



RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Bold and underlined text indicates proposed added language.

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

NATIONAL SECURITIES CLEARING CORPORATION RULES

RULE 1. DEFINITIONS AND DESCRIPTIONS

Accounting Operation

The term “Accounting Operation” includes the ACATS Settlement Accounting Operation, Balance Order Accounting Operation, the Foreign Security Accounting Operation and the CNS Accounting Operation.

Acknowledgment Cutoff Time

The term “Acknowledgement Cutoff Time” means the time set forth as the Acknowledgment Cutoff Time in the DTC Settlement Service Guide which can be found on NSCC’s Website at <https://www.dtcc.com/legal/rules-and-procedures>.

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Affiliate

The term “Affiliate” means a Person that controls or is controlled by or is under common control with another Person. Control of a Person means the direct or indirect ownership or power to vote more than 50% of any class of the voting securities or other voting interests of any Person.

AIP Acknowledgment Cutoff Time

The term “AIP Acknowledgement Cutoff Time” means, with respect to each AIP Settling Bank regarding AIP Settlement of AIP Debit Balances and AIP Credit Balances, the later of (i) 30 minutes after the AIP Settling Bank has been notified of its AIP Debit Balance or AIP Credit Balance (or, the new AIP Debit Balance or new AIP Credit Balance, if readjusted as set forth herein), as applicable, and (ii) 30 minutes prior to the settlement deadlines established by the Corporation. The Corporation shall post the settlement deadlines for AIP Settlement on the NSCC Website.

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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)(~~if~~) of Rule 2 and Rule 2A and which is a party to an effective Settling Bank Agreement, or

(2) ~~an AIP~~ Settling Bank Only Member which has qualified under Section 2.-(ii)(~~if~~) of Rule 2, Rule 2A and Addendum B and which is a party to an effective Settling Bank

Agreement.

AIP Settling Bank Only Member

~~The term AIP “Settling Bank Only Member” means a Person who is specified in Section 2(ii)(i) of Rule 2 and which has qualified pursuant to the provisions of Rule 2A.~~

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Foreign Security System

The term “Foreign Security System” means the method of accounting for and settling securities transactions provided for in these Rules.

FRB

The term “FRB” means the Board of Governors of the Federal Reserve System and each Federal Reserve Bank, as appropriate.

FRBNY

The term “FRBNY” means the Federal Reserve Bank of New York.

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Investment Manager/Agent Member

The term “Investment Manager/Agent Member” means any Person who is specified in Section 2.-(ii)(~~ji~~) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

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Settlement Agent

The term “Settlement Agent” means the bank or trust company that the Corporation may, from time to time, designate to act as its agent for purposes of receiving money settlement debit amounts from Settling Banks, **AIP Settling Banks** and participants and paying money settlement credit amounts to Settling Banks, **AIP Settling Banks** and participants.

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Third Party Provider Member

The term “Third Party Provider Member” (or “TPP Member”) means any Person that acts as a routing platform for financial intermediaries, who is specified in Section 2.(ii)(~~jk~~) of Rule 2 and has qualified pursuant to the provisions of Rule 2A.

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RULE 2. MEMBERS AND LIMITED MEMBERS

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SEC. 2. Membership Types

The Corporation shall have the following membership types:

(i) Member -

A Member, unless otherwise limited by the Corporation pursuant to these Rules, may generally access all services made available by the Corporation. Only Members shall be entitled to settle contracts through the Corporation and to participate in the Comparison and Recording Operation and Accounting Operation.

(ii) Limited Members -

In addition to Members, upon the request of an applicant, the Corporation may approve an application by a Person to become a Limited Member, whose use of the Corporation's services is limited to those services specified by the Corporation. Such Limited Members will be termed as follows:

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(i) ~~AIP Settling Bank Only Member~~

~~Undertaken to perform settlement services with respect to AIP Settlement on behalf of AIP Members and/or AIP Non-Member Funds.~~

(j) Investment Manager/Agent Member –

Participates in the Corporation's Mutual Fund Services as or on behalf of one or more investment managers to a managed account or similar program.

(k) Third Party Provider Member –

Participates in the Corporation's Mutual Fund Services as a routing platform for financial intermediaries.

