consult with officials of the ~~Securities and Exchange Commission~~**SEC** prior to the Corporation taking any action pursuant to Section 3 of this Rule 60; provided, however, that the authority contained herein shall not be conditioned by such consultation.

The Corporation shall advise the ~~Securities and Exchange Commission~~**SEC** as soon as practicable by telephone, and confirmed in writing, of any action taken by the Corporation pursuant to Section 3 of this Rule 60, and a record of such writing shall be promptly made and filed with the Corporation's records and shall be available for inspection by any Member or Limited Member during regular business hours on ~~b~~Business ~~d~~Days.

The Corporation shall also advise the ~~Securities and Exchange Commission~~**SEC** as soon as practicable by telephone, and confirmed in writing, at such time it determines that there is no longer a Market Disruption Event and the Corporation terminates the actions taken by the Corporation pursuant to Section 3 of this Rule 60. A record of such writing shall be promptly made and filed with the Corporation's records and shall be available for inspection by any Member or Limited Member during regular business hours on ~~b~~Business ~~d~~Days.

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**SEC.Section 5. Certain Miscellaneous Matters**

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**RULE 63. SRO REGULATORY REPORTING**



The Corporation may provide one or more data transmission services to permit Members and others to meet regulatory reporting requirements imposed by self-regulatory organizations, as defined in the ~~Securities Exchange Act of 1934~~. To the extent that Members or others use any such service they shall be bound by the terms of any agreement between the Corporation and any self-regulatory organization with respect to each such service. Entities which are not Members shall be required to enter into such agreements as determined by the Corporation in order to be permitted to use such services.

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## PROCEDURE I. INTRODUCTION

These Procedures have been adopted under the Rules of National Securities Clearing Corporation (the Corporation) with respect to services offered by the Corporation. Each term used in these Procedures shall have the same definition as it has in the Rules unless it is defined in Section Procedure XIII of these Procedures, in which case it shall have the definition specified in said Section Procedure XIII.

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All references to a “day”, “yesterday”, “today” and similar references herein refer to settlement days, unless specified as “~~b~~Business Days” or “calendar days”, or the context otherwise requires. Terms used in any form, document, or ticket referred to herein shall have the same definition as they have in the Rules and these Procedures.

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## PROCEDURE II. TRADE COMPARISON AND RECORDING SERVICE

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### A. Introduction

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All trade data submitted to the Corporation by Self-Regulatory Organizations, Qualified Special Representatives and Special Representatives for recording pursuant to this Procedure II must be submitted in Real-time, as that term is defined in Procedure XIII and on a trade-by-trade basis, in the form executed without any form of pre-netting of such trades prior to their submission. Trades submitted by Special Representatives for which the counterparties are Affiliates, ~~as defined in Rule 4A~~, and Client Custody Movements, as defined in Section 7 of Rule 7, are not subject to the requirements of this paragraph.

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### C. Debt Securities

## 1. Trade Input and Comparison

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(b) Trade data may be submitted during the timeframes specified by the Corporation from time to time, and shall include quantity, security identification, identification of the marketplace of execution, contra-broker, trade value, settlement date (which may be no greater than 50 ~~b~~Business ~~d~~Days beyond the trade date), trade date, unique reference number (x-ref), MPID (the market participant identifier issued by the Financial Industry Regulatory Authority, Inc., or "FINRA"), and other identifying details as the Corporation may require or permit and shall be in such formats as specified by the Corporation relative to the method utilized for trade submission.

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(d) For trades that are submitted prior to the cut-off time for intraday comparison established by the Corporation from time to time, when the purchaser and seller have submitted trade data that matches in all required respects, including contract amounts which were deemed matched pursuant to the money tolerances in subsection (c), except for the trade date, the trades shall be deemed compared if trade dates submitted by the purchaser and seller are within 20 ~~b~~Business ~~d~~Days of each other and the earlier of the two trade dates is used. If the trade dates submitted by the purchaser and seller are not within 20 ~~b~~Business ~~d~~Days of each other, the trade will remain uncomparing.

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## 2. Resolution of Uncomparing Trades in Regular Way Debt Securities

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(h) Transactions which compare after such cutoff time as the Corporation may designate on the date on which they were scheduled to settle or later are assigned a Settlement Date of the next ~~b~~Business ~~d~~Day following the date the trade is compared. The assignment of a new Settlement Date applies to trades designated for CNS-eligible processing, Balance Order processing, and trade-for-trade Special Trades (*i.e.*, trades other than those submitted for comparison-only processing).

\*\*\*\*

## F. Index Receipts

### 1. Composition and Preliminary Financial Data

Each day, by such time as required by the Corporation from time to time, the Index Receipt Agent shall report to the Corporation a) the composition of index receipts for creations and redemptions occurring on the next ~~b~~Business ~~d~~Day ("T"), *i.e.*, the

shares and their associated quantities, b) the cash value of the portfolio for creates and redeems made solely for cash, and, if applicable, c) the estimated cash amount, representing accrued dividend, cash-in-lieu of components<sup>3</sup>, if applicable, and balancing amount data (hereinafter referred to as the “Divided/Balancing Cash Amount”), and d) such other financial data as the Corporation may require or permit from time to time.

