

**NATIONAL SECURITIES CLEARING CORPORATION
RULES & PROCEDURES**

TEXT OF PROPOSED RULE CHANGE

Bold and underlined text indicates additional proposed added language.

~~Bold and strikethrough text~~ indicates additional proposed deleted language filing.

NATIONAL SECURITIES CLEARING CORPORATION RULES

RULE 1. DEFINITIONS AND DESCRIPTIONS

[Changes to this Rule, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Rule.]

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Regular Way

The term “Regular Way” means settlement in accordance with the standard settlement cycle set forth in Rule 15c6-1(a) of the Exchange Act.

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RULE 4A. SUPPLEMENTAL LIQUIDITY DEPOSITS

[Changes to this Rule, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Rule.]

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SEC. 2. *Defined Terms.* The following terms shall have the meanings specified below for purposes of this Rule 4(A):

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“Daily Liquidity Need” means, on any Business Day, the ~~amount of liquid resources, as calculated and determined by the Corporation, needed to effect the settlement of its~~ payment obligations of the Corporation as a central counterparty ~~over a three day settlement cycle, as calculated and determined by the Corporation, for all projected same day, intraday and multiday settlement activity (where appropriate),~~ assuming the default on that day of an Unaffiliated Member or Affiliated Family.

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“Options Expiration Activity Period” means the period (i) beginning at the opening of business on the Friday preceding the Saturday that is the monthly expiration date for stock options (or the Business Day before that if such Friday is not a Business Day) and (ii) ending at the close of business on the ~~second Settlement Day~~Settlement Date following such date. If the monthly expiration date for stock options is changed to a Friday, the “Options Expiration Activity Period” shall mean the period (i) beginning at the opening of business on such Friday (or the Business Day before that if such Friday is not a Business Day) and (ii) ending at the close of business on the ~~second Settlement Day~~Settlement Date following such date.

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RULE 11. CNS SYSTEM

[Changes to this Rule, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Rule.]

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SEC. 4. On each settlement day the Corporation will issue to each Member reports which will show each CNS position in each security due to settle that day ~~and on the next settlement day~~ and such other information as the Corporation may deem advisable. ~~With respect to obligations due to settle on the next settlement day, the obligation of a Member to receive and pay for CNS Securities and the obligation of a Member to deliver CNS Securities pursuant to the CNS Contracts shall be fixed at the time the applicable report is made available to the Member, although it may not in fact have been received by such Member.~~ With respect to obligations due to settle that day, the obligation of a Member to receive and pay for CNS Securities and the obligation of a Member to deliver CNS Securities shall be fixed at each time a net settling position is determined for that Member in accordance with the CNS processing and information in respect of that new net settling position is made available.

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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~~one 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 ex-dividend 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 or on 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 "as of"~~ trades entered ~~less than two settlement days or one Business Day, as the case may be, prior to the payable date or the Due Bill Redemption Date~~outside these specified timeframes shall not be accorded dividend protection in the CNS System.

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PROCEDURE II. TRADE COMPARISON AND RECORDING SERVICE

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Procedure.]

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B. Equity and Listed Debt Securities -- Locked-In Trade Input

(i) Recording of Regular-Way Transactions

Self-Regulatory Organizations and Qualified Special Representatives on behalf of Members (as applicable) may submit to the Corporation trade data relating to regular way transactions in securities executed on securities exchanges or OTC marketplaces. Regular-way trade data may be submitted throughout T ("trade date") until the time specified by the Corporation (hereinafter referred to as "Original Trade Input"), and shall include quantity, security identification, identification of the marketplace of execution, contra-broker, trade value and other identifying details as the Corporation may require or permit.

Regular-way trade data as submitted by Self-Regulatory Organizations and Qualified Special Representatives on behalf of Members ("Locked-in Trade Data") is converted, if necessary, and validated. Results of this process are reported by the Corporation to

Members on such reports and in such formats as determined by the Corporation from time to time. Such reports are available to Members on a real-time and/or intra-day basis as determined by the Corporation from time to time.

Regular Way as-of trades received on Settlement Date prior to the Corporation's designated cutoff time will settle on that date; otherwise, the trade will be assigned a new Settlement Date which will be the next settlement day following the date the trade is recorded by the Corporation.

