



A #: 7843
P&S#: 7413
DATE: MAY 29, 2014
TO: ALL PARTICIPANTS
ATTENTION: MANAGING PARTNER/OFFICER, OPERATIONS PARTNER/OFFICER,
COMPLIANCE OFFICER
FROM: ENTERPRISE RISK MANAGEMENT
SUBJECT: NOTICE OF NO OBJECTION TO ADVANCE NOTICE (SR-NSCC-2014-802
(ENHANCEMENT TO VaR MODEL) & ANNOUNCEMENT OF NSCC'S
UPCOMING PARALLEL PERIOD

Notice of No Objection to Advance Notice (SR-NSCC-2014-802)

On May 27, 2014, the U.S. Securities and Exchange Commission issued a notice of no objection to Advance Notice SR-NSCC-2014-802 ("Advance Notice"), which was filed by National Securities Clearing Corporation ("NSCC") on March 28, 2014.¹ The Advance Notice proposed to enhance its existing parametric VaR model by supplementing the assumption of normal distribution underlying the current model with a family of Student's t-distributions. The full text of the Advance Notice, as amended, may be obtained by visiting the DTCC website at www.dtcc.com, and details of the modification are also provided in the November 2013 document: "Enhancing Risk Management: Important Upcoming Changes from NSCC".

Announcement of NSCC's Upcoming Parallel Period

Commencing on June 9, 2014 and ending on September 5, 2014, NSCC will run a three month parallel test to allow Members to prepare for the following upcoming changes to the NSCC Clearing Fund Requirement.

Fat Tail Adjustment Factor

Please see the above 'Advance Notice' section.

Elimination of ID Offset - Phase 2

In the second implementation phase, NSCC will eliminate ID Offset from all affirmed ID transactions that have reached settlement date at the time the Clearing Fund calculations are run. Please refer to NSCC Important Notice A#7186, P&S#7616, dated April 8, 2013, and NSCC's rule filing file No. SR-NSCC-2012-10 for additional information.

Parallel Period: June 9, 2014 to September 5, 2014

The three month parallel period will include the two aforementioned changes. During the parallel period, Members will be able to view the impact of the upcoming changes to their current

¹ On May 6, 2014, NSCC filed an Amendment No. 1 to the Advance Notice.

Clearing Fund Requirement via PBS. For Members who have obtained access to NSCC Risk Management Reporting Function (NCR) in PBS-U, as previously advised in NSCC Important Notice A#7333, P&S#6903, dated December 6, 2011, additional CUSIP level information will be available.

Please contact your Relationship Manager if you have any questions and/or would like to have more information about this Important Notice.