

EXHIBIT E (ITEM 14)

Attach as Exhibit E a copy of the currently effective constitution, articles of incorporation or association, by-laws, rules, procedures and instruments corresponding thereto, of the registrant and a complete list of all dues, fees and other charges imposed by registrant for its clearing agency activities.

Attached is a copy of the following documents:

1. Registrant's Certificate of Incorporation*,
2. Registrant's By-laws*,
3. Government Securities Division Rules (please note that the fee schedule is included on pages 215 - 222), and
4. Mortgage-Backed Securities Division Rules (please note that the fee schedule is included on pages 130 - 131 and 136 - 140).
5. Mortgage-Backed Securities Division EPN Rules (please note that the fee schedule is included on pages 25-26).

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* The response to this item is confidential. It has been omitted and filed separately with the Secretary of the U.S. Securities and Exchange Commission pursuant to the Freedom of Information Act.

1/2/2013

FIXED INCOME CLEARING CORPORATION

GOVERNMENT SECURITIES DIVISION RULEBOOK

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RULE 1 – DEFINITIONS

Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules, have the meanings herein specified.

Account

The term “Account” means any account maintained by the Corporation on behalf of a Netting Member. An Account maintained for an Inter-Dealer Broker Netting Member or a Segregated Broker Account of a Non-IDB Broker is referred to as a “Broker Account”. An Account of a Netting Member that is not a Broker Account is referred to as a “Dealer Account”. With respect to an applicable Cross-Margining Agreement, the term “Account” may include a Market Professional Cross-Margining Account.

Accrued Repo Interest-to-Date

The term “Accrued Repo Interest-to-Date” means, on a particular Business Day, as regards an outstanding Repo Transaction, the product of: (1) the original Contract Value of the Start Leg, (2) the Contract Repo Rate, and (3) the number of days between the next Scheduled Settlement Date and the Start Leg Date, divided by 360.

Actual Settlement Date

The term "Actual Settlement Date" means the Business Day on which a Net Settlement Position is settled.

Affiliate

The term "Affiliate" shall have the meaning given that word in SEC Rule 405, promulgated under the authority of the Securities Act of 1933.

Announcement Date

The term "Announcement Date" means, with regard to Eligible Securities, the most recent Business Day on which the announcement of the issue or re-issue of such Eligible Securities was made.

Applicant Questionnaire

The term "Applicant Questionnaire" means the questionnaire required in Rule 2 to be completed and delivered to the Corporation by each applicant to become a Member.

Appropriate Regulatory Agency

The term "Appropriate Regulatory Agency" shall have the meaning given that term in Section 3(a)(34)(C) of the Exchange Act.

As-Of Trade

The term "As-Of Trade" means a trade, including an Eligible Conversion Trade, involving Eligible Securities, the data on which is submitted by Members to the Corporation for comparison on or after the Scheduled Settlement Date for such trade.

Auction Purchase

The term "Auction Purchase" with respect to Treasury Department auctions means an Eligible Treasury Security or the Eligible Treasury Securities purchased at auction from the Treasury Department by a Netting Member. The sum of all awards made to a Member, as the result of an auction, at a single price and from a single Federal Reserve Bank shall constitute a separate Auction Purchase. The term "Auction Purchase" with respect to Freddie Mac auctions means an Eligible Freddie Mac Security or the Eligible Freddie Mac Securities reported to the Corporation as having been purchased at auction from Freddie Mac by a Netting Member for its proprietary account or by a customer or client of the Netting Member on whose behalf the Netting Member submitted a bid or with whom the Submitter has an agreement to clear securities awarded in Freddie Mac auctions. The sum of all such awards reported by Freddie Mac as having been made to a Member or its customer or client, as the result of an auction, at a single price shall constitute a separate Auction Purchase.

Average Auction Price

The term "Average Auction Price" with respect to Treasury Department auctions means, on a CUSIP Number-by-CUSIP Number basis, the par-weighted average price at which Auction Purchases of Netting Members that have been submitted to the Corporation by a Federal Reserve Bank were made at a particular auction. The term "Average Auction Price" with respect to Freddie Mac auctions means, on a CUSIP Number-by-CUSIP Number basis, the par-weighted average price at which Auction Purchases of Netting Members that have been submitted to the Corporation by Freddie Mac were made at a particular auction.

Bank Netting Member

The term "Bank Netting Member" shall have the meaning given that term in Section 1 of Rule 2.

Bilateral Comparison

The term "Bilateral Comparison" means the comparison of a trade by the matching by the Corporation, pursuant to these Rules, of data submitted by two Members.

Board or Board of Directors

The terms "Board" or "Board of Directors" mean the Board of Directors of Fixed Income Clearing Corporation or a committee thereof acting under delegated authority.

Broker

The term "Broker" means a Member that is a Registered Government Securities Broker and that is regularly engaged in the business of effecting transactions in Eligible Securities for the account of other Members.

Brokered Repo Transaction

The term "Brokered Repo Transaction" means a Repo Transaction, including a GCF Repo Transaction, a party to which is an Inter-Dealer Broker Netting Member or a Non-IDB Repo Broker with respect to activity in its Segregated Repo Account.

Brokered Transaction

The term "Brokered Transaction" means any transaction, including a Repo Transaction, calling for the delivery of an Eligible Netting Security, or the posting of cash or an Eligible Netting Security as collateral, the data on which has been submitted to the Corporation by Members, to which transaction (i) a Category 1 Inter-Dealer Broker, (ii) a Category 2 Inter-Dealer Broker, or (iii) a Non-IDB Repo Broker with respect to activity in its Segregated Repo Account, is a party. The mere fact that an Inter-Dealer Broker, or a Non-IDB Repo Broker with respect to activity in its Segregated Repo Account, has submitted data to the Corporation on a transaction is not, solely of itself, determinative of whether such Broker is a party to the transaction.

Business Day

The term "Business Day" means any day on which the Corporation is open for business except that, for purposes of Rule 11, Rule 12, and Rule 13, "Business Day" means any day on which both the Corporation and the Federal Reserve Bank of New York are open for business.

CPU

The term "CPU" means the central processing unit of a computer.

CFTC

The term "CFTC" means the Commodity Futures Trading Commission.

CFTC-Recognized Clearing Organization

The term "CFTC-Recognized Clearing Organization" means a clearing organization that is affiliated with, or designated by, a contracts market or markets trading specific futures products, and is under the oversight of the Commodity Futures Trading Commission.

Clearance Difference Amount

The term "Clearance Difference Amount" means the absolute value of the dollar difference between the Settlement Value of a Deliver Obligation or a Receive Obligation and the actual value at which such Deliver Obligation or Receive Obligation was settled, by the delivery or receipt of Eligible Netting Securities or by the Corporation's pair-off of settlement obligations, between the Corporation and a Netting Member.

Clearing Agency

The term "Clearing Agency" shall have the meaning given it in Section 3(a)(23) of the Exchange Act.

Clearing Agent Bank

The term "Clearing Agent Bank" means a member of the Federal Reserve System that is regularly engaged in the business of providing clearing services in Eligible Securities for Members and that has agreed to provide the Corporation, upon request, under mutually agreeable terms, with clearing services.

Clearing Fund

The term "Clearing Fund" means the Clearing Fund established by the Corporation pursuant to these Rules, which shall be comprised of the aggregate of all Required Fund Deposits and all other deposits, including Cross-Guaranty Repayment Deposits, to the Clearing Fund.

Clearing Fund Funds-Only Settlement Amount

The term "Clearing Fund Funds-Only Settlement Amount" shall have the meaning as set forth in, and be the net dollar amount calculated pursuant to, Section 2 of Rule 13.

Clearing Organization

The term "Clearing Organization" means a Clearing Agency, Derivatives Clearing Organization, Multilateral Clearing Agency, Registered Clearing Agency, CFTC Recognized Clearing Organization, FCO and/or Self-Regulatory Organization, and any other organization performing a similar function, whether or not regulated by the SEC or the CFTC, in which the Member is a member or participant.

Close Leg

The term "Close Leg" means, as regards a Repo Transaction other than a GCF Repo Transaction, the concluding settlement aspects of the transaction, involving the retransfer of the underlying Eligible Netting Securities by the Netting Member that is, or is submitting data on behalf of, the funds lender (if netting eligible, through satisfaction of the applicable Deliver Obligation generated by the Corporation) and the taking back of such Eligible Securities by the Netting Member that is, or is submitting data on behalf of, the funds borrower (if netting eligible, through satisfaction of the applicable Receive Obligation generated by the Corporation). The term "Close Leg" means, as regards a GCF Repo Transaction, the concluding settlement aspects of the transaction, involving the retransfer of the underlying Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Lender Position and the taking back of such Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Borrower Position.

Close of Business

The term "Close of Business" means, with respect to a Business Day, 5:00 p.m. on such Business Day, unless otherwise determined by the Corporation as the result of delay in the close of FedWire.

Collateral Allocation Entitlement

The term "Collateral Allocation Entitlement" means the entitlement of a Netting Member to have the Corporation allocate securities or cash for its benefit to secure such Member's GCF Net Funds Lender Position.

Collateral Allocation Obligation

The term "Collateral Allocation Obligation" means the obligation of a Netting Member to allocate securities or cash for the benefit of the Corporation to secure such Member's GCF Net Funds Borrower Position.

Collateral Management Service

The term “Collateral Management Service” means the collateral management information-sharing service operated by the National Securities Clearing Corporation.

Collateral Mark

The term “Collateral Mark” means, on a particular Business Day, as regards any Forward Trade other than a Forward-Starting Repo Transaction during its Forward-Starting Period, the absolute value of the difference between the Contract Value of the Forward Trade and the Market Value of the Forward Trade. If the Contract Value is greater than the Market Value, then this difference shall be a positive value for a Member with a Net Short Position, and a negative value for a Member with Net Long Position. If the Market Value is greater than the Contract Value, then this difference shall be a positive value for a Member with a Net Long Position, and a negative value for a Member with a Net Short Position. The Collateral Mark for a Forward-Starting Repo Transaction during its Forward-Starting Period shall be Zero. The term “Collateral Mark” means, as regards a Forward Net Settlement Position, the sum of all of the Collateral Marks on each of the Forward Trades that compose such Position.

Collected/Paid Amount

The term "Collected/Paid Amount" means, with regard to the calculation of Funds-Only Settlement Amounts and Clearing Fund Funds-Only Settlement Amounts, the aggregate Settlement Amount either received by the Corporation from a Member or paid by the Corporation to a Member since the end of the processing cycle immediately prior to the processing cycle during which the Collected/Paid Amount is calculated.

Commodity Exchange Act

The term “Commodity Exchange Act” means the Commodity Exchange Act, as amended.

Comparable Securities

The term “Comparable Securities” means, with respect to a security or securities that are represented by a particular Generic CUSIP Number, any other security or securities that are represented by the same Generic CUSIP Number.

Compared Trade

The term "Compared Trade" means a trade, including a Repo Transaction, the data on which has been compared or deemed compared in the Comparison System pursuant to these Rules, as the result of any one of the following methods: (1) Bilateral Comparison, which requires the matching by the Corporation of data submitted by two Members, (2) Demand Comparison, which requires that data to be submitted to the Corporation by a Demand Trade Source, (3) Locked-In Comparison, which requires the data to be submitted to the Corporation by a Locked-In Trade Source, or (4) the Corporation has exercised its authority, as provided for in Rule 22A in the case of a Member determined by the Corporation to be insolvent, to compare a trade based on data submitted by a single Member.

Comparison System

The term "Comparison System" means the (1) system of services provided by the Corporation to Persons that are Members thereof, and (2) operations carried out by the Corporation in the course of providing such services, as provided for in Rules 5 through 10.

Comparison-Only Member

The term "Comparison-Only Member" means a Member that is a Member only of the Comparison System.

Contract Repo Rate

The term "Contract Repo Rate" means, as regards a Repo Transaction, the contractual interest rate on which the amount of interest owed by the Repo Party to the Reverse Repo Party at the close of the Repo Transaction is based, as established by the original parties to the Repo Transaction.

Contract Value

The term "Contract Value" means, as regards a trade other than a Repo Transaction, the dollar value at which the trade is entered into. The term "Contract Value" means, as regards a Start or Close Leg, the dollar value at which such Leg is to be settled on Scheduled Settlement Date. For a GCF Repo Transaction, the Contract Value of the Start Leg is the principal value, and the Contract Value of the Close Leg is the principal value plus accrued interest.

Controlling Management

The term "Controlling Management" shall mean the Chief Executive Officer, the Chief Financial Officer, and the Chief Operations Officer, or their equivalents, of an applicant or Member.

Conversion-Participating Member

The term "Conversion-Participating Member" means a Member of the Comparison System other than a Non-Conversion Participating Member.

Conversion Trade

The term "Conversion Trade" means an Eligible Conversion Trade the data on which has been compared by the Corporation pursuant to Rule 9 and listed on a Report made available to Members.

Coupon Adjustment Payment

The term "Coupon Adjustment Payment" means the coupon payments due and owing on each Eligible Netting Security that comprises either a Coupon-Eligible Close Leg or a Fail Net Settlement Position.

Coupon-Eligible Close Leg

The term “Coupon-Eligible Close Leg” means a Close Leg on a coupon payment date for the Eligible Netting Securities that comprise it, where such coupon payment date falls after the Start Leg related to the same Repo Transaction from which such Close Leg arises has settled and on or before the Scheduled Settlement Date of the Close Leg.

Coverage Charge

The term “Coverage Charge” means with respect to a Netting Member’s Required Fund Deposit, an additional charge to bring the Member’s coverage to a targeted confidence level.

Covered Affiliate

The term “Covered Affiliate” means an Affiliate of a Netting Member that: (1) is not itself a Netting Member; (2) is not a Foreign Person; and (3) is a Registered Government Securities Broker, Registered Government Securities Dealer, bank, trust company, and/or Futures Commission Merchant.

Credit Clearance Difference Amount

The term “Credit Clearance Difference Amount” means, on a particular Business Day, the absolute value of the dollar difference between the Settlement Value of a Deliver Obligation or a Receive Obligation and the actual value at which such Deliver Obligation or Receive Obligation was settled, by the delivery or receipt of Eligible Netting Securities or by the Corporation’s payoff of settlement obligations between the Corporation and a Netting Member, where: (1) the Settlement Value at which a Member’s Deliver Obligation was obligated to have been made is greater than the dollar value at which such Obligation actually was settled, or (2) the Settlement Value at which a Member’s Receive Obligation was obligated to have been made is less than the dollar value at which such Obligation actually was settled.

Credit Coupon Adjustment Payment

The term “Credit Coupon Adjustment Payment” means, on a particular Business Day, a Coupon Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving a Member in a Net Long Position with regard to either a Coupon-Eligible Close Leg or a Fail Net Settlement Position.

Credit Delivery Differential Adjustment Payment

The term "Credit Delivery Differential Adjustment Payment" means, on a particular Business Day, a Delivery Differential Adjustment Payment, involving a Deliver Obligation where the Settlement Value is less than the System Value, or a Receive Obligation where the Settlement Value is greater than the System Value, that the Corporation is obligated to make to a Netting Member.

Credit Fail Mark Adjustment Payment

The term "Credit Fail Mark Adjustment Payment" means, on a Particular Business Day, a Fail Mark Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving either: (1) a Fail Deliver Obligation where the Settlement Value

of such Obligation has decreased from the immediately previous Business Day, or, (2) a Fail Receive Obligation where the Settlement Value of Such Obligation has increased from the immediately previous Business Day.

Credit Forward Mark Adjustment Payment

The term “Credit Forward Mark Adjustment Payment” means, on a particular Business Day, a Forward Mark Adjustment Payment that is a positive number, and that a Netting Member is entitled to collect from the Corporation.

Credit GCF Forward Mark

The term “Credit GCF Forward Mark” means, on a particular Business Day, a GCF Forward Mark that is a positive number, and that a Netting Member is entitled to collect from the Corporation.

Credit Interest Adjustment Payment

The term “Credit Interest Adjustment Payment” means, on a particular Business Day, an Interest Adjustment Payment on an associated Debit Forward Mark Adjustment Payment made on the previous Business Day, which Interest Adjustment Payment a Netting Member is entitled to collect from the Corporation.

Credit Interest Rate Mark

The term “Credit Interest Rate Mark” means, on a particular Business Day, an Interest Rate Mark that is a positive number, and that a Netting Member is entitled to collect from the Corporation.

Credit Interest Rate Mark Adjustment Payment

The term “Credit Interest Rate Mark Adjustment Payment” means, on a particular Business Day, an Interest Rate Mark Adjustment Payment on the sum of the associated Debit GCF Forward Mark and Debit Interest Rate Mark made on the previous Business Day, which Interest Mark Adjustment Payment a Netting Member is entitled to collect from the Corporation.

Credit Risk Rating Matrix

The term “Credit Risk Rating Matrix” refers to a matrix developed by the Corporation to rate a Netting Member’s potential risk to the Corporation based on the Member’s financial condition, as determined by financial information required to be submitted by that Member and other relevant information.

Credit Transaction Adjustment Payment

The term "Credit Transaction Adjustment Payment" means, on a particular Business Day as regards a Net Settlement Position, a Transaction Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving either: (1) a Net Long Position where the aggregate of the Contract Values of the trades that comprise such Position is less than the Aggregate of the Market Values of such trades, or (2) a Net Short Position where the aggregate of the Contract Values of the trades that comprise such Position is greater than the Market Values of such trades. The term "Credit Transaction

Adjustment Payment" means, on a particular Business Day as regards a GCF Net Settlement Position, a Transaction Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving either: (1) a GCF Net Funds Borrower Position where the aggregate of the Contract Values of the GCF Repo Transactions that comprise such Position is less than the Aggregate of the Market Values of such Transactions, or (2) a GCF Net Funds Lender Position where the aggregate of the Contract Values of the GCF Repo Transactions that comprise such Position is greater than the Market Values of such Transactions.

Cross-Guaranty Agreement

The term "Cross-Guaranty Agreement" shall mean any netting contract, limited cross-guaranty, or other similar agreement between the Corporation and (i) any clearing agency registered under Section 17A(b) of the Securities Exchange Act of 1934, (ii) any organization performing clearing functions for a contract market designated pursuant to the Commodity Exchange Act or (iii) any other domestic or foreign clearinghouse, clearing association, clearing corporation or similar organization. The term "Cross-Guaranty Agreement" shall not include Cross-Margining Agreements.

Cross-Guaranty Beneficiary Member

The term "Cross-Guaranty Beneficiary Member" shall have the meaning given to such term in Section 3 of Rule 41.

Cross-Guaranty Counterparty

The term "Cross-Guaranty Counterparty" means any party, other than the Corporation, to a Cross-Guaranty Agreement.

Cross-Guaranty Defaulting Member

The term "Cross-Guaranty Defaulting Member" means a defaulting Member on account of which the Corporation makes or receives a Cross-Guaranty Payment.

Cross-Guaranty Payment

The term "Cross-Guaranty Payment" means any payment, other than a Cross-Guaranty Repayment, that the Corporation makes or receives pursuant to a Cross-Guaranty Agreement.

Cross-Guaranty Repayment

The term "Cross-Guaranty Repayment" means (i) any amount of a Cross-Guaranty Payment received by the Corporation that the Corporation (A) repays to a Cross-Guaranty Counterparty pursuant to a Cross-Guaranty Agreement or (B) pays over to a Cross-Guaranty Defaulting Member or its legal representative pursuant to a court order or judgment or (ii) any amount of a Cross-Guaranty Payment made by the Corporation that the Corporation receives back from a Cross-Guaranty Counterparty pursuant to a Cross-Guaranty Agreement.

Cross-Guaranty Repayment Deposit

The term "Cross-Guaranty Repayment Deposit" means the deposit to the Clearing Fund required to be made by a Cross-Guaranty Beneficiary Member pursuant to Section 4 of Rule 41.

Cross-Margining Affiliate

The term "Cross-Margining Affiliate" means an affiliate of a Cross-Margining Participant that is a member of an FCO and has agreed: (i) to have its positions and margin at the FCO margined together with Eligible Positions of the Cross-Margining Participant at the Corporation in accordance with the applicable Cross-Margining Agreement, and/or (ii) if permitted by the applicable Cross-Margining Agreement, to have the positions and margin of Market Professionals cleared by the Cross-Margining Affiliate at the FCO margined together with Eligible Positions of the Market Professional customers of the Cross-Margining Participant at the Corporation.

Cross-Margining Agreement

The term "Cross-Margining Agreement" means an agreement between the Corporation and a particular FCO pursuant to which a Cross-Margining Participant, at the discretion of the Corporation and in accordance with the provisions of Rule 43, may elect to have its Required Fund Deposit in respect of Eligible Positions at FICC and its (or its Permitted Margin Affiliate's or Cross-Margining Affiliate's, if applicable) margin requirements in respect of Eligible Positions at such FCO calculated either (i) by taking into consideration the net risk of such Eligible Positions at each of the clearing organizations or (ii) as if such positions were in a single portfolio. A Cross-Margining Agreement may include provisions for the cross-margining by a Netting Member of Eligible Positions held in the accounts of Market Professionals.

Cross-Margining Arrangement

The term "Cross-Margining Arrangement" means the arrangement established between the Corporation and one or more FCOs pursuant to Cross-Margining Agreements and Rule 43.

Cross-Margining Beneficiary Participant

The term "Cross-Margining Beneficiary Participant" shall have the meaning given to such term in Section 5 of Rule 43.

Cross-Margining Guaranty

The term "Cross-Margining Guaranty" means a guaranty by an FCO of the obligations of a Cross-Margining Participant to the Corporation or, as the context requires, a guaranty by the Corporation of the obligations of a Cross-Margining Participant or its Cross-Margining Affiliate to an FCO.

Cross-Margining Participant

The term "Cross-Margining Participant" means a Netting Member that is authorized by the Corporation to, and does, participate in the Cross-Margining Arrangement between the Corporation and one or more FCOs pursuant to a Cross-Margining Agreement.