(ii) Recording of Cash, ~~Next Day~~ and Seller's Option Transactions

Qualified Special Representatives and Self-Regulatory Organizations on behalf of Members may submit to the Corporation, data relating to cash, ~~next day~~, and seller's option transactions on securities other than securities processed under Procedure VI. Such trade data may be submitted during the timeframes specified by the Corporation from time to time and shall include such trade details as the Corporation may specify (including, if the transaction is a seller's option, the settlement date, which may be no greater than 180 days beyond the trade date). Results of this input are reported by the Corporation to Members on such reports and in such formats as determined by the Corporation from time to time, and if the securities covered by such trades are CNS-eligible, the recorded trades will be entered into the CNS ~~a~~Accounting ~~e~~Operation (unless otherwise provided in these Procedures). Cash trades received after such cutoff time as the Corporation designates will be recorded and reported, but may only be settled directly between the parties. ~~Next day as-of trades received on Settlement Date prior to the Corporation's designated cutoff time will settle on that date; otherwise the trade will be assigned a new settlement date which will be the next settlement day following the date the trade is recorded by the Corporation.~~ Trades that are either (i) designated as Special Trades, (ii) in a security which is not CNS-eligible, or (iii) in a CNS Security that is undergoing a corporate action, or ~~is scheduled to settle between a dividend ex-date and record date~~ **where the trade date and Settlement Date (which is a cash trade) are the same date as a dividend ex-date and record date**, will be processed on a trade-for-trade basis.

C. Debt Securities

1. Trade Input and Comparison

The Corporation provides the following procedures for trade input and comparison of transactions in ~~r~~Regular ~~w~~Way debt securities, including unit investments trusts, in any par value (excluding fractions and decimals), other than securities submitted through the correspondent clearing service and by regional exchanges/marketplaces or Qualified Securities Depositories:

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~~(e) Trade input and comparison of transactions submitted for T+1~~

~~settlement is handled in the same manner as transactions submitted for regular way settlement.~~

(~~po~~) The Corporation shall accept cash transactions (where trade date is the same date as settlement date) for comparison-only processing. Results of the comparison-only process for these items are reported by the Corporation as specified from time to time. Settlement of the resultant compared trades is the responsibility of the parties to the trades.

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2. Resolution of Uncompared Trades in Regular Way Debt Securities

The Corporation provides the following procedures for resolution of uncompared 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 Business 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).

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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 Business Day ("T"), i.e., the shares and their associated quantities;^{7.1} (b) the cash value of the portfolio for creates and redeems made solely for cash, and, if applicable;^{7.1} (c) the estimated cash amount, representing accrued dividend, cash-in-lieu of securities¹, if applicable, and balancing amount data (hereinafter referred to as the "Dividend/Balancing Cash Amount")^{7.1}; 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 report detailing, if applicable, the estimated Dividend/Balancing Cash Amount, other financial data and the composition of the next Business Day's index receipts ("Portfolio Report"). The composition data within the Portfolio Report may be used by the Corporation to process index receipt creations and redemptions on the next Business Day. The Portfolio Report will also include, if available, portfolio holdings of the index receipts.

2. Creation/Redemption Input

On each Business Day, 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.

From time to time, the Corporation shall inform Members of the time periods for each cycle (the intraday cycle, the primary cycle, and the supplemental cycle) applicable to creation/redemption input. On T, during any of the cycles, by such time as established by the Corporation from time to time, an Index Receipt Agent may submit to the Corporation on behalf of Members, index receipt creation and redemption instructions and their scheduled settlement date, the final Dividend/Balancing Cash Amount relative to such instructions and a transaction amount representing the Index Receipt Agent's fee for the processing of the index receipt. The Index Receipt Agent may elect ~~a Settlement Date of T+1 or later~~ **same day, Regular Way or extended settlement** for the index receipts and the component securities or cash. **For same-day settling index receipts, the Index Receipt Agent may include an additional cash collateral amount ("Index Receipt Cash Collateral Amount") as may be required by the Index Receipt Agent to process the index receipt, subject to limits established by the Corporation from time to time. The Corporation will announce changes to Index Receipt Cash Collateral Amount limits by Important Notice. The Corporation will report any necessary adjustments to the Index Receipt Cash Collateral Amount based on end of day values ("Collateral Cash Adjustments") for non-guaranteed money settlement on the next business day.** The Index Receipt Agent may submit as-of **or same day settling** index creation and redemption instructions, but only if such as-of data is received by the cut-off time as designated by the Corporation from time to time, with same-

day settling creates and redeems required to be received by such cut-off time on Settlement Date.