Each day, by such time as determined by the Corporation from time to time, the Index Receipt Agent may also report to the Corporation the composition of index receipts for purposes other than creations and redemptions.

Each evening, by such time as determined by the Corporation from time to time, the Corporation will make available to Members a Portfolio Report detailing, if applicable, the estimated Dividend/Balancing Cash Amount, other financial data and the composition of the next **bB**usiness **dD**ay’s index receipts. The composition data may be used by the Corporation to process index receipt creations and redemptions on the next **bB**usiness **dD**ay.

## 2. Creation/Redemption Input

On each **bB**usiness **dD**ay, the Corporation will perform reasonability checks of transaction data submitted by an Index Receipt Agent to the Corporation. The Corporation will pend any transaction data that exceeds thresholds established by the Corporation. The Corporation will notify the Index Receipt Agent of any transaction data that the Corporation has pended. The Index Receipt Agent must provide confirmation, in the form and within the timeframe required by the Corporation, that such pended transaction data should be accepted by the Corporation. If the Index Receipt Agent fails to provide such confirmation, such pended transaction data will be rejected. The Corporation may, in its sole discretion, adjust thresholds from time to time and the Corporation may consider feedback from its Members or market conditions.

\*\*\*\*

## PROCEDURE II.A OBLIGATION WAREHOUSE

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### C. Obligation Warehouse Storage, Tracking, Maintenance and Settlement

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6. Obligations that have been reflected in the OW as settled in accordance with these Procedures may be re-opened (either partially or fully), as a result of a delivery reclaim message sent by either party to the obligation to OW.

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<sup>3</sup> The “cash in-lieu-of-securities” portion of the cash amount represents cash substituted for a partial quantity of the components underlying a creation or redemption rather than acting as the sole underlying component.

Updates to reflect reclaims of settled transactions will be made once one party enters details of the original transaction, and the original transaction's OW Control Number. Once these details are submitted, an advisory of the reclaim will be sent to the counterparty, who must either submit identical transaction details to facilitate the reclaim and re-open the obligation in OW, or submit notification that it does not accept the reclaim details entered by the initiating party. Updates for reclaims may only be submitted to the OW for a period of two ~~b~~Business ~~d~~Days following the actual settlement date of the relevant obligation. If the reclaim message is not accepted by the counterparty, it will be deleted from the OW, and the parties will need to generate a new reclaim message in OW. If the original obligation has been settled for longer than two ~~b~~Business ~~d~~Days, any reclaim message will be rejected.

\*\*\*\*

E. Pair Off

\*\*\*\*

(c) Closed Out or Cash Adjustment

\*\*\*\*

Where the underlying final money amounts are not exactly matched between obligations being paired off, the pair off will result in a cash adjustment, which will be reflected in the Members' money settlement with the Corporation on the following ~~b~~Business ~~d~~Day.

\*\*\*\*

PROCEDURE III. TRADE RECORDING SERVICE (INTERFACE WITH QUALIFIED CLEARING AGENCIES)

\*\*\*\*

If (i) a Participating Member has failed to satisfy its Clearing Fund obligations to the Corporation pursuant to Procedure XV, or (ii) the Corporation has ~~declined or~~ ceased to act for a Participating Member pursuant to these Rules and Procedures prior to the time that the Corporation's guarantee of such Participating Member's E&A/Delivery Transactions become effective (such Participating Member, a "Defaulting Participating Member"), then none of the E&A/Delivery Transactions involving such defaulting Participating Member for which the Corporation's guarantee pursuant to Addendum K has not yet become effective shall be guaranteed by the Corporation, and all such E&A/Delivery Transactions shall be exited out of the CNS Accounting Operation or the Balance Order Accounting Operation, as applicable, unless otherwise agreed between OCC and the Corporation. The Corporation shall have no further obligation regarding the settlement of the exited E&A/Delivery Transactions, other than such obligations as the Corporation may have pursuant to its arrangement with OCC, and the non-defaulting Participating Members' Required Fund Deposit to the Clearing Fund will be

recalculated excluding the exited E&A/Delivery Transactions.