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RULE 2B. ONGOING MEMBERSHIP REQUIREMENTS AND MONITORING

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SEC. 3. OPERATIONAL TESTING

(a) The Corporation may, from time to time, determine those Members, Fund Members, Insurance Carrier/Retirement Services Members, Municipal Comparison Only Members, Mutual Fund/Insurance Services Members, Data Services Only Members, Settling Bank Only Members, Investment Manager/Agent Members, AIP Members, ~~AIP Settling Bank Only Members~~, Third Party Provider Members and Third Party Administrator Members (collectively, “participants”) who shall be required to fulfill, within the time frames established by the Corporation, certain operational testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation to ensure the continuing operational capability of the participant. The Corporation may assess a fine upon those participants that fail to fulfill any such operational testing and related reporting requirements within the time frames established by the Corporation.

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RULE 3. LISTS TO BE MAINTAINED

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SEC. 5. The Corporation shall maintain a list of AIP Members and AIP Eligible Products as referenced in Rule 53. The Corporation shall maintain a list of ~~AIP Settling Bank~~ Members and ~~AIP~~ Settling Bank Only Members that have agreed to act as AIP Settling Banks.

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RULE 37. HEARING PROCEDURES

SEC. 1. A Member, a 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 Member, Fund Member, a Data Services Only Member, AIP Member or ~~AIP Settling Bank Only Member~~ or applicant (each hereinafter in this Rule referred to as the “Interested Person”) may, when permitted by these Rules, request a hearing by filing with the Secretary of the Corporation within five business days from the date on which the Corporation informed it of an action or proposed action of the Corporation with respect to the Interested Person, or 2 business days in the case of summary action taken against the Interested Person pursuant to Rule 46 (or such other applicable time period specified by these Rules), a written request for a hearing setting forth (i) the action or proposed action of the Corporation with respect to which the hearing is requested and (ii) the name of the representative of the Interested Person who may be contacted with respect to the hearing. Within 7 business days after the Interested Person files such written request with the Corporation, or 3 business days in the case of summary action

taken against the Interested Person pursuant to Rule 46, the Interested Person shall submit to the Corporation a clear and concise written statement setting forth with particularity the action or proposed action of the Corporation with respect to which the hearing is requested, the basis for objection to such action, whether the Interested Person intends to attend the hearing and whether the Interested Person chooses to be represented by counsel at the hearing. If the written statement contests the Corporation's determination that the Interested Person has violated a Rule or procedure, the statement must specifically admit or deny each violation alleged and detail the reasons why the Rules or procedures alleged to have been violated are being contested. Any alleged violation not specifically denied shall constitute an admission to that violation. The Corporation may deny the statement if it fails to set forth a prima facie basis for contesting the violation. The failure of the Interested Person to file the written request referred to above within the time period required by these Rules and/or the failure of the Interested Person to submit the written statement within the time period specified above will be deemed to be an election to waive the right to a hearing. The Corporation shall notify the Interested Person in writing of the date, place and hour of the hearing at least 5 business days prior to the hearing (unless the parties agree to waive the 5 business day requirement).

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RULE 42. WIND-DOWN OF THE CORPORATION

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"Limited Member" means a Limited Member of the Corporation (other than a Settling Bank Only Member ~~or an AIP Settling Bank Only Member~~) or a Limited Member of the Transferee (other than a Settling Bank Only Member ~~or an AIP Settling Bank Only Member~~), as the context requires.

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"Settling Bank" means a Settling Bank, Settling Bank Only Member ~~or~~ AIP Settling Bank ~~or AIP Settling Bank Only Member~~ for Members and Limited Members of the Corporation or a Settling Bank, Settling Bank Only Member ~~or~~ AIP Settling Bank ~~or AIP Settling Bank Only Member~~ for Members and Limited Members of the Transferee, as the context requires.