Any as-of index **or same day settling** creation and redemption instructions ~~for same-day settlement~~ received after the cut-off time, designated by the Corporation from time to time, will be rejected. **Any creation and redemption instructions for same-day settling index receipts that exceed the Index Receipt Cash Collateral Amount limitations established by the Corporation from time to time will be rejected.** On T, the Corporation will report to Members on the Index Receipt Detail Report the details of the creations and redemptions submitted, the gross quantity of underlying security components of creation and redemption instructions and the quantity of index receipt shares associated with particular creation and redemption activity. The report will also indicate the final Dividend/Balancing Cash Amount that must be paid or received and the transaction amount that must be paid on Settlement Date.

3. Settlement

Index receipts and the underlying component securities which are eligible for CNS or cash, if applicable, will be reported on the next available Consolidated Trade Summary. The applicable Consolidated Trade Summary will also separately indicate the other component securities, or cash component, if applicable, due to settle. Component securities will be netted with all other CNS and Non-CNS securities and entered into the CNS **Accounting Operation and/or** Balance Order Accounting **Operations** for **trade-for-trade** settlement **(as applicable)**.

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G. Reports and Output

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Reports are produced at such intervals and in such formats as determined by the Corporation showing all compared trade data resulting from T+4 and older adjustments processed by a Self-Regulatory Organization, as well as step out transactions processed that day. Designations for CNS Securities and Balance Order securities are shown in the same manner as on the reports issued as a result of T input. If trades are listed on reports which include totals, the new data is added to or subtracted from such totals, to arrive at new totals. The new totals represent the combined input for T through such cutoff time on T+21 as the Corporation may designate. Trades received after such cutoff time as established on T+21 are not included in the normal settlement cycle. Such trades will be assigned a new settlement date which will be the next settlement day following the date the trade is received by the Corporation.

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H. Consolidated Trade Summaries

The Corporation produces a Consolidated Trade Summary distributed three times daily for the reporting of CNS, and Balance Order, ~~and trade-for-trade~~ transactions. **On each Settlement Day With respect to Balance Order transactions, each Consolidated Trade Summary includes Receive and Deliver instructions for items designated by the Corporation to settle trade-for-trade that day and the next Settlement Day provided to each Member to settle directly with its counterparties.** To facilitate settlement of ~~such items~~ **Balance Order transactions that are trade-for-trade items**, the Corporation may aggregate and net Receive and Deliver instructions for trade-for-trade items between counterparties such that a Member may have only one net buy obligation or sell obligation, where applicable, in a particular security on a given day with a given counterparty. When Members have an equal number of shares bought and sold between counterparties for such Special Trades, NSCC will not issue a receive or deliver obligation and will record any cash difference in the NSCC money settlement system. Where issuing of a net buy or sell instruction would result in ~~an~~ money settlement that is directionally opposite what it would be for a typical money settlement in relation to a securities movement (i.e., a Member receives an instruction to: (i) receive securities with a corresponding receipt of money settlement payment, or (ii) deliver securities with a corresponding delivery of a money payment) or if the associated money settlement is flat in relation to a securities movement (i.e., a Member receives an instruction to receive or deliver securities without a corresponding money settlement amount) then the Corporation may, in lieu of netting, separately aggregate the receive and deliver instructions so that a Member would have only one aggregate buy obligation and one aggregate sell obligation in the given security with the given counterparty.

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PROCEDURE IV. SPECIAL REPRESENTATIVE SERVICE

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Procedure.]

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C. Correspondent Clearing Service

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~~Transactions (other than cash, or next day fixed-income transactions, or cash equity transactions received after the Corporation's designated cut-off time) which are accepted by the Corporation are then entered into the Balance Order Accounting Operation or CNS Accounting Operation (pursuant to Procedure V and VII) which, when processed through the Balance Order Accounting Operation or CNS Accounting Operation, effectively net the Special Representative out of the original trade.~~

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PROCEDURE V. BALANCE ORDER ACCOUNTING OPERATION

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Procedure.]

