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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2021 - * 012

Amendment No. (req. for Amendments *)

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"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule	
			<input type="checkbox"/> 19b-4(f)(1)	<input checked="" type="checkbox"/> 19b-4(f)(4)
			<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

Section 806(e)(1) *

☐

Section 806(e)(2) *

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Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

☐

Exhibit 2 Sent As Paper Document

☐

Exhibit 3 Sent As Paper Document

☐

Description

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

Make Certain Revisions and Clarifications to the Rules

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 * Last Name *

Title *

E-mail *

Telephone * Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, National Securities Clearing Corporation has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date

(Title *)

By

(Name *)

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

Date: 2021.11.15
11:37:25 -05'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

Narrative (NSCC) - Membership Agree

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

Exh 1A (NSCC) - Membership Agree

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 Advanced Notice by Clearing Agencies *

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 2- Notices, Written Comments, Transcripts, Other Communications

Add Remove View

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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exh 3 (NSCC) (Redacted) - Membersh

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 Sent As Paper Document

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

Exh 5 (NSCC) - Membership Agree

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”) is annexed hereto as Exhibit 5 and consists of modifications to NSCC’s Rules & Procedures (“Rules”) to (1) clarify defined terms related to the onboarding agreements required to be provided by Settling Banks and AIP Settling Banks; (2) incorporate in the Rules the affirmative undertakings that Members currently make in onboarding membership agreements; (3) clarify that Members shall appoint a duly authorized representative in connection with their membership, and remove the requirement that NSCC approve the form of power of attorney or resolutions of the Member’s board of directors that evidences such authorization; (4) clarify NSCC’s ability to rely on electronic signatures on agreements and other documents provided to NSCC pursuant to the Rules; and (5) incorporate into the Rules the governing law of agreements and other documents provided to NSCC pursuant to the Rules, as described in greater detail below.¹

(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 November 10, 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 amendments that would clarify, simplify and improve the disclosures in the Rules, primarily related to onboarding and other membership documentation between NSCC and its Members. NSCC, along with its affiliates, The Depository Trust Company and Fixed Income Clearing Corporation, has recently completed a review of the templates of onboarding agreements and other documents that are provided to NSCC in connection with a firm’s application for membership and the templates of agreements and documents Members may provide to NSCC during the course of their membership pursuant to the Rules. In connection with this review, NSCC is proposing to make certain revisions and clarifications to the Rules.

More specifically, the proposed rule changes would (1) clarify defined terms related to the onboarding agreements required to be provided by Settling Banks and AIP Settling Banks;

¹ Capitalized terms not defined herein are defined in the Rules, available at <https://www.dtcc.com/legal/rules-and-procedures>. NSCC has several types of membership with different access levels to services, each described in Rule 2, id. For ease of description, unless otherwise indicated by the context, the term “Member” is used to refer to all membership categories.

(2) incorporate in the Rules the affirmative undertakings that Members currently make in onboarding membership agreements; (3) clarify that Members shall appoint a duly authorized representative in connection with their membership, and remove the requirement that NSCC approve the form of power of attorney or resolutions of the Member's board of directors that evidences such authorization; (4) clarify NSCC's ability to rely on electronic signatures on agreements and other documents provided to NSCC pursuant to the Rules; and (5) incorporate into the Rules the governing law of agreements and other documents provided to NSCC pursuant to the Rules, as described in greater detail below.

Proposed Revisions to Clarify the Defined Terms Related to Settling Bank Agreements

NSCC is proposing to revise Rule 1 (Definitions and Descriptions) to clarify the defined terms related to the onboarding agreements required to be provided by Settling Banks and AIP Settling Banks. Settling Banks and AIP Settling Banks are types of NSCC membership that undertake to perform settlement services on behalf of other Members.²

Currently, the definition of "Settling Bank" in Rule 1 states that these Members are party to both an "Appointment of Settling Bank" and "Settling Bank Agreement," and the definition of "AIP Settling Bank" in Rule 1 states that these Members are party to both an "Appointment of AIP Settling Bank" and "AIP Settling Bank Agreement." However, there are no separate definitions of the terms "Appointment of Settling Bank," "Settling Bank Agreement," "Appointment of AIP Settling Bank" or "AIP Settling Bank Agreement." Furthermore, NSCC does not currently require these types of Members to submit separate documents to evidence an appointment and an agreement. Rather, under NSCC's current practice, Settling Banks and AIP Settling Banks are required to be party to an effective agreement, which includes both the appointment of the Settling Bank or AIP Settling Bank and their affirmative undertaking to perform settlement services for another Member that is also party to that agreement.