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RULE 53. ALTERNATIVE INVESTMENT PRODUCT SERVICES AND MEMBERS

SEC. 7. Settlement of AIP Payments

(a) The Corporation may provide a facility for the settlement of AIP Payments pursuant to such settlement procedures as the Corporation shall adopt. AIP Payments may include amounts to be transmitted in respect of subscriptions and purchases; redemptions, withdrawals and tender offers; commissions and other transaction fees;

distributions; exchange transactions; transfers; and such other transactions in connection with the processing and settlement of transactions in Eligible AIP Products as the Corporation may determine from time to time. Settlement of AIP Payments through the Corporation shall be in same day funds, effected in accordance with the provisions of this Rule, **Rule 55** and such procedures as the Corporation may establish from time to time. The Corporation shall not guarantee the payment of AIP Payments to any AIP Member (including to any AIP Fund Administrator's AIP Settling Sub-Account). For the avoidance of doubt, the Corporation shall not guarantee the payment of AIP Payments to any AIP Non-Member Fund. Settlement of all payments and transactions in respect of Eligible AIP Products which do not settle through the facilities of the Corporation are the responsibility of the parties thereto and are not subject to the provisions of this Rule.

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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 agrees to abide by these Rules and Procedures and shall enter into a 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 agrees to abide by these Rules and Procedures and shall enter into a 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.

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SEC. 9. **(a)** Each AIP Settling Bank shall settle with the Corporation on a gross basis on each Business day: the AIP Debit Balance and AIP Credit Balance (or, if applicable, the AIP Adjusted Credit Balance) of each AIP Member and AIP Non-Member Fund which settles through such AIP Settling Bank. Each AIP Debit Balance of each AIP Member and each AIP Non-Member Fund which settles through the same AIP Settling Bank and has a AIP Debit Balance on that business day will be aggregated with the AIP Debit Balance on that business day of the AIP Settling Bank itself, if any, and all such balances will be aggregated to a single gross debit balance for the AIP Settling Bank for that business day. Each AIP Credit Balance (or if applicable, AIP Adjusted Credit Balance) of each AIP Member and each AIP Non-Member Fund which settles through the same AIP Settling Bank and has an AIP Credit Balance (or, if applicable AIP Adjusted Credit Balance) on that business day will be aggregated with the AIP Credit Balance (or AIP Adjusted Credit Balance, as applicable) on that business day of the AIP Settling Bank itself, if any, and all such balances shall be aggregated to a single gross credit balance for the AIP Settling Bank for that business day. Throughout each business day the Corporation will provide each AIP Settling Bank with reports of the debit balance or credit balance in the AIP settlement account of each AIP Member (including AIP Settling Sub-Account) which the AIP Settling Bank represents and the

arithmetic sum of these amounts. The AIP Settling Bank will be responsible for collecting the AIP Debit Balances from, and paying the AIP Credit Balances (or, if applicable, the AIP Adjusted Credit Balances) to AIP Members and AIP Non-Member Funds represented by the AIP Settling Bank.

(b) DTC will act as “Settlement Agent” (as that term is used in the Federal Reserve Board’s Operating Circular 12 and in the Corporation’s Rules & Procedures) for the Corporation and the AIP Settling Banks. By the AIP Acknowledgment Cutoff Time, AIP Settling Banks, without exception, must acknowledge to the Settlement Agent via the terminal system their AIP Debit Balance and their AIP Credit Balance and (1) their intention to settle with the Corporation their AIP Debit Balance and their AIP Credit Balance by the settlement deadlines, or (2) their refusal to settle for particular AIP Members or AIP Non-Member Funds.

(c) If an AIP Settling Bank does not, by the AIP Acknowledgement Cutoff Time, either: (i) affirmatively acknowledge its AIP Debit Balance and AIP Credit Balance or (ii) notify the Settlement Agent that it refuses to settle for one or more AIP Members or AIP Non-Member Funds for which it is the designated AIP Settling Bank, then, at the AIP Acknowledgement Cutoff Time, the AIP Settling Bank is deemed to have acknowledged its AIP Debit Balance and AIP Credit Balance. If the AIP Settling Bank has an AIP Debit Balance, then the AIP Settling Bank’s account at the FRB will be debited; if the AIP Settling Bank has an AIP Credit Balance, then the AIP Settling Bank’s FRB account will be credited.