A. Introduction

The Balance Order Accounting Operation includes transactions in all Balance Order Securities and transactions which have been identified as Special Trades including Special Trades in CNS Securities. The Balance Order Accounting Operation processes trades compared or recorded under the provisions of ~~Section~~Procedure II, trades recorded under the provisions of ~~Section~~Procedure III and transactions entered by Special Representatives under the provisions of ~~Section~~Procedure IV. The Balance Order Accounting Operation produces Balance Orders which identify the receive and deliver obligations of Members. Balance Orders may be issued on a trade-for-trade basis or a net basis. The Corporation will make available to participants information detailing their receive or deliver obligations, on a trade-for-trade or net basis, as applicable, in respect of Balance Order transactions.

B. Trade-for-Trade Balance Orders

All transactions either: (i) identified as Special Trades, (ii) compared or otherwise entered to the Balance Order Accounting Operation on ~~SD-1, after the cutoff time established by the Corporation, or thereafter~~Settlement Date, (iii) in securities which are subject to a voluntary corporate reorganization which have a trade date on or before the expiration of the voluntary corporate reorganization and which are compared or received on SD-1, after the cutoff time established by the Corporation, and at least one day prior to the end of the protect period, or (iv) identified as cash, ~~next day~~ or seller's option transactions in Balance Order Securities, or in securities which are subject to any corporate action, whether mandatory or voluntary, are processed on a trade-for-trade basis. Receive and Deliver Orders are produced instructing Members to

deliver or receive a quantity of securities to or from the contra-Member involved in that transaction.

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E. Consolidated Trade Summaries

~~On each settlement day, three separate~~**Any Balance Order transactions that are generated by the Corporation will be included on** Consolidated Trade Summaries ~~each indicating Balance Order transactions settling that day and the next settlement day will be~~ made available to participants.

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PROCEDURE VI. FOREIGN SECURITY ACCOUNTING OPERATION

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Procedure.]

A. Introduction

The Foreign Security Accounting Operation includes transactions in all Foreign Securities. The Foreign Security Accounting Operation processes trades compared and recorded under the provisions of Procedure II and transactions entered by Special Representatives under the provisions of Procedure IV. The Foreign Security Accounting Operation produces Foreign Security receive and deliver instructions which identify the receive and deliver obligations of Members. **Foreign Securities may be netted on a Member-to-Member basis or processed on a trade-for-trade basis.**

B. Trade-for-Trade Foreign Security Receive and Deliver Instructions

Transactions ~~identified~~**submitted** as Special Trades ~~and all transactions compared otherwise~~ entered to the Foreign Security Accounting Operations ~~on SD-1 or thereafter~~ are processed on a trade-for-trade basis. Receive and deliver instructions are produced instructing Members to deliver or receive a quantity of securities to or from the contra-Member involved in that transaction.

C. Netted Member-to-Member Receive and Deliver Instructions

Transactions in Foreign Securities **that are designated by the Corporation to be Special Trades will** net only on a Member-to-Member basis. Netted Member-to-

Member receive and deliver instructions are reported on the next available Consolidated Trade Summary representing the netted positions of each Member with respect to its transactions with another Member, and the related Foreign Security Clearance Cash Adjustment, in each Foreign Security issue in which it had activity. Both the settlement of the underlying transaction and payment of the Foreign Security Clearance Cash Adjustment will not be guaranteed by the Corporation. In the event a Member fails to make payment of the Foreign Security Clearance Cash Adjustment with the Corporation, the Corporation will reverse all Foreign Security Clearance Cash Adjustment debits and credits with respect to that Member, and the netted Member-to-Member Foreign Securities receive and deliver instructions issued that day with respect to that Member will be null and void.

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PROCEDURE VII. CNS ACCOUNTING OPERATION

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Procedure.]