\*\*\*\*

#### PROCEDURE IV. SPECIAL REPRESENTATIVE SERVICE

##### B. Institutional Clearing Service

The Institutional Clearing Service is a means by which a broker/dealer Member can clear its customer-side activity through the accounting systems offered by the Corporation when the customer is a Member or institutional participant of a Qualified Clearing Agency.<sup>4</sup>

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#### PROCEDURE VII. CNS ACCOUNTING OPERATION

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##### E. Influencing Receipts from CNS

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##### 5. Fully-Paid-For Account

(Procedures for Movements to the Long Free Account)

The Corporation's processing day is divided into two parts. It begins with a night cycle on the evening preceding the settlement day for which the work is being processed and is followed by a day cycle which ends on the settlement day for which the work is processed. If a Member with a long position and/or a position due for settlement on the next settlement day, in anticipation of receiving securities from the Corporation (other than municipal securities, as that term is defined by the ~~Securities Exchange Act of 1934, as amended~~), as a result of the allocation process during the night or day cycle for that settlement day, instructs that securities within its possession or control (other than municipal securities) be delivered on the next day and is subsequently not allocated the securities during the night or following day cycle, the Member may, in order to meet the "customer segregation" requirements of ~~SEC~~ Rule 15c3-3 of the Exchange Act, instruct the Corporation, during the day cycle for that settlement day by the time specified by the Corporation, to transfer the position(s) which has not been allocated to a special CNS sub-account (the "Long Free Account"). The

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<sup>4</sup> For the purposes of this procedure, a Qualified Clearing Agency shall include an entity that performs institutional trade matching and confirmation services that has received an exemption under the ~~Securities Exchange Act of 1934, as amended~~, to register as a clearing agency.

Corporation will then debit the Member's settlement account for the value of the position in the Long Free Account. The Long Free Account will be guaranteed by the Corporation and will be marked daily.

\*\*\*\*

**NOTE:** The SEC has stated that: "any broker/dealer that takes advantage of proposed rule NSCC-82-25 must recall deficits from bank loan within shorter time intervals than those presently allowed under **SEC-Rule 15c3-3(d)(1)** of the Exchange Act. In the case of bank loan, broker/dealers will be expected to effect a recall within one **bB**usiness **dD**ay instead of the two **bB**usiness **dD**ays presently allowed.

\*\*\*\*

#### H. Miscellaneous CNS Activity

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##### 4. Corporate Reorganizations

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All CNS Securities subject to a reorganization (hereinafter referred to as "the subject security") may be included in the CNS Reorganization Processing System other than: (i) securities subject to a conversion event; (ii) securities subject to a reorganization where baby bonds are issued; (iii) securities made ineligible for processing at a Qualified Securities Depository during a corporate reorganization; and (iv) in circumstances when the Corporation determines that operational difficulties prevent the processing of the security in the CNS Reorganization Processing System, in which case the security shall be removed from the CNS System, and Receive and Deliver Instructions for such security are issued as explained in paragraph 1 of this subsection H, above. For example, in general, the Corporation will not process a reorganization event where the protect period for such event is greater than two **bB**usiness **dD**ays.

\*\*\*\*

To the extent the Corporation receives timely notification of a reorganization, each **bB**usiness **dD**ay, starting two **bB**usiness **dD**ays before the effective day of a mandatory reorganization, or four **bB**usiness **dD**ays before the expiration date of a voluntary reorganization ("effective day" and "expiration day" hereinafter referred to as "E") through such time as the Corporation shall determine, the reorganization information received by the Corporation will be provided to Members. If the Corporation does not receive sufficient notification of a pending reorganization to provide to Members on the dates prior to E specified above, the Corporation will provide such information to Members as soon as practical after receipt of such information. While the Corporation uses its best efforts to ensure that the reorganization information provided is complete and accurate, the information

provided is solely an unofficial summary prepared by the Corporation for the convenience of its Members, and the Corporation is not responsible for the completeness and accuracy of the information.

\*\*\*\*

J. Recording of CNS Buy-Ins

1. Equity Securities and Corporate Debt Securities

Defined Terms

For the purpose of this Section J,

The day the Buy-In Intent is transmitted is referred to as N; and N+1 and N+2 refer to the succeeding ~~b~~**B**usiness ~~d~~**D**ays. As noted in Section A of this Procedure VII, each day commences in the evening and includes an evening allocation of securities and a day allocation of securities.

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PROCEDURE VIII. MONEY SETTLEMENT SERVICE

\*\*\*\*

A. Settlement Statement

Each ~~b~~**B**usiness ~~d~~**D**ay at such time as determined by Corporation, the Corporation produces a Settlement Statement for each Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member and Fund Member. The Settlement Statement reflects each credit or debit which has been entered to such participant's account for each service in which it had activity that day together with amounts due to or from Members (and, if applicable, Mutual Fund/Insurance Services Members) as a result of Clearing Agency Cross-Guaranty Agreements. All credit and debit amounts are totaled and the net of the two is calculated. This net amount represents the amount owed to the participant or owed by the participant.

\*\*\*\*

C. Final Settlement Statement

Each ~~b~~**B**usiness ~~d~~**D**ay at such time as determined by the Corporation, a Final Settlement Statement is produced for each Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member which contains the credit and debit amounts shown on the prior Settlement Statement, any adjustments to those amounts and the status of the settlement of these amounts. Any resulting debit or credit amount reflected on such statement is recorded as "Suspense". Suspense amounts are settled between such participant, and the Corporation, in accordance with the procedures established by the Corporation. Participants must verify all figures on all Settlement

Statements and immediately bring any discrepancies to the attention of the Corporation.

