

Bolded, underlined text indicates added language

~~Bolded, strikethrough~~ texts indicates deleted language



RULES & PROCEDURES

RULE 1. DEFINITIONS AND DESCRIPTIONS

AIP Fund Administrator

The term “AIP Fund Administrator” has the meaning set forth in Rule 53.

AIP Non-Member Fund

The term “AIP Non-Member Fund” means an entity that is not an AIP Member but that the Corporation has approved to settle AIP Payments as described in Rule 53.

AIP Settling Sub-Account

The term “AIP Settling Sub-Account” has the meaning set forth in Rule 53.

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)(i)~~ **Section 2. (ii)(j)** of Rule 2, Rule 2A and which is a party to an effective Appointment of AIP Settling Bank and AIP Settling Bank Agreement whereby the AIP Member undertakes to perform settlement services for the AIP Member **or the AIP Non-Member Fund** which is a party thereto, or

(2) an AIP Settling Bank Only Member which has qualified under Section 2. (ii)(j) of Rule 2, Rule 2A and Addendum B and which is a party to an effective Appointment of AIP Settling Bank and AIP Settling Bank Agreement whereby the AIP Settling Bank Only Member undertakes to perform settlement services for the AIP Member **or the AIP Non-Member Fund** which is a party thereto.

AIP Settling Bank Only Member

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

RULE 2. MEMBERS AND LIMITED MEMBERS

SEC. 1. The Corporation shall make its services, or certain of its services, available to Persons who (i) apply to the Corporation to act for them, (ii) meet the membership qualifications specified in these Rules, (iii) are approved by the Corporation or the Board of Directors, as applicable, and (iv) if required, have contributed to the Clearing Fund as provided in Rule 4.

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:

(j) 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.**

RULE 53. ALTERNATIVE INVESTMENT PRODUCT SERVICES AND MEMBERS

SEC. 1. General

(a) The Corporation may provide a service to enable entities meeting the relevant qualifications of Rule 2A ("AIP Members") to transmit such data and information related to alternative investment products ("AIP Data") **between themselves** and to settle payments relating to such products ("AIP Payments") between themselves **or as otherwise provided in this Rule**. Such service shall be known as the "AIP Service," or "AIP," and shall be accomplished in accordance with this Rule.

The rights, liabilities and obligations of AIP Members **(including AIP Fund Administrators, defined below)** in their capacity as such and in the capacity as a Limited Member shall be governed by this Rule 53 and relevant provisions of such other Rules as expressly reference AIP Members or Limited Members. References to a Member, Mutual Fund/Insurance Services Member, Non-Clearing Member, Municipal Comparison Only Member, Fund Member, Insurance Carrier/Retirement Services Member, Investment Manager/Agent Member, TPP Member, TPA Member or Data Services Only Member shall not apply to an AIP Member in its capacity as such unless specifically noted in this Rule or in such other Rule as applicable to an AIP Member or Limited Member.

An AIP Member that participates in the Corporation in another capacity pursuant to another Rule of this Corporation, or which has entered into an agreement with the Corporation independent from this Rule, shall continue to have all the rights, liabilities and obligations set forth in such other Rule or pursuant to such agreement, and such rights, liabilities and obligations shall be separate from its rights, liabilities and obligations as an AIP Member. As such, with respect to Members, Mutual Fund/Insurance Services Members, Non-Clearing Members, Municipal Comparison Only Members, Fund Members, Insurance Carrier/Retirement Services Members, Investment Manager/Agent Members, TPP Members, TPA Members or Data Services Only Members who qualify as AIP Members, this Rule only applies to their activities in connection with transactions in Eligible AIP Products (as defined in Section 4 of this Rule).

(b) The only service offered by the Corporation that is available to an AIP Member in its capacity as such shall be the AIP Service, and such other services or features thereof that the Corporation may from time to time designate as eligible for access by an AIP Member.

(c) An AIP Member acting on behalf of, or under authority of, the sponsor, general partner or any other party responsible for the creation or manufacturing of an Eligible AIP Product (as defined in Section 4 of this Rule) shall be known as an "AIP Manufacturer". **An AIP Manufacturer that specifically (i) identifies itself to the Corporation as an entity engaged under contract to provide administrative services with respect to one or more Eligible AIP Products and (ii) wishes to be so recognized by the Corporation, shall be known as an "AIP Fund Administrator". In all events, AIP Fund Administrators are AIP Manufacturers with respect to the AIP Service.**

An AIP Member acting on behalf of, or under authority of, a customer or other investor in an Eligible AIP Product, or otherwise as the contra-side to an AIP Manufacturer in a transaction (including information processing) with an AIP Manufacturer, shall be known as an "AIP Distributor".