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B. Consolidated Trade Summary

All compared and recorded transactions in CNS Securities (excluding Special Trades) are processed through the CNS Accounting Operation. This includes transactions compared under the provisions of **Section Procedure II**, recorded under the provisions of **Section Procedure III**, or entered by Special Representatives under **Section Procedure IV**. Purchases and sales due for settlement on a given day are summarized on the Consolidated Trade Summaries that are issued three times daily and contain, with respect to CNS Securities:

- (i) those trades compared or recorded through the Corporation's cutoff time on that day which are due to settle on the following settlement day ~~(i.e., if the report is issued late Monday evening, it will show trades due to settle on Wednesday)~~, and
- (ii) **those trades compared or recorded through the Corporation's cutoff time with respect to trades due to settle on the same settlement day (i.e., Tuesday), T+1 and older as of trades and next day settling trades not previously reported on the prior Consolidated Trade Summary, in each case in CUSIP order, reported as**

~~broad buys and sells by marketplace or source, netted by issue, quantity and money.~~

~~Each Consolidated Trade Summary issued on each settlement day reports activity compared or recorded, including cash trades which are due to settle on that same day for the period beginning after the cutoff time for the prior Consolidated Trade Summary and ending on the Corporation's cutoff time for such Consolidated Trade Summary.~~

Note: any T+~~21~~ or older as-of trades compared or recorded after such cutoff time on settlement day will settle on the next settlement day and appear on that night's Consolidated Trade Summary. Notwithstanding the previous sentence, with respect to Index Receipts, if Index Receipts for same-day settlement are received by the Corporation after the applicable cut-off time, such Index Receipts will not be assigned a new settlement date and will be rejected.

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D. Controlling Deliveries to CNS

As noted in subsection C, the delivery of securities from a Member's Designated Depository account to satisfy short positions is an automatic process and requires no action on the part of the Member. Securities are removed from the Member's Designated Depository account to the extent that a sufficient quantity is on deposit.

In order for a Member to avoid segregation violations and to meet other delivery needs, a procedure is provided to control this automatic system. The first phase of this procedure provides the Member with its ~~projected~~ positions due for settlement the following day. The second phase involves the submission of instructions by the Member indicating which short positions it does not wish to settle. Members are required to provide standing instructions to exempt from delivery any transactions compared or received on ~~SD-1 or thereafter~~ Settlement Date, including cash or next day transactions, which are processed for ~~next day or~~ same day settlement and which create or increase a short position. This exemption shall hereinafter be referred to as the "OneSame Day Settling Exemption".

1. ~~Projection Report~~

~~Twice a day, a Projection Report is distributed to each Member. This report shows, as of the time of its preparation, the Member's long position or short position for each security, settling trades for the next day, plus any miscellaneous activity and stock dividends payable on the next day; and may include long and short positions due to settle that day. Throughout the day the Corporation will make available updates to this information, in such formats as it may determine.~~

~~Long and short positions reflect the Member's status in each security issue as of the time the Projection Report is prepared. These positions may change due to same day settling trades and/or miscellaneous activity, and as the settlement cycle on the day the report is issued continues. If a Member's long and short positions change during the day, the projection position will also change. The Member must, therefore, update these positions based on same day settling trade and settlement activity which occurs during the course of the day.~~

21. Exemptions

Except as described below, each Member has the ability to elect to deliver all or part of any short position. It controls this process by Exemptions. By indicating a particular quantity as an Exemption, the Member directs the Corporation not to settle certain short positions or portions thereof. Exemptions govern short positions in the CNS Stock Record and not Designated Depository positions. All short positions or positions thereof for which no Exemption is indicated are settled automatically to the extent that the Member has made such securities available in the Member's Designated Depository account or they become available in its Designated Depository account through other depository activity. Notwithstanding the above, a Member may not exempt delivery of any securities available in an agency account established at a Qualified Securities Depository for the processing of transactions through the ID Net Service.

(a) Types of Exemption

The CNS system provides for two levels of Exemption. By proper use of ~~the Projection Report~~ **position reporting made available by the Corporation** and Exemptions, Members can utilize current inventory as well as securities received from other sources on settlement day in order to satisfy delivery requirements.

- (i) Level 1 Exemption - By submitting a Level 1 Exemption, the Member indicates that the portion of the short position exempted should not be automatically settled against its current Designated Depository position or against any securities which may be received into its Designated Depository account as a result of other depository activity.
- (ii) Level 2 Exemption - The submission of a Level 2 Exemption is an instruction by the Member that the portion of the short position exempted should not be automatically settled against its current depository position. Such a position may be satisfied, however, by certain types of "qualified" activity in its Designated Depository account.