(d) If the AIP Settling Bank sends refusal messages for one or more AIP Members or AIP Non-Member Funds for which it is the designated AIP Settling Bank, the Settlement Agent shall remove from the AIP Debit Balance and AIP Credit Balance the settlement balance(s) of the AIP Member(s) or AIP Non-Member Fund(s) for which the Settling Bank has refused to settle, and will provide the AIP Settling Bank with a new AIP Credit Balance and AIP Debit Balance. The AIP Settling Bank must acknowledge to the Settlement Agent by the AIP Acknowledgement Cutoff Time via the terminal system its new AIP Debit Balance and AIP Credit Balance and its intention to settle such amounts with the Corporation by the settlement deadlines. This new AIP Debit Balance and AIP Credit Balance shall be subject to subsection (c) above.

(e) The Settlement Agent will attempt to contact the AIP Settling Bank if no acknowledgment or notice of a refusal to settle is received by the AIP Acknowledgement Cutoff Time. If (x) the Settlement Agent is able to contact the AIP Settling Bank, and (y) the AIP Settling Bank notifies the Settlement Agent that it cannot, at that time, acknowledge or refuse its AIP Debit Balance and AIP Credit Balance, then the Settling Bank will not be deemed to have acknowledged its AIP Debit Balance and AIP Credit Balance. If the AIP Settling Bank cannot be reached, the AIP Settling Bank will be deemed to have acknowledged its AIP Debit Balance and AIP Credit Balance.

The Corporation may exclude an AIP Settling Bank's AIP Debit Balance and AIP Credit Balance from the FRB's National Settlement Service ("NSS") file if the AIP Settling Bank (A) does not acknowledge its AIP Debit Balance and AIP Credit Balance by the AIP Acknowledgement Cutoff Time or does not acknowledge its new AIP Debit Balance and AIP Credit Balance pursuant to subsection (d) above by the AIP Acknowledgement Cutoff Time and (B) is not deemed to have acknowledged its AIP Debit Balance and AIP Credit Balance or its new AIP Debit Balance and AIP Credit Balance pursuant to subsection (d) above because the AIP Settling Bank has notified the Settlement Agent that it is unable to affirmatively acknowledge its AIP Debit Balance and AIP Credit Balance or that it refuses to settle on behalf of an AIP Members or AIP Non-Member Funds.

(f) An AIP Settling Bank that cannot send an acknowledgment or refusal message to the Settlement Agent may contact the Settlement Agent and instruct the Settlement Agent to act on its behalf.

(g) The Settlement Agent uses the most recent contact information provided by the AIP Settling Bank to the Settlement Agent. Each AIP Settling Bank must ensure that it maintains up-to-date and accurate contact details with the Settlement Agent on an ongoing basis when previously provided contact details are no longer accurate, to facilitate the Settlement Agent's ability to contact an AIP Settling Bank regarding this settlement process and any settlement issues.

SEC. 10. An AIP Settling Bank may refuse to settle for one or more of its AIP Members and/or AIP Non-Member Funds (but not for less than all of a given AIP Member's or AIP Non-Member Fund's accounts) in the manner and at the time specified in **Section 9 above the Procedures** (an "AIP Refusal"). The AIP Settling Bank shall, if it has an **AIP Debit Balance net debit** remaining after any **AIP** Refusal, pay the amount thereof to the Corporation's account at the bank specified by the Corporation **or the Settlement Agent** and in the manner **provided in the Procedures, and** by the time **specified in accordance with settlement procedures adopted by the Corporation or the Settlement Agent in the Procedures** and the AIP Member or AIP Non-Member Fund for whom the AIP Settling Bank has refused to settle may pay the Corporation, by Fedwire, the amount of its remaining **AIP Debit Balance debit balance** in accordance with **settlement** procedures adopted by the Corporation **or the Settlement Agent**.

SEC. 11. An AIP Member (including an AIP Fund Administrator with respect to its AIP Settling Sub-Accounts) will be deemed to have failed to settle an AIP Debit Balance when the Corporation receives an **AIP** Refusal from the applicable **AIP** Settling Bank and the AIP Member (including the applicable AIP Fund Administrator with respect to its AIP Settling Sub-Accounts or the AIP Non-Member Fund in respect thereof) has failed to pay the AIP Debit Balance (or has so failed to pay its AIP Debit Balance if permitted by the Corporation to settle otherwise than through an AIP Settling Bank) or when its AIP Settling Bank has failed to pay its debit balance by the time specified in the Procedures.