Cross-Margining Payment

The term “Cross-Margining Payment” means any payment, other than a Cross-Margining Repayment, that the Corporation makes or receives pursuant to a Cross-Margining Guaranty.

Cross-Margining Repayment

The term “Cross-Margining Repayment” means (i) any amount of a Cross-Margining Payment received by the Corporation that the Corporation (A) repays to an FCO pursuant to a Cross-Margining Agreement or (B) pays over to a Defaulting Member or its legal representative pursuant to a court order or judgment or (ii) any amount of a Cross-Margining Payment the Corporation receives back from an FCO pursuant to a Cross-Margining Agreement.

Cross-Margining Repayment Deposit

The term “Cross-Margining Repayment Deposit” means the deposit to the Clearing Fund required to be made by a Cross-Margining Beneficiary Participant pursuant to Section 6 of Rule 43.

Current Net Settlement Positions

The term “Current Net Settlement Positions” means those Net Settlement Positions that are scheduled to settle on the Business Day with respect to which the calculation is made.

CUSIP Number

The term "CUSIP Number" means the Committee on Uniform Securities Identification Procedures identifying number for an Eligible Security or an Eligible Netting Security. The term CUSIP Number includes, as the context may indicate, either a Generic CUSIP Number or a Specific CUSIP Number, or both.

Dealer

The term "Dealer" means a Member that is a Registered Government Securities Dealer.

Dealer Netting Member

The term "Dealer Netting Member" shall have the meaning given that term in Section 2 of Rule 2A.

Debit Clearance Difference Amount

The term “Debit Clearance Difference Amount” means, on a particular Business Day, the absolute value of the dollar difference between the Settlement Value of a Deliver Obligation or a Receive Obligation and the actual value at which such Deliver Obligation or Receive Obligation was settled, by the delivery or receipt of Eligible Netting Securities or by the Corporation’s payoff of settlement obligations between the Corporation and a Netting Member, where: (1) the Settlement Value at which a Member’s Deliver Obligation was obligated to have been made is less than the dollar value at which such

Obligation actually was settled, or (2) the Settlement Value at which a Member's Receive Obligation was obligated to have been made is greater than the dollar value at which such Obligation actually was settled.

Debit Coupon Adjustment Payment

The term "Debit Coupon Adjustment Payment" means, on a particular Business Day, a Coupon Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving a Member in a Net Short Position with regard to either a Coupon-Eligible Close Leg or a fail Net Settlement Position.

Debit Delivery Differential Adjustment Payment

The term "Debit Delivery Differential Adjustment Payment" means, on a particular Business Day, a Delivery Differential Adjustment Payment, involving a Deliver Obligation where the Settlement Value is greater than the System Value, or a Receive Obligation where the Settlement Value is less than the System Value, that a Netting Member is obligated to make to the Corporation.

Debit Fail Mark Adjustment Payment

The term "Debit Fail Mark Adjustment Payment" means, on a particular Business Day, a Fail Mark Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving either: (1) a Fail Deliver Obligation where the Settlement Value of such Obligation has increased from the immediately previous Business Day, or, (2) a Fail Receive Obligation where the Settlement Value of such Obligation has decreased from the immediately previous Business Day.

Debit Forward Mark Adjustment Payment

The term "Debit Forward Mark Adjustment Payment" means, on a particular Business Day, a Forward Mark Adjustment Payment that is a negative number, and that a Netting Member is obligated to make to the Corporation.

Debit GCF Forward Mark

The term "Debit GCF Forward Mark" means, on a particular Business Day, a GCF Forward Mark that is a negative number, and that a Netting Member is obligated to pay to the Corporation.

Debit Interest Adjustment Payment

The term "Debit Interest Adjustment Payment" means, on a particular Business Day, an Interest Adjustment Payment on an associated Credit Forward Mark Adjustment Payment made on the previous Business Day, which Interest Adjustment Payment a Netting Member is obligated to make to the Corporation.

Debit Interest Rate Mark

The term "Debit Interest Rate Mark" means, on a particular Business Day, an Interest Rate Mark that is a negative number, and that a Netting Member is obligated to pay to the Corporation.

Debit Interest Rate Mark Adjustment Payment

The term “Debit Interest Rate Mark Adjustment Payment” means, on a particular Business Day, an Interest Rate Mark Adjustment Payment on the sum of the associated Credit GCF Forward Mark and Credit Interest Rate Mark made on the previous Business Day, which Interest Rate Mark Adjustment Payment a Netting Member is obligated to make to the Corporation.

Debit Transaction Adjustment Payment

The term "Debit Transaction Adjustment Payment" means, on a particular Business Day as regards a Net Settlement Position, a Transaction Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving either: (1) a Net Long Position where the aggregate of the Contract Values of the trades that comprise such Position is greater than the aggregate of the Market Values of such trades, or (2) a Net Short Position where the aggregate of the Contract values of the trades that comprise such Position is less than the Market Values of such trades. The term "Debit Transaction Adjustment Payment" means, on a particular Business Day as regards a GCF Net Settlement Position, a Transaction Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving either: (1) a GCF Net Funds Borrower Position where the aggregate of the Contract Values of the GCF Repo Transactions that comprise such Position is greater than the aggregate of the Market Values of such Transactions, or (2) a GCF Net Funds Lender Position where the aggregate of the Contract Values of the GCF Repo Transactions that comprise such position is less than the Market Values of such Transactions.

Defaulting Member

The term “Defaulting Member” means a Netting Member that is treated by the Corporation as insolvent pursuant to Rule 22 or with respect to which it has ceased to act pursuant to Rule 22A.

Deliver Obligation

The term "Deliver Obligation" means a Netting Member's obligation to deliver Eligible Netting Securities to the Corporation at the appropriate Settlement Value either in satisfaction of all or a part of a Net Short Position or to implement a collateral substitution in connection with a Repo Transaction with a Right of Substitution.

Delivery Differential Adjustment

The term "Delivery Differential Adjustment" means, for a Deliver Obligation or a Receive Obligation established by the Corporation on a particular Business Day, the dollar adjustment made by the Corporation (which may be zero) to System Value in order to determine the Settlement Value for the Delivery Obligation or Receive Obligation. The Corporation may establish varying Delivery Differential Adjustment amounts for different Deliver Obligations and/or Receive Obligations of one or more Members involving Eligible Netting Securities with the same CUSIP Number.

Delivery Differential Adjustment Payment

The term "Delivery Differential Adjustment Payment" means the absolute value of the dollar difference between the System Value and the Settlement Value of a Netting Member's Deliver Obligation or a Receive Obligation.

Demand Comparison

The term "Demand Comparison" means the comparison of a Demand Trade by the receipt by the Corporation of data from a Demand Trade Source.

Demand Trade

The term "Demand Trade" means a trade, involving Eligible Securities, that is deemed a Compared Trade once the data on such trade are received by the Corporation from a single, designated source and meet the requirements for submission of data on a Demand Trade pursuant to these Rules, without the necessity of matching the data regarding the trade with data provided by each Member that is or is acting on behalf of an original counterparty to the trade. The data regarding a Demand Trade must be provided to the Corporation by a Demand Trade Source.

Demand Trade Source

The term "Demand Trade Source" means a source of data on Demand Trades that the Corporation has so designated, subject to such terms and conditions as to which the Demand Trade Source and the Corporation may agree.

Derivatives Clearing Organization or "DCO"

The terms "Derivatives Clearing Organization" or "DCO" shall have the meaning given it in Section 1a(9) of the Commodity Exchange Act.

Designated Examining Authority

The term "Designated Examining Authority" shall mean (1) in the case of a broker or dealer registered pursuant to Section 15 of the Exchange Act or a Government Securities Broker or Dealer registered pursuant to Section 15C of the Exchange Act that belongs to only one Self-Regulatory Organization, such Self-Regulatory Organization, and (2) in the case of a broker or dealer registered pursuant to Section 15 of the Exchange Act or a Government Securities Broker or Dealer registered pursuant to Section 15C of the Exchange Act that belongs to more than one Self-Regulatory Organization, the Self-Regulatory Organization designated by the SEC pursuant to Section 17(d) of the Exchange Act as the entity with responsibility for examining such broker or dealer or such Government Securities Broker or Dealer.

Designee

The term "Designee" means a service provider designated by a Member either orally or in writing to provide the Corporation with instructions on behalf of the Member.

Direct Transaction

The term "Direct Transaction" means any transaction, including a Repo Transaction, calling for the delivery of an Eligible Netting Security or the posting of cash or an Eligible Netting Security as collateral, the data on which has been submitted to the Corporation by Members, that is not a Brokered Transaction.

DK Notice

The term "DK Notice" means a notification that is sent to the Corporation to: (i) cause a Demand Trade to become uncompleted, or (ii) serve as a request for cancellation of a Locked-In Trade to a Locked-In Trade Source. DK Notices must be sent pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose.

DTC

The term "DTC" means The Depository Trust Company.

DTC Settling Bank

The term "DTC Settling Bank" means an entity that qualifies as a settling bank under DTC's rules and has been approved as such by DTC.

Eligible Conversion Trade

The term "Eligible Conversion Trade" means a Yield Comparison Trade that the Corporation, based on the type of Eligible Security involved, has designated, either on a product-by-product basis or on a CUSIP-by-CUSIP basis, as eligible for comparison pursuant to Rule 9.

Eligible Clearing Fund Agency Security

The term "Eligible Clearing Fund Agency Security" means a direct obligation of those U.S. agencies or government sponsored enterprises as the Corporation may designate from time to time, and that satisfies such criteria set forth in notices issued by the Corporation from time to time.

Eligible Clearing Fund Security

The term "Eligible Clearing Fund Security" means unmatured bonds which are either an Eligible Clearing Fund Agency Security, an Eligible Clearing Fund Mortgage-Backed Security or an Eligible Clearing Fund Treasury Security.

Eligible Clearing Fund Mortgage-Backed Security

The term "Eligible Clearing Fund Mortgage-Backed Security" means a mortgage-backed pass through obligation issued by those U.S. agencies or government sponsored enterprises as the Corporation may designate from time to time, and that satisfies such criteria set forth in notices issued by the Corporation from time to time.

Eligible Clearing Fund Treasury Security

The term “Eligible Clearing Fund Treasury Security” means a direct obligation of the U.S. government that satisfies the criteria set forth in notices issued by the Corporation from time to time.

Eligible Freddie Mac Security

The term “Eligible Freddie Mac Security” means an unmatured, marketable debt security in book-entry form that is a direct obligation of Freddie Mac and which is an Eligible Netting Security.

Eligible Letter of Credit

The term "Eligible Letter of Credit" means a letter of credit that:

- (i) contains the unqualified commitment of such issuer to pay a specified sum of money upon demand (properly drawn under the letter of credit);
- (ii) is irrevocable; and
- (iii) is in a form, and contains such other terms and conditions, as may be required by the Corporation.

Eligible Netting Security

The term "Eligible Netting Security" means an Eligible Security that the Corporation has designated as eligible for netting. Notwithstanding the previous sentence, a GCF Repo Security shall only be deemed to be an Eligible Netting Security in connection with GCF Repo Transactions. Without limiting the generality of the foregoing, a GCF Repo Security shall not be an Eligible Netting Security: (i) for comparison, netting and/or settlement in connection with any transaction other than a GCF Repo Transaction, and (ii) shall not be eligible for Clearing Fund purposes unless it falls into the definition of an Eligible Clearing Fund Security

Eligible Letter of Credit

The term "Eligible Letter of Credit" means a letter of credit that:

- (i) contains the unqualified commitment of such issuer to pay a specified sum of money upon demand (properly down under the letter of credit);
- (ii) is irrevocable; and
- (iii) is in a form, and contains such other terms and conditions, as may be required by the Corporation.

Eligible Netting Security

The term "Eligible Netting Security" means an Eligible Security that the Corporation has designated as eligible for netting. Notwithstanding the previous sentence, a GCF Repo Security shall only be deemed to be an Eligible Netting Security in connection with GCF

Repo Transactions. Without limiting the generality of the foregoing, a GCF Repo Security shall not be an Eligible Netting Security: (i) for comparison, netting and/or settlement in connection with any transaction other than a GCF Repo Transaction, and (ii) shall not be eligible for Clearing Fund purposes unless it falls into the definition of an Eligible Clearing Fund Security.

Eligible Position

The term "Eligible Position" means a position in certain Eligible Netting Securities netted by the Corporation, or certain Government securities futures contracts or interest rate futures contracts cleared by an FCO, as identified in a Cross-Margining Agreement as eligible for cross-margining treatment.

Eligible Security

The term "Eligible Security" means a security issued or guaranteed by the United States, a U.S. government agency or instrumentality, a U.S. government-sponsored corporation, or any other security approved by the Board from time to time, or one or more categories of such securities as represented by a Generic CUSIP Number, that the Corporation has listed on the Eligible Securities master file maintained by it pursuant to Rule 30. Notwithstanding the previous sentence, a GCF Repo Security shall be deemed to be an Eligible Security only in connection with a GCF Repo Transaction. A security of an issuer that is listed on the Office of Foreign Assets Control ("OFAC") list of specially designated nationals distributed by the U.S. Department of the Treasury, or of an issuer that is incorporated in a country that is on the OFAC list of countries subject to comprehensive sanctions, shall not be an "Eligible Security".

Eligible Treasury Security

The term "Eligible Treasury Security" means an unmatured, marketable debt security in book-entry form that is a direct obligation of the United States Government.

Entitlement Holder

The term "Entitlement Holder" has the meaning given to the term "entitlement holder" in Section 8-102(a)(7) of the NYUCC.

Excess Adjusted Net Capital

The term "Excess Adjusted Net Capital" means, as of a particular date, the amount equal to the difference between the adjusted net capital of a Futures Commission Merchant and the minimum adjusted net capital that such Futures Commission Merchant must have to comply with the requirements of 17 C.F.R. Section 1.17(a)(1) or (a)(2), or any successor regulations.

Excess Capital

The term "Excess Capital" means Excess Net Capital, net assets or equity capital as applicable, to a Netting Member based on its type of regulation.

Excess Capital Differential

The term "Excess Capital Differential" means the amount by which a Netting Member's VaR Charge exceeds its Excess Capital.

Excess Capital Ratio

The term "Excess Capital Ratio" means the quotient, rounded to the nearest whole percentage, resulting from dividing the amount of a Netting Member's VaR Charge by the amount of its Excess Capital that it maintains.

Excess Liquid Capital

The term "Excess Liquid Capital" means, as of a particular date, the amount equal to the difference between the Liquid Capital of a Government Securities Broker or Government Securities Dealer and the minimum Liquid Capital that such Government Securities Broker or Government Securities Dealer must have to comply with the requirements of 17 C.F.R. Section 402.2(a), (b) and (c), or any successor rule or regulation thereto.

Excess Net Capital

The term "Excess Net Capital" means, as of a particular date, the amount equal to the difference between the Net Capital of a broker or dealer and the minimum Net Capital such broker or dealer must have to comply with the requirements of SEC Rule 15c3-1(a), or any successor rule or regulation thereto.

Exchange Act

The term "Exchange Act" means the Securities Exchange Act of 1934, as amended.

Executing Firm

The term "Executing Firm" means a Non-Member on whose behalf data on trades that it has engaged in have been submitted to the Corporation by a Submitting Member pursuant to these Rules.

Existing Securities Collateral

The term "Existing Securities Collateral" means, as regards an outstanding Repo Transaction with a Right of Substitution, the Eligible Netting Securities or cash that have been transferred by the Repo Party to the Reverse Repo Party as collateral in connection with the Repo Transaction, which Eligible Netting Securities or cash have not yet been transferred by the Reverse Repo Party back to the Repo Party as the result of a substitution of collateral or otherwise.

Fail Deliver Obligation

The term "Fail Deliver Obligation" means a Deliver Obligation with respect to a Fail Net Short Position.

Fail Mark Adjustment Payment

The term "Fail Mark Adjustment Payment" means the absolute value of the dollar difference between the Settlement Value of a Fail Deliver Obligation or a Fail Receive

Obligation that constitutes all or part of a Fail Net Settlement Position on the current Business Day and the Settlement Value of such Fail Deliver Obligation or Fail Receive Obligation on the immediately previous Business Day.

Fail Net Long Position

The term "Fail Net Long Position" means a Net Long Position that is open on one or more Business Days after its Scheduled Settlement Date. For purposes of this definition, the Start and Close Legs of a Repo Transaction shall constitute separate Positions.

Fail Net Settlement Position

The term "Fail Net Settlement Position" means either a Fail Net Short Position or a Fail Net Long Position, as the context requires.

Fail Net Short Position

The term "Fail Net Short Position" means a Net Short Position that is open one or more Business Days after its Scheduled Settlement Date. For purposes of this definition, the Start and Close Legs of a Repo Transaction shall constitute separate Positions.

Fail Receive Obligation

The term "Fail Receive Obligation" means a Receive Obligation with respect to a Fail Net Long Position.

Fannie Mae

The term Fannie Mae means the government sponsored enterprise of the same name.

FCO

The term "FCO" means a clearing organization for a board of trade designated as a contract market under Section 5 of the Commodity Exchange Act that has entered into a Cross-Margining Agreement with the Corporation. The term FCO shall include NYPC for purposes of these Rules.

Federal Deposit Insurance Corporation Improvement Act

The term "Federal Deposit Insurance Corporation Improvement Act" means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.

Federal Funds Rate

The term "Federal Funds Rate" means, for each Business Day, the rate reported as such in a publicly available source. If there is a dispute as to the Federal Funds Rate for a particular Business Day, it shall be settled by reference to the rate set forth in H. 15(519) for such Business Day opposite the caption "Federal Funds (Effective)." For this purpose, "H. 15(519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

FedWire

The term "FedWire" means the Federal Reserve Wire Transfer System for securities movements or for funds-only movements, as the context requires.

Final Price Date

The term "Final Price Date" means, as regards an Eligible Security, the Business Day on which begins the first processing cycle for the Corporation during which the coupon rate for such Eligible Security is known by the Corporation.

Financing Mark

The term "Financing Mark" means, on a particular Business Day, as regards a Repo Transaction, the product of the Market Value of the Repo Transaction multiplied by System Repo Rate established by the Corporation for such Repo Transaction, and then multiplied by a fraction, the numerator of which is the number of calendar days from the current Business Day until the Scheduled Settlement Date for the Repo Transaction and the denominator of which is 360. If a Repo Transaction other than a Forward-Starting Repo Transaction during its Forward-Starting Period comprises a Net Short Position of the Member, then the Financing Mark shall be a negative value. If a Repo Transaction other than a Forward-Starting Repo Transaction during its Forward-Starting Period comprises a Net Long Position of the Member, then the Financing Mark shall be a positive value. The Financing Mark for a Forward-Starting Repo Transaction during its Forward-Starting Period, and for any trade other than a Repo Transaction, shall be zero. The term "Financing Mark" means, as regards a Forward Net Settlement Position, the sum of all the Financing Marks on each of the Forward Trades that compose such position.

Foreign Affiliate

The term "Foreign Affiliate" (also referred to as "Non-U.S. Affiliate" or "Non-domestic Affiliate") means an Affiliate of a Netting Member that: (1) is not itself a Netting Member; and (2) is a Foreign Person.

Foreign Affiliate Trade

The term "Foreign Affiliate Trade" (also referred to as "Non-U.S. Affiliate" Trade or "Non-domestic Affiliate Trade") means a trade executed by a Foreign Affiliate of a Netting Member that satisfies the following criteria: (i) the trade is eligible for netting pursuant to these Rules, and (ii) the trade is executed with another Netting Member, with a Covered Affiliate, or with a Foreign Affiliate of another Netting Member. The term "Foreign Affiliate Trade" shall not include a trade that is executed between a Member and its Affiliate or between Affiliates of the same Member. For purposes of this definition, the term "executed" shall include trades that are cleared and guaranteed as to their settlement by the Foreign Affiliate.

Foreign Member

The term “Foreign Member” (also referred to as “Non-U.S. Member” or “Non-domestic Member”) means a Foreign Person that is a Member. A foreign Bank Netting Member that participates in the Corporation through a branch or agency located in the U.S. which is regulated by a U.S. and/or state regulatory authority shall not be deemed to be a Foreign Member for purposes of the Corporation’s Rules and procedures.

Foreign Netting Member

The term “Foreign Netting Member” (also referred to as “Non-U.S. Netting Member” or “Non-domestic Netting Member”) shall have the meaning given that term in Section 2 of Rule 2A.

Foreign Person

The term “Foreign Person” (also referred to as “Non-U.S. Person” or “Non-domestic Person”) means a Person that is organized or established under the laws of a country other than the United States and does not include a foreign Bank Netting Member which is not deemed to be a Foreign Member pursuant to the definition of that term.

Forward Mark Adjustment Payment

The term “Forward Mark Adjustment Payment” means, on a particular Business Day, as regards a Member’s Forward Net Settlement Position, the sum of the Collateral Mark applicable to such Position, the Financing Mark applicable to such Position, and the Interest Rate Mark applicable to such Position. Notwithstanding the above, as regards an outstanding Repo Transaction where a request for substitution has been made but New Securities Collateral has not been received by the Corporation, the term “Forward Mark Adjustment Payment” means “Forward Unallocated Sub Mark”.

Forward Net Settlement Position

The term "Forward Net Settlement Position" means, with respect to Forward Trades involving an Eligible Netting Security with a distinct CUSIP number, the amount of such Securities that the Netting Member will, on the Scheduled Settlement Date for such Forward Trades, be obligated, pursuant to Rule 12, to either receive from the Corporation or to deliver to the Corporation, where such Scheduled Settlement Date is one or more Business Days in the future. For purposes of this definition, the Start and Close Legs of a Repo Transaction shall constitute separate Positions.

Forward Period

The term "Forward Period" means, with regard to Forward Net Settlement Positions, the time period from the comparison on a final price and settlement value basis of the data on the Forward Trades that comprise such Positions until the processing cycle immediately prior to the Scheduled Settlement Date for such Positions.

Forward-Settling Start Leg

The term “Forward-Settling Start Leg” means, on a particular Business Day, a Start Leg that is one or more Business Days prior to its Scheduled Settlement Date.

