

**From:** [Lawrence, Jesse](#)  
**To:** [Stanton, Brian](#)  
**Cc:** [Queripel, Paul](#); [Cocorikis, Todd](#); [Klubeck, Irving](#); [Santaniello, Claire H](#); [Brereton, Joseph](#)  
**Subject:** Request for Relief from FINRA Rule 11900

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Brian,

As we have discussed, Pershing is formally requesting relief, pursuant to FINRA Rule 9600, to exempt a class of corporate debt transactions from FINRA Rule 11900 which requires a member firm to use the facilities of a registered clearing agency for the clearance of eligible transactions between members in corporate debt securities.

**FINRA Rule 11900 states:**

*Each member or its agent that is a participant in a registered clearing agency, for purposes of clearing over-the-counter securities transactions, shall use the facilities of a registered clearing agency for the clearance of eligible transactions between members in corporate debt securities. Pursuant to the [Rule 9600 \[finra.complinet.com\]](#) Series, FINRA may exempt any transaction or class of transactions in corporate debt securities from the provision of this Rule as may be necessary to accommodate special circumstances related to the clearance of such transactions or class of transactions.*

As we have discussed, Pershing, as clearing broker, currently submits corporate debt transactions to NSCC that it is clearing on behalf of introducing-broker dealers that have traded with one another. In those cases where we are clearing for both the buyer and seller, Pershing is submitting on behalf of both the buyer and seller under our NSCC Number, 0443. In submitting both sides to NSCC, there is no net risk mitigation through the utility as there is no net settlement obligation created.

For example, IBD A sells 1000 Corporate Bonds to IBD B. In the current state, Pershing submits both the purchase and sale to NSCC. The net effect will be a delivery obligation of 1000 Corporate Bonds to NSCC on behalf of the seller, IBD A, which will offset by the expected receipt of 1000 Corporate Bonds from NSCC for the benefit of IBD B. The result is there will be no net settlement obligation to or from NSCC.

Pershing is requesting relief for the class of transactions for which it is the clearing firm for both the buyer and seller only. These transactions will be cleared internally at Pershing and will not be submitted to NSCC. For the avoidance of doubt, Pershing is not requesting relief for any transaction in which a counterparty clears at an NSCC Participant other than Pershing.

We would like to reinforce that this request for relief will not expose Pershing or any other member firm to any additional risk. Pershing has confirmed with NSCC that there is no requirement under NSCC rules to submit these transactions to NSCC. Finally, by not submitting these specific transactions for which Pershing is clearing for both the buyer and the seller, Pershing will realize significant cost savings.

Thank you for your consideration. Please do not hesitate to reach out if you have any questions or require further information.

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