(d) In the Corporation's sole and absolute discretion, and in accordance with such procedures as the Corporation may establish as it deems necessary or appropriate from time to time, the Corporation may permit AIP Fund Administrators to create one or more sub-accounts approved by the Corporation to settle AIP Payments at the sub-account level ("AIP Settling Sub-Accounts"). All matters, activities, liabilities and obligations under these Rules with respect to any AIP Settling Sub-Account, except for settlement of AIP Payments, shall be the responsibility of the respective AIP Fund Administrator.

Prior to approval of any such AIP Settling Sub-Account, the applicable AIP Fund Administrator shall provide the Corporation:

- (i) Documentation and/or agreements in such form as required by the Corporation from time to time for the creation of each such AIP Settling Sub-Account, which shall include (A) the AIP Fund Administrator's acknowledgement and agreement that it shall be responsible for all matters, activities, liabilities and obligations applicable to AIP Members under these Rules with respect to each such AIP Settling Sub-Account, except for settlement of AIP Payments, and (B) the AIP Fund Administrator's agreement to indemnify the Corporation for any loss, liability or expense sustained by the Corporation in connection with, arising from or related to each such AIP Settling Sub-Account, including with respect to FATCA.**
- (ii) An agreement, in such form as required by the Corporation from time to time, stating that the AIP Fund Administrator shall be responsible for (A) all charges incurred and payments due under Rule 26 for the processing of AIP Settling Sub-Account transactions through AIP and (B) any other charges that may be incurred with respect to each such AIP Settling Sub-Account under Rule 24.**
- (iii) Documentation and/or agreements in such form as required by the Corporation from time to time (A) designating the AIP Non-Member Fund with responsibility for making AIP Payments with respect to each such AIP Settling Sub-Account, (B) reflecting such AIP Non-Member Fund's consent and approval thereof, (C) agreeing that it is the AIP Fund Administrator's obligation to notify the AIP Non-Member Fund of such AIP Non-Member Fund's daily AIP Payment balance and (D) identifying that it is the AIP Fund Administrator's obligation to notify the Corporation of any changes in condition to the AIP Non-Member Fund that would otherwise require notice to the Corporation under Rule 2B (Ongoing Membership Requirements and Monitoring) or Rule 20 (Insolvency).**

- (iv) **Tax documentation from the applicable AIP Non-Member Fund in such form as required by the Corporation from time to time. With respect to any AIP Non-Member Fund that is treated as a non-U.S. entity for U.S. federal income tax purposes, the AIP Fund Administrator shall provide the Corporation with an executed FATCA Certification from such AIP Non-Member Fund.**
- (v) **Documentation and/or agreements in such form as required by the Corporation from time to time reflecting the AIP Non-Member Fund's appointment of an AIP Settling Bank, and such AIP Settling Bank's agreement to act as AIP Settling Bank for such AIP Non-Member Fund.**

SEC.2. Qualifications of AIP Members

(a) An AIP Member or applicant to become such must meet the qualifications set for in Rule 2A and Addendum B of these Rules.

SEC. 3. Application and Admission

(a) Each applicant to become an AIP Member shall complete and deliver to the Corporation such documents and information as set forth in Rule 2A of these Rules.

The Corporation shall approve an application to become an AIP Member as set forth in Rule 2A of these Rules.

SEC. 4. Eligible Alternative Investment Products

(a) Upon application by one or more AIP Members, the Corporation may designate an alternative investment product as eligible for processing through the AIP Service (an "Eligible AIP Product"). The Corporation shall maintain a list of all Eligible AIP Products processed through the Corporation. Alternative investment products that may be designated as Eligible AIP Products include the following: securities issued by private pooled investment vehicles (including hedge funds and private equity funds, among others), interests in commodity pools, securities issued by funds of funds, real estate investment trust securities, managed futures, managed currency products and such other alternative investment products as shall be approved by the Corporation from time to time. An Eligible AIP Product may be a security registered under the Securities Act of 1933, as amended, or a security exempt from registration thereunder.