Forward-Starting Period

The term “Forward-Starting Period” means, as regards a Forward-Starting Repo Transaction, including a GCF Repo Transaction, the period of time between the Business Day on which the Transaction is compared by the Corporation pursuant to these Rules and the Scheduled Settlement Date for the Start Leg of the Transaction.

Forward-Starting Repo Transaction

The term “Forward-Starting Repo Transaction” means a Repo Transaction, including a GCF Repo Transaction that is compared by the Corporation pursuant to these Rules two or more Business Days prior to its Scheduled Settlement Date.

Forward Trade

The term “Forward Trade” means a trade, including an Eligible Conversion Trade, involving Eligible Securities the data on which has been submitted by Members to the Corporation two or more Business Days prior to the Scheduled Settlement Date for the trade. For purposes of this definition, if the trade is a Repo Transaction, the Start and Close Legs of the Transaction shall be considered as separate trades.

Forward Unallocated Sub Mark

The term “Forward Unallocated Sub Mark” means, on a particular Business Day, as regards an outstanding Repo Transaction, the sum of: (1) the Accrued Repo Interest-to-Date applicable to such transaction and (2) the Repo Interest Rate Differential applicable to such transaction.

FRB

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

Funds-Only Settling Bank Member

The term “Funds-Only Settling Bank Member” means a bank, trust company or other entity specified in Section 4 of Rule 13 which has qualified pursuant to the provisions of Rule 13 and which is a party to an effective “Appointment of Funds-Only Settling Bank and Funds-Only Settling Bank Agreement” whereby the Funds-Only Settling Bank undertakes to perform funds-only settlement services for the Netting Member which also is a party thereto. The term “Funds-Only Settling Bank Member” shall be used interchangeably with the term “Funds-Only Settling Bank”.

Freddie Mac

The term “Freddie Mac” means the Federal Home Loan Mortgage Corporation.

Full-Sized Trade

The term “Full-Sized Trade” means a trade that is submitted to GSCC in the full-size dollar amount in which it was executed as opposed to being submitted in an equivalent amount of \$50 million pieces and a single tail.

Funds-Only Settlement Amount

The term "Funds-Only Settlement Amount" means the net dollar amount of a Netting Member's obligation, calculated pursuant to Rule 13, either to make a funds-only payment to the Corporation or to receive a funds-only payment from the Corporation.

Funds-Only Settlement Payments Procedures Agreement

The term “Funds-Only Settlement Payments Procedures Agreement” means an agreement among the Corporation, a Netting Member and a depository institution that provides for the payment and collection of Funds-Only Settlement Amounts by the depository institution on behalf of the Corporation and the Netting Member.

Futures Commission Merchant

The term "Futures Commission Merchant" shall have the meaning set forth in the definitions section of the Commodity Exchange Act, except that no entity shall be deemed to be a Futures Commission Merchant for purposes of these Rules unless it is registered as such with the CFTC.

Futures Commission Merchant Netting Member

The term "Futures Commission Merchant Netting Member" shall have the meaning given that term in Section 2 of Rule 2A.

GCF-Authorized Inter-Dealer Broker

The term "GCF-Authorized Inter-Dealer Broker" means an Inter-Dealer Broker Netting Member that the Corporation has designated as eligible to submit to the Corporation data on GCF Repo Transactions on a Locked-In Basis. The Corporation may rescind at any time, immediately effective upon written notice to the membership, its designation of an Inter-Dealer Broker Netting Member as eligible to submit to the Corporation data on GCF Repo Transactions.

GCF Clearing Agent Bank

The term “GCF Clearing Agent Bank” means a Clearing Agent Bank that has agreed to provide the Corporation, upon request, under mutually agreeable terms, with clearing services for GCF Repo Transactions and for which the Corporation establishes a GCF Securities Account.

GCF Collateral Excess Account

The term “GCF Collateral Excess Account” means an account established by a GCF Custodian Bank in the name of the Corporation to hold securities it credits to the GCF Securities Account the Corporation establishes for another GCF Clearing Agent Bank.

GCF Counterparty

The term "GCF Counterparty" means a non-Inter-Dealer Broker Netting Member that is a counterparty (or is acting as Submitting Member for an Executing Firm that is the counterparty) to a GCF-Authorized Inter-Dealer Broker with regard to a GCF Repo Transaction.

GCF Custodian Bank

The term “GCF Custodian Bank” means a GCF Clearing Agent Bank at which the Corporation holds Securities it credits to the GCF Securities Account the Corporation establishes for another GCF Clearing Agent Bank.

GCF Forward Mark

The term “GCF Forward Mark” means, on a particular Business Day as regards any GCF Repo Transaction that is not scheduled to settle on that day, the sum of the Accrued Repo Interest-to-Date and the GCF Interest Rate Mark on such GCF Repo Transaction.

GCF Interest Rate Mark

The term “GCF Interest Rate Mark” means, on a particular Business Day as regards any GCF Repo Transaction that is not scheduled to settle on that day, the product of the principal value of the GCF Repo Transaction on the Scheduled Settlement Date for its Close Leg multiplied by a factor equal to the absolute difference between the Repo Rate established by the Corporation for such Repo Transaction and its Contract Repo Rate, and then multiplied by a fraction, the numerator of which is the number of calendar days from the current day until the Scheduled Settlement Date for the Close Leg of the Repo Transaction and the denominator of which is 360. If the Repo Transaction’s Contract Repo Rate is greater than its System Repo Rate, then the GCF Interest Rate Mark shall be a positive value for the Reverse Repo Party, and a negative value for the Repo Party. If the Repo Transaction’s Contract Repo Rate is less than its System Repo Rate, then the GCF Interest Rate Mark shall be a positive value for the Repo Party, and a negative value for the Reverse Repo Party. The term “GCF Interest Rate Mark” means, as regards a GCF Net Settlement Position, the sum of all the GCF Interest Rate Mark Payments on each of the GCF Repo Transactions that compose such position.

GCF Net Funds Borrower Position

The term "GCF Net Funds Borrower Position" means, with respect to a particular Generic CUSIP Number, both the amount of funds that a Netting Member has borrowed as the net result of its outstanding GCF Repo Transactions and the equivalent amount of Eligible Netting Securities and/or cash that such Netting Member is obligated, pursuant to Rule 20, to allocate to the Corporation to secure such borrowing.

GCF Net Funds Lender Position

The term "GCF Net Funds Lender Position" means, with respect to a particular Generic CUSIP Number, both the amount of funds that a Netting Member has lent as the result of its outstanding GCF Repo Transactions and the equivalent amount of Eligible Netting Securities and/or cash that such Netting Member is entitled, pursuant to Rule 20, to be allocated for its benefit to secure such loan.

GCF Net Settlement Position

The term "GCF Net Settlement Position" means, on a particular Business Day as regards a Netting Member's GCF Repo Transaction activity in a particular Generic CUSIP Number, either a GCF Net Funds Lender Position or a GCF Net Funds Borrower Position, as the context requires.

GCF Premium Charge

The term "GCF Premium Charge" means the product of (i) a GCF Counterparty's Required Fund Deposit determined by the Corporation to be attributable to GCF Transactions (but excluding the GCF Premium Charge) and (ii) a percentage determined by the Corporation to account for the differences in haircut values applied by the GCF Clearing Agent Banks on such GCF Counterparties' NFE-Related Accounts and the Corporation's determined haircuts for such NFE-Related Accounts. The Corporation shall have the right to change the percentage specified in subsection (ii) of the previous sentence to reflect the changing composition of the NFE-Related Collateral contained in the NFE-Related Accounts, as reported by the GCF Counterparties pursuant to Rule 3.

GCF Repo Event

The term "GCF Repo Event" means the event declared by the Corporation in its sole discretion pursuant to Section 3a of Rule 20.

GCF Repo Event Parameter

The term "GCF Repo Event Parameter" means the product of: (i) a percentage established by the Corporation from time to time and (ii) a GCF Counterparty's GCF Net Funds Borrower Position across all GCF Repo CUSIPS.

GCF Repo Event Clearing Fund Premium

The term "GCF Repo Event Clearing Fund Premium" shall mean the product of (i) a percentage established by the Corporation from time to time and (ii) the amount by which a GCF Counterparty's GCF Net Funds Borrower Position across all GCF Repo CUSIPS exceeds the GCF Repo Event Parameter.

GCF Repo Event Carry Charge

The term "GCF Repo Event Carry Charge" shall mean the application of a basis point amount established by the Corporation from time to time to the amount by which a GCF Counterparty's GCF Net Funds Borrower Position across all GCF Repo CUSIPS exceeds the GCF Repo Event Parameter.

GCF Repo Security

The term “GCF Repo Security” means an Eligible Security or an Eligible Netting Security that is only eligible for submission to the Corporation in connection with the comparison, netting and/or settlement of GCF Repo Transactions.

GCF Repo Transaction

The term "GCF Repo Transaction" means a Repo Transaction involving Generic CUSIP Numbers the data on which are submitted to the Corporation on a Locked-In-Trade basis pursuant to the provisions of Rule 6C, for netting and settlement by the Corporation pursuant to the provisions of Rule 20.

GCF Securities Account

The term “GCF Securities Account” means an account established by the Corporation in the name of a GCF Clearing Agent Bank, as agent for customers, to be used in connection with the netting and settlement of GCF Repo Transactions.

General Collateral Repo Transaction

The term “General Collateral Repo Transaction” means a Repo Transaction, other than a GCF Repo Transaction (unless the context indicates otherwise), with a Generic CUSIP Number.

Generic CUSIP Number

The term “Generic CUSIP Number” means a Committee on Uniform Securities Identification Procedures identifying number established for a category of securities, as opposed to a specific security. The Corporation shall use separate Generic CUSIP Numbers for General Collateral Repo Transactions and GCF Repo Transactions.

Ginnie Mae

The term Ginnie Mae means the Government National Mortgage Association.

Government Securities Broker

The term "Government Securities Broker" shall have the meaning given that term in Section 3(a)(43) of the Exchange Act, unless otherwise provided in these Rules.

Government Securities Dealer

The term "Government Securities Dealer" shall have the meaning given that term in Section 3(a)(44) of the Exchange Act, unless otherwise provided in these Rules.

Government Securities Division

The term “Government Securities Division” means the division of the Fixed Income Clearing Corporation that provides clearing and other services related to government securities.

Government Securities Issuer

The term "Government Securities Issuer" means an entity that issues "government securities", as that term is defined in subparagraphs (A), (B), and (C) of Section 3(a)(42) of the Exchange Act.

Government Securities Issuer Netting Member

The term "Government Securities Issuer Netting Member" shall have the meaning given that term in Section 2 of Rule 2A.

GSD Margin Group

The term "GSD Margin Group" means the GSD Accounts within a Margin Portfolio of a Member.

Insurance Company

The term "Insurance Company" shall have the meaning given that term in Section 2(a)(17) of the Investment Company Act of 1940, as amended.

Insurance Company Netting Member

The term "Insurance Company Netting Member" shall have the meaning given that term in Section 2 of Rule 2A.

Interactive Submission Method

The term "Interactive Submission Method" means a trade submission method that is used to submit data on individual trades to the Corporation immediately after trade execution pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose. The Interactive Submission Method includes two different types of submission methods: (i) computer-to-computer, where the trade is fed to the Corporation's computer directly from the submitter's computer, and (ii) terminal interface, where the trade is manually entered into the Corporation's system.

Interbank Cash Amount Debit

The term "Interbank Cash Amount Debit" means the debit to the Corporation's account at a GCF Clearing Agent Bank in the amount of the aggregate Members' Prorated Interbank Cash Amounts.

Interbank Pledging Member

The term "Interbank Pledging Member" means a Member who has granted to the Corporation a security interest in a securities account or deposit account to secure such Member's obligations to the Corporation in respect of such Member's Prorated Interbank Cash Amount.

Inter-Dealer Broker Netting Member

The term “Inter-Dealer Broker Netting Member” shall have the meaning set forth in Section 2 of Rule 2A.

Interest Adjustment Payment

The term “Interest Adjustment Payment” means, as regards a Forward Mark Adjustment Payment, the product of the Forward Mark Adjustment Payment multiplied by the applicable Overnight Investment Rate and then multiplied by a fraction, the numerator of which is the number of calendar days between the previous Business Day and the current Business Day and the denominator of which is 360.

Interest Rate Mark

The term “Interest Rate Mark” means, on a particular Business Day as regards a Forward-Starting Repo Transaction during its Forward-Starting Period, the product of the principal value of the Repo Transaction on the Scheduled Settlement Date for its Start Leg multiplied by a factor equal to the absolute difference between the System Repo Rate established by the Corporation for such Repo Transaction and its Contract Repo Rate, and then multiplied by a fraction, the numerator of which is the number of calendar days from the Scheduled Settlement Date for the Start Leg of the Repo Transaction until the Scheduled Settlement Date for the Close Leg of the Repo Transaction and the denominator of which is 360. If the Repo Transaction’s Contract Repo Rate is greater than its System Repo Rate, then the Interest Rate Mark shall be a positive value for the Reverse Repo Party, and a negative value for the Repo Party. If the Repo Transaction’s Contract Repo Rate is less than its System Repo Rate, then the Interest Rate Mark shall be a positive value for the Repo Party, and a negative value for the Reverse Repo Party. The Interest Rate Mark for any Repo Transaction other than a Forward-Starting Repo Transaction during its Forward-Starting Period, and for any trade other than a Repo Transaction, shall be zero. The term “Interest Rate Mark” means, as regards a Forward Net Settlement Position, the sum of all the Interest Rate Marks on each of the Forward Trades that compose such position.

Interest Rate Mark Adjustment Payment

The term “Interest Rate Mark Adjustment Payment” means, as regards the sum of a Netting Member's GCF Interest Rate Mark and Interest Rate Mark, the product of that sum multiplied by the applicable Overnight Investment Rate and then multiplied by a fraction, the numerator of which is the number of calendar days between the previous Business Day and the current Business Day and the denominator of which is 360.

Interested Person

The term "Interested Person" means a Member or an applicant for membership, in the Comparison System or in the Netting System.

Intraday Supplemental Clearing Fund Deposit

The term “Intraday Supplemental Clearing Fund Deposit” means the additional deposit to the Clearing Fund required by the Corporation from a Member intraday pursuant to the provisions of Rule 4.

Investment Company

The term "Investment Company" shall have the meaning given that term in Section 3 of the Investment Company Act of 1940, as amended.

Invoice Amount

The term "Invoice Amount" means all fee amounts due and owing from a Netting Member to the Corporation on a particular Business Day.

Issue Date

The term "Issue Date" means, as regards an Auction Purchase, the date on which the Eligible Treasury Securities or Eligible Freddie Mac Securities that comprise such Auction Purchase are issued.

Issuer

The Term "Issuer" means the Treasury Department or Freddie Mac, as applicable.

Legal Risk

The term "Legal Risk" shall have the meaning given that term in Section 2(n) of Rule 4.

Liquid Capital

The term "Liquid Capital" means, as of a particular date, the amount equal to the liquid capital of a Government Securities Broker or Government Securities Dealer as defined in 17 C.F.R. Section 402.2(d), or any successor rule or regulation thereto.

Locked-In Comparison

The term "Locked-In Comparison" means the comparison of a Locked-In Trade by the receipt by the Corporation of data from a Locked-In Trade Source.

Locked-In Trade

The term "Locked-In Trade" means a trade, involving Eligible Securities, that is deemed a Compared Trade once the data on such trade is received from a single, designated source and meets the requirements for submission of data on a Locked-In Trade pursuant to these Rules, without the necessity of matching the data regarding the trade with data provided by each Member that is or is acting on behalf of an original counterparty to the trade. The data regarding a Locked-In Trade are provided to the Corporation by a Locked-In Trade Source that has been authorized by a Member that is a party to the trade (or that is acting on behalf of an entity that is a party to the trade) to provide such data to the Corporation.

Locked-In Trade Source

The term "Locked-In Trade Source" means a source of data on Locked-In Trades that the Corporation has so designated, subject to such terms and conditions as to which the Locked-In Trade Source and the Corporation may agree.

Long Transaction

The term “Long Transaction” means, with regard to Eligible Netting Securities, a purchase, Auction Purchase, Start Leg for the Reverse Party, and Close Leg for the Repo Party.

Margin Portfolio

The term “Margin Portfolio” means one or more Accounts and, as applicable, NYPC Accounts and/or a Market Professional Cross-Margining Account, as a Netting Member shall designate in accordance with the provisions of Rule 4 and/or any applicable Cross-Margining Arrangement for the purpose of calculating the Member’s Required Fund Deposit and, as applicable, the Member’s Market Professional Required Fund Deposit.

Market Professional

The term “Market Professional” means an entity, other than a Non-Customer, that is a party to a Market Professional Agreement for Cross-Margining.

Market Professional Agreement for Cross-Margining

The term “Market Professional Agreement for Cross-Margining” means an agreement, in the form approved by the Corporation and NYPC, pursuant to which a Market Professional authorizes its Eligible Positions and margin to be carried in a Market Professional Cross-Margining Account.

Market Professional Cross-Margining Account

The term “Market Professional Cross-Margining Account” means, as applicable: (i) a cross-margined account that is carried for a Netting Member by the Corporation and that is limited to Eligible Positions and margin of Market Professionals; or (ii) an account that is carried by a Netting Member for, and that is limited to, Eligible Positions and margin of, Market Professionals that are party to a Market Professional Agreement for Cross-Margining.

Market Value

The term “Market Value” means, on a particular Business Day, the amount in dollars equal to: (1) as regards a trade other than a Repo Transaction, the System Price established by the Corporation for the underlying Eligible Netting Securities, multiplied by the par value of such Securities, plus accrued coupon interest that has accrued with regard to such Securities calculated to their Scheduled Settlement Date, (2) as regards a Repo Transaction other than a GCF Repo Transaction, the System Price established by the Corporation for the underlying Eligible Netting Securities, multiplied by the par value of such Securities, plus accrued coupon interest that has accrued with regard to such Securities calculated to that Business Day, and (3) as regards a GCF Repo Transaction, the principal value of the Transaction.

Maturity Value

The term “Maturity Value” means, as regards a Net Settlement Position, Deliver Obligation, the redemption value of the Eligible Netting Securities that comprise such Position or Obligation.

Member

The term "Member" means a Comparison-Only Member or a Netting Member. The term "Member" shall include a Sponsoring Member in its capacity as a Sponsoring Member and a Sponsored Member, each to the extent specified in Rule 3A.

Member Brokered Transaction

The term "Member Brokered Transaction" means any Brokered Transaction other than a Non-Member Brokered Transaction.

Minimum Charge

The term “Minimum Charge” means the minimum amount of each Member’s Required Fund Deposit, as applicable, before application of special premiums and amounts applicable under these rules.

Miscellaneous Adjustment Amount

The term "Miscellaneous Adjustment Amount" means the net total of all miscellaneous funds-only amounts that, on a particular Business Day, are required to be paid by a Netting Member to the Corporation and/or are entitled to be collected by a Member from the Corporation.

Money-Fill Repo Transaction

The term “Money-Fill Repo Transaction” means a Repo Transaction in which the par amount of the underlying collateral may vary.

Money Settlement Obligations

The term "Money Settlement Obligations" means the obligations of a Netting Member, calculated pursuant to Rule 13, to make Funds-Only Settlement Amount payments.

Money Tolerance

The term “Money Tolerance” means the amount, as stated in the Schedule of Money Tolerances, by which Data for a Required Match Data item involving dollar amounts submitted by two Members can differ and still be compared by the Corporation pursuant to these Rules.

Mortgage-Backed Securities Division

The term “Mortgage-Backed Securities Division” means the division of the Fixed Income Clearing Corporation that provides clearing and other services related to mortgage-backed securities.

Mortgage-Backed Securities Division Cash Settling Bank Participant

The term “Mortgage-Backed Securities Division Cash Settling Bank Participant” means an entity that qualifies as a Mortgage-Backed Securities Division cash settling bank participant under the rules of the Mortgage-Backed Securities Division and has been approved as such by the Corporation.

Mortgage-Backed Securities Division Participant

The term Mortgage-Backed Securities Division Participant means a participant, limited purpose participant or an EPN user utilizing the services of the Mortgage-Backed Securities Division.

Multilateral Clearing Agency

The term “Multilateral Clearing Agency” shall have the meaning given to it in Section 408(1) of the Federal Deposit Insurance Corporation Improvement Act.

Multiple Batch Submission Method

The term “Multiple Batch Submission Method” means a trade submission method that is used to submit multiple batches of trade data to the Corporation throughout the day pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose.

Net Capital

The term "Net Capital" means, as of a particular date, the amount equal to the net capital of a broker or dealer as defined in SEC Rule 15c3-1(c)(2), or any successor rule or regulation thereto.

Net Clearance Difference Amount

The term “Net Clearance Difference Amount” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Clearance Difference Amounts and the total of all Debit Clearance Difference Amounts. If the total of all of the Credit Clearance Difference Amounts is greater than of all of the Debit Credit Difference Amounts, then the Net Clearance Difference Amount shall be a positive dollar amount owing from the Corporation to the member. If the total of all the Credit Clearance Difference Amounts is less than the total of all of the Debit Clearance Difference Amounts, then the Net Clearance Difference Amount shall be a negative dollar amount owing from the Member to the Corporation.

