



A #: 7887
P&S#: 7457
DATE: AUGUST 22, 2014
TO: ALL PARTICIPANTS
ATTENTION: MANAGING PARTNER/OFFICER, OPERATIONS PARTNER/OFFICER,
COMPLIANCE OFFICER
FROM: ENTERPRISE RISK MANAGEMENT
SUBJECT: IMPLEMENTATION OF VAR MODEL ENHANCEMENT &
ELIMINATION OF ID OFFSET- PHASE TWO

This important notice announces the implementation of two NSCC changes that will impact Members' Clearing Fund requirements – an adjustment to its parametric VaR model and the second phase of the elimination of the ID Offset. The parallel test period for these two initiatives began on June 9, 2014 and will conclude on September 5, 2014. These two changes will be reflected in Members' NSCC Clearing Fund Requirement on **September 8, 2014**.

Fat Tail Adjustment Factor

As previously announced, NSCC will enhance its existing parametric VaR model by supplementing the current assumption of a normal return distribution with a factor derived from a family of Student's t-distributions. The factor will help adjust the normal-based VaR model to better reflect historically observed return distributions in the equities markets. For additional information regarding this change, please refer to Advance Notice SR-NSCC-2014-802 (filed with the SEC on March 28, 2014, as amended on May 6, 2014), available on www.dtcc.com.

Elimination of ID Offsets - Phase Two

As previously announced in NSCC Important Notices, including A#7186, P&S#7616, dated April 8, 2013, and A#7618, P&S#7188, dated April 15, 2013, NSCC is eliminating the offset ("ID Offset") of NSCC obligations with institutional delivery ("ID") transactions that settle at The Depository Trust Company for the purpose of NSCC's Clearing Fund. For additional information, please refer to these previous notices, and to Rule Filing SR-NSCC-2012-10 (approved by the SEC on April 3, 2013 and available on www.dtcc.com).

This change is being implemented over an 18-month period, in four separate implementation phases, with three-month parallel test periods prior to each phase. During these parallel test periods, Members are able to view the impact of the next implementation phase on their Clearing Fund Requirement via PBS. **In the second phase, NSCC will remove from the ID Offset all affirmed ID transactions that have reached settlement date.**

Please contact your Relationship Manager if you have any questions or for further information about this Important Notice.

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