(b) The Corporation may elect to decline to designate an alternative investment product as an Eligible AIP Product, or may withdraw an alternative investment product's designation as an Eligible AIP Product, at any time it deems it to be in the interests of the Corporation and its participants.

(c) By submitting an Eligible AIP Product for processing through the Corporation, an AIP Manufacturer is representing to the Corporation that the offer and sale of such Eligible AIP Product complies with all applicable requirements under federal securities law and such other laws as may apply, whether state, federal or those of a jurisdiction outside the United States, for so long as such Eligible AIP Product is

processed through the Corporation.

SEC. 5. Obligations and Rights applicable to AIP Member

(a) The rights and obligations applicable to an AIP Member shall be as set forth in these Rules as applicable to an AIP Member or Limited Member.

(b) An AIP Member shall not be required to pay a Clearing Fund contribution to the Corporation in respect of its use of AIP Services.

(c) An AIP Member shall not be responsible for loss allocations or other loss or liability to the Corporation pursuant to the Rules or Procedure of the Corporation, except for such losses or liabilities as are set forth expressly in this Rule.

(d) The Corporation shall not be a party to a transaction (whether the communication of data or payments of money) processed through the AIP Service and shall not assume any obligations or liability in connection therewith, other than the obligation to pay AIP Credit Balances and AIP Adjusted Credit Balances in accordance with this Rule.

(e) FATCA Considerations – AIP Settling Sub-Accounts

(i) **AIP Fund Administrators with AIP Settling Sub-Accounts shall be responsible for obtaining such tax documentation from their applicable AIP Non-Member Funds as requested by the Corporation from time to time. With respect to AIP Non-Member Funds that are treated as non-U.S. entities for U.S. federal income tax purposes, the applicable AIP Fund Administrator shall be responsible for obtaining the necessary FATCA Certifications as requested by the Corporation from time to time. Notwithstanding any other provision of these Rules, failure to provide such tax documentation, including FATCA Certifications to the extent applicable, in the manner and timeframes set forth by the Corporation from time to time will result in revocation of the Corporation's approval, in the Corporation's sole and absolute discretion, for such AIP Non-Member Fund to settle AIP Payments through AIP.**

(ii) **AIP Fund Administrators with AIP Settling Sub-Accounts shall indemnify the Corporation for any loss, liability or expense sustained by the Corporation in connection with, arising from or related to FATCA in respect of such AIP Settling Sub-Accounts.**

SEC. 6. Transmission of AIP Data

(a) AIP Data transmitted through the AIP Service may include data relating to subscriptions and purchases; redemptions, withdrawals and tender offers; commissions and other fees; distributions; exchange transactions; transfers; position reporting; product information; account maintenance, valuation, and activity and such other data

as may be established by the Corporation from time to time.

(b) AIP Data must be submitted to the Corporation in such formats and by such times as established by the Corporation from time to time, and, depending upon the type of AIP Data submitted, may require a response from the receiver of AIP Data.

The Corporation will review AIP Data received from AIP Members for such information as the Corporation determines from time to time to be necessary. If the AIP Data does not contain the information required by the Corporation, the Corporation will reject the AIP Data and will advise the appropriate AIP Member in such form and by such time as established by the Corporation from time to time.

If the AIP Data appears to contain the information required by the Corporation, the Corporation will transmit the AIP Data to the appropriate AIP Member in such form and by such time as established by the Corporation from time to time, subject to any rights the Corporation may have under any applicable Rules and Procedures of the Corporation.

Pursuant to the procedures established by the Corporation from time to time, the Corporation will notify, in such form and at such times as established by the Corporation from time to time, the AIP Member in respect of certain AIP Data which requires a response, if no such response has been received by the Corporation.

Submission of certain AIP Data may require a confirming instruction from the contra side AIP Member.

(c) Pursuant to the procedures established by the Corporation from time to time, an AIP Member submitting AIP Data can withdraw certain submitted AIP Data by submitting a withdrawal instruction to the Corporation, in such form and by such time as established by the Corporation from time to time. Withdrawal of certain AIP Data may require a confirming instruction from the contra side AIP Member. Upon receipt of a properly submitted withdrawal instruction, the Corporation will (i) delete the withdrawn AIP Data and (ii) notify the appropriate party the withdrawn AIP Data in such form and by such time as established by the Corporation from time to time.