Net Coupon Adjustment Payment

The term “Net Coupon Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Coupon Adjustment Payments and the total of all Debit Coupon Adjustment Payments. If the total of all of the Credit Coupon Adjustment Payments is greater than of all of the Debit Coupon Adjustment Payments, then the Net Coupon Adjustment Payment shall be a positive dollar amount owing from the Corporation to the member. If the total

of all the Credit Coupon Adjustment Payment is less than the total of all of the Debit Coupon Adjustment Payments, then the Net Coupon Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

Net Delivery Differential Adjustment Payment

The term "Net Delivery Differential Adjustment Payment" means the absolute value of the dollar difference, for a particular Member and Business Day, between the total of all the Credit Delivery Differential Adjustment Payments and the total of all the Debit Delivery Differential Adjustment Payments. If the total of all of the Credit Delivery Differential Adjustment Payments is greater than the total of all of the Debit Delivery Differential Adjustment Payments, then the Net Delivery Differential Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Delivery Differential Adjustment Payments is less than the total of all of the Debit Delivery Differential Adjustment Payments, then the Net Delivery Differential Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

Net Fail Mark Adjustment Payment

The term "Net Fail Mark Adjustment Payment" means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Fail Mark Adjustment Payments and the total of all Debit Fail Mark Adjustment Payments. If the total of all of the Credit Fail Mark Adjustment Payments is greater than the total of all of the Debit Fail Mark Adjustment Payments, then the Net Fail Mark Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Fail Mark Adjustment Payments is less than the total of all of the Debit Fail mark Adjustment Payments, then the Net Fail Mark Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

Net Forward Mark Adjustment Payment

The term "Net Forward Mark Adjustment Payment" means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Forward Mark Adjustment Payments and the total of all of the Debit Forward Mark Adjustment Payments. If the total of all of the Credit Forward Mark Adjustment Payments is greater than the total of all of the Debit Forward Mark Adjustment Payments, then the Net Forward Mark Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Forward Mark Adjustment Payments is less than the total of all of the Debit Forward Mark Adjustment Payments, then the Net Forward Mark Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

Net Funds-Only Settlement Figure

The term "Net Funds-Only Settlement Figure" means the net amount of the Funds-Only Settlement Amounts of the Netting Members for which a Funds-Only Settling Bank Member is acting.

Net Interest Adjustment Payment

The term “Net Interest Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all of Credit Interest Adjustment Payments and the total of all Debit Interest Adjustment Payments. If the total of all of the Credit Interest Adjustment Payments is greater than the total of all of the Debit Interest Adjustment Payments, then the Net Interest Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Interest Adjustment Payments is less than the total of all of the Debit Interest Adjustment Payments, then the Net Interest Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

Net Interest Rate Mark Adjustment Payment

The term “Net Interest Rate Mark Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all of Credit Interest Rate Mark Adjustment Payments and the total of all Debit Interest Rate Mark Adjustment Payments. If the total of all of the Credit Interest Rate Mark Adjustment Payments is greater than the total of all of the Debit Interest Rate Mark Adjustment Payments, then the Net Interest Rate Mark Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Interest Rate Mark Adjustment Payments is less than the total of all of the Debit Interest Rate Mark Adjustment Payments, then the Net Interest Rate Mark Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

Net Long Position

The term "Net Long Position" means, with respect to each type of Eligible Netting Security, the amount of Eligible Securities that a Netting Member either: (1) is obligated, pursuant to Rule 12, to receive from the Corporation, or (2) will, on the Scheduled Settlement Date for such Position, be obligated to receive from the Corporation, as the context requires.

Net Settlement Position

The term "Net Settlement Position" means either a Net Short Position or a Net Long Position, as the context requires.

Net Short Position

The term "Net Short Position" means, with respect to each type of Eligible Netting Security, the amount of Eligible Netting Securities that a Netting Member either: (1) is obligated, pursuant to Rule 12, to deliver to the Corporation, or (2) will, on the Scheduled Settlement Date for such Position, be obligated to deliver to the Corporation, as the context requires.

Net Transaction Adjustment Payment

The term “Net Transaction Adjustment Payment” means the absolute value of the dollar difference on a particular Business day for a Netting Member between the total of all

Credit Transaction Adjustment Payments and the total of all Debit Transaction Adjustment Payments. If the total of all of the Credit Transaction Adjustment Payments is greater than the total of all of the Debit Transaction Adjustment Payments, then the Net Transaction Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Transaction Adjustment Payments is less than the total of all of the Debit Transaction Adjustment Payments, then the Net Transaction Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

Net Unsettled Positions

The term "Net Unsettled Positions" means Current Net Settlement Positions, Forward Net Settlement Positions and Fail Net Settlement Positions.

Net Worth

The term "Net Worth" means, as of a particular date, the amount equal to the excess of the assets of a Person over the liabilities of such Person, computed in accordance with generally accepted accounting principles, including liabilities that are subordinated to the claims of creditors pursuant to a satisfactory subordination agreement, as defined in Appendix D of 17 C.F.R. Section 240.15c3-1d for registered brokers and dealers, in 17 C.F.R. Section 1.17(h) for a Futures Commission Merchant that is not a registered broker-dealer, and in 17 C.F.R. Section 402.2(d) for Government securities brokers and dealers.

Netting-Eligible Auction Purchase

The term "Netting-Eligible Auction Purchase" with respect to Treasury Department auctions means any Auction Purchase other than an Auction Purchase: (1) of Eligible Treasury Securities that are auctioned and issued on the same date, or (2) made on behalf of a customer or client when such customer's or client's name is listed either on the tender form or on an attachment to the tender form. The term "Netting-Eligible Auction Purchase" with respect to Freddie Mac auctions means any Auction Purchase other than an Auction Purchase of Eligible Freddie Mac Securities that are auctioned and issued on the same date.

Netting Member

The term "Netting Member" means a Member that is a Member of the Comparison System and the Netting System.

Netting System

The term "Netting System" means the (1) system of services provided by the Corporation to Persons that are Members thereof, and (2) operations carried out by the Corporation in the course of providing such services, as provided for in Rules 11 through 18.

New Securities Collateral

The term "New Securities Collateral" means, as regards an outstanding Repo Transaction with a Right of Substitution, the Eligible Netting Securities or cash that are being

transferred by the Repo Party to the Reverse Repo Party as collateral in connection with the Repo Transaction, in replacement of Existing Securities Collateral.

New York Time

The term "New York Time" means the time in New York City.

NFE-Related Account

The term "NFE-Related Account" means each securities account and deposit account maintained by a GCF Clearing Agent Bank for an Interbank Pledging Member in which the GCF Clearing Agent Bank has, pursuant to agreement with the Interbank Pledging Member or by operation of law, a security interest or right of setoff securing or supporting the payment of obligations of such Interbank Pledging Member to the Bank, including each such account to which such Interbank Pledging Member's Prorated Interbank Cash Amount is debited.

NFE-Related Collateral

The term "NFE-Related Collateral" means each NFE-Related Account and all securities and other financial assets (including cash) and other assets or property at any time credited thereto or on deposit therein.

Non-Conversion-Participating Member

The term "Non-Conversion-Participating Member" means a Member of the Comparison System with regard to which the Corporation, in its sole discretion, has determined it appropriate, for a temporary period to be established by the Corporation, to have the yield information contained in data that it submits to the Corporation on Eligible Conversion Trades not be converted into price information on such Trades pursuant to these Rules.

Non-Customer

The term "Non-Customer" means, with respect to a Netting Member, such Netting Member or other Person whose account with such Netting Member would not be the account of a "customer" within the meaning of SEC Rules 8c-1 and 15c2-1.

Non-IDB Repo Broker

The term "Non-IDB Repo Broker" means a Repo Broker that is not an Inter-Dealer Broker Netting Member.

Non-Member

The term "Non-Member" means any Person that is not a Member.

Non-Member Brokered Transaction

The term "Non-Member Brokered Transaction" means a Brokered Transaction involving two trades: (1) to which a Category 2 Inter-Dealer Broker is a party on the buy side of

one of the trades and on the sell side of the other trade, and (2) one of which involves such Category 2 Inter-Dealer Broker and a Non-Member.

Non-Zero

The term "Non-Zero" means an Eligible Netting Security other than a Zero.

Novation

The term "Novation" means the action by the Corporation, taken pursuant to Section 6 of Rule 11, Section 3 of Rule 14, with respect to GCF Repo Transactions, Section 5 of Rule 20, or with respect to collateral substitutions in connection with Repo Transactions with Rights of Substitution, Section 4 of Rule 18, to terminate deliver, receive, and related payment obligations between Netting Members and replace them with similar obligations to and from the Corporation.

NSSC

The term "NSSC" means the National Securities Clearing Corporation.

NSS

The term "NSS" means the National Settlement Service of the FRB.

NYPC

The term "NYPC" means New York Portfolio Clearing, LLC.

NYPC Account

The term "NYPC Account" means an NYPC Proprietary Account and/or an NYPC Market Professional Account, as the context requires.

NYPC Market Professional Account

The term "NYPC Market Professional Account" means a cross-margined account that is carried for an NYPC Member by NYPC and that is limited to transactions, positions and margin of "market professionals" as such term is defined in NYPC's rules.

NYPC Member

The term "NYPC Member" means a clearing member of NYPC.

NYPC Original Margin

The term "NYPC Original Margin" shall have the meaning set forth in the NYPC rules.

NYPC Proprietary Account

The term “NYPC Proprietary Account” means an account maintained on the books of NYPC as a “proprietary account” (as such term is defined in CFTC Regulation 1.3(y)) for an NYPC Member.

NYPC – Submitted Trade

The term “NYPC-Submitted Trade” means a trade in Eligible Netting Securities submitted on behalf of a Netting Member by NYPC as a Locked-in Trade Source.

NYUCC

The term “NYUCC” means the New York Uniform Commercial Code, as in effect from time to time in the State of New York.

Off-the Market Transaction

The term “Off-the-Market Transaction” means either of the following:

A single transaction that is:

greater than \$1 million in par value; and

either higher or lower (by a percentage amount determined by the Corporation based on factors such as market conditions) than the System Price for the underlying Eligible Netting Security on the day of the submission of data on the transaction to the Corporation;

(2) A pattern of transactions submitted by two Members that, if looked at as a single transaction, would be encompassed by subsection (1) of this definition.

Officer of the Corporation

The term "Officer of the Corporation" means the Chairman of the Board, President, Managing Director, Vice President, Secretary, Assistant Secretary, Treasurer, or Assistant Treasurer of the Corporation.

Offsetting Position

The term "Offsetting Position" shall have the meaning given that term in Section 5 of Rule 17.

Opening Balance

The term "Opening Balance" means, with regard to the calculation of a Member's Funds-Only Settlement Amount and Clearing Fund Funds-Only Settlement Amount on a given Business Day, the amount reported to such Member during the processing cycle of the previous Business Day as the Member's Funds-Only Settlement Amount obligation.

Overnight Investment Rate

The term “Overnight Investment Rate” means the interest rate earned by the Corporation on the investment of the portion of the cash deposited to its Clearing Fund that is invested overnight.

Other Acceptable Securities

The term “Other Acceptable Securities” means, with respect to:

(an) adjustable-rate mortgage-backed security or securities issued by Ginnie Mae, any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or (an) adjustable-rate mortgage-backed security or securities issued by either Fannie Mae or Freddie Mac: (a) any fixed-rate mortgage-backed security or securities issued by Fannie Mae and Freddie Mac, (b) any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or (c) any adjustable-rate mortgage-backed security or securities issued by Ginnie Mae.

Par-Fill Repo Transaction

The term “Par-Fill Repo Transaction” means a Repo Transaction in which the principal value of the underlying collateral may vary.

Permitted Margin Affiliate

The term “Permitted Margin Affiliate” means an affiliate of a Member that is (i) also a member of this Government Securities Division of the Corporation, and/or (ii) a member of an FCO with which the Corporation has entered into a Cross-Margining Agreement that provides for margining of positions between the Corporation and the FCO as if such positions were in a single portfolio and that directly or indirectly controls such particular Member, or that is directly or indirectly controlled by or under common control with such particular Member. Ownership of more than 50% of the common stock of the relevant entity (or equivalent equity interests in the case of a form of entity that does not issue common stock) will be conclusively deemed prima facie control of such entity for purposes of this definition.

Person

The term "Person" means a partnership, Corporation, limited liability corporation or other organization, entity, or individual.

Pre-Netting of Trades

The term “Pre-Netting of Trades” means any trade submission data practice other than the submission of data to the Corporation on a trade-by-trade basis as executed in the market and that identifies the actual parties to each trade.

Procedures

The term "Procedures" means the Procedures of the Corporation adopted pursuant to Rule 33.

Prorated Interbank Cash Amount

The term “Prorated Interbank Cash Amount” means the amount owed to the Corporation by an Interbank Pledging Member that represents such Member’s prorated portion of the aggregate interbank funds owing to the Corporation by Members in respect of the interbank movement of collateral used in GCF processing. The terms “interbank funds” and “interbank movement of collateral” as used in the previous sentence refer to the movements of funds and collateral that occur when the GCF Repo service operates on an inter-clearing bank basis.

Real Time

The term “Real Time” means, with respect to a process performed by the Corporation, the performance of such process by the Corporation upon receipt of the requisite message(s) or instruction(s) from the Member(s) or submitter(s).

Receive Obligation

The term "Receive Obligation" means a Netting Member's obligation to receive Eligible Netting Securities from the Corporation at the appropriate Settlement Value either in satisfaction of all or a part of a Net Long Position or to implement a collateral substitution in connection with a Repo Transaction with a Right of Substitution.

Refunding Issue Date

The term "Refunding Issue Date" means the most recent issue date for a quarterly refunding by the Treasury Department.

Registered Clearing Agency

The term "Registered Clearing Agency" means a Clearing Agency that is registered as such with the SEC.

Registered Clearing Agency Netting Member

The term "Registered Clearing Agency Netting Member" shall have the meaning given that term in Section 2 of Rule 2A.

Registered Government Securities Broker

The term "Registered Securities Broker" means a Government Securities Broker that is registered with the SEC under either Section 15 or Section 15C of the Exchange Act.

Registered Government Securities Dealer

The term "Registered Government Securities Dealer" means either:

- (i) a Government Securities Dealer that is registered with the SEC under Section 15 or Section 15C of the Exchange Act or
- (ii) a bank or trust company that has filed with the Appropriate Regulatory Authority under Section 15C of the Exchange Act written notice that it is a Government Securities Dealer.

Registered Investment Company

The term "Registered Investment Company" means an Investment Company that is registered as such with the SEC.

Registered Investment Company Netting Member

The term "Registered Investment Company Netting Member" shall have the meaning given that term in Section 2 of Rule 2A.

Remaining Member

The term "Remaining Member" means a Netting Member that has submitted to the Corporation data on an Off-the-Market Transaction, which data indicates that the counterparty--whether of the Member that submitted the data or of an Executing Firm that such Member is acting for as a Submitting Member--is either a Netting Member that the Corporation subsequently determines to be insolvent or an Executing Firm that the Netting Member that the Corporation subsequently determines to be insolvent was acting for as a Submitting Member.

Repo Broker

The term "Repo Broker" means (i) an Inter-Dealer Broker Netting Member, or (ii) a non Inter-Dealer Broker Netting Member that the Corporation has determined: (a) operates in the same manner as a Broker, with regard to activity in its segregated repo account and (b) has agreed to, and does, participate in the repo netting service operated by the Corporation pursuant to the same requirements imposed under the Rules on Inter-Dealer Broker Netting Members that participate in that service.

Repo Interest Rate Differential

The term "Repo Interest Rate Differential" means, on a particular Business Day, the product of: (1) the Contract Value of the Start Leg, (2) the difference between the Contract Repo Rate and the System Repo Rate, and (3) the number of remaining days until the Close Leg, divided by 360.

Repo Party

The term "Repo Party" means the Netting Member that either is, or has submitted data on behalf of, the party to a Repo Transaction that has agreed both to transfer Eligible Securities to another party and, at a later date, to take back either the same securities or other securities from that party.

Repo Start Date

The term "Repo Start Date" means the settlement date for the start date of a Repo Transaction.

Repo Transaction

The term "Repo Transaction" means: (1) an agreement of a party to transfer Eligible Securities to another party in exchange for the receipt of cash, and the simultaneous

agreement of the former party to later take back the same Eligible Securities (or any subsequently substituted Eligible Securities) from the latter party in exchange for the payment of cash, or (2) an agreement of a party to take in Eligible Securities from another party in exchange for the payment of cash, and the simultaneous agreement of the former party to later transfer back the same Eligible Securities (or any subsequently substituted Eligible Securities) to the latter party in exchange for the receipt of cash, as the context may indicate, the data on which have been submitted to the Corporation pursuant to these Rules. A "Repo Transaction" includes a GCF Repo Transaction, unless the context indicates otherwise.

Report

The term "Report" means any document, record, or other output prepared by the Corporation and made available to a Member in any format (including, but not limited to, machine-readable and print-image formats) or medium (including, but not limited to, print copy, magnetic tape, video display terminal, and CPU-to-CPU interface formats) that provides information to such Member with regard to the services provided by, or the operations of, the Corporation.

Reportable Event

The term "Reportable Event" means an event that would effect a change in control of a Netting Member or could have a substantial impact on such Member's business and/or financial condition, including, but not limited to: (a) material organizational changes including mergers, acquisitions, changes in corporate form, name changes, changes in the ownership of a Netting Member or its Affiliates, and material changes in management, (b) material changes in business lines, including new business lines undertaken, and (c) status as a defendant in litigation which could reasonably impact the Netting Member's financial condition or ability to conduct business.

Required Fund Deposit

The term "Required Fund Deposit" means the amount a Netting Member is required to deposit to the Clearing Fund.

Required Fund Deposit Deadline

The term "Required Fund Deposit Deadline" means, the deadline set forth by the Corporation for such purpose in its procedures, unless the Corporation has issued a notice extending such deadline pursuant to these Rules.

Required Match Data

The term "Required Match Data" means the data items on each side of a trade involving an Eligible Security that the Corporation requires, as stated in a schedule published by the Corporation, be matched in order for the trade to be compared pursuant to these Rules.

Reverse Repo Party

The term "Reverse Repo Party" means the Netting Member that either is, or has submitted data on behalf of, the party to a Repo Transaction that has agreed both to take

in Eligible Securities from another party and, at a later date, to transfer either the same securities or other securities back to that party at a later date.

Revised Net Long Position

The term "Revised Net Long Position" shall have the meaning given that term in Section 5 of Rule 17.

Right of Substitution

The term "Right of Substitution" means, as regards a Repo Transaction, the right of the Repo Party, during the period from the start of the Repo Transaction until its close, to substitute new collateral in replacement of existing collateral transferred to the Reverse Repo Party. A Right of Substitution shall be recognized by the Corporation if either: (a) the Corporation has received from the Repo Party and the Reverse Repo Party data reflecting this right of substitution, as delineated in the Schedule of Required and Accepted Data Submission Items for a Right of Substitution, or (b) the Corporation determines, in its sole discretion, that the Repo Party and Reverse Repo Party have provided sufficient evidence that a Right of Substitution exist.

Rules

The term "Rules" means these Rules of the Government Securities Division, as amended from time to time.

Scheduled Settlement Date

The term "Scheduled Settlement Date" means, as regards a trade other than a Repo Transaction compared by the Corporation, the earliest Business Day on which such trade, including a trade underlying a Forward Net Settlement Position, is scheduled to settle, regardless of whether such trade actually settles on such Business Day. The term "Scheduled Settlement Date" means, as regards a Close Leg or a Start Leg of a Repo Transaction compared by the Corporation, the earliest Business Day on which such Leg is scheduled to settle, regardless of whether such Leg actually settles on such Business Day.

SEC

The term "SEC" means the Securities and Exchange Commission.

Securities Account Agreement

The term "Securities Account Agreement" means an agreement between the Corporation and a GCF Clearing Agent Bank setting forth rights and obligations of the Corporation and such GCF Clearing Agent Bank with respect to the GCF Securities Account established in the name of the GCF Clearing Agent Bank, as agent for customers.

Securities Intermediary

The term "Securities Intermediary" has the meaning given to the term "securities intermediary" in Section 8-102(a)(14) of the NYUCC.

Security Entitlement

The term “Security Entitlement” has the meaning given to the term “security entitlement” in Section 8-102(a)(17) of the NYUCC.

Securities Settlement Obligations

The term "Securities Settlement Obligations" means the obligations of a Netting Member, calculated pursuant to Rule 12, to deliver to the Corporation or to receive from the Corporation Eligible Securities in settlement of Net Settlement Positions.

Security

The term "Security" shall have the meaning given that term in the Exchange Act and the rules and regulations thereunder. The term "Securities" shall mean more than one security.

Segregated Repo Account

The term “Segregated Repo Account” means an account operated by a Non-IDB Repo Broker in which all trading is executed on a brokered basis with Netting Members on each side.

Self-Regulatory Organization

The term "Self-Regulatory Organization" shall have the meaning given that term in Section 3(a)(26) of the Exchange Act. For purposes of these Rules, the term “Self-Regulatory Organization” shall also include foreign equivalents of those entities listed in Section 3(a)(26).

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 interfacing with NSS for funds-only settlement pursuant to Rule 13.

Settlement Value

The term "Settlement Value" means, as regards a Deliver Obligation or a Receive Obligation, the System Value for such Obligation as adjusted on a particular Business Day by the Delivery Differential Adjustment.

Short Transaction

The term “Short Transaction” means, with regard to Eligible Netting Securities, a sale, Start Leg for the Repo Party, and Close Leg for the Reverse Repo Party.

Single Batch Submission Method

The term “Single Batch Submission Method” means a trade submission method that is used to submit a single batch of trade data to the Corporation at end of day pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose.

Specific CUSIP Number

The term “Specific CUSIP Number” means a Committee on Uniform Securities Identification Procedures identifying number established for a specific security.

Sponsored Member

The term “Sponsored Member” means any Person that has been approved by the Corporation to be sponsored into membership by a Sponsoring Member pursuant to Rule 3A.

Sponsoring Member

The term “Sponsoring Member” means a Netting Member whose application to become a Sponsoring Member has been approved by the Board pursuant to Rule 3A.

Sponsoring Member Guaranty

The term “Sponsoring Member Guaranty” shall mean a guaranty, stated in a manner acceptable to the Corporation, that a Sponsoring Member delivers to the Corporation whereby the Sponsoring Member guarantees to the Corporation the payment and performance by its Sponsored Members of their obligations under these Rules, including, without limitation, all of the securities and funds-only settlement obligations of its Sponsored Members under these Rules.