D. Settling Bank Procedures

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2. Settlement Agent

DTC provides NSCC with services with respect to NSCC's money settlement operations as described in, and in accordance with, these procedures. DTC will act as "Settlement Agent" (as that term is used in the Federal Reserve Board's Operating Circular 12 and in ~~NSCC's Rule & these Rules and~~ Procedures) for NSCC and ~~NSCC's~~ Settling Banks, for purposes of (i) receiving and paying, as NSCC's settling bank and for the account of NSCC, end-of-day money settlement payments from or to, as applicable, ~~NSCC~~ Settling Banks and participants, (ii) with respect to the Federal Reserve Bank's ("FRB") National Settlement Service ("NSS"), as the means of effecting money settlement for NSCC, and (iii) aggregating and netting the Settlement balance of those Settling Banks that act as such for both DTC and NSCC participants, and crediting or debiting the account of either NSCC, or DTC, as the appropriate clearing agency, with the settlement amounts determined in accordance with this procedure, as described in item 4 below.

3. Settlement Payment By Net-Net Debit Settling Bank

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**Note** – Settling Banks must monitor their Settling Bank Account Statement to ensure that funds have been credited to their account and that no balance exists. The Settling Bank must be prepared to wire payment to the Settlement Agent if funds are not available or if the NSS is unavailable or inoperable. NSCC requires that a bank representative authorized to wire funds be available at the Settling Bank until settlement is complete. If a Settling Bank is experiencing extenuating circumstances and, as a result, needs to opt out of NSS for one ~~b~~**B**usiness ~~d~~**D**ay and send its wire directly to DTC's FRBNY account for its debit balance, that Settling Bank must notify the Settlement department prior to acknowledging its settlement balance.

\*\*\*\*

PROCEDURE X. EXECUTION OF BUY-INS

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The execution of a buy-in is reported in the Miscellaneous Activity Report on the next ~~b~~**B**usiness ~~d~~**D**ay following the day such execution is reported to the Corporation.

\*\*\*\*

PROCEDURE XIII. DEFINITIONS

\*\*\*\*



T - T denotes the day on which the trade occurred. T+1 is the next ~~b~~Business ~~d~~Day, and so on. T+2 is normally the Settlement Date.

\*\*\*\*

#### PROCEDURE XV. CLEARING FUND FORMULA AND OTHER MATTERS<sup>1</sup>

\*\*\*

##### (1) For CNS Transactions

(a) (i) The volatility of such Member's net of unsettled Regular Way, When-Issued and When-Distributed pending positions (i.e., net positions that have not yet passed Settlement Date) and fail positions (i.e., net positions that did not settle on Settlement Date), hereinafter collectively referred to as Net Unsettled Positions, which shall be the highest resultant value among the following:

I. an estimation of volatility calculated in accordance with any generally accepted portfolio volatility model including, but not limited to, any margining formula employed by any other clearing agency registered under Section 17A of the ~~Securities~~ Exchange Act ~~of 1934~~, provided, however, that not less than two standard deviations' volatility shall be calculated under any model chosen. Such calculation shall be made utilizing (1) such assumptions and based on such historical data as the Corporation deems reasonable and shall cover such range of historical volatility as the Corporation from time to time deems appropriate; and (2) each of the following estimations:

\*\*\*\*

plus

(c) If such Member is an ID Net Subscriber, the net of each day's difference between (x) the contract price of the net positions attributable to such Member's transactions submitted through the ID Net service, and (y) the Current Market Price for such positions (such difference to be known as the "ID Net Mark-to-Market"), provided that if the value of the ID Net Mark-to-Market as computed above is a positive number, then the value of the ID Net Mark-to-Market shall be zero;

**plus**

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<sup>1</sup> All calculations shall be performed daily or, if the Corporation deems it appropriate, on a more frequent basis.

plus

(d) An additional payment (“special charge”) from Members in view of price fluctuations in or volatility or lack of liquidity of any security. The Corporation shall make any such determination based on such factors as the Corporation determines to be appropriate from time to time;

\*\*\*\*

**(h)(i)** A Margin Liquidity Adjustment (“MLA”) charge shall apply to a Member’s Net Unsettled Positions, other than long Net Unsettled Positions in Family-Issued Securities.

\*\*\*\*

(2) For Balance Order Transactions

(a) (i) The volatility of such Member’s net of unsettled Regular Way, When-Issued and When-Distributed positions that have not yet passed Settlement Date, hereinafter collectively referred to as Net Balance Order Unsettled Positions, which shall be the highest resultant value among the following:

I. an estimation of volatility calculated in accordance with any generally accepted portfolio volatility model, including, but not limited to, any margining formula employed by any other clearing agency registered under Section 17A of the ~~Securities~~ Exchange Act ~~of 1934~~, provided, however, that not less than two standard deviations’ volatility shall be calculated under any model chosen. Such calculation shall be made utilizing (1) such assumptions and based on such historical data as the Corporation deems reasonable and shall cover such range of historical

\*\*\*\*

**(f)(g)** An MLA charge shall apply to a Member’s Net Balance Order Unsettled Positions, other than long Net Balance Order Unsettled Positions in Family-Issued Securities.