Therefore, NSCC is proposing to amend the definitions of Settling Bank and AIP Settling Bank in Rule 1 to refer only to a Settling Bank Agreement and to add a definition of "Settling Bank Agreement" to Rule 1, to clarify that this agreement includes both the appointment of the Settling Bank or AIP Settling Bank and their affirmative undertaking to perform settlement services for another Member that is also party to that agreement. The proposed rule change would clarify the definitions of these membership types and conform the description of their membership documentation requirements in the Rules to NSCC's current practice.

In connection with this proposed change and also to conform the Rules to NSCC's current practice, NSCC would also amend Rule 53 (Alternative Investment Product Services and Members) to refer to the Settling Bank Agreement among the required documentation to establish AIP Settling Sub-Accounts in Section 1(d) and would revise a reference to an "AIP Settling Bank Agreement" to refer to the proposed "Settling Bank Agreement" in Section 7(h).

² Settling Bank and AIP Settling Bank membership types are described in Sections 2(ii)(f) and (i) of Rule 2, id.

Proposed Revisions to Incorporate Member Undertakings into the Rules

NSCC is proposing to revise Section 1.E of Rule 2A (Initial Membership Requirements) to incorporate affirmative undertakings that Members currently make in their onboarding membership agreements.³ This section currently provides that an applicant for membership with NSCC shall sign and deliver to NSCC an agreement under which the applicant would agree to the affirmative undertakings that are listed in this Section 1.E of Rule 2A.⁴ These undertakings include, for example, to abide by the Rules and be bound by all the provisions thereof, and to pay any amounts that become payable by the Member to NSCC pursuant to the Rules.⁵

To simplify and standardize the membership onboarding documentation, NSCC is proposing to revise Section 1.E of Rule 2A to state directly that Members agree to each of the undertakings listed in that section. In connection with this proposed change, NSCC would remove these undertakings from the template membership agreement, which already provides that Members are bound by the Rules.

In connection with this proposed change, NSCC would also make identical revisions to statements within Section 1.E of Rule 2A regarding the undertakings of other membership types, including (i) footnotes 2 and 3 regarding Fund Members, (ii) a statement in subsection 1 that refers to undertakings of Members that are Municipal Securities Brokers' Brokers, (iii) a statement in subsection 2 that refers to the onboarding obligations of Third Party Administrator Members, Third Party Provider Members and Investment Manager/Agent Members, and (iv) a statement regarding the onboarding obligations of Settling Bank Only Members and Municipal Comparison Only Members.

Proposed Revisions to Requirements Related to Members' Authorized Representatives

NSCC is proposing to revise Section 2 of Rule 5 (General Provisions), which describes Members' requirement to appoint an authorized representative in connection with their membership with NSCC.⁶ Currently, Section 2 of Rule 5 provides that a Member may designate an authorized representative that is not either a general partner or an officer of the Member by either a power of attorney or resolutions of the Member's board of directors, and requires such power of attorney and resolutions be in a form approved by NSCC.⁷ Section 2 of Rule 5 also

³ Section 1.E of Rule 2A, id.

⁴ Id.

⁵ See Sections 1.E(e) and (h) of Rule 2A, id.

⁶ Section 2 of Rule 5, id.

⁷ Id.

requires Members to provide NSCC with the signatures of individuals who are authorized representatives for purposes of conducting business with NSCC.⁸

In order to simplify the onboarding membership requirements, NSCC is proposing to amend Section 2 of Rule 5 to clarify that Members must appoint a duly authorized representative, and to remove references to a power of attorney or resolutions of the Member's board of directors. The proposed change would also remove the requirement that NSCC approve the form of power of attorney or resolutions of the Member's board of directors that evidences the due authorization of that representative. Finally, NSCC is proposing to remove the requirement that Members provide NSCC with the signatures of representatives who are authorized to conduct business with NSCC.⁹

Proposed Revisions to Rules Regarding NSCC's Reliance on Electronic Signatures

NSCC is proposing to revise Rule 32 (Signatures), which lists the circumstances in which NSCC would rely on an electronic signature.¹⁰ The proposed revision to this Rule 32 would revise the rule to clarify that NSCC may rely on an electronic signature with respect to any and all agreements and other documents delivered pursuant to the Rules. In connection with this change, NSCC would also remove reference to the circumstances in which it would accept an electronic signature, to make clear that NSCC would do so in any circumstances. The proposed revisions would clarify and modernize the language in Rule 32, which still refers to outdated modes of electronic communication, such as telex, and would align the language in this Rule to language used in the New York Electronic Signatures and Records Act.¹¹

Proposed Revisions to Rules Regarding Governing Law

NSCC is proposing to revise Section 1 of Rule 38 (Governing Law and Captions), which currently states that the Rules are governed by New York law.¹² The proposed change would revise Section 1 of Rule 38 to include a statement that all agreements and other documents that are entered into between NSCC and its Members are also governed by New York law, unless otherwise expressly provided. Currently, agreements and other documents entered into between NSCC and its Members either include a governing law provision or are governed by New York law through the application of both Section 1 of Rule 38, which provides that the rights and obligations under the Rules are governed by New York law, and the NSCC membership agreements, which provide that the Rules (including Section 1 of Rule 38) govern the matters and transactions between NSCC and its Members.