Sponsoring Member Omnibus Account

The term “Sponsoring Member Omnibus Account” shall mean the account maintained by a Sponsoring Member that contains the activity of its Sponsored Members that is submitted to the Corporation. The Sponsoring Member Omnibus Account shall be separate from the accounts associated with the Sponsoring Member’s activity as a Netting Member except as contemplated by Sections 10, 11 and 12 of Rule 3A and under the Sponsoring Member Guaranty.

Sponsoring Member Omnibus Account Required Fund Deposit

The term “Sponsoring Member Omnibus Account Required Fund Deposit” shall have the meaning given to that term in Section 10 of Rule 3A.

Sponsored Member Trade

The term “Sponsored Member Trade” means a transaction between a Sponsored Member and its Sponsoring Member that satisfies the requirements of Section 5 of Rule 3A.

Start Leg

The term “Start Leg” means, as regards a Repo Transaction other than a GCF Repo Transaction, the initial settlement aspects of the Transaction, involving the transfer of the underlying Eligible Netting Securities by the Netting Member that is, or is submitting data on behalf of, the funds borrower (through satisfaction of the applicable Deliver Obligation generated by the Corporation) and the taking in of such Eligible Securities by the Netting Member that is, or is submitting data on behalf of, the funds lender (if netting eligible, through satisfaction of the applicable Receive Obligation generated by the

Corporation). The term "Start Leg" means, as regards a GCF Repo Transaction, the initial settlement aspects of the Transaction, involving the transfer of the underlying Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Borrower Position and the taking in of such Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Lender Position.

Statutory Disqualification

The term "Statutory Disqualification" shall have the meaning given that term in Section 3(a)(39) of the Exchange Act.

Submitting Member

The term "Submitting Member" means a Member of the Comparison System, other than an Inter-Dealer Broker, that has submitted to the Corporation pursuant to these Rules data on trades of an Executing Firm.

System Price

The term "System Price" means the uniform price (expressed in dollars per unit of par value), not including accrued interest, established by the Corporation on each Business Day, based on current market information, for each Eligible Netting Security with a separate CUSIP Number. Notwithstanding the above, the System Price for the Generic CUSIP Number that underlies a GCF Net Settlement Position shall be equal to principal value.

System Repo Rate

The term "System Repo Rate" means the uniform rate established by the Corporation on each Business Day, based on current market information, for each Repo Transaction, involving an Eligible Netting Security. The System Repo Rate for a Repo Transaction shall be established by the Corporation based on factors such as: (1) the length of time until Schedule Settlement Date for the Close Leg of the Repo Transaction, (2) whether the underlying collateral is general or specific in nature, and (3) the market demand for such collateral.

System Value

The term "System Value" means, as regards a Deliver Obligation, a Receive Obligation, a Net Settlement Position, Existing Securities Collateral, or New Securities Collateral, the amount in dollars equal to the par value of each Eligible Netting Security that comprises such Obligation, Position, or Collateral, as applicable, multiplied by its System Price, plus interest that has accrued with regard to each such Eligible Netting Security up to the Business Day for which such dollar amount is calculated. The System Value of a Net Settlement Position that has remained unsettled on the maturity date for the Eligible Netting Securities that comprise such Position shall be the redemption value of such Securities.

Term GCF Repo Transaction

The term "Term GCF Repo Transaction" means, on any particular Business Day, a GCF Repo Transaction for which settlement of the Close Leg is scheduled to occur two or more Business Days after the scheduled settlement of the Start Leg.

Term Repo Transaction

The term "Term Repo Transaction" means, on any particular Business Day, a Repo Transaction for which settlement of the Close Leg is scheduled to occur two or more Business Days after the scheduled settlement of the Start Leg.

The Corporation

The term "the Corporation" means the Fixed Income Clearing Corporation, the owner of the Government Securities Division. Where these Rules refer to action taken by "the Corporation," the term should be understood to mean the management of the Fixed Income Clearing Corporation, unless otherwise specified.

The Securities Industry and Financial Markets Association

The term "The Securities Industry and Financial Markets Association" means the Securities Industry and Financial Markets Association or any successor organization.

Tier One Netting Member

The term "Tier One Member" means a Netting Member whose membership category has been designated as such by the Corporation pursuant to Rule 2A for loss allocation purposes.

Tier Two Netting Member

The term "Tier Two Member" means a Netting Member whose membership category has been designated as such by the Corporation pursuant to Rule 2A for loss allocation purposes.

Total Invoice Amount

The term "Total Invoice Amount" means the aggregate amount of Invoice Amounts required to be paid to the Corporation by a Netting Member on a given Business Day.

Transaction Adjustment Payment

The term "Transaction Adjustment Payment" means the absolute value of the dollar difference between the Contract Values and the Market Values of the trades that comprise a Net Settlement Position or GCF Net Settlement Position that is scheduled to settle on the current Business Day.

Transactions

The term "Transactions" means Brokered Transactions and Direct Transactions.

Treasury Department

The term "Treasury Department" means the United States Department of the Treasury.

Unadjusted GSD Margin Portfolio Amount

The term "Unadjusted GSD Margin Portfolio Amount" means, with respect to each Margin Portfolio, the amount greater than zero determined by the Corporation in accordance with the provisions of Rule 4.

VaR Charge

The term "VaR Charge" means, with respect to each Margin Portfolio, a calculation of the volatility of specified net unsettled positions of a Member, including any positions in the NYPC Accounts that are grouped in the Margin Portfolio, as of the time of such calculation. Such volatility calculations shall be made in accordance with any generally accepted portfolio volatility model, including, but not limited to, any margining formula employed by any other clearing agency registered under Section 17A of the Securities Exchange Act of 1934. Such calculation shall be made utilizing such assumptions (including confidence levels) and based on such observable market data as the Corporation deems reasonable, and shall cover such range and assessment of volatility as the Corporation from time to time deems appropriate.

Watch List

The term "Watch List" refers to the list of Members being more closely monitored by the Corporation for any reason deemed necessary by the Corporation.

When Issued Transaction

The term "When Issued Transaction" means any trade of an Eligible Treasury Security or an Eligible Freddie Mac Security, the trade data on which has been submitted to the Corporation prior to the Issue Date.

Yield Comparison Trade

The term "Yield Comparison Trade" means a trade involving Eligible Securities the data on which have been submitted by Members to the Corporation on a yield basis but have not yet been compared on a final money basis pursuant to Rule 5 or Rule 9.

Zero

The term "Zero" means an Eligible Netting Security with a maturity at issuance of more than one year that makes no periodic interest payments and, instead, is sold at a discount from its face value.

RULE 2 - MEMBERS

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

(b) The Corporation shall have the following membership types:

- (i) Comparison-Only Members;
- (ii) Netting Members;
- (iii) Sponsoring Members and Sponsored Members; and
- (iv) Funds-Only Settling Bank Members.

With respect to item (ii) above, there shall be the following categories of Netting Members: Bank Netting Members, Dealer Netting Members, Inter-Dealer Broker Netting Members, Futures Commission Merchant Netting Members, Foreign Netting Members, Government Securities Issuer Netting Members, Insurance Company Netting Members, Registered Clearing Agency Netting Members and Registered Investment Company Netting Members.

With respect to items (iii) and (iv) above, Sponsored Members and Sponsoring Members shall be governed by Rule 3A and Funds-Only Settling Bank Members shall be governed by Rule 13.

(c) Except as otherwise provided in these Rules, a Member that compares and nets through the Corporation any contract or transaction on behalf of a Non-Member shall, so far as the rights of the Corporation and all other Members are concerned, be liable as a principal.

RULE 2A - INITIAL MEMBERSHIP REQUIREMENTS

Section 1 - Eligibility for Membership: Comparison-Only Members

(a) A Person shall be eligible to apply to become a Comparison-Only Member if it:

(i) is a legal entity that is eligible to apply for membership in the Netting System; or

(ii) has demonstrated to the Corporation that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services.

(b) A Person may not be a Comparison-Only Member and a Netting Member at the same time. The Corporation may require that a Person be a Comparison-Only Member for a time period deemed necessary by the Corporation before the Person becomes eligible to apply to become a Netting Member, if, in order to protect itself and its Members, the Corporation believes that it is necessary to assess the operational soundness of the Person prior to permitting it to apply for netting membership. The Corporation's determination to apply such comparison-only requirement shall be based on the presence of one or more of the following conditions: (i) the Person is a newly formed entity with little or no functional history, (ii) the Person's operational staff lacks significant experience, (iii) if one of the above two conditions is present, the Person has not engaged a service bureau or correspondent clearing member with which the Corporation has a relationship, or (iv) any other factor that management believes might suggest insufficient operational functions.

Section 2 – Eligibility for Membership: Netting Members

(a) Eligibility for Netting membership shall be as follows:

(i) A Person shall be eligible to apply to become a Bank Netting Member if it is a bank or trust company chartered as such under the laws of the United States, or a State thereof, or is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction and participates in the Corporation through its U.S. branch or agency. A bank or trust company that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Bank Netting Member.

(ii) A Person shall be eligible to apply to become a Dealer Netting Member if it is a Registered Government Securities Dealer and is not a bank or trust company. A Registered Government Securities Dealer that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Dealer Netting Member.

(iii) A Person shall be eligible to apply to become a Futures Commission Merchant Netting Member if it is a Futures Commission Merchant. A Futures Commission Merchant that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Futures Commission Merchant Netting Member.

(iv) A Person shall be eligible to apply to become an Inter-Dealer Broker Netting Member if it is an Inter-Dealer Broker. An Inter-Dealer Broker that is admitted to

membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be an Inter-Dealer Broker Netting Member.

(v) A Person shall be eligible to apply to become a Foreign Netting Member if it is a Foreign Person that the Corporation, in its sole discretion, has determined: (i) has a home country regulator that has entered into a memorandum of understanding with the SEC regarding the sharing or exchange of information, and (ii) maintains a presence in the United States, either directly or through a suitable agent, that both has available individuals fluent in English who are knowledgeable in the Foreign Person's business and can assist the Corporation's representatives as necessary, and ensures that the Foreign Person will be able to meet its data submission, settlement, and other obligations to the Corporation as a Member in a timely manner. The Person applying to become a Foreign Netting Member must represent and certify to the Corporation that it is in compliance with the financial reporting and responsibility standards of its home country and that it is regulated in its home country by a financial regulatory authority in the areas of maintenance of relevant books and records, regular inspections and examinations, and minimum capital standards, and make such other representations as the Corporation deems necessary. For the avoidance of doubt, a foreign Bank Netting Member that participates in the Corporation through its U.S. branch or agency shall not be deemed a Foreign Member for purposes of the Corporation's Rules and procedures, unless otherwise stated by the Corporation.

(vi) A Person shall be eligible to apply to become a Government Securities Issuer Netting Member if it is a Government Securities Issuer. A Government Securities Issuer that is admitted to membership in the Netting System pursuant to these Rules shall be a Government Securities Issuer Netting Member.

(vii) A Person shall be eligible to apply to become a Registered Clearing Agency Netting Member if it is a Registered Clearing Agency. A Registered Clearing Agency that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Registered Clearing Agency Netting Member.

(viii) A Person shall be eligible to apply to become a Registered Investment Company Netting Member if it is a Registered Investment Company. A Registered Investment Company that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Registered Investment Company Netting Member.

Applicants in categories (i) through (viii) above that are admitted into membership shall be Tier One Netting Members. Applicants in category (viii) above that are admitted into membership shall be Tier Two Netting Members. With respect to applicants in category (x), the Corporation shall make a determination as to whether such applicant shall be a Tier One or Tier Two Netting Member.

(b) A Person may be only one type of Netting Member at a time. Notwithstanding anything to the contrary in this Rule, if a Person qualifies for more than one category of Netting System membership, the Corporation, in its sole discretion, may determine which category of Netting System membership that Person will be considered for.

Section 3 – Admission Criteria Membership Qualifications and Standards for Comparison-Only Members

The Corporation may approve an application to become a Comparison-Only Member by a Person that is eligible to apply to become a Comparison-Only Member pursuant to this Rule upon a determination that such applicant meets the following requirements:

(a) Operational Capability - The applicant must be able to satisfactorily communicate with the Corporation, fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy, and conform to any condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Members. The applicant agrees that it must fulfill, within the timeframes established by the Corporation, 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 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 applicant.

(b) Fees - The applicant agrees to make, and has sufficient financial ability to make, all anticipated fee payments required to be made to the Corporation that may be set forth in these Rules or in the Procedures.

(c) Required Capital - If a regulated entity, the applicant represents and warrants to the Corporation that it is in compliance (as an applicant) with the capital requirements imposed by its Designated Examining Authority, Appropriate Regulatory Agency, or other examining authority or regulator, and any other Self-Regulatory Organizations or self-regulatory organizations to which it is subject by statute, regulation or agreement.

(d) Disqualification Criteria - The Corporation must have received no substantial information that would reasonably and adversely reflect on the applicant, or its Controlling Management, if applicable, to such an extent that the applicant should be denied membership in the Corporation. The Corporation, in its sole discretion, shall determine whether any of the following criteria should be the basis for denial of the membership application:

(i) the applicant is subject to Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act), or an order of similar effect issued by a Federal or State banking authority, or other examining authority or regulator, including non-U.S. examining authority or regulator;

(ii) the applicant or its Controlling Management has been responsible for (A) making a misstatement of a material fact or omitting to state a material fact to the Corporation, in connection with its application to become a Member or thereafter, or (B) fraudulent acts or violation of the Securities Act of 1933, the Exchange Act, the Investment Company Act, the Investment Advisers Act or the Government Securities Act of 1986, or any rule or regulation promulgated thereunder;

(iii) the applicant or its Controlling Management has been convicted within the ten years preceding the filing of the application or at any time thereafter of (A) any criminal offense involving the purchase, sale or delivery of any security, or bribery, or perjury, or burglary, or conspiracy to commit any offense referred to in this subparagraph (iii), (B) the larceny, theft, robbery, embezzlement, extortion,

fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, securities or other property, (C) any violation of Sections 1341, 1342 or 1343 of Title 18, United States Code, or (D) any other criminal offense involving breach of fiduciary obligation, or arising out of the conduct of business as a broker, dealer, investment company, adviser or underwriter, bank, trust company, fiduciary, insurance company or other financial institution;

(iv) the applicant or its Controlling Management has been permanently or temporarily enjoined or prohibited by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as, a broker, dealer, investment company, advisor or underwriter, bank, trust company, fiduciary, insurance company or other financial institution, or from engaging or in continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or delivery of any security, and the enforcement of such injunction or prohibition has not been stayed; or

(v) the applicant has been expelled or suspended from or had its participation terminated by a national securities association or exchange registered under the Exchange Act, a Self-Regulatory Organization or a Corporation that engages in clearance and settlement activities or a securities depository, or has been barred or suspended from being associated with any member of such an exchange, association, organization, Corporation, or securities depository.

In addition to items (a) through (d) above, the Corporation shall retain the right to deny membership to an applicant if the Corporation becomes aware of any factor or circumstance about the applicant or its Controlling Management which may impact the suitability of that particular applicant as a Member of the Corporation. Further, applicants are required to inform the Corporation as to any member of its Controlling Management that is or becomes subject to Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act).

The Corporation shall retain the right to deny membership to an applicant if the Corporation becomes aware of any factor or circumstance about the applicant or its Controlling Management which may impact the suitability of that particular applicant as a Member of the Corporation.

Section 4 - Membership Qualifications and Standards for Netting Members

Subject to the limitations set forth in this Rule, the Board shall approve an application to become a Netting Member by a Person that is eligible to apply to become a Netting Member pursuant to this Rule upon a determination that such applicant meets the following requirements:

(a) Comparison System Admission Standards - The applicant continues to meet the requirements for becoming a Comparison-Only Member set forth in this Rule. Notwithstanding the previous sentence, the applicant shall meet the admission criterion on required capital in subsection (c) of Section 3 of this Rule if the applicant is in compliance with the capital requirements imposed by its Designated Examining Authority, Appropriate Regulatory Agency, or other examining authority or regulator, and any other Self-Regulatory Organizations or self-regulatory organizations to which it is subject by statute, regulation or agreement.

(b) Financial Responsibility - The applicant shall:

- (i) have sufficient financial ability to make anticipated required deposits to the Clearing Fund as provided for in Rule 4 and anticipated Funds-Only Settlement Amounts, and to meet all of its other obligations to the Corporation in a timely manner; and
- (ii) satisfy the following minimum financial requirements:
 - (A) for applicants whose Financial Statements are prepared in accordance with U.S. generally accepted accounting principles:
 - (1) if the applicant is applying to become a Bank Netting Member, it must have a level of equity capital as of the end of the month prior to the effective date of its membership of at least \$100 million, and its capital levels and ratios must meet the applicable minimum levels for such as required by its Appropriate Regulatory Agency (or, if the applicant's Appropriate Regulatory Agency does not specify any such minimum levels, such minimum levels as would be required if the Member were a member bank of the Federal Reserve System and the Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System);
 - (2) if the applicant is registered with the SEC pursuant to Section 15 of the Exchange Act and is applying to become a Dealer Netting Member, it must have, as of the end of the calendar month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Net Capital of at least \$10 million;
 - (3) if the applicant is registered with the SEC pursuant to Section 15C of the Exchange Act and is applying to become a Dealer Netting Member, it must have, as of the end of the calendar month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Liquid Capital of at least \$10 million;
 - (4) if the applicant is applying to become a Futures Commission Merchant Netting Member, it must have, as of the end of the calendar month prior to the effective date of its membership, \$25 million in Net Worth and \$10 million in Excess Adjusted Net Capital;
 - (5) if the applicant is registered with the SEC pursuant to Section 15 of the Exchange Act and is applying to become a Inter-Dealer Broker Netting Member, it must have, as of the end of the calendar month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Net Capital of at least \$10 million;
 - (6) if the applicant is registered with the SEC pursuant to Section 15C of the Exchange Act and is applying to become a Inter-Dealer Broker Netting Member, it must have, as of the end of the calendar

month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Liquid Capital of at least \$10 million;

- (7) if the applicant is a Foreign Person that is applying to become a Foreign Netting Member, it must satisfy the minimum financial requirements (defined by reference to regulatory capital as defined by the applicant's home country regulator) that are applicable to the Netting System membership category that the Corporation determines, in its sole discretion, would be applicable to the Foreign Person if it were organized or established under the laws of the United States or a State or other political subdivision thereof subject to subsections (B), (C) and (D) below if the entity's financial statements are not prepared in accordance with U.S. generally accepted accounting principles; and
- (8) if the applicant is applying to become an Insurance Company Netting Member, it must have, as of the end of the month prior to the effective date of its membership: (1) an A.M. Best ("Best") rating of "A-" or better, (2) a rating by at least one of the other three major rating agencies (Standard & Poor's ("S&P"), Moody's, and Duff & Phelps ("D&P")) of at least "A-" or "A3", as applicable, (3) no rating by S&P, Moody's, and D&P of less than "A-" or "A", as applicable, (4) a risk-based capital ratio, as applicable to Insurance Companies, of at least 200 percent, and (5) statutory capital (consisting of adjusted policyholders' surplus plus the company's asset valuation reserve) of no less than \$500 million.

(B) for applicants whose Financial Statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of 1985 (UK generally accepted accounting principles), or Canadian generally accepted accounting principles, the minimum financial requirements shall be one and one-half times the applicable requirements set forth in subsection (A) above.

(C) for applicants whose Financial Statements are prepared in accordance with the generally accepted accounting principles of a European Union country other than the United Kingdom, the minimum financial requirements shall be five times the applicable requirements set forth in subsection (A) above.

(D) for applicants whose financial statements are prepared in accordance with any other type of generally accepted accounting principles, the minimum financial requirements shall be seven times the requirements set forth in subsection (A) above.

(c) Business History - The applicant must have an established, profitable business history of a minimum of six months or personnel with sufficient operational background and experience to ensure, in the judgment of the Board, the ability of the firm to conduct its business.

The foregoing financial responsibility standards are only minimum requirements, and the Board, based upon the level of the anticipated positions and obligations of the applicant, the anticipated risk associated with the volume and types of transactions the applicant proposes to process through the Corporation, and the overall financial condition of the applicant, may impose greater standards. If an applicant does not itself satisfy the above minimum capital requirements, the Board may include for such purposes the capital of an Affiliate of the applicant, if the Affiliate has delivered to the Corporation a guaranty, satisfactory in form and substance to the Board, of the obligations of the applicant to the Corporation.

Section 5 – Application Documents

Each applicant to become a Member shall, as required by the Corporation from time to time, complete and deliver to the Corporation an Applicant Questionnaire in such form as may be prescribed by the Corporation. An applicant seeking membership in the Netting System shall also deliver to the Corporation the financial reports, other reports, opinions and other information as the Corporation determines appropriate. Each applicant to become a Member must also fulfill, within the time frames established by the Corporation, any 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 operational capability of the applicant.

If the Corporation determines that a legal opinion, or update thereto, submitted by an applicant, indicates that the Corporation could be subject to Legal Risk (as defined in Section 2 of Rule 4) with respect to such applicant, the Corporation shall have the right to take, and/or require the applicant to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the applicant to post additional Clearing Fund as set forth in Section 2 of Rule 4.

Except as otherwise provided in Rule 29, any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or Member.

Section 6 – Evaluation of Applicant

An application to become any type of Member shall first be reviewed by the Corporation. The Corporation may approve applications for Comparison-Only membership. With regard to Netting membership, the Corporation shall recommend approval or disapproval of the application to the Board. Except as otherwise provided in Rule 3 or in Rule 15, Corporation or Board approval of an application for membership shall constitute approval only of the type of membership specifically applied for.

In evaluating a membership application, the Corporation may:

- (i) contact the applicant's Designated Examining Authority, Appropriate Regulatory Agency, primary regulatory authority (the CFTC and the applicable self-regulatory organization designated under the Commodity Exchange Act in the case of a Futures Commission Merchant, and the insurance regulator in the company's state of domicile in the case of an Insurance Company), or other examining authority or regulator, or any Self-Regulatory Organization or self-regulatory organization of which the

applicant is a member and request from such authority or organization any records, reports, or other information that, in their judgment, may be relevant to the application;

- (ii) examine the books, records, and operational procedures of, and inspect the premises of, the applicant as they may be related to the business conducted through the Corporation; and
- (iii) take such other evidence or make such other inquiries as is necessary, including sworn or unsworn testimony, to ascertain relevant facts bearing upon the applicant's qualifications.