(d) Notwithstanding the foregoing, nothing prohibits an AIP Member from requiring data or information in connection with transactions in Eligible AIP Products in addition to AIP Data that has been transmitted through the Corporation.

(e) Submission of AIP Data to, or alteration or withdrawal of AIP Data from, the Corporation shall not relinquish, extinguish or affect any legal or regulatory right or obligation of the AIP Member existing outside of this Rule.

(f) The Corporation will not be responsible for the completeness or accuracy of the AIP Data received from or transmitted to any AIP Member through the AIP Service, nor shall the Corporation, absent gross negligence on the Corporation's part, be responsible for any errors, omissions or delays that may occur in the transmission of AIP Data to or from any AIP Member.

SEC. 7. Settlement of AIP Payments

(a) The Corporation may provide a facility for the settlement of AIP Payments ~~certain payments between AIP Members in respect of Eligible AIP Products (“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 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.

(b) An AIP Member (including an AIP Fund Administrator with respect to any AIP Settling Sub-Account thereof) may initiate an instruction for the settlement of AIP Payments on a certain date by submitting AIP Data that indicates settlement of AIP Payments is to take place through the Corporation pursuant to the AIP Service, in accordance with procedures established by the Corporation from time to time. Unless otherwise stated in such procedures, settlement of AIP Payments shall require a concurring instruction from the contra side AIP Member (including the AIP Fund Administrator with respect to any contra side AIP Settling Sub-Account thereof).

Unless otherwise stated in procedures established by the Corporation, AIP Payments submitted for settlement through the Corporation on a Business Day designated by the AIP Member (including the AIP Fund Administrator with respect to any AIP Settling Sub-Account thereof) (the “Settlement Date”) shall be submitted (and, if applicable, agreed by the contra side AIP Member (including the AIP Fund Administrator with respect to any contra side AIP Settling Sub-Account thereof)), no later than the times established by the Corporation for this purpose on the Business Day prior to Settlement Date (“Settlement Date minus 1”). The references to Settlement Date in this Rule refer to settlement of AIP Payments through the settlement facilities of the Corporation and do not define the settlement date of payment or delivery obligations between the parties for purposes outside of the AIP Service.

(c) The Corporation shall maintain both a credit balance and a debit balance for each AIP Member’s AIP account (including each AIP Settling Sub-Account). All AIP Payment amounts made through the AIP Service shall be credited and debited, as applicable, to the respective credit and debit balances of the AIP Member’s AIP account involved in the AIP transaction (including AIP Settling Sub-Accounts), for settlement on Settlement Date. Posting of a credit to an AIP Member’s account’s (or AIP Settling Sub-Account’s) credit balance shall always be accompanied by a corresponding debit posted to the debit balance of the contra side AIP Member’s AIP

account (or AIP Settling Sub-Account). Credit balances and debit balances posted to any AIP Member's respective account **(or AIP Settling Sub-Account)** will not be netted or offset against one another, but will be maintained on a gross credit and gross debit basis. AIP Payments will not be netted or offset against any other type of transaction settled through the facilities of the Corporation.

(d) An AIP Member submitting or receiving **instructions for** an AIP Payment **(including an AIP Fund Administrator with respect to any AIP Settling Sub-Account thereof)** may delete such **instruction for** AIP Payment from settling through the Corporation by submitting a deletion instruction to the Corporation in accordance with such procedures as are established by the Corporation from time to time. Unless otherwise stated in the procedures established by the Corporation, a deletion instruction will require a concurring instruction from the contra side AIP Member. To be effective, such deletion instruction must be submitted (and, if applicable, agreed by the contra side AIP Member) no later than Settlement Date minus 1. Upon receipt of a properly submitted deletion instruction, the Corporation will delete the appropriate credit and debit amounts from the respective balances of the AIP Members' **accounts and AIP Settling Sub-Accounts** involved in the transaction.

(e) **(i) In general, On on** Settlement Date minus 1, at the time established by the Corporation for this purpose, the Corporation shall notify each AIP Member and its AIP Settling Bank of such respective aggregate gross credit balance and aggregate gross debit balance amounts that are anticipated for settlement of its AIP Payment **amounts Amounts** on Settlement Date, together with details on the credits and debits comprising such aggregate balances (the "Preliminary Settlement Report").