(b) Qualified Activity

There are **fourthree** types of qualified activity which allow short positions carrying Level 2 Exemptions to be settled:

- (i) Coded Deposits - The Member deposits securities into its Designated Depository account in the normal manner, but by using a special deposit ticket which indicates that these securities are available for settling Level 2 Exemption quantities.
- (ii) Coded Collateral Loan Releases - A Member may release securities from its Designated Depository collateral loan account and wish those securities to be used in settling a Level 2 Exemption quantity. In this case, the Member uses a special Collateral Loan Release form which authorizes such use.
- (iii) Receipts from Banks - All securities received against payment from banks are eligible to settle Level 2 Exemption quantities. Settlement of such items is automatic and no special instruction by the Member is required.

(c) Methods of Submitting Exemptions

Exemptions may be submitted by using such form or automated means as are acceptable to the Corporation from time to time. Exemptions must either indicate the quantity to be exempted, or indicate all, and designate that quantity as Level 1 or Level 2. A Member may submit daily Exemption instructions to the Corporation. If a Member has no Exemptions on a given day, instructions may be submitted indicating no Exemptions for either Level 1 or Level 2.

A Member must submit standing Exemption instructions to the Corporation. Standing Exemption instructions will govern all of the Member's short positions for any day on which ~~(i)~~ specific daily Exemption instructions are **(i)** not submitted to the Corporation, (ii) ~~are~~ not received by the Corporation, or (iii) ~~are~~ unable to be processed by the Corporation.

Exemptions may be submitted by Members through the facilities of service bureaus and other agencies provided that the service bureau or agency has been authorized by the Corporation to act on behalf of its Member.

Exemptions must be submitted for each CNS Sub-Account maintained by the Member (see subsection I of this Section).

(d) Exemption Override

With respect to ~~one day and~~ same day settling transactions, Members may select a standing Exemption override to permit all such short positions to be delivered. Additionally, during the daytime cycle, a Member may override the

OneSame Day Settling Exemption as well as other Exemptions entered by the Member the previous evening. To do so, the Member should prepare a Delivery Order (DO) and submit it to its Designated Depository in the normal manner. If the Designated Depository is DTC, the receiving Member must be designated as 888.

The securities designated to be delivered on the DO are first applied to any quantity covered by a Level 1 Exemption and the **OneSame** Day Settling Exemption. Any remaining quantity (or if no Level 1 Exemption existed, the entire delivery) is applied to any quantity covered by a Level 2 Exemption. If there is still a remaining quantity, that quantity is not processed.

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G. CNS Dividend Accounting

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2. Dividend Activity Report

Cash and stock dividends which are to be applied to a Member's account are shown on the Dividend Activity Report usually produced on the day before payable date. Dividends are calculated according to record date closing positions updated for As-Of Trades. As-Of Trades submitted up to ~~two days~~ **one Settlement Date** prior to payable date and which have an original trade date before ex-dividend date are automatically included in the payment calculation.

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3. Due Bill Accounting

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In the case of stock splits, the Current Market Price is adjusted by the rate of the split ~~during the one day prior to~~ **on** the Due Bill Redemption Date. This process synchronizes the application of additional quantities to the Member's account with the valuation of that security at the new price.

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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 **twoone** Business Days.

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Processing within the CNS Reorganization Processing System is handled in the following manner:

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(b) Voluntary Reorganizations

The Rules below assume the processing of subject securities with a protect period of **twoone** days. The processing of subject securities with a protect period of one day or less shall be in accordance with the time frames set forth in the table below.

After Night Cycle – E+1 On E

After On E, prior to the night cycle commencing for E+1, by such times and in such manner as established by the Corporation from time to time, (i) the Corporation shall advise Members with short positions (including short positions due to settle up to and including the last day of the protect period) in a subject security of their potential liability based on their short positions as of that time in such subject security and (ii) a Member with a long position in a subject security (including long positions due to settle up to and including the last day of the protect period) at the close of business on such day who seeks to have the Corporation provide the protection described below for such long position, must instruct the Corporation to move such long positions into a CNS Reorganization Sub-Account. Instructions by a Member to move a position to a CNS Reorganization Sub-Account constitute a formal request by the Member for the Corporation to provide such protection for the position moved.