The Board or the Corporation, as applicable, shall approve an application to become a Member pursuant to this Rule only upon a determination that the applicant meets such standards of financial responsibility and operational capability as are set forth in this Rule.

Notwithstanding that an application to become a Member shall have been approved by the Board or the Corporation, if a material change in condition of the applicant occurs which in the judgment of the Board or the Corporation could bring into question the applicant's ability to perform as a Member, and such material change becomes known to the Corporation prior to the applicant's commencing use of the Corporation's services, the Corporation shall have the right to stay commencement by the applicant of use of the Corporation's services until a reconsideration by the Board or the Corporation of the applicant's financial responsibility and operational capability can be completed. As a result of such reconsideration, the Board or the Corporation may determine to withdraw approval of an application to become a Member or condition the approval upon the furnishing of additional information or assurances.

Notwithstanding the provisions of this Rule, the Board or the Corporation may determine, after considering the facts and circumstances pertaining to an applicant, not to apply one or more of the qualifications or standards set forth in these Rules. If the Board or the Corporation determines that such qualification or standard shall not apply, it shall determine what, if any, limitation or restriction shall be placed on such applicant. Limitations and restrictions shall bear a reasonable relationship to the qualification or standard not applied to such applicant and may include, but are not limited to, an increased Clearing Fund requirement or a limitation on the applicant's activities to be processed through the Corporation. Such determination shall only be made if the Board or the Corporation concludes that not applying such qualification or standard, and imposing such limitation or restriction, would not be against the best interests of the Corporation and its Members. In making such a determination, the Board or the Corporation may require the applicant to provide additional information or assurances. If the Board or the Corporation imposes a limitation or restriction pursuant to this provision, the Corporation shall promptly notify the SEC.

The Board or the Corporation may deny an application to become a Member upon the Corporation's determination that it does not have adequate personnel, space, data processing capacity or other operational capability at that time to perform its services for the applicant without impairing the ability of the Corporation to provide services for its existing Members, to assure the prompt, accurate and orderly processing and settlement of securities transactions or to otherwise carry out its functions; provided, however, that any such applications which are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit.

Upon the Board's or the Corporation's denial of an application to become a Member pursuant to this Rule, the Corporation shall furnish the applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and shall notify the applicant of its right to request a hearing before the Board, such request to be filed by the applicant with the Corporation pursuant to Rule 37.

Section 7 - Membership Agreement

Each applicant to become a Member shall sign and deliver to the Corporation a Membership Agreement whereby the applicant shall agree:

(a) to abide by the Rules of the Corporation and to be bound by all the provisions thereof;

(b) to pay to the Corporation in a timely manner the compensation provided for by the Rules of the Corporation for services rendered and such costs and fines as may be imposed in accordance with such Rules of the Corporation for the failure to comply therewith;

(c) to be bound by any amendment to the Rules of the Corporation with respect to any transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation;

(d) to continue to be bound by the Rules of the Corporation, notwithstanding that it may have terminated its membership, as to all matters and transactions occurring while it was a Member;

(e) if it is applying to become a Netting Member, to: (i) submit to the Corporation for comparison, pursuant to Rule 5, data on all of its eligible trades with other Netting Members, (ii) deliver to the Corporation or receive from the Corporation the securities underlying all trades that have been reported as being netted and all monies related thereto, in accordance with the Rules of the Corporation, and (iii) pay or deliver to the Corporation in a timely manner all amounts due pursuant to Rule 4 with regard to its Required Fund Deposit and any loss or liability allocated to it;

(f) that the determination of the Board as to any questions arising with regard to any payment, charge, fee, deposit, or fine to which it may be subject shall be final and conclusive, except as may be otherwise provided in these Rules; and

(g) to any other terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members, including, for a Foreign Member, all agreements, opinions of counsel, and other legal documentation required by the Corporation.

RULE 3 – ONGOING MEMBERSHIP REQUIREMENTS

Section 1 – Requirements

The qualifications and standards set forth in Rule 2A shall be continuing membership requirements. In addition, each Member shall comply with the ongoing requirements set forth below.

Section 2 - Reports by Netting Members

Each Netting Member shall submit to the Corporation the reports, financial or other information set forth below and such other reports, financial and other information as the Corporation from time to time may reasonably require. Unless specifically set forth below, the time periods prescribed by the Corporation are set forth in the form of notices posted at the Corporation's Website and/or distributed by the Corporation from time to time. It shall be the Member's responsibility to retrieve all notices daily from the Website.

(a) a copy of the Member's annual audited Financial Statements for such fiscal year, certified by the Member's independent certified public accountants and prepared in accordance with generally accepted accounting principles;

(b) if the Member is a broker or dealer registered under Section 15 of the Exchange Act, or a Government Securities Broker or Dealer registered under Section 15C of the Exchange Act, (i) a copy of the Member's FOCUS Report or FOGS Report, as the case may be, submitted to its Designated Examining Authority, (ii) a report of the Member's independent auditors on internal controls, and (iii) any supplemental reports required to be filed with the SEC pursuant to SEC Rule 17a-11 or 17 C.F.R. Section 405.3;

(c) if the Member is a domestic bank or a trust company, a copy of the applicant's Call Report submitted to its Appropriate Regulatory Agency and, to the extent not contained within such Call Reports (or to the extent that Call Reports are not required to be filed), information containing each of the Member's capital levels and ratios, as such levels and ratios are required to be provided to the Member's Appropriate Regulatory Agency (or, if such applicant's Appropriate Regulatory Agency does not require such information, as would be required to be provided, if such Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System);

(d) if the Member is a Futures Commission Merchant and not a broker or dealer registered with the SEC, (i) a copy of its CFTC Form 1-FR as filed with the CFTC (or copies of the equivalent form filed with the CFTC pursuant to CFTC Regulation 1.10(b)(3)), (ii) a copy of the computation required by CFTC Regulation 1.18, and (iii) a copy of any supplemental reports filed with the CFTC pursuant to Regulation 1.12 or any successor regulations;

(e) if the applicant is a broker, dealer or bank established or organized in the United Kingdom and subject to regulation by the United Kingdom's Financial Services Authority (or successor authority), a copy of its Financial Services Authority reports;

(f) if the Member is a Foreign Netting Member other than one that is a broker, dealer or bank organized or established in the United Kingdom and regulated by the Financial Services Authority, key financial information requested by the Corporation;

(g) if the Member is not within clauses (b) through (f) above, a copy of the Member's unaudited financial information as specified by the Corporation for such quarter; and

(h) for any Member which has satisfied the financial requirements imposed by the Corporation pursuant to these Rules by means of a guaranty of its obligations by its parent company, Financial Statements and/or the reports or information of its parent company meeting the requirements specified in subparagraphs (a) through (f) of this Section 2, as applicable.

With respect to a Member that has received from its regulators an extension of time by which one of the above-listed reports or submissions to the regulator is otherwise due, a copy of the extension letter or other regulatory communication granting such extension. Moreover, any Member that has provided to the SEC any notice required pursuant to paragraph (e) of the SEC's Rule 15c3-1 shall notify the Corporation of the provision of such notice, and shall furnish the Corporation with a copy of such notice, by the Close of Business on the day that it so provides such notice to the SEC.

With respect to subsections (a) and (f) above, the Corporation may accept, in its sole discretion, consolidated Financial Statements or financial information prepared at a parent level.

In addition to the above, Netting Members must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a Member's capital levels or other financial requirements fall below prescribed levels. In addition, Members must submit to the Corporation, concurrently with their submission to the applicable regulator or similar authority, copies of such filings as determined by the Corporation from time to time, which Members are required to file pursuant to the Sarbanes-Oxley Act of 2002, and any amendments thereunder.

Moreover, Foreign Netting Members must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a member does not comply with the financial reporting and responsibility standards set by its home country regulator. Foreign Netting Members must also notify the Corporation in writing within 2 business days of becoming subject to a disciplinary action by their home country regulator. Foreign Netting Members must submit, on an annual basis, within the timeframe required by guidelines issued by the Corporation, an updated opinion of outside counsel on home country law and, if applicable, other relevant non-domestic law, or a letter from their outside counsel indicating that there have been no material changes in home country law (and/or other applicable non-domestic law) since the date of issuance of the most recent opinion submitted to the Corporation.

If the Corporation determines that a legal opinion, or update thereto, submitted by a Member, indicates that the Corporation could be subject to Legal Risk (as defined in Section 2 of Rule 4) with respect to such Member, the Corporation shall have the right to take, and/or require the Member to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the Member to post additional Clearing Fund as set forth in Section 2 of Rule 4.

In addition to all of the above, on an annual basis, Netting Members must report information on their Foreign Affiliate Trades to the Corporation. The preceding sentence shall

not apply to Foreign Affiliate Trades of a Foreign Affiliate that has executed less than an average of 30 Foreign Affiliate Trades per business day per month within the prior twelve-month period. The reporting required by this paragraph shall be submitted to the Corporation containing the information, in the format and within the timeframes specified by guidelines issued by the Corporation from time to time.

In addition to all of the above, on a periodic basis, GCF Counterparties must submit information related to the composition of their NFE-Related Accounts. This information shall be submitted to the Corporation containing the information, in the format and within the timeframes specified by guidelines issued by the Corporation from time to time.

Notwithstanding anything to the contrary in this Rule, if a Member qualifies for more than one category of Netting System membership, the Corporation, in its sole discretion, may require that such member provide those reports and other financial or other information required to be provided to the Corporation by Members of any of those membership categories for which such Member qualifies.

All information provided to the Corporation pursuant to this Section shall be in English (and if translated into English, the translation must be a fair and accurate English translation).

A Member that fails to submit the above listed information within the timeframes required by guidelines issued by the Corporation from time to time and in the manner requested, shall:

- (i) be subject to a fine by the Corporation; and
- (ii) until the required information is submitted to the Corporation, have a Required Fund Deposit equal to the greater of either (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit.

Section 3 - Financial Statements

For purposes of Rule 2A and this Rule, the term "Financial Statements" means, a balance sheet, statement of income, statement of changes in financial position and statement of changes in owner's equity, in each case with accompanying notes.

Section 4 – Confidentiality

Except as otherwise provided in Rule 29, any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or Member.

Section 5 - Application of Membership Standards

Notwithstanding the provisions of this Rule, the Board may determine, after considering the facts and circumstances pertaining to a Member, not to apply one or more of the qualifications or standards set forth in these Rules. If the Board determines that such qualification or standard shall not apply, the Committee shall determine what, if any, limitation or restriction shall be placed on such Member. Limitations and restrictions shall bear a reasonable relationship to the qualification or standard not applied to such Member and may include, but are not limited to, an increased Clearing Fund requirement or a limitation on the

Member's activities processed through the Corporation. Such determination shall only be made if the Board concludes that not applying such qualification or standard, and imposing such limitation or restriction, would not be against the best interests of the Corporation and its Members. In making such a determination, the Board may require the Member to provide additional information or assurances. If the Board imposes a limitation or restriction pursuant to this provision, the Corporation shall promptly notify the SEC.

Section 6 – Operational Testing Requirements

The Corporation may, from time to time, require Members 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 Member. The Corporation will assess a fine or terminate the membership of any Member that does not fulfill any such operational testing and related reporting requirements within the time frames established by the Corporation.

Section 7 - General Continuance Standards

A Member shall promptly inform the Corporation, both orally and in writing, if it no longer is in compliance with any of the relevant qualifications and standards for admission to membership set forth in Rule 2 and in this Rule, including whether it is subject to any of the criteria set forth in subsection (d) of Section 3 of Rule 2A. Notification must take place within two business days from the date on which the Member first learns of its non-compliance. The Corporation shall assess a fine against any Member who fails to so notify the Corporation. In addition, a Member shall notify the Corporation within two business days of learning of an investigation or proceeding to which it is or is becoming subject that would cause the Member to fall out of compliance with any of the relevant qualifications and standards for membership set forth in Rules 2, 2A and 3. Notwithstanding the previous sentence, the Member shall not be required to notify the Corporation if doing so would cause the Member to violate an applicable law, rule or regulation. If, with respect to any type of Member: (a) it fails to maintain the relevant standards and qualifications for admission to membership, including but not limited to minimum capital standards and operational testing and related reporting requirements imposed by the Corporation from time to time; (b) it violates any Rule of the Corporation or other agreement with the Corporation; (c) it fails to satisfy in a timely manner any obligation to the Corporation; (d) there is Reportable Event relating to such Member; or (e) the Corporation otherwise deems it necessary or advisable, in order to protect the Corporation, its other Members, or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation, or to promote the prompt and accurate processing, clearance or settlement of securities transactions, the Corporation will undertake appropriate action to determine the status of the Member and its continued eligibility. In addition, the Corporation may review the financial responsibility and operational capability of the Member to the extent provided in these Rules and otherwise require from the Member additional reporting of its financial or operational condition at such intervals and in such detail as the Corporation shall determine, and shall make a determination as to whether such Member should be placed on the Watch List by the Corporation consistent with the provisions of Section 12 of this Rule.

Furthermore, a Netting Member must submit to the Corporation written notice of any Reportable Event at least 90 calendar days prior to the effective date of such Reportable Event unless the Member demonstrates that it could not have reasonably done so, and provided notice,

both orally and in writing, to FICC as soon as possible. The Corporation shall assess a fine against any Netting Member who fails to so notify the Corporation.

In addition, if the Corporation has reason to believe that a Member may fail to comply with any of these Rules, it may require the Member to provide it, within such timeframe, in such detail, and pursuant to such manner as the Corporation shall determine, with assurances in writing of a credible nature that the Member shall not, in fact, violate any of these Rules. Notwithstanding the previous sentence, each Member, or any applicant to become such, shall furnish to the Corporation such adequate assurances of its financial responsibility and operational capability as the Corporation may at any time or from time to time deem necessary or advisable in order to protect the Corporation and its members, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions. Upon the request of a participant or applicant, or otherwise, the Corporation may choose to confer with the participant or applicant before or after requiring it to furnish adequate assurances pursuant to this Rule.

Adequate assurances of financial responsibility or operational capability of a Member or applicant to become such, as may be required by the Corporation pursuant to these Rules, may include, but shall not be limited to, as appropriate under the context of the Member's use of the Corporation's services:

- (i) restrictions or modifications on the Member's use of any or all of the Corporation's services (whether generally, or with respect to certain transactions);
- (ii) additional reporting by the Member of its financial or operational condition at such intervals and in such detail as the Corporation shall determine;
- (iii) increased Clearing Fund deposits and/or a requirement to post its Required Fund Deposit in proportions of cash, Eligible Netting Securities and Eligible Letters of Credit different from those permitted under Rule 4; or
- (iv) prohibitions on the Member from withdrawing Clearing Fund on deposit in excess of its Required Fund Deposit.

In the event that a Member fails to maintain the relevant requirements of any of these Rules, the Corporation shall, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System, unless the Member requests that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the record of the Member, it is appropriate instead to establish for such Member a time period (the "Noncompliance Time Period"), which shall be determined by the Corporation and which shall be no longer than 30 calendar days unless otherwise determined by the Corporation, during which the Member must resume compliance with such requirements. In the event that the Member is unable to satisfy such requirements within the Noncompliance Time Period, the Corporation shall, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System. If the Corporation takes any action pursuant to this paragraph, it shall promptly file with its records and with the SEC a full report of such actions, and the reasons thereof.

Notwithstanding anything to the contrary in this Section, if the Corporation, in its sole discretion, determines that a Netting Member's financial condition has significantly deteriorated during a Noncompliance Time Period, the Corporation immediately may, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System.

Section 8 - Specific Continuance Standards

In addition to the requirements set forth in Section 6 above of this Rule, the following requirements shall apply to Members that fall from compliance with an applicable membership standard:

(a) If a Bank Netting Member falls below the applicable minimum financial requirement as specified in this Rule, or if one or more of its capital levels or ratios no longer meets the applicable minimum level for such as required by its Appropriate Regulatory Agency (or, if the applicant's Appropriate Regulatory Agency does not specify any such minimum level, such minimum level as would be required if the Member were a member bank of the Federal Reserve System, and the Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System); it shall, for a period beginning on the day on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a Required Fund Deposit equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit;

(b) If a Dealer Netting Member falls below either the minimum Net Worth level applicable to Dealer Netting Members pursuant to this Rule or the applicable minimum regulatory capital level, as applicable, as specified in this Rule, it shall, for a period beginning on the date on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a Required Fund Deposit equal to the greater of either: (x) the sum of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of its Required Fund Deposit;

(c) If a Futures Commission Merchant Netting Member falls below either the minimum Net Worth level applicable to Futures Commission Merchant Netting Members pursuant to this Rule or the applicable minimum regulatory capital level specified in this Rule, it shall, for a period beginning on the date on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a Required Fund Deposit equal to the greater of either: (x) the sum of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of its Required Fund Deposit;

(d) If a Inter-Dealer Broker Netting Member falls below either the applicable minimum Net Worth level or the applicable minimum regulatory level, specified by this Rule, it shall have, for a period beginning on the date on which it fell from compliance with either standard and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, a Required Fund Deposit equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit;

(e) An Inter-Dealer Broker Netting Member shall (A) limit its business to acting exclusively as a broker; (B) conduct all of its business in Repo Transactions with Netting Members, and (C) conduct at least 90 percent of its business in transactions that are not Repo Transactions, measured based on its overall dollar volume of submitted sides over the prior month, with Netting Members. If a Inter-Dealer Broker fails to comply with this scope-of-business standard, then, for a period beginning on the date on which it fell from compliance with this standard and continuing until the date on which it returned to compliance with such standard, such Member shall be considered by the Corporation for purposes of these Rules to be a Dealer Netting Member. Notwithstanding anything to the contrary above, if such Inter-Dealer Broker Netting Member continues to act exclusively as a broker, it shall continue to be subject to the provisions of Section 7 of Rule 4 as if it were a Inter-Dealer Broker Netting Member, until and unless the Corporation determines, in its sole discretion, that such Member should be treated for purposes of that Section as if it were a Dealer Netting Member and so informs such Member. Moreover, notwithstanding anything to the contrary above, if such Inter-Dealer Broker Netting Member does not return to compliance with its applicable scope-of-business standard within 90 calendar days from the date on which it fell below such standard, such Member shall permanently become a Dealer Netting Member for purposes of these Rules, until and unless it applies to the Corporation to return to its Inter-Dealer Broker Netting Member status and such application is approved by the Board; and

(f) If a Government Securities Issuer Netting Member, Insurance Company Netting Member, Registered Clearing Agency Netting Member, or Registered Investment Company Netting Member falls out of compliance with any minimum admission or continuance standard that may be set for it by the Corporation pursuant to these Rules, it shall, for a period beginning on the date on which it fell below such standard and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a Required Fund Deposit equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit.

For purposes of applying a premium to the Required Fund Deposit of a Member that falls below its minimum financial requirements as set forth in this section, the Corporation shall begin to assess such a premium on the date on which the Corporation becomes aware of the applicable violation.

If the Member is a Foreign Netting Member, and it has fallen out of compliance with the minimum financial requirements that the Corporation has determined, pursuant to these Rules, are applicable to it, the consequences under this Section of such noncompliance shall be determined by reference to the subsection of this Section that is applicable to the Netting System membership category that the Corporation has determined would be applicable to the Foreign Person if it were organized or established under the laws of the United States or of a State or other political subdivision thereof.

If the Corporation takes any action pursuant to this Section, it shall promptly report such action, and the reasons thereof, to the Board, at its next regularly scheduled meeting, or sooner if deemed appropriate by the Corporation.

Section 9 - Compliance with Laws

In connection with their use of the Corporation's services, Members must comply with all applicable laws, including applicable laws relating to securities, taxation, and money laundering,

as well as sanctions administered and enforced by the Office of Foreign Assets Control (“OFAC”).

As part of their compliance with OFAC sanctions regulations, all Members agree not to conduct any transaction or activity through GSD which it knows to violate sanctions administered and enforced by OFAC.

Members subject to the jurisdiction of the U.S., with the exception of GSD Comparison Only Members, are required to periodically confirm that the Member has implemented a risk-based program reasonably designed to comply with applicable OFAC sanctions regulations. Failure to do so in the manner and timeframes set forth by the Corporation from time to time will result in a fine.

Section 10 - Books and Records

A Member’s books and records, insofar as they relate to transactions processed through the Corporation, shall be open to the inspection of the duly authorized representatives of the Corporation upon reasonable prior notice and during the Member's normal business hours. The Corporation shall be furnished with all such information about the Member's business and transactions as it may require; provided that (i) the aforesaid rights of the Corporation shall be subject to any applicable laws or rules or regulations of regulatory bodies having jurisdiction over the Member which relate to the confidentiality of records, and (ii) if the Member ceases membership, the Corporation shall have no right to inspect the Member's books and records or to require information relating to transactions wholly subsequent to the time when the Member ceases membership.