\*\*\*\*

I.(B) Additional Clearing Fund Formula

\*\*\*\*

(4) Bank Holiday Charge

For purposes of this section, “Holiday” means any day on which equities markets are open for trading, but the Board of Governors of the Federal Reserve System observes a holiday and banks are closed.

On the ~~b~~Business ~~d~~Day prior to any Holiday, the Corporation may require each Member to make an additional Clearing Fund deposit (“Bank Holiday Charge”). The Bank Holiday Charge approximates the exposure that a Member’s trading activity on the applicable Holiday could pose to the Corporation. Since the Corporation cannot collect margin on the Holiday, the Bank Holiday Charge is due on the ~~b~~Business ~~d~~Day prior to the applicable Holiday.

The methodology for calculating a Bank Holiday Charge shall be determined by the Corporation in advance of each applicable Holiday. The Bank Holiday Charge approximates each Member’s Required Fund Deposit to address the exposure that such Member’s trading activity on the Holiday could pose to the Corporation. The Corporation shall have the discretion to calculate the Bank Holiday Charge based on its assessment of market conditions at the time the Bank Holiday Charge is calculated (such as, for example, significant market occurrences that could impact market price volatility). The Corporation shall inform Members of the methodology it will use to calculate the Bank Holiday Charge by an Important Notice issued no later than 10 ~~b~~Business ~~d~~Days prior to the day on which the applicable Bank Holiday Charge is applied. Examples of potential methodologies for the Bank Holiday Charge may include, but shall not be limited to, time scaling of the volatility charge or a stress scenario that reflects potential market price volatility on the Holiday.

\*\*\*\*

## PROCEDURE XVI. ID NET SERVICE

The ID Net Service utilizes the settlement and delivery services operated by a Qualified Securities Depository for input and affirmation purposes related to transactions qualifying for the ID Net Service as set forth in Rule 65. Certain transactions which are between an ID Net Subscriber and a participant of the Qualified Securities Depository are affirmed through: (i) a Registered Clearing Agency, (ii) other entities which have obtained an exemption from such registration from the SEC Commission, or (iii) Qualified Vendors as defined in the rules of the New York Stock Exchange, the National Association of Securities Dealers, or other self-regulatory organizations, as applicable, (an “Affirming Agency”) in accordance with the applicable procedures of the Affirming Agency and then confirmed by such Affirming Agency as eligible for processing in the ID Net Service. If the transaction is affirmed and eligible for processing in the ID Net Service, such Affirming Agency then forwards the appropriate delivery instructions to the Qualified Securities Depository, which facilitates the movement of the transaction to an account at the Qualified Securities Depository maintained by the Corporation as agent on behalf of the ID Net Subscriber (the “ID Netting Subscriber Deliver Account”). The transaction is then entered into the CNS Accounting Operation on the evening prior to Settlement Date by the Corporation on behalf of the ID Net Subscriber. On the night prior to Settlement Date, the ID Net Subscriber’s CNS position, if any, will be updated for the quantity and value of the transaction versus creating an open obligation in the ID Netting Subscriber Deliver Account. For transactions in which the ID Net Subscriber is delivering securities to a participant at the Qualified Securities Depository, the ID Net Subscriber’s position in the CNS Accounting Operation, if any, will be updated for the quantity and value of the transaction versus creating an open obligation in an agency account established for this purpose at the Qualified Securities Depository by the

Corporation on behalf of the ID Net Subscriber (the “ID Netting Subscriber Receive Account”). Once the securities are credited to this account, the securities will be delivered to the appropriate participant account at the Qualified Securities Depository.

\*\*\*\*

## PROCEDURE XVII. DTCC LIMIT MONITORING PROCEDURE

### A. Introduction

DTCC Limit Monitoring is a risk management tool available to Members as provided in Rule 54 and this Procedure.

Members required to register for DTCC Limit Monitoring include: (1) any ~~NSCC full service~~ Member that clears trades for others; (2) any ~~NSCC full service~~ Member that submits transactions to NSCC’s trade capture system either as a Qualified Special Representative (QSR) or Special Representative, pursuant to Procedure IV (Special Representative Service); and (3) any ~~NSCC full service~~ Member that has established a 9A/9B relationship in order to allow another ~~NSCC~~ Member (either a QSR or Special Representative) to submit locked in trade data on its behalf.

\*\*\*\*

## ADDENDUM A

### NATIONAL SECURITIES CLEARING CORPORATION

#### FEE STRUCTURE

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*II. TRADE CLEARANCE FEES* - represents fees for trade recording, netting, issuance of instructions to receive or deliver, effecting book-entry deliveries, and related activity.