SEC. 12. If an AIP Settling Bank or the AIP Member (including the AIP Fund Administrator with respect to its AIP Settling Sub-Accounts) in the case of an AIP Refusal, fails to settle in the manner and at the time prescribed in the Procedures, the Corporation shall reduce the AIP Credit Balances of all contra side AIP Members' accounts (including contra side AIP Settling Sub-Accounts) having an AIP Credit Balance on that business day as a result of transactions with the AIP Member(s) and/or AIP Settling Sub-Account(s) which AIP Debit Balance failed to settle, in accordance with Rule 53 and the Procedures of the Corporation. The ~~Settling~~-AIP Settling Bank or AIP Member (including an AIP Fund Administrator with respect to its AIP Settling Sub-Accounts) will not be deemed to have defaulted in a payment obligation to the Corporation. The Corporation may assess penalties against an AIP Settling Bank or, the AIP Member (including the AIP Fund Administrator with respect to its AIP Settling Sub-Accounts) as specified in the Procedures, in the event the AIP Settling Bank or, in the case of an AIP Refusal, the AIP Member (including AIP Fund Administrators with respect to AIP Settling Sub-Accounts) fails to settle.

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RULE 58. LIMITATIONS ON LIABILITY

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SEC. 2. Notwithstanding any other provision in the Rules:

(a) The Corporation will not be liable for any action taken, or any delay or failure to take any action, hereunder or otherwise to fulfill the Corporation's obligations to its Members, Mutual Fund/Insurance Services Members, Settling Bank Only Members, Municipal Comparison Only Members, Insurance Carrier/Retirement Services Members, Investment Manager/Agent Members, TPP Members, TPA Members, Mutual Fund/Insurance Services Members, Fund Members, Data Services Only Members, and ~~AIP Members and AIP Settling Bank Only Members~~ (each hereinafter referred to as a "participant" for purposes of this Rule 58), other than for losses caused directly by the Corporation's gross negligence, willful misconduct, or violation of Federal securities laws for which there is a private right of action. Under no circumstances will the Corporation be liable for the acts, delays, omissions, bankruptcy, or insolvency, of any third party, including, without limitation, any depository, custodian, sub-custodian, clearing or settlement system, transfer agent, registrar, data communication service, AIP Non-Member Fund or delivery service ("Third Party"), unless the Corporation was grossly negligent, engaged in willful misconduct, or in violation of Federal securities laws for which there is a private right of action in selecting such Third Party.

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RULE 64. DTCC SHAREHOLDERS AGREEMENT

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SEC. 4. This Rule 64 shall have no application to a Data Services Only Member, Settling Bank Only Member, Investment Manager/Agent Member, TPP Member, TPA Member, or AIP Member ~~or AIP Settling Bank Only Member.~~¹

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PROCEDURE VIII. MONEY SETTLEMENT SERVICE

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D. Settling Bank Procedures

1. Settling Bank Obligations

(a) Each day at such time as determined by the Corporation, NSCC will make available to Settling Banks the final net-debit or net-credit figure for ~~each of its participant's accounts~~ the account of each Member, Mutual Fund/Insurance Service Member, Insurance Carrier/Retirement Service Member or Fund Member (each, a "Settlement Member") for which it is the designated Settling Bank and the Settling Bank's net-net debit or net-net credit figure. This action initiates the settlement process. If the Settling Bank's final settlement balance figure ("Settlement Balance") is a net-net debit, it should pay that amount in the manner provided in Sections 3 and 4 below to NSCC's Settlement Agent by such time as established by the Corporation.