Note: Any same day settling trade in such subject security that is received for processing after the night cycle **of completes on** E+1 will be designated a

Special Trade and will be cleared and settled on a Member-to-Member basis between the parties directly.

On E+1

~~On E+1, by such time and in such manner as established by the Corporation, a Member with a long position in a subject security (including long positions due to settle up to and including the last day of the protect period) at the close of business on such day who seeks to have the Corporation provide the protection described below for such long position, must instruct the Corporation to move such long positions into a CNS Reorganization Sub-Account. Instructions by a Member to move a position to a CNS Reorganization Sub-Account constitute a formal request by the Member for the Corporation to provide such protection for the position moved.~~

On E+21 (CNS End Date/Protect Period-Expiration Date)

The regular CNS allocation process takes place through the day cycle on the last day of the protect period. A long position in a subject security for which an instruction has been received by the Corporation to establish a position in the CNS Reorganization Sub-Account, as described above, has the highest priority for CNS allocation, as provided for in Section E, 4(a) of this Procedure VII.

By such time and in such manner as established by the Corporation from time to time, the Corporation shall inform Members who have given the Corporation instructions to move a long position in a subject security into a CNS Reorganization Sub-Account of the expected move of that position to a CNS Reorganization Sub-Account. On E+21, until such time as established by the Corporation from time to time, Members may add, adjust, or delete long positions which will be moved to the CNS Reorganization Sub-Account in whole or in part by submitting an instruction to the Corporation in such form and until such time on E+21 as established by the Corporation from time to time.

Members are prohibited from moving positions in subject securities between the CNS General Account and that Member's Fully-Paid-For Subaccount.

After Day Cycle – E+21

At the time established by the Corporation after the day cycle completes on E+21, long positions for which proper instructions have been received are moved to a CNS Reorganization Sub-Account. Simultaneously, the Corporation shall move into the CNS Reorganization Sub-Account a corresponding number of short positions in the subject security held by those Members with the oldest such short positions. If more than one short position in the subject security is of the same age, the Corporation may utilize a random allocation procedure to

select short positions to be moved into the CNS Reorganization Sub-Account. On E+21, when the long and short positions in the subject security are moved into the CNS Reorganization Sub-Account, the Corporation provides Members with long positions in the subject security notification of their final protection, and provides Members with short positions in the subject security notification of their final liability.

The Corporation may, following a request by a Member and an approval of that request by the Member with the corresponding long or short position in a subject security, move their respective positions from a CNS Reorganization Sub-Account back to the CNS General Account.

The Corporation may establish a minimum of two separate CNS Reorganization Sub-Accounts for each security subject to multiple voluntary offers; provided, however, that if applicable, and provided it has the operational capabilities to do so, the Corporation may establish additional CNS Reorganization Sub-Accounts in order to process affected securities.

On and Following E+**32**

Short positions in the CNS Reorganization Sub-Account are marked from the Current Market Price to the voluntary offer price on E+32 and on each subsequent day; funds received as a result of such mark payments are retained by the Corporation until the conclusion of the voluntary offer. The Corporation freezes the positions in the CNS Reorganization Sub-Account; corresponding long and short positions in the CNS Reorganization Sub-Account only will be moved out of the CNS Reorganization Sub-Account (i) upon the request of both the Members with a long and short positions, as described above, (ii) upon conclusion of the voluntary offer, (iii) when the voluntary offer is canceled, or (iv) when the expiration date of the voluntary offer is extended. In such cases, positions in the CNS Reorganization Sub-Account are automatically returned to the Members' CNS General Account, and the mark to the voluntary offer price returned to Members with short positions.

The table below sets forth the time frames for the processing of subject securities subject to a voluntary reorganization with a protect period of one day and voluntary reorganizations with no protect period.

	Date long position member must instruct NSCC to move position to Reorg. Sub-Acct. (Standard Date)	Date short Member notified of potential Liability	Date long Member notified of potential Protection	Date long Members are prohibited from moving positions in subject securities between CNS General Account and Fully-Paid-For Subaccount	Last date long members may submit Delete instructions	Last date long Members may submit Protect Add or Adjust Instructions (protect add or adjust submitted on CNS end date)*	Date long positions moved to Reorg. Sub-Account	Date long Member notified of Final Protection and short Member notified of Final Liability	Short position marked to voluntary offer price
1 Day Protect	E	E	E+1	E+1	E+1	E+1	E+1	E+1	E+2 or thereafter
No Protect	E-1	E-1	E	E	E	E	E	E	E+1 or thereafter

* "CNS end date" is either the protect expiration date of the offer or, when there is no protect, it is the expiration date of the offer.

