



Important Notice
National Securities Clearing Corporation

A#:	9055
P&S:	8628
Date:	09/27/2021
To:	All Participants
From:	Equity Risk
Attention:	Director of Operations, CFM Contacts
Subject:	Changes to Gap Risk Concentration Threshold and Volatility Haircut Schedule for Illiquid Securities and Unit Investment Trusts

Effective October 4, 2021, NSCC will implement (1) a change to the concentration threshold used in calculating the Gap Risk measure of the VaR charge, and (2) changes to the volatility charge haircuts applicable to positions in Illiquid Securities and unit investment trusts. The changes are the result of NSCC's annual recalibration. Following implementation of these changes, the calculation of these components of the Clearing Fund will remain within the parameters set forth in Procedure XV, Section I(A)(1)(a) and (2)(a) of the NSCC Rules and Procedures.

The changes, which could have an impact on the calculated margin for certain portfolios, include the following:

- The Gap Risk measure concentration threshold will change from 10% to 5%. The concentration threshold is used to determine when the Gap Risk measure is the applicable calculation of the VaR component of the Clearing Fund (see Procedure XV, Section I(A)(1)(a)(i)(II) and (2)(a)(i)(II)).
- The haircut-based volatility charge applicable to positions in unit investment trusts will change from 3.5% to 5% (see Procedure XV, Section I(A)(1)(a)(ii)(B)(II) and (2)(a)(ii)(B)(II)).
- The haircut-based volatility charge applicable to Illiquid Securities will change as set forth in the table below (see Procedure XV, Section I(A)(1)(a)(ii)(B)(I) and (2)(a)(ii)(B)(I)):

Price Range	Current Haircut Rate	New Haircut Rate
<= \$0.01, Long	57%	50%
<= \$0.01, Short	100%	105%
\$0.01 - \$1.00	60%	63%
\$1.00 - \$5.00	34%	37%
> \$5.00	15%	16%

Any questions related to this notice should be directed to Equity Risk at (212) 855-5770.

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