⁸ Id.

⁹ Id.

¹⁰ Id.

¹¹ N.Y. State Tech. Law § 304(2) (McKinney 2021).

¹² Supra note 1.

This proposed change would both clarify the governing law of the agreements and other documents entered into between NSCC and its Members pursuant to the Rules, and would allow NSCC to simplify those documents by removing the governing law provisions in such documents.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 (“Act”) requires that the rules of NSCC be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions.¹³ NSCC believes the proposed changes are consistent with the requirements of Section 17A(b)(3)(F) of the Act because such changes would clarify and improve the transparency of the Rules and would allow NSCC to simplify the membership agreements and other documentation provided to it by Members pursuant to the Rules.

More specifically, the proposed changes would make clarifications to the Rules regarding (i) defined terms related to the onboarding agreements required to be provided by Settling Banks and AIP Settling Banks; (ii) Members’ duly authorized representatives in connection with their memberships; and (iii) NSCC’s ability to rely on electronic signatures on agreements and other documents provided to it pursuant to the Rules. The proposed changes would also update the Rules in order to allow NSCC to simplify the onboarding and other membership agreements and documents by incorporating in the Rules (1) the governing law of agreements and other documents provided to NSCC pursuant to the Rules; and (2) the affirmative undertakings that Members currently make in onboarding membership agreements.

By enhancing the clarity and transparency of the Rules, and allowing NSCC to simplify the membership agreements and other documents, the proposed changes would allow Participants 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.¹⁴

4. Self-Regulatory Organization’s Statement on Burden on Competition

NSCC does not believe the proposed rule changes would impact competition. The proposed rule changes would merely enhance the clarity and transparency of the Rules and would simplify the documentation that is provided to NSCC by Members pursuant to the Rules. Therefore, the proposed changes would not affect NSCC’s operations or the rights and obligations of membership. As such, NSCC believes the proposed rule changes would not have any impact on competition.

¹³ 15 U.S.C. 78q-1(b)(3)(F).

¹⁴ Id.

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. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Securities and Exchange Commission ("Commission") does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

NSCC reserves the right to not respond to any comments received.

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)

(a) The proposed rule change is to take effect immediately upon filing pursuant to paragraph (A) of Section 19(b)(3) of the Act.¹⁵

(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 Members¹⁶ because the proposed rule change would enhance the clarity and transparency of the Rules with respect to membership onboarding documentation but would not materially impact Members' rights and obligations with respect to that documentation.

(c) Not applicable.

(d) Not applicable.

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f)(4).

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

Not applicable.

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 of 2010

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 – Revised Templates of NSCC Membership Agreements. *Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 3 pursuant to 17 CFR 240.24b-2 is being requested.*

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Rules.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[____]; File No. SR-NSCC-2021-012)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Make Certain Revisions and Clarifications to the Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on November __, 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 Act³ and Rule 19b-4(f)(4) thereunder.⁴ 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 NSCC’s Rules & Procedures (“Rules”) to (1) clarify defined terms related to the onboarding agreements required to be provided by Settling Banks and AIP Settling Banks; (2) incorporate in the Rules the affirmative undertakings that Members currently make in onboarding

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4).

membership agreements; (3) clarify that Members shall appoint a duly authorized representative in connection with their membership, and remove the requirement that NSCC approve the form of power of attorney or resolutions of the Member's board of directors that evidences such authorization; (4) clarify NSCC's ability to rely on electronic signatures on agreements and other documents provided to NSCC pursuant to the Rules; and (5) incorporate into the Rules the governing law of agreements and other documents provided to NSCC pursuant to the Rules, as described in greater detail below.⁵

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 amendments that would clarify, simplify and improve the disclosures in the Rules, primarily related to onboarding and other membership documentation between NSCC and its Members. NSCC, along with its affiliates, The

⁵ Capitalized terms not defined herein are defined in the Rules, available at <https://www.dtcc.com/legal/rules-and-procedures>. NSCC has several types of membership with different access levels to services, each described in Rule 2, id. For ease of description, unless otherwise indicated by the context, the term "Member" is used to refer to all membership categories.