\*\*\*\*

### F. Reorganizations

1. Mandatory Reorganizations - \$2.50 each
2. Voluntary Reorganizations –
  - a. Long Broker (per input submitted on the ~~b~~Business ~~d~~Day prior to the protect expiration date or, when there is no protect period, the ~~b~~Business ~~d~~Day prior to the expiration date) Automated Input \$15.00 each

\*\*\*\*

## VII. APPLICATION OF FEES

With the exception of certain ~~r~~**R**egistered ~~e~~**C**learing ~~a~~**A**gencies, all fees will be charged uniformly to all participants and collected through the settlement system if possible. Fees for other standard services provided to ~~r~~**R**egistered ~~e~~**C**learing ~~a~~**A**gencies will be the same as those charged to other participants. Special services performed for ~~r~~**R**egistered ~~e~~**C**learing ~~a~~**A**gencies will be contracted on an individual basis.

\*\*\*\*

## ADDENDUM B

### QUALIFICATIONS AND STANDARDS OF FINANCIAL RESPONSIBILITY, OPERATIONAL CAPABILITY AND BUSINESS HISTORY

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#### \_\_\_\_ SEC. 1. MEMBERS

##### A. Qualification

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- (v) an ~~i~~**I**nvestment ~~C~~**C**ompany registered under Section 8 of the Investment Company Act of 1940, as amended

\*\*\*\*

##### B. Financial Responsibility

\*\*\*\*

###### 1. Registered Broker-Dealers:

have excess net capital over the minimum net capital requirement imposed by the SEC or such higher minimum capital requirement imposed by the brokers/ dealer's designated examining authority in the Addendum of (i) \$500,000, or (ii) \$100,000, if such applicant is a Municipal Securities Brokers' Brokers (as defined in Rule 15c3-1(a)(8) of the Exchange Act) or (iii) \$1,000,000 if such applicant clears for other broker/dealers; and

Members that are Municipal Securities Brokers' Broker sponsored account applicants shall be in compliance with ~~SEC~~**SEC**-Rule 15c3-1(a)(8) of the Exchange Act.

2. Bank or trust companies:

(a) Banks:

(i) have at least \$50 million in equity capital;<sup>2</sup> or

(ii) have furnished to the Corporation a guarantee<sup>3</sup> of its parent bank holding company respecting the payment of any and all obligations of the bank applicant, and such parent bank holding company shall have total consolidated capital of at least \$50 million; or

\*\*\*\*

\_\_\_\_ SEC. 2. MUTUAL FUND/INSURANCE SERVICES MEMBERS

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\_\_\_\_ SEC. 3. FUND MEMBERS

A. Qualification

To qualify for membership, a Fund Member shall be:

- (i) a **P**principal **U**nderwriter as defined in Section 2(a)(29) of the Investment Company Act of 1940, as amended, or a co-distributor, sub-distributor, or is otherwise authorized to process transactions through the Corporation's Mutual Fund Services, and is a Registered Broker-Dealer; or
- (ii) an **I**investment **C**ompany registered under Section 8 of the Investment Company Act of 1940, as amended; or
- (iii) an **I**investment **A**dviser as defined in Section 202(a)(11) of the Investment Advisers Act of 1940, as amended; or
- (iv) an Insurance Company; or
- (v) a bank or trust company, including a trust company having limited

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<sup>2</sup> For the purpose of the membership standards and surveillance status rules applicable to banks, "equity capital" is defined as defined on the Consolidated Report of Condition and Income ("Call Report").

<sup>3</sup> See also Rule 2**AB**, Section 4 (Ongoing Monitoring (~~Surveillance Status~~)).

power, which is a member of the Federal Reserve System or is supervised and examined by state or federal authorities having supervision over banks; or

- (vi) if it does not qualify under paragraphs (i) through (v) above, it is an entity that has demonstrated to the Board of Directors that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's ~~S~~services.

#### B. Financial Responsibility

The applicant shall satisfy the following minimum financial requirements:

##### 1. Registered Broker-Dealers:

have \$50,000 in excess net capital over the minimum net capital requirement imposed by the ~~Securities and Exchange Commission~~SEC or such higher requirement imposed by the broker-dealer's designated examining authority.

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#### \_\_\_\_ SEC. 4. INSURANCE CARRIER/RETIREMENT SERVICES MEMBERS

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#### \_\_\_\_ SEC. 5. MUNICIPAL COMPARISON ONLY MEMBERS

##### A. Qualification

\*\*\*\*

- (v) an ~~l~~investment ~~C~~company registered under Section 8 of the Investment Company Act of 1940, as amended;

\*\*\*\*

#### \_\_\_\_ SEC. 6. DATA SERVICES ONLY MEMBERS

##### A. Qualification

\*\*\*\*

- (v) ~~it is~~ an investment company registered under Section 8 of the Investment Company Act of 1940, as amended; or
- (vi) a ~~P~~principal ~~U~~nderwriter as defined in Section 2(a)(29) of the Investment Company Act of 1940, as amended, or a co-distributor, sub-distributor, or is otherwise authorized to process mutual fund

transactions; or

- (vii) an ~~h~~investment ~~A~~adviser as defined in Section 202(a)(11) of the Investment Advisers Act of 1940, as amended; or
- (viii) an organization or entity that acts as a third-party administrator on behalf of a retirement or other benefit plan; or
- (ix) an investment manager to a managed account or similar program or agent acting on behalf of such an investment manager; or
- (x) an organization or entity that acts as a routing platform that manages transactions on behalf of its customers; or
- (xi) if it does not qualify under paragraphs (i) through (x) above, ~~it is~~ an entity that has demonstrated to the Board of Directors that its business and capabilities are such that it could reasonably