(ii) With respect to AIP Settling Sub-Accounts, on Settlement Date minus 1, at the time established by the Corporation for this purpose, the Corporation shall notify (A) each applicable AIP Fund Administrator and (B) each applicable AIP Settling Bank, in each case, of the respective aggregate gross credit balance and aggregate gross debit balance amounts that are anticipated for settlement on Settlement Date, together with a Preliminary Settlement Report. The Corporation shall not notify, and shall not be responsible for notifying, any AIP Non-Member Fund of any aggregate gross credit balance or aggregate gross debit balance amounts with respect to any AIP Settling Sub-Account. It is the AIP Fund Administrator's obligation to notify each applicable AIP Non-Member Fund of its respective aggregate gross credit balance and aggregate gross debit balance amounts that are anticipated for settlement on Settlement Date.

(f) The Corporation shall establish a modification period after the Preliminary Settlement Report is issued, during which an AIP Member **(including an AIP Fund Administrator with respect to any AIP Settling Sub-Account thereof)** may send instructions to delete any particular AIP Payment in accordance with procedures established by the Corporation. Certain deletion instructions may require submission of an agreement instruction by the contra side AIP Member **(including the AIP Fund Administrator with respect to any contra side AIP Settling Sub-Account thereof)**. At the conclusion of the modification period, at the time established by the Corporation for this purpose, the Corporation shall notify each AIP Member, **including each AIP Fund Administrator with respect to any AIP Settling Sub-Account,** of its respective

aggregate gross debit and aggregate gross credit balances for settlement (“AIP Debit Balance” and “AIP Credit Balance”, respectively), together with details on the credits and debits comprising such aggregate balances (“Final Settlement Reports”). **The Corporation shall not notify, and shall not be responsible for notifying, any AIP Non-Member Fund of any AIP Debit Balance or any AIP Credit Balance with respect to any AIP Settling Sub-Account. It is the AIP Fund Administrator’s obligation to notify each applicable AIP Non-Member Fund of its respective AIP Debit Balance and AIP Credit Balance.**

(g) Settlement shall take place in same day funds in accordance with the Corporation’s procedures applicable to AIP settlement. Unless otherwise approved by the Corporation, settlement payments shall be transmitted through AIP Settling Banks.

AIP Debit Balances shall be payable on Settlement Date, at the time established by the Corporation for this purpose. On Settlement Date, subsequent to the time at which AIP Debit Balances are payable, the Corporation shall pay AIP Credit Balances to the applicable contra side AIP Members’ **accounts and contra side AIP Settling Sub-Accounts** for which AIP Debit Balances were received by the Corporation, and shall pay AIP Adjusted Credit Balances if and to the extent applicable under the following paragraph.

At any time that the Corporation fails to receive payment in the amount of an AIP Member’s **or AIP Settling Sub-Account’s** AIP Debit Balance, the Corporation will reverse the corresponding amounts previously credited to the AIP Credit Balances of the contra side AIP Members **and contra side AIP Settling Sub-Accounts**. The Corporation shall notify the contra side AIP Members **(including AIP Fund Administrators with respect to contra side AIP Settling Sub Accounts)** of the amounts and details of such credit reversals and shall issue a revised settlement report in respect of the AIP Credit Balances as so reduced (“AIP Adjusted Credit Balances”).

A failure in payment of an AIP Settlement Debit Balance shall not be deemed a default in payment to the Corporation under the Rules of the Corporation or otherwise. The Corporation may establish fees for such late payment or nonpayment and may establish procedures for limiting or excluding an AIP Member, **including an AIP Fund Administrator with respect to any AIP Settling Sub-Account thereof**, from using the Corporation’s AIP Services in the event of a pre-established number of instances of late payment or nonpayment, pursuant to procedures established by the Corporation on a nondiscriminatory basis and communicated to AIP Members in advance of effectiveness.

(h) Unless otherwise permitted by the Corporation, each AIP Member **(and each AIP Non-Member Fund with respect to AIP Settling Sub-Accounts)** shall appoint an AIP Settling Bank for the purpose of settling with the Corporation on behalf of the AIP Member **or the AIP Settling Sub-Account** pursuant to an AIP Settling Bank Agreement. Settlement shall occur in same-day funds, in accordance with the procedures established by the Corporation. An AIP Settling Bank may settle for one or more AIP Members, **and for one or more AIP Non-Member Funds**, and may settle for itself. An AIP Settling Bank may refuse to settle for an AIP Member **or an AIP Non-Member Fund** by notifying the Corporation in the manner and prior to the time on

Settlement Date set forth in the AIP settlement procedures.