Depository Trust Company and Fixed Income Clearing Corporation, has recently completed a review of the templates of onboarding agreements and other documents that are provided to NSCC in connection with a firm's application for membership and the templates of agreements and documents Members may provide to NSCC during the course of their membership pursuant to the Rules. In connection with this review, NSCC is proposing to make certain revisions and clarifications to the Rules.

More specifically, the proposed rule changes would (1) clarify defined terms related to the onboarding agreements required to be provided by Settling Banks and AIP Settling Banks; (2) incorporate in the Rules the affirmative undertakings that Members currently make in onboarding membership agreements; (3) clarify that Members shall appoint a duly authorized representative in connection with their membership, and remove the requirement that NSCC approve the form of power of attorney or resolutions of the Member's board of directors that evidences such authorization; (4) clarify NSCC's ability to rely on electronic signatures on agreements and other documents provided to NSCC pursuant to the Rules; and (5) incorporate into the Rules the governing law of agreements and other documents provided to NSCC pursuant to the Rules, as described in greater detail below.

Proposed Revisions to Clarify the Defined Terms Related to Settling Bank Agreements

NSCC is proposing to revise Rule 1 (Definitions and Descriptions) to clarify the defined terms related to the onboarding agreements required to be provided by Settling Banks and AIP Settling Banks. Settling Banks and AIP Settling Banks are types of

NSCC membership that undertake to perform settlement services on behalf of other Members.⁶

Currently, the definition of “Settling Bank” in Rule 1 states that these Members are party to both an “Appointment of Settling Bank” and “Settling Bank Agreement,” and the definition of “AIP Settling Bank” in Rule 1 states that these Members are party to both an “Appointment of AIP Settling Bank” and “AIP Settling Bank Agreement.” However, there are no separate definitions of the terms “Appointment of Settling Bank,” “Settling Bank Agreement,” “Appointment of AIP Settling Bank” or “AIP Settling Bank Agreement.” Furthermore, NSCC does not currently require these types of Members to submit separate documents to evidence an appointment and an agreement. Rather, under NSCC’s current practice, Settling Banks and AIP Settling Banks are required to be party to an effective agreement, which includes both the appointment of the Settling Bank or AIP Settling Bank and their affirmative undertaking to perform settlement services for another Member that is also party to that agreement.

Therefore, NSCC is proposing to amend the definitions of Settling Bank and AIP Settling Bank in Rule 1 to refer only to a Settling Bank Agreement and to add a definition of “Settling Bank Agreement” to Rule 1, to clarify that this agreement includes both the appointment of the Settling Bank or AIP Settling Bank and their affirmative undertaking to perform settlement services for another Member that is also party to that agreement. The proposed rule change would clarify the definitions of these membership types and

⁶ Settling Bank and AIP Settling Bank membership types are described in Sections 2(ii)(f) and (i) of Rule 2, id.

conform the description of their membership documentation requirements in the Rules to NSCC's current practice.

In connection with this proposed change and also to conform the Rules to NSCC's current practice, NSCC would also amend Rule 53 (Alternative Investment Product Services and Members) to refer to the Settling Bank Agreement among the required documentation to establish AIP Settling Sub-Accounts in Section 1(d) and would revise a reference to an "AIP Settling Bank Agreement" to refer to the proposed "Settling Bank Agreement" in Section 7(h).

Proposed Revisions to Incorporate Member Undertakings into the Rules

NSCC is proposing to revise Section 1.E of Rule 2A (Initial Membership Requirements) to incorporate affirmative undertakings that Members currently make in their onboarding membership agreements.⁷ This section currently provides that an applicant for membership with NSCC shall sign and deliver to NSCC an agreement under which the applicant would agree to the affirmative undertakings that are listed in this Section 1.E of Rule 2A.⁸ These undertakings include, for example, to abide by the Rules and be bound by all the provisions thereof, and to pay any amounts that become payable by the Member to NSCC pursuant to the Rules.⁹

To simplify and standardize the membership onboarding documentation, NSCC is proposing to revise Section 1.E of Rule 2A to state directly that Members agree to each of the undertakings listed in that section. In connection with this proposed change,

⁷ Section 1.E of Rule 2A, id.

⁸ Id.

⁹ See Sections 1.E(e) and (h) of Rule 2A, id.

NSCC would remove these undertakings from the template membership agreement, which already provides that Members are bound by the Rules.

In connection with this proposed change, NSCC would also make identical revisions to statements within Section 1.E of Rule 2A regarding the undertakings of other membership types, including (i) footnotes 2 and 3 regarding Fund Members, (ii) a statement in subsection 1 that refers to undertakings of Members that are Municipal Securities Brokers' Brokers, (iii) a statement in subsection 2 that refers to the onboarding obligations of Third Party Administrator Members, Third Party Provider Members and Investment Manager/Agent Members, and (iv) a statement regarding the onboarding obligations of Settling Bank Only Members and Municipal Comparison Only Members.