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\_\_\_\_\_ SEC. 7. SETTLING BANK ONLY MEMBERS

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\_\_\_\_\_ SEC. 8. THIRD PARTY ADMINISTRATOR MEMBERS

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\_\_\_\_\_ SEC. 9. INVESTMENT MANAGER/AGENT MEMBERS

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\_\_\_\_\_ SEC. 10 AIP MEMBERS

A. Qualification

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(iii) a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve ~~s~~**System** or is supervised and examined by State or Federal authorities having supervision over banks;

\*\*\*\*

(vi) an issuer (structured as a fund or other pooled investment vehicle) that is exempt from the definition of investment company under the Investment Company Act of 1940, as amended

\*\*\*\*



(xi) with respect to an AIP Manufacturer **(as defined in Rule 53)**, an entity engaged under contract to provide administrative services with respect to one or more Eligible AIP Products (as defined ~~under Section 4 of this~~ in Rule 53), including but not limited to, fund administrators

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       SEC. 11. AIP SETTLING BANK ONLY MEMBERS

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ADDENDUM G

FULLY-PAID-FOR ACCOUNT

I. MOVEMENT OF SECURITIES INTO THE FULLY-PAID-FOR ACCOUNT

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Based on this information, the Member can determine what unallocated CNS long valued positions must be moved from the CNS General Account A to the CNS Fully-Paid-For sub account E to maintain compliance with ~~SEC~~-Rule 15c3-3 **of the Exchange Act.**

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ADDENDUM J

STATEMENT OF POLICY

LOCKED-IN DATA FROM SERVICE BUREAUS

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The NYSE, NYSE Alternext and the National Association of Securities Dealers are self-regulatory organizations ("SROs") which are regulated by the ~~Securities and Exchange Commission~~ **SEC**. Consequently, they operate pursuant to recognized standards and therefore, the integrity of their operations is subject to periodic examination and review. Service bureaus, which are not SROs, are not subject to regulatory control.

Accordingly, in order to assure that the integrity of the Corporation's systems would not be jeopardized by the acceptance of two sided trade data from service bureaus that are not SRO's, the Corporation has determined to adopt the following criteria which such a service bureau must meet in order to be approved to submit two sided trade data pursuant to Rule 7, Section 6:

\*\*\*\*

## ADDENDUM L

### STATEMENT OF POLICY PERTAINING TO INFORMATION SHARING

Rule 49 recognizes the obligation of the Corporation to share clearing data with other SEC regulated self-regulatory organizations for regulatory purposes. Rule 15 provides the Corporation with the authority to examine the financial and operational conditions of its participants, and to receive information relevant to such examination from any other SEC regulated self-regulatory organization. Rule 15 also requires the Corporation to maintain the same degree of confidentiality regarding such financial and operational information that the appropriate regulatory body, having jurisdiction over the participant would maintain. Section 17A(b)(3) of the ~~Securities Exchange Act of 1934, as amended (the "Act")~~, provides among other things, that rules of clearing agency self-regulatory organizations must be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and to protect investors and the public interest. Section 19(g)(1) of the Exchange Act requires clearing agencies to enforce compliance by their members with their rules.

In accordance with its responsibilities under its rules, and consistent with the requirements of a clearing agency under the Exchange Act, the Board of Directors has approved the entering into of an agreement by the Corporation with other ~~SEC Registered Clearing Agencies~~ to share, for regulatory purposes, with such other ~~SEC Registered Clearing Agencies~~ financial and operational information relating to participants who are also participants of such other ~~SEC Registered Clearing Agencies~~. The Board of Directors has also approved the filing of such agreement with the ~~Securities and Exchange Commission~~SEC, pursuant to Rule 19(b) ~~of the Exchange Act~~. Such agreement is not intended to limit the ability under the Exchange Act of ~~Registered Clearing Agencies~~, for regulatory purposes, to share data on dual or sole participants when such is deemed appropriate. It is, however, a first step in formalizing certain minimum levels of information sharing, with the intent to standardize such reporting.

\*\*\*\*

## ADDENDUM O

### ADMISSION OF NON-U.S. ENTITIES AS DIRECT NSCC MEMBERS

#### Admission of Non-U.S. Entities<sup>4</sup>

Policy Statement on the Admission of Non-U.S. Entities as Direct Clearing Corporation Members, Mutual Fund/Insurance Services Members, Fund Members or Insurance Carrier/Retirement Services Members: The policy permits entities that are organized in a country other than the United States and that are not otherwise subject to U.S. federal or state regulation ("non-U.S. entities") to be eligible to become direct

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<sup>4</sup> This policy statement excludes ~~non~~non-U.S. entities that are insurance companies.