(i) At any time, the Corporation may prohibit any payment from settling through the Corporation if the Corporation, in its discretion, determines that such action is necessary for the protection of the Corporation and its Members. The Corporation shall not be liable for delays in settlement due to operational factors or otherwise.

SEC. 8. Document Transmission

(a) The Corporation may provide a service to enable AIP Members to electronically transmit imaged documents, signatures and forms relating to alternative investment products, including without limitation documents relating to customers of an AIP Member ("AIP Attachments"). AIP Members may, by agreements among themselves, establish parameters regarding AIP Attachments such as requirements, obligations and the legal effect of the transmission of AIP Attachments as between themselves. The Corporation shall not review AIP Attachments, shall not be a party to any applicable agreements between AIP Members relating to AIP Attachments, and shall not provide repository services for AIP Attachments.

SEC. 9. Designation of "Broker-Controlled" and "Customer-Controlled" Accounts

(a) AIP Data includes the designation of a specified AIP Distributor's customer account as "broker-controlled" or "customer-controlled" in respect of an AIP Manufacturer's Eligible AIP Product.

(b) For so long as any specified customer account is designated as "broker-controlled" by the applicable AIP Manufacturer, such AIP Manufacturer shall be making continual and ongoing representations and assurances to the controlling AIP Distributor with respect to such customer account that:

- (i) the Eligible AIP Product securities held (or to be held) in such customer account are not subject to any right, charge, security interest, lien or claim of any kind in favor of such AIP Manufacturer or any person claiming through such AIP Manufacturer;
- (ii) to the knowledge of such AIP Manufacturer, there are no substantial problems of an operational nature which such AIP Manufacturer is experiencing or which may endanger the interest of investors in the Eligible AIP Product;
- (iii) the Eligible AIP Product securities held (or to be held) in such customer account are registered with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, are exempt from such registration, or are not required to be registered;
- (iv) the Eligible AIP Product securities held in such customer account (or to be held in such account) are registered on the books and records of such AIP Manufacturer, or its designee, in the name of the controlling AIP Distributor, on behalf of its customer;
- (v) in the case of Eligible AIP Product securities issued outside of the United States, such AIP Manufacturer does not require the

- (vi) controlling AIP Distributor, or any of its customers, to pay any fees other than for safe custody or administration as a condition for the transfer of the Eligible AIP Product securities; and such AIP Manufacturer understands and acknowledges that the controlling AIP Distributor may be relying on the above representations in order to establish custody in accordance with Securities and Exchange Commission Rule 15c3-3, and that failure to comply with the above representations may require that the controlling AIP Distributor remove the Eligible AIP Product securities from the applicable customer's brokerage account.

The above AIP Manufacturer representations and assurances are collectively referred to in this Rule as the "AIP Manufacturer Representations and Assurances".

(c) Each AIP Distributor that is a Registered-Broker Dealer and that is relying on a specified AIP Manufacturer's Representations and Assurances with respect to a customer's account, shall, for so long as the applicable "broker-controlled" designation remains in place, be continually stating that:

- (i) such AIP Distributor carries those Eligible AIP Product securities "long" in such customer's account;
- (ii) such AIP Distributor reflects all share positions of the applicable Eligible AIP Product separately in such AIP Distributor's securities records or ledgers maintained pursuant to Securities and Exchange Commission Rule 17a-3;
- (iii) such AIP Distributor maintains in a separate file a current list of all AIP Manufacturers of which Eligible AIP Product securities are carried on such AIP Distributor's books and records, including the name, telephone number and address of a contact person at each AIP Manufacturer; and
- (iv) such AIP Distributor is not aware of any substantial problems of an operational nature which the AIP Service or the applicable AIP Manufacturer or issuer (if different) may be experiencing and which may endanger the interests of the customer.

The above AIP Distributor statements are collectively referred to in this Rule as the "AIP Distributor Statements".

(d) If an account designation within the AIP Service is changed from "broker-controlled" to "customer-controlled," the above AIP Manufacturer Representations and Assurances and AIP Distributor Statements shall no longer apply to the relevant AIP Members.

(e) Each AIP Distributor and each AIP Manufacturer agrees that any dispute arising between them under this Section shall be resolved directly between them, and that the Corporation shall not be made a party to any such dispute and shall have no responsibility with respect to the resolution thereof.