Proposed Revisions to Requirements Related to Members' Authorized Representatives

NSCC is proposing to revise Section 2 of Rule 5 (General Provisions), which describes Members' requirement to appoint an authorized representative in connection with their membership with NSCC.¹⁰ Currently, Section 2 of Rule 5 provides that a Member may designate an authorized representative that is not either a general partner or an officer of the Member by either a power of attorney or resolutions of the Member's board of directors, and requires such power of attorney and resolutions be in a form approved by NSCC.¹¹ Section 2 of Rule 5 also requires Members to provide NSCC with

¹⁰ Section 2 of Rule 5, id.

¹¹ Id.

the signatures of individuals who are authorized representatives for purposes of conducting business with NSCC.¹²

In order to simplify the onboarding membership requirements, NSCC is proposing to amend Section 2 of Rule 5 to clarify that Members must appoint a duly authorized representative, and to remove references to a power of attorney or resolutions of the Member's board of directors. The proposed change would also remove the requirement that NSCC approve the form of power of attorney or resolutions of the Member's board of directors that evidences the due authorization of that representative. Finally, NSCC is proposing to remove the requirement that Members provide NSCC with the signatures of representatives who are authorized to conduct business with NSCC.¹³

Proposed Revisions to Rules Regarding NSCC's Reliance on Electronic Signatures

NSCC is proposing to revise Rule 32 (Signatures), which lists the circumstances in which NSCC would rely on an electronic signature.¹⁴ The proposed revision to this Rule 32 would revise the rule to clarify that NSCC may rely on an electronic signature with respect to any and all agreements and other documents delivered pursuant to the Rules. In connection with this change, NSCC would also remove reference to the circumstances in which it would accept an electronic signature, to make clear that NSCC would do so in any circumstances. The proposed revisions would clarify and modernize the language in Rule 32, which still refers to outdated modes of electronic

¹² Id.

¹³ Id.

¹⁴ Id.

communication, such as telex, and would align the language in this Rule to language used in the New York Electronic Signatures and Records Act.¹⁵

Proposed Revisions to Rules Regarding Governing Law

NSCC is proposing to revise Section 1 of Rule 38 (Governing Law and Captions), which currently states that the Rules are governed by New York law.¹⁶ The proposed change would revise Section 1 of Rule 38 to include a statement that all agreements and other documents that are entered into between NSCC and its Members are also governed by New York law, unless otherwise expressly provided. Currently, agreements and other documents entered into between NSCC and its Members either include a governing law provision or are governed by New York law through the application of both Section 1 of Rule 38, which provides that the rights and obligations under the Rules are governed by New York law, and the NSCC membership agreements, which provide that the Rules (including Section 1 of Rule 38) govern the matters and transactions between NSCC and its Members.

This proposed change would both clarify the governing law of the agreements and other documents entered into between NSCC and its Members pursuant to the Rules, and would allow NSCC to simplify those documents by removing the governing law provisions in such documents.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires that the rules of NSCC be designed to, among other things, promote the prompt and accurate clearance and settlement of

¹⁵ N.Y. State Tech. Law § 304(2) (McKinney 2021).

¹⁶ Supra note 5.

securities transactions.¹⁷ NSCC believes the proposed changes are consistent with the requirements of Section 17A(b)(3)(F) of the Act because such changes would clarify and improve the transparency of the Rules and would allow NSCC to simplify the membership agreements and other documentation provided to it by Members pursuant to the Rules.

More specifically, the proposed changes would make clarifications to the Rules regarding (i) defined terms related to the onboarding agreements required to be provided by Settling Banks and AIP Settling Banks; (ii) Members' duly authorized representatives in connection with their memberships; and (iii) NSCC's ability to rely on electronic signatures on agreements and other documents provided to it pursuant to the Rules. The proposed changes would also update the Rules in order to allow NSCC to simplify the onboarding and other membership agreements and documents by incorporating in the Rules (1) the governing law of agreements and other documents provided to NSCC pursuant to the Rules; and (2) the affirmative undertakings that Members currently make in onboarding membership agreements.

By enhancing the clarity and transparency of the Rules, and allowing NSCC to simplify the membership agreements and other documents, the proposed changes would allow Participants to more efficiently and effectively conduct their business in accordance with the Rules, which NSCC believes would promote the prompt and

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

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.¹⁸

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

NSCC does not believe the proposed rule changes would impact competition. The proposed rule changes would merely enhance the clarity and transparency of the Rules and would simplify the documentation that is provided to NSCC by Members pursuant to the Rules. Therefore, the proposed changes would not affect NSCC's operations or the rights and obligations of membership. 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. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submit->

¹⁸ Id.

comments. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

NSCC reserves the right to not respond to any comments received.