Section 11 - Additional Accounts Requested by Members

- (a) The Corporation may permit a Member to maintain one or more additional accounts at the request of a Member if the Corporation determines that doing so will not subject the Corporation to material legal, financial or operational risk.
- (b) The Corporation may permit a Netting Member to open additional netting accounts for the Netting Member itself or for wholly-owned subsidiaries of the Netting Member.
- (c) The Corporation may permit a Netting Member to open additional accounts for the purpose of facilitating settlement of Locked-in Trades submitted by NYPC for the account of the Member.
- (d) The Corporation may permit a Netting Member to open an additional account for its Market Professional customers. Such account must be in furtherance of a Cross-Margining Arrangement and must meet the requirements of the applicable Cross-Margining Agreement and Rule 43. Such account must meet all obligations under these Rules unless otherwise specified herein.
- (e) All other additional netting accounts requested by Netting Members for Non-Members not otherwise permitted under these Rules shall require the approval of the Board. Netting Members shall not be permitted to maintain additional accounts for comparison-only activities unless they can demonstrate that doing so will not violate Section 3 of Rule 11

(f) Additional accounts that are opened for a Member pursuant to this Section 11 of Rule 3 shall be opened solely for the administrative convenience of the Member or in furtherance of the Cross-Margining Arrangements between the Corporation and an FCO, and no other person or entity shall have any rights, obligations or liabilities with respect to any of the Member's accounts with the Corporation. Only Members shall be entitled to process transactions through the Corporation and to participate in the services offered by the Corporation for which they have been approved. A Member that processes through the Corporation any contract or other transaction for an entity that is a Non-Member shall, so far as the rights of the Corporation and of other Members are concerned, be liable as principal on such transaction. A Non-Member who processes transactions through a Member shall not possess any of the rights or benefits of a Member.

(g) The Corporation may, in its sole discretion, at any time and without prior notice (but being obligated to give notice as soon as possible thereafter) and whether or not the Member is in default of its obligations to the Corporation, apply Required Fund Deposits made by a Member pursuant to its obligations under one of its accounts, as necessary, to ensure that the Member meets all of its obligations to the Corporation under its other account(s), and otherwise exercise all rights to offset and net any obligations among any or all of the accounts, whether or not a non-Member is deemed to have any interest in the Member's account(s), notwithstanding the terms of this Rule.

(h) This section shall not apply to Repo Brokers who are required to maintain Segregated Repo Accounts pursuant to Section 2 of Rule 19.

Section 12 - Watch List

(a) A Member that is a Bank Netting Member, Dealer Netting Member, or Inter-Dealer Broker Netting Member, will be monitored and may be placed on the Watch List based on that Member's rating as determined by the Credit Risk Rating Matrix. Such Members may also be placed on the Watch List, at the Corporation's discretion, based on failure to comply with operational standards and requirements.

(b) All other categories of Netting Members, including Foreign Netting Members and Bank Netting Members participating through their U.S. branches or agencies, may be monitored for financial and/or operational factors as the Corporation deems necessary to protect the Corporation and its Members from undue risk. These Members will not be assigned a rating from the Credit Risk Rating Matrix; however, they may be included on the Watch List at the Corporation's discretion.

(c) The Corporation may require a Netting Member that has been placed on the Watch List, to make and maintain a deposit to the Clearing Fund over and above the amount determined in accordance with Section 2 of Rule 4 (which additional deposit shall constitute a portion of the Netting Member's Required Fund Deposit), or such higher amount as the Board may deem necessary for the protection of the Corporation or other Members, which higher amount may include, but is not limited to including, additional payments or deposits in any form to offset potential risk to the Corporation and its Members arising from activity submitted by such Member. Moreover, as regards a Netting Member that has been placed on the Watch List by the Corporation the Corporation may suspend, during all or a portion of the time period that such Member is on the Watch List, its right under these Rules to collect a Credit Forward Mark Adjustment Payment. Moreover, if a Netting Member on the Watch List has a Collateral

Allocation Entitlement as the result of its GCF Repo Transaction activity, the Corporation may, in its sole discretion, maintain possession of the securities and/or cash that comprise such Collateral Allocation Entitlement.

(d) Placement on the Watch List shall result in a more thorough monitoring of the Member's financial and/or operational condition, as applicable, and activities by the Corporation. The Corporation may require Members placed on the Watch List to make more frequent financial disclosures, possibly including interim and/or pro forma reports.

(e) The Corporation shall have the right to place a Member with an Excess Capital Ratio of 0.5 or greater on the Watch List if the Corporation, in its sole discretion, deems such action necessary to protect itself and its Members. If such placement on the Watch List occurs, the Corporation will require the Netting Member to provide it with comfort satisfactory to the Corporation that the Netting Member is and shall continue to be able to fulfill its obligations to the Corporation, and may obtain or exchange with any other Clearing Organization margin information as specified in Rule 29.

(f) A Netting Member shall be placed on the Watch List if the Corporation takes any action against such Member pursuant to Section 7 of Rule 3.

A Member shall continue to be included on the Watch List until the condition(s) that resulted in its placement on the Watch List have improved to the point where the condition(s) are no longer present or a determination is made by the Corporation that close monitoring is no longer warranted.

Section 13 - Voluntary Termination

A Member that is a Comparison-Only Member may elect to terminate such membership, and a Netting Member may elect to terminate its membership in either the Corporation or in just the Netting System (and to become a Comparison-Only Member), by providing the Corporation with 10 days written notice of such termination; however, the Corporation, in its discretion, may accept such termination within a shorter notice period. Such termination will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to Members announcing the Member's termination and the effective date of the termination of the Member (hereinafter the "Termination Date"). As of the Termination Date, a Netting Member that terminates its membership in the Netting System, or a Comparison-Only Member or Netting Member that terminates its membership in the Corporation, shall no longer be eligible or required to submit to the Corporation data on trades and shall no longer be eligible to have its trade data submitted by an authorized submitter, notwithstanding any provision of Rule 5, Rules 6A through 6C, or Rule 11 to the contrary, unless the Board determines otherwise in order to ensure an orderly liquidation of the Member's Net Settlement Positions. A Member's voluntary termination of membership shall not affect its obligations to the Corporation, or the rights of the Corporation, with respect to transactions submitted to the Corporation before the Termination Date.

Section 14 – Excess Capital Premium

If a Netting Member maintains an Excess Capital Ratio greater than 1.0, then the Corporation may require the Netting Member to make and maintain an additional deposit to the Clearing Fund in an amount equal to the product of its Excess Capital Differential multiplied by

its Excess Capital. Any such additional deposit required by the Corporation shall be considered included as part of the Netting Member's Required Fund Deposit.

The Corporation also will reserve the right to: (i) collect an amount less than the Excess Capital Premium (including no premium) based on specific circumstances (such as a Netting Member being subject to an unexpected haircut or capital charge that does not fundamentally change its risk profile), and (ii) return all or a portion of the Excess Capital Premium (or such lesser amount) if it believes that the Netting Member's risk profile does not require the maintenance of that amount.*

* FICC has identified the following guidelines, which are intended to be illustrative, but not limited, where the premium will not be imposed: management will look to see whether the premium results from unusual or non-recurring circumstances where management believes it would not be appropriate to assess the premium. Examples of such circumstances are a member's late submission of trade data for comparison that would otherwise reduce the margined position if timely submitted, or an unexpected haircut or capital charge that does not fundamentally change its risk profile.

RULE 3A—SPONSORING MEMBERS AND SPONSORED MEMBERS

Section 1 – General

The Corporation may permit the establishment of a sponsored membership relationship between a Netting Member that is approved as a Sponsoring Member and one or more Persons that are accepted by the Corporation as Sponsored Members of that particular Sponsoring Member.

The rights, liabilities and obligations of Sponsoring Members and Sponsored Members shall be governed by this Rule 3A. References to a “Member” in other Rules shall not apply to Sponsoring Members and to Sponsored Members, in their respective capacities as such, unless specifically noted as such in this Rule 3A or in such other Rules.

A Sponsoring Member shall continue to have all of the rights, liabilities and obligations set forth in these Rules and in any agreement between it and the Corporation pertaining to its status as a Netting Member, and such rights, liabilities and obligations shall be separate from its rights, liabilities and obligations as a Sponsoring Member except as contemplated under Sections 10, 11 and 12 of Rule 3A and under the Sponsoring Member Guaranty.

Section 2 – Qualifications of Sponsoring Members, the Application Process and Continuance Standards

a) A Netting Member shall be eligible to apply to become a Sponsoring Member if: (i) it is a Bank Netting Member, (ii) it has a level of equity capital as of the end of the month prior to the effective date of its membership of at least \$5 billion, (iii) it is “well-capitalized” as defined by the Federal Deposit Insurance Corporation’s applicable regulations, and (iv) if it has a bank holding company that is registered under the Bank Holding Company Act of 1956, as amended, such bank holding company is also “well-capitalized” as defined by the applicable regulations of the Board of Governors of the Federal Reserve System. The Corporation may require that a Person be a Netting Member for a time period deemed necessary by the Corporation before that Person may be considered to become a Sponsoring Member.

(b) Each Netting Member applicant to become a Sponsoring Member shall complete and deliver to the Corporation an application in such form as may be prescribed by the Corporation from time to time and any other information requested by the Corporation. An application to become a Sponsoring Member shall first be reviewed by the Corporation. The Corporation shall recommend approval or disapproval of the application to the Board. If the Board denies the application of a Netting Member to become a Sponsoring Member, such denial shall be handled in the same way as set forth in Section 6 of Rule 2A with respect to membership applications.

(c) Each Netting Member whose application is approved to become a Sponsoring Member shall sign and deliver to the Corporation a Sponsoring Member Agreement whereby the Netting Member shall agree to any terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members. Each Netting Member to become a Sponsoring Member shall also sign and deliver to the Corporation a Sponsoring Member Guaranty and a related legal opinion in a form satisfactory to the Corporation.

Nothing in these Rules shall prohibit a Sponsoring Member from seeking reimbursement from a Sponsored Member for payments made by the Sponsoring Member (whether pursuant to

the Sponsoring Member Guaranty, out of Clearing Fund deposits or otherwise) with respect to obligations as to which the Sponsored Member is a principal obligor under these Rules, or as otherwise may be agreed by the Sponsored Member and Sponsoring Member.

(d) A Sponsoring Member shall represent to the Corporation in a writing signed by an officer of the Sponsoring Member that its Sponsored Members are registered Investment Companies under the Investment Company Act of 1940 and are “qualified institutional buyers” as defined in Rule 144A under the Securities Act of 1933. Such representation shall be provided to the Corporation within 10 business days after each quarter-end, with respect to the quarter then ended. If the Sponsoring Member fails to provide the requisite representation within the requisite 10-business day period, the Sponsoring Member shall be subject to a fine by the Corporation which shall be determined in accordance with the Fine Schedule for Failure to Timely Provide Financial and Related Information. The Corporation shall have the right to cease to act for the Sponsoring Member in its capacity as a Sponsoring Member pursuant to Section 14 of this Rule 3A if the Sponsoring Member does not provide the requisite representation regarding one or more of its Sponsored Members. The Corporation shall also have the right to cease to act, pursuant to Section 13 of this Rule 3A, for any Sponsored Members for which it does not have a requisite representation, unless the Sponsoring Member and/or the affected Sponsored Member(s) request that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the records of the Sponsoring Member and the Sponsored Member(s), it is appropriate instead to establish a time period, which shall be determined by the Corporation, during which the Sponsoring Member and/or the affected Sponsored Member(s) must resume compliance with the representation requirement. In the event that the Sponsoring Member or the Sponsored Member(s) are unable to satisfy such requirement within the time period specified by the Corporation, the Corporation shall, pursuant to these Rules, cease to act for the Sponsoring Member in its capacity as a Sponsoring Member pursuant to Section 14 of this Rule 3A and/or cease to act for the Sponsored Member(s) pursuant to Section 13 of this Rule 3A.

(e) Each Sponsoring Member shall submit to the Corporation, within the timeframes and in the formats required by the Corporation, the reports and information that all Netting Members are required to submit regardless of type of Netting Member and the reports and information required to be submitted specifically by Bank Netting Members, all pursuant to Section 2 of Rule 3.

(f) A Sponsoring Member’s books and records, insofar as they relate to the Sponsored Member Trades submitted to the Corporation, shall be open to the inspection of the duly authorized representatives of the Corporation to the same extent provided in Section 10 of Rule 3 for other Members.

(g) A Sponsoring Member shall promptly inform the Corporation, both orally and in writing, if it is no longer in compliance with the relevant standards and qualifications for applying to become a Sponsoring Member set forth in this Rule 3A. Notification must take place immediately and in no event later than 2 business days from the date on which the Sponsoring Member first learns of its non-compliance. The Corporation shall assess a \$1,000 fine against any Sponsoring Member who fails to so notify the Corporation. If the Sponsoring Member fails to maintain a standard, the Corporation will, if necessary, undertake appropriate action to determine the status of the Sponsoring Member and its continued eligibility as such. In addition, the Corporation may review the financial responsibility and operational capability of the Sponsoring Member, and otherwise require from the Sponsoring Member additional reports of

its financial or operational condition at such intervals and in such detail as the Corporation shall determine. In addition, if the Corporation has reason to believe that a Sponsoring Member may fail to comply with any of the Rules applicable to Sponsoring Members, it may require the Sponsoring Member to provide it, within such timeframe, and in such detail, and pursuant to such manner as the Corporation shall determine, with assurances in writing of a credible nature that the Sponsoring Member shall not, in fact, violate any of these Rules.

In the event that a Sponsoring Member fails to maintain the relevant requirements of the Rules, the Sponsoring Member Agreement, or the Sponsoring Member Guaranty, the Corporation shall have the right to cease to act for the Sponsoring Member in its capacity as a Sponsoring Member pursuant to Section 14 of this Rule 3A, unless the Sponsoring Member requests that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the record of the Sponsoring Member, it is appropriate instead to establish for such Sponsoring Member a time period, which shall be determined by the Corporation and which shall be no longer than 30 calendar days unless otherwise determined by the Corporation, during which the Sponsoring Member must resume compliance with such requirements. In the event that the Sponsoring Member is unable to satisfy such requirements within the time period specified by the Corporation, the Corporation shall, pursuant to these Rules, cease to act for the Sponsoring Member in its capacity as a Sponsoring Member pursuant to Section 14 of this Rule 3A.

(h) If a Sponsoring Member falls below one or more of the required minimum financial standards for being a Sponsoring Member set forth in subsection (a) above, it shall, for the period beginning on the day on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a Sponsoring Member Omnibus Account Required Fund Deposit equal to the greater of either: (x) the sum of the normal calculation of its Sponsoring Member Omnibus Account Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Sponsoring Member Omnibus Account Required Fund Deposit.

(i) A Sponsoring Member may voluntarily elect to terminate its status as a Sponsoring Member, with respect to all Sponsored Members or with respect to one or more Sponsored Members from time to time, by providing the Corporation with 30 calendar days written notice of such termination; however, the Corporation, in its discretion, may accept such termination within a shorter notice period. Such termination will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to all Members announcing the termination of the Sponsoring Member's status as such with respect to the Sponsored Member(s) as to which the Sponsoring Member has terminated such status (the "Former Sponsored Members") and the effective date of such termination (hereinafter the "Sponsoring Member Termination Date"). As of the Sponsoring Member Termination Date, the Sponsoring Member shall no longer be eligible to submit trades on behalf of its Former Sponsored Members and each of its Former Sponsored Members shall cease to be a Sponsored Member unless it is the Sponsored Member of another Sponsoring Member. A Sponsoring Member's voluntary termination of its status as such, in whole or in part, shall not affect its obligations to the Corporation, or the rights of the Corporation, including under the Sponsoring Member Guaranty, with respect to Sponsored Member Trades submitted to the Corporation before the applicable Sponsoring Member Termination Date. Any Sponsored Member Trades which have received the Corporation's guaranty of settlement shall continue to be processed and guaranteed by the Corporation.

(j) Except as otherwise provided in Rule 29, any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the Sponsoring Member.

Section 3 - Qualifications of Sponsored Members, Approval Process and Continuance Standard

(a) A Person shall be eligible to become a Sponsored Member if: (i) it is sponsored into membership by a Sponsoring Member, and (ii) it is a registered Investment Company under the Investment Company Act of 1940 and a “qualified institutional buyer” as defined by Rule 144A under the Securities Act of 1933. The Corporation shall have the right to rely on the representation provided by the Sponsoring Member regarding satisfaction of (ii).

(b) Each time that a Sponsoring Member wishes to sponsor a Person into membership, it shall provide the Corporation with the representation referred to in subsection (a)(ii) immediately above, as well as any additional information in such form as may be prescribed by the Corporation. The Corporation shall approve or disapprove Persons as Sponsored Members. If the Corporation denies the request of a Sponsoring Member to add a Person as a Sponsored Member, such denial shall be handled in the same manner as set forth in Section 6 of Rule 2A with respect to membership applications except that the written statement referred to therein shall be provided to both the Sponsoring Member and the Person seeking to become a Sponsored Member.

(c) Each Person to become a Sponsored Member shall sign and deliver to the Corporation a Sponsored Member Agreement whereby the Person shall agree to any terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members.

(d) A Sponsored Member shall immediately inform its Sponsoring Member, both orally and in writing, if the Sponsored Member is no longer in compliance with the requirements of subsection (a) of this Section 3. A Sponsoring Member shall promptly inform the Corporation, both orally and in writing, if a Sponsored Member is no longer in compliance with the requirements of subsection (a) of this Section 3. Notification to the Corporation by the Sponsoring Member must take place within 1 business day from the date on which the Sponsoring Member first learns of the Sponsored Member’s non-compliance. The Corporation shall assess a \$1,000 fine against any Sponsoring Member who fails to so notify the Corporation.

The Corporation shall, pursuant to Section 13 of this Rule 3A, cease to act for a Sponsored Member that is no longer in compliance with the requirements of subsection (a) of this Section 3.

(e) A Sponsored Member may voluntarily elect to terminate its membership by providing the Corporation with 10 calendar days written notice of such termination; however, the Corporation, in its discretion, may accept such termination within a shorter notice period. Such termination will not be effective until accepted by the Corporation. The Corporation’s acceptance shall be evidenced by a notice to all Members announcing the termination of the Sponsored Member and the effective date of such termination (hereinafter the “Sponsored Member Termination Date”). As of the Sponsored Member Termination Date, the relevant Sponsoring Member shall no longer be eligible to submit trades on behalf of the Sponsored Member. A Sponsored Member’s voluntary termination shall not affect its obligations to the Corporation, or the rights of the Corporation, including under the Sponsoring Member Guaranty, with respect to Sponsored Member Trades submitted to the Corporation before the Sponsored

Member Termination Date, and the Sponsoring Member Guaranty shall remain in effect to cover all outstanding obligations of the Sponsored Member to the Corporation that are within the scope of such Sponsoring Member Guaranty.

Section 4—Compliance with Laws

Each of the Sponsoring Members and Sponsored Members shall comply in all material respects with all applicable laws, including applicable laws relating to securities, taxation and money laundering in connection with the use of the Corporation's services.

Section 5—Sponsored Member Trades

Sponsored Member Trades may be any type of transaction eligible for submission to the Corporation for netting with the exception of Netting-Eligible Auction Purchases, Brokered Transactions, and GCF Repo Transactions.

Rule 14 (Forward Trades) shall apply to Sponsored Member Trades that are Forward Trades in the same manner in which it applies to Netting Members with the exception that the Report on Forward Net Settlement Positions shall be issued to the Sponsoring Member as processing agent for its Sponsored Members. The Corporation's provision of such Report to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Report to the affected Sponsored Members.

Rule 18 (Special Provisions for Repo Transactions) shall apply to Sponsored Member Trades that are Repo Transactions in the same manner in which it applies to Netting Members.

Section 6—Trade Submission and the Comparison System

(a) The Corporation's Schedule of Timeframes shall be applicable to Sponsored Member Trades.

(b) The comparison of Sponsored Member Trades shall be governed by Rule 5 and either: (i) Rule 6A or (ii) Sections 1, 2, 4, 6 through 10 and 13 of Rule 6C depending upon the type of comparison for which the Sponsored Member Trades are submitted. The Sponsoring Member shall act as processing agent for performing all functions and receiving Reports and information set forth in these trade submission and comparison Rules on behalf of its Sponsored Members. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members.

(c) The enhanced comparison processes regarding the presumed match of data set forth in Rule 10 shall apply to Sponsored Member Trades. A special enhanced comparison process shall be applicable to Sponsored Member Trades that are submitted for Bilateral Comparison as follows: If all other required fields are valid and match but the executing firm field on the side representing the netting account of the Sponsoring Member has been omitted and the executing firm field on the side representing the Sponsoring Member Omnibus Account is valid, then the Corporation shall compare the Sponsored Member Trade based on the valid executing firm field.

Section 7 – The Netting System and Guaranty of Settlement

(a) The Sponsored Member Trades of each Sponsored Member shall be netted and novated in the same manner as set forth in Sections 1, 4 and 6 of Rule 11 for Netting Member

trades as long as such Sponsored Member Trades meet the requirements of Section 2 of Rule 11. Net Settlement Positions per CUSIP shall be calculated for each Sponsored Member in the same manner set forth in Rule 11 for Netting Members. The Sponsoring Member shall act as processing agent for performing all functions and receiving Reports and information set forth in Rule 11 on behalf of its Sponsored Members. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members.

(b) Net Settlement Positions of Sponsored Members that are comprised in whole or in part of Sponsored Member Trades that are Locked-In Trades shall be treated by the Corporation in the same manner as all other Net Settlement Positions.

(c) Fail Net Settlement Positions per CUSIP shall be calculated at the level of the Sponsoring Member Omnibus Account in the same way as they are calculated for Netting Members pursuant to Rule 11. At the request of the Corporation, the Sponsoring Member shall inform the Corporation as to the manner in which the Sponsoring Member allocates a Fail Net Settlement Position among its Sponsored Members.

(d) The Corporation's guaranty of settlement shall apply to Sponsored Member Trades in the same manner in which it applies to trades of Netting Members pursuant to Rule 11B.

Section 8—Securities Settlement

(a) A Sponsored Member shall appoint its Sponsoring Member to act as processing agent with respect to the Sponsored Member's satisfaction of its securities settlement obligations and for performing all functions and receiving Reports and information set forth in the Sections of the Rules cited in Section 8(c) below. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members. Notwithstanding the foregoing and any other activities the Sponsoring Member may perform in its capacity as agent for Sponsored Members, each Sponsored Member shall be principally obligated to the Corporation with respect to all securities settlement obligations under the Rules, and the Sponsoring Member shall not be a principal under the Rules with respect to settlement obligations of its Sponsored Members.