SEC. 10. Limitations on Liability

(a) Notwithstanding any other provision in the Rules of the Corporation: 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 AIP Members, 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, AIP Settling Bank, 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.

(b) Under no circumstances will the Corporation be liable for any indirect, consequential, incidental, special, punitive or exemplary loss or damage (including, but not limited to, loss of business, loss of profits, trading losses, loss of opportunity and loss of use) howsoever suffered or incurred, regardless of whether the Corporation has been advised of the possibility of such damages or whether such damages otherwise could have been foreseen or prevented.

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 shall agree to abide to these Rules and Procedures and shall enter into an Appointment of Settling Bank and Settling Bank Agreement with the Corporation and each Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member, Fund Member which the Settling Bank represents. Each AIP Settling Bank shall agree to abide to these Rules and Procedures and shall enter into an Appointment of AIP Settling Bank and AIP 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.

SEC. 9. 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 ~~or~~ 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.

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 the Procedures (an "AIP Refusal"). The AIP Settling Bank shall, if it has a net debit remaining after any Refusal, pay the amount thereof to the Corporation's account at the bank specified by the Corporation and in the manner provided in the Procedures, by the time specified 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 debit balance in accordance with procedures adopted by the Corporation.

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 a Refusal from ~~the AIP Member's~~ **the applicable 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 a 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 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 a Refusal, the AIP Member **(including AIP Fund Administrators with respect to AIP Settling Sub-Accounts)** fails to settle.

SEC. 13. An AIP Settling Bank shall not terminate its status as an AIP Settling Bank and shall not terminate its representation of a AIP Member **or AIP Non-Member Fund** without having given 10 business days advance written notice thereof to the Corporation. No AIP Settling Bank shall commence representation of a AIP Member **or AIP Non-Member Fund** without having given 5 business days advance written notice thereof to the Corporation.

SEC. 14. In the event the AIP Settling Bank fails to settle in the manner and at the time prescribed in the Procedures, due to the insolvency or other cause, the Corporation in its discretion may permit an AIP Member **or an AIP Non-Member Fund** represented by that AIP Settling Bank to pay the Corporation for its AIP Debit Balance, and the Corporation shall pay the **contra side AIP Member's account (including any contra side AIP Settling Sub-Account)** the amount of its AIP Credit Balance (or AIP Adjusted Credit Balances, if applicable) to the ~~extend extent~~ such funds have been received by ~~the contra-side~~ **such AIP Member or AIP Non-Member Fund**; provided, however, if the Corporation has made payment to the failed AIP Settling Bank the Corporation shall have no obligation to any AIP Member **(including any AIP Fund Administrator with respect to any AIP Settling Sub-Account) or to any AIP Non-Member Fund** for an AIP Credit Balance or AIP Adjusted Credit Balance, as applicable.

SEC. 15. Based on its judgment that adequate cause ~~exists~~ **exists** to do so, the Corporation may at any time terminate an AIP Member's right to act as a AIP Settling Bank.

RULE 58. LIMITATION ON LIABILITY

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, Commission Billing Members, Fund Members, Data Services Only Members, 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.

(h) The Corporation will not be responsible for the completeness or accuracy of any AIP Data received from or transmitted to an AIP Member (**including an AIP Fund Administrator with respect to any AIP Settling Sub-Account thereof**) through the Corporation nor for any errors, omissions or delays which may occur in the transmission of such AIP Data to or from an AIP Member (**including an AIP Fund Administrator with respect to any AIP Settling Sub-Account thereof**).

ADDENDUM D

STATEMENT OF POLICY

ENVELOPE SETTLEMENT SERVICE, MUTUAL FUND SERVICES, INSURANCE AND RETIREMENT PROCESSING SERVICES AND OTHER SERVICES OFFERED BY THE CORPORATION

With respect to the AIP Service, at any time the Corporation fails to receive payment from an AIP Member **(including an AIP Fund Administrator with respect to its AIP Settling Sub-Accounts)** which payment was to be used to make payment to the contra side AIP Member **(including an AIP Fund Administrator with respect to a contra side AIP Settling Sub-Account)**, the Corporation will reverse any credit previously given to any AIP Member **(including an AIP Fund Administrator with respect to its AIP Settling Sub-Accounts)** who is the contra side to the AIP Member whose payment was not received by the Corporation.