(b) By the Acknowledgment Cutoff Time, Settling Banks, without exception, must acknowledge to the Settlement Agent NSCC via the terminal system their sSettlement figures Balances and (1) their intention to settle with NSCC their net-net settlement amount by the settlement deadline, or (2) their refusal to settle for particular Settlement Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members and Fund Members. This acknowledgment must be sent even if the Settling Bank has wired the amount of its net-net debit prior to the cut off time. Notwithstanding the foregoing, a Settling Bank that is a Member and settles solely for its own accounts may opt, pursuant to such procedures as the Corporation may, from time to time, establish, to not acknowledge its sSettlement bBalance; if such Settling Bank opts to not acknowledge its Settlement Balance, it shall not be

¹ Note that, if a Fund Member, Insurance Carrier/Retirement Services Member, Municipal Comparison Only Member or Mutual Fund/Insurance Services Member is also a member or participant of another clearing agency subsidiary of DTCC, such Fund Member, Insurance Carrier/Retirement Services Member, Municipal Comparison Only Member or Mutual Fund/Insurance Services Member may be a Mandatory Purchaser Participant pursuant to the terms of the Shareholders Agreement and the rules and procedures of such other subsidiary. If a Data Services Only Member, Settling Bank Only Member, Investment Manager/Agent Member, TPP Member, TPA Member, or AIP Member ~~or AIP Settling Bank Member~~ is also a member or participant of another clearing agency subsidiary of DTCC, such Data Services Only Member, Settling Bank Only Member, Investment Manager/Agent Member, TPP Member, TPA Member, or AIP Member ~~or AIP Settling Bank Only Member~~ may be a Mandatory Purchaser Participant or a Voluntary Purchaser Participant pursuant to the terms of the Shareholders Agreement and the rules and procedures of such other subsidiary.

subject to subsections (c) and (e) below.² A Settling Bank that is a Member may not refuse to settle for itself.

(c) If a Settling Bank does not, by the Acknowledgement Cutoff Time, either: (i) affirmatively acknowledge its Settlement Balance or (ii) notify the Settlement Agent that it refuses to settle for one or more for Settlement Members, then, at the Acknowledgement Cutoff Time, the Settling Bank is deemed to have acknowledged its Settlement Balance.

(d) If the Settling Bank sends refusal messages for one or more Settlement Members but not all Settlement Members for which it is the designated Settling Bank, the Settlement Agent shall remove from the Settlement Balance the net settlement balance(s) of the Settlement Member(s) for which the Settling Bank has refused to settle, and will provide the Settling Bank with a new Settlement Balance. The Settling Bank and its new net-net settlement amount after the refusal is a credit, it must send a message acknowledge to the Settlement Agent by the Acknowledgment Cutoff Time its new Settlement Balance and its intention to settle by the settlement deadlineNSCC immediately after the refusal messages acknowledging that amount. This new Settlement Balance shall be subject to subsection (c) above. If its new net-net settlement amount is a debit, the Settling Bank must send a message immediately after the refusal messages acknowledging its intention to settle that amount with NSCC by the settlement deadline.

(e) The Settlement Agent will attempt to contact the Settling Bank if no acknowledgment or notice of a refusal to settle is received by the Acknowledgement Cutoff Time. If (x) the Settlement Agent is able to contact the Settling Bank, and (y) the Settling Bank notifies the Settlement Agent that it cannot, at that time, acknowledge or refuse its Settlement Balance, then the Settling Bank will not be deemed to have acknowledged its Settlement Balance. If the Settling Bank cannot be reached, the Settling Bank will be deemed to have acknowledged its Settlement Balance.

The Corporation may exclude a Settling Bank's balance from the NSS file if the Settling Bank (i) does not acknowledge its Settlement Balance by the Acknowledgement Cutoff Time or does not acknowledge its new Settlement Balance pursuant to subsection (d) above by the Acknowledgement Cutoff Time and (ii) is not deemed to have acknowledged its Settlement Balance or its new Settlement Balance pursuant to subsection (d) above because the Settling Bank has notified the Settlement Agent that it is unable to affirmatively acknowledge its Settlement Balance or that it refuses to settle on behalf of a Member, Mutual

² If the Settling Bank is also a settling bank at DTC, then to be eligible for such "opt out", it must also settle at DTC solely for its own accounts, and any such "opt out" must apply to both its NSCC and DTC settlement balances.

Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member.