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)¹⁹ of the Act and paragraph (f)²⁰ 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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2021-012 on the subject line.

¹⁹ 15 U.S.C 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f).

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-2021-012. 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 (<http://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-2021-012 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.²¹

Secretary

²¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 3

Revised Templates of NSCC Membership Agreements

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EXHIBIT 5



**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

* * *

AIP Settling Bank

The term “AIP Settling Bank” means

(1) an AIP Member which is a bank or trust company which would otherwise qualify under Section 2. (ii)(i) of Rule 2, and Rule 2A and which is a party to an effective ~~Appointment of AIP Settling Bank and AIP~~ Settling Bank Agreement ~~whereby the AIP Member undertakes to perform settlement services for the AIP Member or the AIP Non-Member Fund which is a party thereto~~, or

(2) an AIP Settling Bank Only Member which has qualified under Section 2. (ii)(i) of Rule 2, Rule 2A and Addendum B and which is a party to an effective ~~Appointment of AIP Settling Bank and AIP~~ Settling Bank Agreement ~~whereby the AIP Settling Bank Only Member undertakes to perform settlement services for the AIP Member or the AIP Non-Member Fund which is a party thereto~~.

* * *

Settling Bank

The term “Settling Bank” means

(1) a Member which is a bank or trust company which would otherwise qualify under Section 2.(ii)(f) of Rule 2, and Rule 2A and which is a party to an effective ~~Appointment of Settling Bank and~~ Settling Bank Agreement ~~whereby the Member undertakes to perform settlement services for a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member which is a party thereto~~, or

(2) a Settling Bank Only Member which has qualified under Section 2.(ii)(f) of Rule 2, Rule 2A and ~~Section 8 of~~ Addendum B and which is a party to an effective ~~Appointment of Settling Bank and~~ Settling Bank Agreement ~~whereby the Member undertakes to perform settlement services for a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member which is a party thereto~~.

Settling Bank Agreement

The term “Settling Bank Agreement” means an agreement to which the Corporation is a party pursuant to which a Settling Bank or AIP Settling Bank has been appointed to, and affirmatively undertakes to, perform settlement services for, in the case of a Settling Bank, a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member, or, in

the case of an AIP Settling Bank, an AIP Member or an AIP Non-Member Fund, which in either case is also a party thereto.

* * *

RULE 2A. INITIAL MEMBERSHIP REQUIREMENTS

SEC. 1. ELIGIBILITY FOR MEMBERSHIP

In furtherance of the Corporation's rights and authority to establish standards for membership, the Corporation shall establish, as it deems necessary or appropriate, standards of financial responsibility, operational capability, experience and competence for membership applicable to Members and to Limited Members. The Corporation shall also establish guidelines for the application of such membership standards.

* * *

E. Membership and Other Agreements

Each ~~applicant to become a~~ Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member, Fund Member, Third Party Administrator Member, Third Party Provider Member, Investment Manager/Agent Member, AIP Member or Data Services Only Member ~~shall sign and deliver to the Corporation an instrument in writing whereby the applicant shall~~ agrees, among other things:

- (a) That the only services or systems which the participant may utilize are those that are permitted by the Corporation. If the participant intends only to use the (i) AIP Services, (ii) Mutual Fund Services and/or (iii) the Insurance & Retirement Services, that the participant will so limit its activities at the Corporation;
- (b) ~~These~~ se Rules ~~of the Corporation~~ shall be a part of the terms and conditions of every contract or transaction which the participant may ~~make~~ make or have with or through the Corporation;
- (c) Not to submit, clear or settle through the Corporation any contract or transaction unless ~~these~~ se Rules ~~of the Corporation~~ are part of the terms and conditions of such contract or transaction;
- (d) That it has reviewed ~~these~~ se Rules ~~of the Corporation~~ including the provisions of Rule 4 relating to the Clearing Fund and Addendum D relating to the non-guarantee by the Corporation of payments made in the settlement of transactions submitted through the Corporation's services;
- (e) To abide by ~~these~~ se Rules ~~of the Corporation~~ and be bound by all the provisions thereof, and that the Corporation shall have all the rights and remedies contemplated by ~~said these~~ se Rules. Notwithstanding that the participant may have ceased to be a participant, the participant shall continue to be bound by ~~these~~ se Rules ~~of the Corporation~~ as to all matters and transactions occurring while a participant;