NSCC Members, Mutual Fund/Insurance Services Members, Fund Members or Insurance Carrier/Retirement Services Members. Under the policy, NSCC will require that the non-U.S. entity execute the standard NSCC membership agreement and enter into an additional series of undertakings and agreements and provide additional certifications and other assurances that are designed to address jurisdictional and certain tax concerns, and to assure that NSCC is provided with audited financial information that is acceptable to NSCC.

Certain of these criteria may be waived where inappropriate to a particular applicant or class of applicants (e.g., a foreign government, international or national central securities depositories).

Requirements in addition to ~~S~~standard ~~R~~requirements for U.S. ~~E~~entities:

- Undertakings and Agreements –

At a minimum such ~~N~~non-U.S. entity would have to agree to:

- (a) in respect of any action brought by NSCC to enforce the entity's obligations under the membership agreement:
  - (i) irrevocably waive all immunity from NSCC's attachment of the entity's own assets in the U.S.;
  - (ii) irrevocably submit to the jurisdiction of a court in the U.S.;
  - (iii) irrevocably waive any objection to the laying of venue in a court in the U.S.; and
  - (iv) state that any judgment obtained against the foreign entity by NSCC may be enforced in the courts of any jurisdiction where the foreign entity or its property may be located, and that the foreign entity will irrevocably submit to the jurisdiction of each such court.
- (b) designate a person in New York as its agent to receive service of process;
- (c) provide to NSCC, for financial monitoring purposes, audited financial statements prepared in accordance with either U.S. generally accepted accounting principles or other generally accepted accounting principles that are satisfactory to NSCC. In order to address the risk presented by the acceptance of financial statements prepared in non-U.S. GAAP, the existing minimum financial requirements for non-U.S. GAAP standards will each have a specific premium applied as follows:
  - (i) for financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), the Companies Act of 1985 ("UK GAAP"), or Canadian GAAP – a premium of 1 ½ times the existing requirement;

- (ii) for financial statements prepared in accordance with a European Union (“EU”) country GAAP other than UK GAAP – a premium of 5 times the existing requirement; and
    - (iii) for financial statements prepared in accordance with any other type of GAAP a premium of 7 times the existing requirement.
  - (d) provide all financial reports or other information requested by NSCC in English, with monetary amounts stated in U.S. dollar equivalents indicating the conversion rate and date used.
  - (e) not conduct any transaction or activity through NSCC if the **Non-U.S.** entity is not FATCA Compliant, unless such requirement has been explicitly waived in writing by NSCC with respect to the specific **Non-U.S.** entity, provided, however, that no such waiver will be issued if it shall cause NSCC to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property.
  - (f) indemnify NSCC for any loss, liability or expense sustained by NSCC as a result of the **Non-U.S.** entity failing to be FATCA Compliant.
- FATCA Compliance and FATCA Certification – Beginning on the FATCA Compliance Date, the **Non-U.S.** entity must be at all times FATCA Compliant, and must certify and periodically recertify to NSCC, as applicable under FATCA, that it is FATCA Compliant by providing to NSCC a FATCA Certification, unless such requirements have been explicitly waived in writing by NSCC, provided, however, that no such waiver will be issued if it shall cause ~~the Corporation~~ **NSCC** to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property.
  - Foreign Legal Opinion – obtain an opinion of reputable foreign counsel satisfactory to NSCC providing, among other things, that the agreements described above may be enforced against the foreign entity in the courts of its home country or other jurisdictions where the entity or its property may be found.<sup>5</sup>
  - Regulatory Status of Foreign Entity
    - (a) The **Non-U.S.** entity would have to be subject to regulation in its home country and its home country regulator must have entered into a Bilateral Information Sharing Arrangement or Memoranda of Understanding with the ~~U.S. Securities and Exchange Commission~~ **SEC** regarding the sharing or exchange of information.
    - (b) The **Non-U.S.** entity must be in compliance with the financial reporting

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<sup>5</sup> NSCC reserves the right to require the entity to deposit additional amounts to the Clearing Fund and to post an Eligible Letter of Credit in an instance where NSCC, in its sole discretion, believes the entity presents legal risk.

and responsibility standards of its home country regulator.

- **Anti-Money Laundering (“AML”)** Review - The **Non-U.S.** entity must provide sufficient information to NSCC in order to evaluate AML risk, including whether the **Non-U.S.** entity is subject to comparable AML requirements (to those imposed in the U.S.) in its home country jurisdiction.

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#### ADDENDUM P

#### FINE SCHEDULE

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3) Failure to notify and supply required data as provided for under these Rules & Procedures (other than as provided in items one, two, four, five, **and** six, ~~and seven~~ of this addendum): Each single offense, \$5,000.00 fine. If the Member’s failure to notify applies to more than one DTCC clearing agency subsidiary (DTC, NSCC and/or FICC), the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

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