(f) Note: A Settling Bank that cannot send an acknowledgment or refusal message to **the Settlement Agent NSCC** may **contact telephone its instructions to the Settlement Agent and instruct the Settlement Agent to act on its behalf-number for Settlement Operations specified in NSCC's notices and membership directory.**

(g) The Settlement Agent uses the most recent contact information provided by the Settling Bank to the Settlement Agent. Each Settling Bank must ensure that it maintains up-to-date and accurate contact details with the Settlement Agent on an ongoing basis when previously provided contact details are no longer accurate, to facilitate the Settlement Agent's ability to contact a Settling Bank regarding this settlement process and any settlement issues.

If NSCC has not received funds from the Settling Bank with a net-net debit and the Settling Bank has not sent refusal messages and/or an acknowledgment message to NSCC by the deadline, NSCC begins failure-to-settle procedures in respect to the Settling Bank at this time.

(h) A Settling Bank with a net-net debit that has sent an acknowledgment message to **the Settlement Agent NSCC** must settle by the settlement deadline. (See the payment procedure below.) If the Settling Bank has acknowledged its net-net settlement debit and **the Settlement Agent NSCC** has not received funds from the Settling Bank by **this timethe settlement deadline**, NSCC begins failure-to-settle procedures in respect to the Settling Bank at this time.

(i) Note: A refusal to settle for a **Settlement Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member** is a refusal to settle all accounts of that participant. The Settling Bank cannot refuse to settle only some of the accounts of a participant with multiple accounts. A Settling Bank that has sent a refusal message must send an acknowledgment of its new net-net settlement amount.

(j) At such time as the **Settlement Agent Corporation** has received sufficient funds it will initiate payments to Settling Banks with net-net credits.

2. Settlement Agent

DTC provides NSCC with services with respect to NSCC's money settlement operations as described in, and in accordance with, these procedures. DTC will act as "Settlement Agent" (as that term is used in the Federal Reserve Board's Operating Circular 12 and in NSCC's Rules & Procedures) for NSCC and NSCC's Settling Banks, for purposes of (i) receiving and paying, as NSCC's settling bank and for the account of NSCC, end-of-day money settlement payments from or to, as applicable, NSCC Settling Banks and participants, (ii) with respect to **NSSFederal Reserve Bank's ("FRB") National Settlement Service ("NSS")**, as the means of effecting money settlement for NSCC, and (iii) aggregating and netting the Settlement **Bb**alance of those Settling Banks that

act as such for both DTC and NSCC participants, and crediting or debiting the account of either NSCC, or DTC, as the appropriate clearing agency, with the settlement amounts determined in accordance with this procedure, as described in item 4 below.

3. Settlement Payment By Net-Net Debit Settling Bank

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Note – Settling Banks must monitor their Settling Bank Account Statement to ensure that funds have been credited to their account and that no balance exists. The Settling Bank must be prepared to wire payment to the Settlement Agent if funds are not available or if the NSS is unavailable or inoperable. NSCC requires that a bank representative authorized to wire funds be available at the Settling Bank until settlement is complete. If a Settling Bank is experiencing extenuating circumstances and, as a result, needs to opt out of NSS for one business day and send its wire directly to DTC's FRBNY account for its debit balance, that Settling Bank must notify the Settlement operations department prior to acknowledging its Settlement Balance.

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ADDENDUM B

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~~AIP SETTLING BANK ONLY MEMBERS (Section 11)~~

THIRD PARTY PROVIDER MEMBERS (Section 112)

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~~SEC. 11. AIP SETTLING BANK ONLY MEMBERS~~

~~A. Qualification~~

~~To qualify for membership, An AIP Settling Bank Only Member shall be a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or has direct access to the Federal Reserve System.~~

~~B. Financial Responsibility~~

~~The Corporation shall approve an application to become an AIP Settling Bank Only Member only upon a determination by the Corporation that the~~

~~applicant meets the standards of financial responsibility as the Corporation may promulgate.~~

~~C. Operational Capability~~

~~The Corporation shall approve an application to become a Settling Bank Only Member only upon a determination by the Corporation that the applicant meets the standards of operational capability as the Corporation may promulgate.~~

SEC. 112. THIRD PARTY PROVIDER MEMBERS

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