- (f) To be bound by any amendment to ~~these~~ se Rules ~~of the Corporation~~ with respect to any transaction occurring subsequent to the time such amendment takes effect, as fully as though such amendment were now a part of ~~these~~ se Rules ~~of the Corporation~~; provided, however, that no such amendment shall affect the participant's right to cease to be a participant or alter the provisions of Rule 4, unless before such amendment becomes effective, the participant is given an opportunity to give written notice to the Corporation of the participant's election that the Corporation shall cease to act for the participant;
- (g) Not to submit or confirm any transaction, charge, request, instruction or transmission through the Corporation's services, nor to otherwise utilize the Corporations services, in contravention of any law, rule, regulation or statute;
- (h) To pay to the Corporation the compensation provided for under ~~these~~ se Rules ~~of the Corporation~~ for services rendered to the participant, while a participant²;
- (i) To pay such fines while a participant as may be imposed in accordance with ~~these~~ se Rules ~~of the Corporation~~ for the failure to comply therewith;
- (j) If applicable to its membership type, to pay to the Corporation any amounts which, pursuant to the provisions of Rule 4, shall become payable by the participant to the Corporation and that the determination by the Board of Directors of the Corporation of all questions affecting the charges to which the participant's contribution to the Clearing Fund (if required pursuant to Rule 4) are or may be subject shall be final and conclusive;
- (k) That its books and records³ shall at all times be open to the inspection of the duly authorized representatives of the Corporation, and that the Corporation

² With respect to Fund Members, the ~~applicant shall Fund Member~~ applicant Fund Member agrees s to pay to the Corporation the compensation provided for by ~~these~~ se Rules ~~of the Corporation~~ for Fund/SERV Eligible Fund transactions if the ~~applicant Fund Member~~ applicant Fund Member distributes shares on a principal basis. However, to the extent the ~~applicant Fund Member~~ applicant Fund Member distributes shares of an investment company regulated under the Investment Company Act of 1940, as amended, on an agency basis, then the ~~applicant shall Fund Member~~ applicant Fund Member agrees s to pay to the Corporation the compensation provided for by ~~these~~ se Rules ~~of the Corporation~~ for transactions in such investment company shares to the extent that the ~~applicant Fund Member~~ applicant Fund Member can recover such amount from the investment company(ies) whose shares it distributes. Whether the ~~applicant Fund Member~~ applicant Fund Member distributes shares on a principal or agency basis, the ~~applicant shall Fund Member~~ applicant Fund Member agrees s to pay such fines as may be imposed in accordance with ~~such these~~ se Rules ~~of the Corporation~~ for the failure to comply therewith.

³ With respect to Fund Members, the ~~applicant shall Fund Member~~ applicant Fund Member agrees s that the Fund Member's books and records and, to the extent the ~~applicant Fund Member~~ applicant Fund Member is not a management company, the books and records of each management company affiliated with the ~~applicant Fund Member~~ applicant Fund Member 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

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 wholly subsequent to the time when the participant ceases to be such;⁴ and

(l) That to the extent the participant authorizes an agent (if permitted pursuant to the ~~se~~ **Corporation's** Rules) to receive from and/or transmit to the Corporation data or payments, the participant shall be solely responsible for the acts of said agents as if it were receiving and/or transmitting such data itself and that the failure of said agents to perform shall not excuse the participant from a violation of these ~~se~~ **Corporation's** Rules.

In addition to the above:

1. Members:

Members that are Municipal Securities Brokers' Brokers ~~s-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 Business Day are pledged prior to money settlement on that Business Day, the Corporation shall be paid directly by the pledgee bank the amount the ~~applicant~~ **Member** is required to pay for the securities received or the ~~applicant's~~ **Member's** net settlement obligation for that Business Day, whichever is less; and (ii) no securities received on a Business 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~~ **Member** is obligated to pay for the receipt of the securities or the ~~applicant's~~ **Member's** net settlement obligation for that Business Day, whichever is less.

2. Third Party Administrator Members, Third Party Provider Members and Investment Manager/Agent Members:

~~Applicants for~~ Third Party Administrator Members, Third Party Provider Members and Investment Manager/Agent Members shall sign and deliver to the Corporation, (i) documentation and/or agreements in such form as required by the Corporation from time to time, for the payment or collection of charges pursuant to Rule 26 ~~of the Corporation~~ for the processing of transactions through the Mutual Fund Services and (ii) a duly completed ~~C~~consent ~~A~~and ~~A~~authorization ~~F~~form, designating the Member(s)/Mutual Fund/Insurance

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.

⁴ This provision is not applicable to Data Services Only Members, Investment Manager/Agent Members, TPP Members or TPA Members.

Services Member(s) who will be responsible for the settlement of orders initiated by the ~~applicant~~participant.