On Conclusion of Voluntary Offers

Upon conclusion of the voluntary offer, at a time determined by the Corporation, the Corporation shall make journal entries to unwind positions in the CNS Reorganization Sub-Account and established positions representing the terms of the voluntary offer in the CNS General Account by:

- (i) crediting a long Member's CNS General Account for the securities distributed under the terms of the voluntary offer and/or crediting a long Member's settlement account for the cash or securities distributed under the terms of the voluntary offer;
- (ii) debiting a short Member's CNS General Account for the securities distributed under the terms of the voluntary offer and/or debiting a short Member's settlement account for the cash or securities distributed under the terms of the voluntary offer; and
- (iii) crediting the settlement account of short Members with the mark to the voluntary offer price being retained by the Corporation.

In the event that not all positions in a subject security are accepted pursuant to the terms of a voluntary offer, entries crediting and debiting the positions and/or cash under the terms of the voluntary offer are made on a pro rata basis, based on the pro rata acceptance ratio of the voluntary offer as reported to the Corporation by a Qualified Securities Depository. All entries with respect to the voluntary offer appear on the Member's CNS Miscellaneous Activity Report and are identified as resulting from a voluntary offer. Fractional

shares resulting from a pro rata acceptance are credited to Members' settlement accounts and charged in cash, and are valued using the voluntary offer price.

The Corporation shall provide protection to the long Member for a position in the CNS Reorganization Sub-Account upon completion of the voluntary offer only to the extent of the monetary difference between the Current Market Price and the voluntary offer price, and only to the extent of the pro rata acceptance ratio of the voluntary offer as discussed above.

* * *

PROCEDURE XIII. DEFINITIONS

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Procedure.]

* * *

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

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PROCEDURE XVIII. ACATS SETTLEMENT ACCOUNTING OPERATION

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Procedure.]

* * *

Exemptions and Exemption Overrides

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The securities designated to be delivered on the DO are applied to any quantity covered by a Level 1 Exemption and the **OneSame** Day Settling Exemption. If there is still a remaining quantity, that quantity is not processed.

* * *

ADDENDUM K

[Changes to this Addendum, as amended by File No. SR-NSCC-2024-002, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on May 28, 2024, or such later date as may be announced by the SEC for compliance with Exchange Act Rules 15c6-1 and 15c6-2. Upon the implementation of these changes, this legend will automatically be removed from this Addendum.]

THE CORPORATION'S GUARANTY

The Corporation guarantees the completion of compared and locked-in CNS and balance order transactions from a fixed point in the clearance and settlement process.¹ CNS transactions are guaranteed as of the point they have: (i) for bilateral submissions by Members, been validated and compared by the Corporation pursuant to these Rules and Procedures, and (ii) for locked-in submissions, been validated by the Corporation pursuant to these Rules and Procedures. Balance order transactions are guaranteed as of the point they have: (i) for bilateral submissions by Members, been validated and compared by the Corporation pursuant to these Rules and Procedures, and (ii) for locked-in submissions, been validated by the Corporation pursuant to these Rules and Procedures, and, in either case, through the close of business on ~~T+2~~**their contractual Settlement Date**. If the contra party to a ~~same day or one day~~ settling trade is a member of an interfacing clearing corporation, such guaranty shall not be applicable unless an agreement to guarantee such trade exists between the Corporation and the interfacing clearing corporation. The Corporation has also adopted a policy of guaranteeing the completion of when-issued and when-distributed trades, as of the point they have: (i) for bilateral submissions by Members, been validated and compared by the Corporation pursuant to these Rules and Procedures, and (ii) for locked-in submissions, been validated by the Corporation pursuant to these Rules and Procedures and will consider all when-issued and when-distributed trades of Members as if they were CNS transactions for surveillance purposes regardless of the accounting operation in which they ultimately settle.

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