Each ~~applicant to become a~~ Settling Bank Only Member or Municipal Comparison Only Member shall sign and deliver to the Corporation such instruments in writing as the Corporation may require from time to time.

* * *

RULE 5. GENERAL PROVISIONS

* * *

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 appoint designate a representative that is duly authorized in the name of and on behalf of the participant to sign all instruments, to correct errors and to perform such other duties as may be required under these Rules and Procedures 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 and Procedures. ~~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, 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.~~

Each participant will be allotted a number which must be included in all submissions by him in connection with the operations of the Corporation.

The official date of the Comparison Operation, the Accounting Operation and the settlement of contracts is the Settlement Date for such contracts and summaries, security balance orders, security orders, CNS System reports, checks relating thereto, except as may be otherwise directed by the Corporation, either in general or in particular instances, shall bear that date even though they may be issued on a preceding day.

* * *

RULE 32. SIGNATURES

With respect to any and all agreements and other documents entered into between a Member and Limited Member and T~~the Corporation, or otherwise delivered to or by the Corporation pursuant to these Rules and Procedures, the use of may, at its option, in lieu of relying on an original signature, rely on an electronic~~ signature **as if it were (and the signature shall be considered and have the same validity and effect as) a valid and binding original the use of a** signature **affixed by hand in the following circumstances:**

~~If such signature is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, xeroxing, electronic mail, electronic data interchange, telegram, or telex) deemed acceptable by the Corporation.~~

* * *

RULE 38. GOVERNING LAW AND CAPTIONS

SEC. 1 Governing Law

These ~~se~~ Rules and Procedures and all agreements and other documents entered into between a Member or Limited Member and the Corporation, or otherwise delivered to or by the Corporation pursuant to these Rules and Procedures, and the rights and obligations there 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, unless otherwise expressly provided.

SEC. 2 Captions

Captions to any Rules are for information and guidance only, are not part of any Rule and are to be given no consideration in applying or construing any Rules.

* * *

RULE 53. ALTERNATIVE INVESTMENT PRODUCT SERVICES AND MEMBERS

SEC. 1. General

* * *

(d) In the Corporation's sole and absolute discretion, and in accordance with such procedures as the Corporation may establish as it deems necessary or appropriate from time to time, the Corporation may permit AIP Fund Administrators to create one or more sub-accounts approved by the Corporation to settle AIP Payments at the sub-account level ("AIP Settling Sub-Accounts"). All matters, activities, liabilities and obligations under these Rules with respect to any AIP Settling Sub-Account, except for settlement of AIP Payments, shall be the responsibility of the respective AIP Fund Administrator.

Prior to approval of any such AIP Settling Sub-Account, the applicable AIP Fund Administrator shall provide the Corporation:

* * *

- (v) ~~Documentation and/or agreements in such form as required by the Corporation from time to time reflecting the AIP Non-Member Fund's appointment of an AIP Settling Bank, and such AIP Settling Bank's agreement to act as AIP Settling Bank~~ An effective Settling Bank Agreement for such AIP Non-Member Fund.

* * *

SEC. 7. Settlement of AIP Payments

* * *

(h) Unless otherwise permitted by the Corporation, each AIP Member (and each AIP Non-Member Fund with respect to AIP Settling Sub-Accounts) shall appoint an AIP Settling Bank for the purpose of settling with the Corporation on behalf of the AIP Member or the AIP Settling Sub-Account pursuant to ~~an AIP Settling Bank Agreement~~. Settlement shall occur in same-day funds, in accordance with the procedures established by the Corporation. An AIP Settling Bank may settle for one or more AIP Members, and for one or more AIP Non-Member Funds, and may settle for itself. An AIP Settling Bank may refuse to settle for an AIP Member or an AIP Non-Member Fund by notifying the Corporation in the manner and prior to the time on Settlement Date set forth in the AIP settlement procedures.

* * *

RULE 55. SETTLING BANKS AND AIP SETTLING BANKS

SEC. 1. A Settling Bank shall be a Member or a Settling Bank Only Member. An AIP Settling Bank shall be a Member or an AIP Settling Bank Only Member. Each Settling Bank ~~shall agrees~~ to abide ~~to by~~ these Rules and Procedures and shall enter into ~~an Appointment of Settling Bank and~~ Settling Bank Agreement with the Corporation and each Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member, ~~and~~ Fund Member which the Settling Bank represents. Each AIP Settling Bank ~~shall agrees~~ to abide ~~to by~~ these Rules and Procedures and shall enter into ~~an Appointment of AIP Settling Bank and AIP~~ Settling Bank Agreement with the Corporation and each AIP Member and AIP Non-Member Fund (with respect to AIP Settling Sub-Accounts) which the AIP Settling Bank represents.

* * *