(b) Netting at the Sponsored Member level shall occur as stated in Section 7 of this Rule 3A. The Corporation shall then, for operational purposes, calculate a single Net Settlement Position and Fail Net Settlement Position in each CUSIP for the Sponsoring Member Omnibus Account and associated Deliver Obligations and Receive Obligations.

(c) Each Sponsored Member shall be responsible for satisfying its allocable portion of the Deliver Obligations and Receive Obligations established for the Sponsoring Member Omnibus Account, using its Sponsoring Member as a processing agent, in the same manner set forth in Sections 9 through 12 of Rule 11 and Sections 1 through 5, 7, 9 and 10 of Rule 12 for Netting Members. With respect to Section 5 of Rule 12, the Sponsoring Member shall inform the Corporation as to the manner in which a partial delivery, if any, was allocated among the Sponsored Members.

(d) On each Business Day, each Deliver Obligation and Receive Obligation of the Sponsoring Member Omnibus Account shall be settled at Settlement Value reported on such

Business Day for such Obligations. The Corporation's satisfaction of its securities settlement obligations with the Sponsoring Member Omnibus Account shall constitute satisfaction of the Corporation's obligation to settle with an individual Sponsored Member whose securities settlement obligations constitute an allocable portion of the Deliver Obligation or Receive Obligation of the Sponsoring Member Omnibus Account.

(e) Any financing costs incurred as described in Section 6 of Rule 12 due to Sponsored Member activity shall be the responsibility of the applicable Sponsoring Member. Section 8 of Rule 12 shall apply to Sponsoring Members and Sponsored Members in the same manner in which it applies to Netting Members.

(f) The Corporation's buy-in provisions set forth in Section 13 of Rule 11 shall apply, the same manner in which they apply to Netting Member positions, to the Receive Obligations and Deliver Obligations established at the level of the Sponsoring Member Omnibus Account pursuant to subsection (b) of this Section 8.

(g) As security for any and all obligations and liabilities of a Sponsored Member to the Corporation under the Rules, including, without limitation, all of the securities and funds-only settlement obligations of such Sponsored Member under the Rules, each such Sponsored Member grants to the Corporation a first priority perfected security interest in all assets and property placed by a Sponsored Member in the possession of the Corporation (or its agents acting on its behalf), including all securities and cash on deposit with the Corporation or its agents.

Section 9—Funds-Only Settlement

(a) A Sponsored Member shall have the same Funds-Only Settlement Amount obligations as a Netting Member pursuant to Rule 13. A Sponsored Member shall appoint its Sponsoring Member to act as processing agent for performing all functions and receiving Reports and information set forth in Rule 13. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members. Notwithstanding the foregoing and any other activities the Sponsoring Member may perform in its capacity as agent for Sponsored Members, each Sponsored Member shall be principally obligated to the Corporation with respect to all funds-only settlement obligations under the Rules, and the Sponsoring Member shall not be a principal under the Rules with respect to settlement obligations of its Sponsored Members.

(b) The Corporation shall, for operational purposes, calculate a single Funds-Only Settlement Amount obligation for the Sponsoring Member Omnibus Account. Each Sponsored Member shall be responsible for satisfying its allocable portion of such Funds-Only Settlement Amount, using its Sponsoring Member as a processing agent, in the same manner set forth in Rule 13 for Netting Members. The Corporation's satisfaction of its funds-only settlement obligations with the Sponsoring Member Omnibus Account shall constitute satisfaction of the Corporation's obligation to settle with an individual Sponsored Member whose Funds-Only Settlement obligations constitute an allocable portion of the Funds-Only Settlement Amount of the Sponsoring Member Omnibus Account.

(c) A Sponsoring Member shall be subject to a fine pursuant to the Fine Schedule for Late Payment of Funds Settlement Debit in these Rules for any late payment of a Funds-Only Settlement Amount that is a debit obligation of any of its Sponsored Members.

(d) Section 6 of Rule 13 shall apply to the Sponsored Member activity in the same manner in which it applies to Netting Member activity, except that the Sponsoring Member shall have all obligations arising thereunder even if caused by its Sponsored Members.

Section 10—Clearing Fund Obligations

(a) Each Sponsoring Member shall make and maintain so long as such Member is a Sponsoring Member a deposit to the Clearing Fund as a Required Fund Deposit to support the activity in the Sponsoring Member Omnibus Account (the “Sponsoring Member Omnibus Account Required Fund Deposit”). Deposits to the Clearing Fund shall be held by the Corporation or its designated agents, to be applied as provided in the Rules.

(b) In the ordinary course, for purposes of satisfying the Sponsoring Member’s Clearing Fund requirements under the Rules for both its Netting Member activity and its Sponsoring Member activity, the Sponsoring Member’s Netting System accounts and its Sponsoring Member Omnibus Account shall be treated separately, as if they were accounts of separate entities. Notwithstanding the previous sentence, however, the Corporation may, in its sole discretion, at any time and without prior notice to the Sponsoring Member (but being obligated to give notice to the Sponsoring Member as soon as possible thereafter) and whether or not the Sponsoring Member or any of its Sponsored Members is in default of its obligations to the Corporation, treat the Sponsoring Member’s accounts as a single account for the purpose of applying Clearing Fund deposits; apply Clearing Fund deposits made by the Sponsoring Member with respect to any account as necessary to ensure that the Sponsoring Member meets all of its obligations to the Corporation under any other account(s); and otherwise exercise all rights to offset and net against the Clearing Fund deposits any net obligations among any or all of the accounts, whether or not any other Person is deemed to have any interest in such account.

(c) The amount of the Sponsoring Member Omnibus Account Required Fund Deposit to be made and maintained by each Sponsoring Member on each Business Day shall be determined as follows: A Required Fund Deposit calculation shall be performed for each Sponsored Member whose activity is represented in the Sponsoring Member Omnibus Account pursuant to Rule 4, subject to the provisions of this Section 10 of this Rule 3A. The Sponsoring Member Omnibus Account Required Fund Deposit shall be equal to the sum of the following: (1) the sum of the Required Fund Deposit calculations for all of the Sponsored Members whose activity is represented in the Sponsoring Member Omnibus Account, and (2) the Clearing Fund components related to Fail Net Settlement Positions and Funds-Only Settlement amounts computed at the level of the Sponsoring Member Omnibus Account. For purposes of calculating the Unadjusted GSD Margin Portfolio Amount applicable to a Sponsoring Member Omnibus Account, the Corporation shall adjust for any over-collateralization in the Funds-Only Settlement Amount by determining such amount to be zero, if applicable, and excluding Fail Net Settlement Positions from such calculation, except under extraordinary circumstances.

(d) The lesser of \$5,000,000 or 10 percent of the total amount arrived at in subsection (c) of this Section 10, with a minimum of \$100,000 must be made and maintained in cash, with the remaining portion to be made and maintained in the form specified in, and subject to the requirements of, Section 4 of Rule 4, and subject to subsection (o) of Section 2 of Rule 4.

(e) The Corporation shall have the right to increase the Sponsoring Member Omnibus Account Required Fund Deposit in the same way and for the same reasons as set forth in subsections (g), (h), and (n) of Section 2 of Rule 4.

(f) Sections 4, 5, 6, 9, 10, 11 and 12 of Rule 4 shall apply to the Sponsoring Member Omnibus Account Required Fund Deposit with respect to obligations of a Sponsoring Member under the Rules, including its obligations arising under the Sponsoring Member Omnibus Account, and the obligations of a Sponsoring Member under its Sponsoring Member Guaranty to the same extent as such Sections apply to any Required Fund Deposit and any other obligations of a Member. For purposes of Section 5 of Rule 4, obligations and liabilities of a Netting Member to the Corporation that shall be secured shall include, without limitation, a Netting Member's obligations as a Sponsoring Member under the Rules, including, without limitation, any obligation of any such Sponsoring Member to provide the Sponsoring Member Omnibus Account Required Fund Deposit, such Sponsoring Member's obligations arising under the Sponsoring Member Omnibus Account of such Sponsoring Member and such Sponsoring Member's obligations under its Sponsoring Member Guaranty.

(g) A Sponsoring Member shall be subject to a fine pursuant to the applicable Fine Schedule in these Rules for any late satisfaction of a Clearing Fund deficiency call.

(h) Sponsoring Members, with respect to their Sponsoring Member Omnibus Accounts, shall not be eligible to participate in any Cross-Margining Arrangements.

Section 11 – Right of Offset

In the ordinary course, with respect to satisfaction of any Sponsored Member's obligations under the Rules, the Sponsoring Member's Netting System accounts and its Sponsoring Member Omnibus Account shall be treated separately, as if they were accounts of separate entities. Notwithstanding the previous sentence, however, the Corporation may, in its sole discretion, at any time any obligation of the Sponsoring Member arises under the Sponsoring Member Guaranty to pay or perform thereunder with respect to any Sponsored Member, exercise a right of offset and net any such obligation of the Sponsoring Member under its Sponsoring Member Guaranty against any obligations of the Corporation to the Sponsoring Member in respect of such Sponsoring Member's Netting System accounts.

Section 12—Loss Allocation Obligations

(a) Sponsored Members shall not be obligated for allocations, pursuant to Rule 4, of loss or liability incurred by the Corporation. To the extent that a Remaining Loss (as defined in Section 8 of Rule 4) is determined by the Corporation to arise in connection with Direct Transactions that the Sponsored Members had with their Sponsoring Member (i.e., in connection with the insolvency or default of a Sponsoring Member), the Sponsored Members shall not be responsible for or considered in the loss allocation calculation, but rather such loss shall be covered by the other Netting Members that had Direct Transactions with the Sponsoring Member in its capacity as a Netting Member in accordance with the principles set forth in Section 8(d)(i) of Rule 4.

(b) To the extent the Corporation incurs a Remaining Loss other than one referred to in (a), a loss pursuant to Section 8(e) of Rule 4 or an Other Loss (as defined in Section 8 of Rule 4) and a loss allocation obligation arises that would be the responsibility of the Sponsoring Member Omnibus Account if the Sponsoring Member Omnibus Account were a Netting Member, the Corporation shall calculate such loss allocation obligation as if the affected Sponsored Members were subject to such allocations pursuant to Section 8 of Rule 4, but the Sponsoring Member shall be responsible for satisfying such obligations.

(c) The entire amount of the Required Fund Deposit associated with the Sponsoring Member's Netting System accounts and the entire amount of the Sponsoring Member's Omnibus Account Required Fund Deposit may be used to satisfy any amount allocated against a Sponsoring Member in its capacity as either a Netting Member or a Sponsoring Member. With respect to an obligation to make payment due to any loss allocation amounts assessed to a Sponsoring Member pursuant to subsection (b) above, the Sponsoring Member may instead provide, by the Close of Business on the Business Day on which such payment is due, written notice to the Corporation of its election to terminate its membership in the Corporation. If such Sponsoring Member elects to terminate its membership in the Corporation, its liability for an assessed allocation pursuant to subsection (b) shall be limited to the sum of its Required Fund Deposit and its Sponsoring Member's Omnibus Account Required Fund Deposit on the Business Day on which the notification of such allocation is provided to the Sponsoring Member.

Section 13—Restrictions on Access to Services by a Sponsored Member

(a) Based upon the judgment of the Corporation that adequate cause exists to do so, the Corporation may at any time upon providing notice to the Sponsored Member and its Sponsoring Member, suspend a Sponsored Member from any service provided by the Corporation either with respect to a particular transaction or transactions or with respect to transactions generally, or prohibit or limit such Sponsored Member with respect to access to services offered by the Corporation in the event that one or more of the factors set forth in Section 1(a) through (f) of Rule 21, with the Corporation making the determinations set forth therein, is present with respect to the Sponsored Member, and the Corporation, in its sole discretion, has reasonable grounds to believe that such action is appropriate either for the protection of the Corporation or other Members or to facilitate the orderly and continuous performance of the Corporation's services.

(b) Sections 1 through 6 of Rule 21 shall apply with respect to a Sponsored Member in the same way as they apply to Netting Members, including the Corporation's right to summarily suspend a Sponsored Member and to cease to act for such Sponsored Member pursuant to Section 22A, except that the Corporation shall make the determination referred to in Section 3 of Rule 21.

(c) If the Corporation determines to cease to act for the Sponsored Member, the provisions of Rule 22A shall apply in the same way as they would apply to a Netting Member.

Section 14—Restrictions on Access to Services by a Sponsoring Member

(a) Based upon the judgment of the Corporation that adequate cause exists to do so, the Corporation may at any time upon providing notice to the Sponsoring Member, suspend a Sponsoring Member in its capacity as a Sponsoring Member from any service provided by the Corporation either with respect to a particular transaction or transactions or with respect to transactions generally or prohibit or limit such Sponsoring Member with respect to access to services offered by the Corporation in the event that if one or more of the factors set forth in Section 1(a) through (f) of Rule 21, with the Corporation making the determinations set forth therein, is present with respect to the Sponsoring Member, and the Corporation, in its sole discretion, has reasonable grounds to believe that such action is appropriate either for the protection of the Corporation or other Members or to facilitate the orderly and continuous performance of the Corporation's services.

(b) Sections 1 through 6 of Rule 21 shall apply with respect to a Sponsoring Member in the same way as they apply to Netting Members, including the Corporation's right to summarily suspend the Sponsoring Member and to cease to act for such Sponsoring Member, except that the Corporation shall make the determination referred to in Section 3 of Rule 21.

(c) If the Corporation ceases to act for a Sponsoring Member in its capacity as a Sponsoring Member, Rule 22A shall apply and the Corporation shall decline to accept or process data from the Sponsoring Member on Sponsored Member Trades and the Corporation shall cease to act for all of the Sponsored Members of the affected Sponsoring Member. If the Corporation suspends the Sponsoring Member or ceases to act for the Sponsoring Member, the Corporation shall decline to accept or process data from the Sponsoring Member on Sponsored Member Trades and shall suspend the Sponsored Members of the affected Sponsoring Member for so long as and to the extent that the Corporation is ceasing to act for the Sponsoring Member. Any Sponsored Member Trades which have received the Corporation's guaranty of settlement shall continue to be processed and guaranteed by the Corporation.

Section 15—Insolvency of a Sponsored Member

(a) A Sponsored Member and its Sponsoring Member (to the extent it has knowledge thereof) shall be obligated to inform the Corporation that the Sponsored Member is insolvent or that the Sponsored Member will be unable to perform any of its material contracts, obligations or agreements in the same manner as required by Section 1 of Rule 22 for other Members. A Sponsored Member shall be treated by the Corporation in all respects as insolvent under the same circumstances set forth in Section 2 of Rule 22 for other Members. Sections 3 and 4 of Rule 22 shall apply, in the same manner in which such Sections apply to other Members, in the case where the Corporation treats a Sponsored Member as insolvent.

(b) The Corporation shall, as soon as practicable after the Time of Insolvency (as defined in Rule 22), cease to act for the insolvent Sponsored Member and Rule 22A shall apply with respect to the close-out of the insolvent's Sponsored Member Trades.

Section 16 —Insolvency of a Sponsoring Member

(a) A Sponsoring Member shall be obligated to inform the Corporation that it is insolvent or that it will be unable to perform any of its material contracts, obligations or agreements in the same manner as required by Section 1 of Rule 22 for other Members. A Sponsoring Member shall be treated by the Corporation in all respects as insolvent under the same circumstances set forth in Section 2 of Rule 22 for other Members. Sections 3 and 4 of Rule 22 shall apply, in the same manner in which such Sections apply to other Members, in the case where the Corporation treats a Sponsoring Member as insolvent.

In the event that the Corporation determines to treat a Sponsoring Member as insolvent, the Corporation shall, as soon as practicable after the Time of Insolvency (as defined in Rule 22), decline to accept or process data from the Sponsoring Member, including Sponsored Member Trades, and the Corporation shall terminate the membership of all of the insolvent's Sponsored Members unless they are the Sponsored Members of another Sponsoring Member. Any Sponsored Member Trades which have received the Corporation's guaranty of settlement shall continue to be processed and guaranteed by the Corporation. The Corporation, in its sole discretion, shall determine whether to close-out the affected Sponsored Member Trades and/or permit the Sponsored Members to complete their settlement.

Section 17 —Other Applicable Rules, Schedules, Interpretations and Statements

(a) Rule 27 (Admission to Premises of the Corporation, Powers of Attorney, Etc.), Rule 28 (Forms), Rule 29 (Release of Clearing Data), Rule 30 (Lists to be Maintained), Rule 31 (Distribution Facilities), Rule 32 (Signatures), Rule 33 (Procedures), Rule 34 (Insurance), Rule 35 (Financial Reports), Rule 36 (Rule Changes), Rule 37 (Hearing Procedures), Rule 38 (Governing Law and Captions), Rule 39 (Limitations of Liability), Section 3 of Rule 40 (General Provisions), Rule 41 (Cross-Guaranty Agreements), Rule 42 (Suspension of Rules), Rule 44 (Action by the Corporation), Rule 45 (Notices), Rule 46 (Interpretation of Terms), Rule 47 (Interpretation of Rules), and Rule 48 (Disciplinary Proceedings) shall apply to, or with respect to, Sponsored Members and Sponsoring Members.

(b) All Schedules that are cited in, or pertain to, the Rules cited in this Rule 3A as applying to Sponsoring Members and/or Sponsored Members shall apply to Sponsored Members and Sponsoring Members.

(c) Any Statements of Policy or Interpretations contained in these Rules shall apply to Sponsoring Members and Sponsored Members unless expressly stated otherwise.

RULE 4 - CLEARING FUND AND LOSS ALLOCATION

Section 1 - General

Each Netting Member shall make, and maintain so long as such Member is a Netting Member, a deposit to the Clearing Fund at no less than the minimum required level set forth in this Rule (the "Required Fund Deposit"). Deposits to the Clearing Fund shall be held by the Corporation or its designated agents, to be applied as provided in this Rule. The timing of payment of the Required Fund Deposit shall be determined in accordance with the provisions of Section 8 of this Rule.

Section 1a – Margin Portfolio

(a) A Margin Portfolio shall consist of: (i) such Accounts of the Member and of Permitted Margin Affiliates of the Member as the Member shall designate in accordance with the Rules and Procedures of the Corporation; and (ii) such NYPC Accounts of the Member and/or Permitted Margin Affiliates of the Member as the Member shall designate in accordance with the Rules and Procedures of the Corporation, the rules and procedures of NYPC and the terms of the Cross-Margining Agreement between the Corporation and NYPC.

(b) A Sponsoring Member Omnibus Account shall not be grouped in a Margin Portfolio with any other Accounts or NYPC Accounts. An Account of a Tier Two Netting Member shall not be grouped in a Margin Portfolio with any Accounts of a Tier One Netting Member or NYPC Accounts. A Bank Netting Member shall not be permitted to group any of its Accounts in a Margin Portfolio with Accounts or NYPC Accounts of a Permitted Margin Affiliate unless it can demonstrate to the satisfaction of the Corporation and NYPC that, in doing so, it is in compliance with regulatory requirements applicable to it.

(c) A Broker Account shall not be grouped in a Margin Portfolio with Dealer Accounts or NYPC Accounts.

(d) The Corporation shall calculate a Member's Required Fund Deposit with reference to the Margin Portfolios of the Member as set forth in this Rule 4.

Section 1b – Unadjusted GSD Margin Portfolio Amount

(a) Each Business Day, the Corporation shall determine, with respect to each Margin Portfolio, an Unadjusted GSD Margin Portfolio Amount as the sum of the following;

(i) the VaR Charge

plus

(ii) the Coverage Charge,

minus

(iii) if the Margin Portfolio includes any NYPC Accounts, the amount determined by the Corporation as allocable to the calculation of the Member's (or the Permitted Margin Affiliate's) Original Margin at NYPC in accordance with the Cross-Margining Agreement between the

Corporation and NYPC.

minus

(iv) in the case of a Margin Portfolio of a Cross Margining Participant that is subject to other Cross-Margining Arrangements, in the discretion of the Corporation, an amount not to exceed the sum of any applicable Cross-Margining Reductions, calculated on the current Business Day for such Cross-Margining Participant in accordance with the applicable Cross-Margining Agreements.

plus

(v) In the case of a Margin Portfolio of a GCF Counterparty, the GCF Premium Charge and/or GCF Repo Event Premium.

The Corporation shall determine a separate Unadjusted GSD Margin Portfolio Amount for a Netting Member's Market Professional Cross-Margining Account.

The Corporation shall have the discretion to not apply the VaR calculation(s) to net unsettled positions in classes of securities whose volatility is less amenable to statistical analysis, or to Term Repo Transactions and Forward-Starting Repo Transactions (including term and forward-starting GCF Repo Transactions) whose term repo rate volatility is less amenable to statistical analysis. In lieu of such calculation, the component required with respect to such transactions shall instead be determined based on a historic index volatility model.

The Corporation shall take into account the VaR confidence level applicable to the Member in calculating the VaR Charge and Coverage Charge. In the case of a Margin Portfolio containing accounts of Permitted Margin Affiliates, the Corporation shall apply the highest VaR confidence level applicable to the Member or its Permitted Margin Affiliates.

The Corporation shall have the discretion to calculate an additional amount ("special charge") applicable to a Margin Portfolio as determined by the Corporation from time to time in view of market conditions and other financial and operational capabilities of the Member. The Corporation shall make any such determination based on such factors as the Corporation determines to be appropriate from time to time.

The Corporation shall calculate the Unadjusted GSD Margin Portfolio Amount applicable to a Sponsoring Member Omnibus Account, and the Sponsoring Member Omnibus Account Required Fund Deposit, subject to the provisions set forth in Section 10 of Rule 3A.

The minimum Clearing Fund requirement applicable to an Inter-Dealer Broker Netting Member or a Netting Member that maintains one or more Broker Accounts shall at all times be no less than \$5 million.

Once applicable minimum Clearing Fund amounts have been applied, the Corporation shall apply any applicable additional payments, charges and premiums set forth in these Rules.

Section 2- Required Fund Deposit

(a) Each Business Day, each Netting Member shall be required to make a Required Fund Deposit to the Clearing Fund equal to the amounts derived pursuant to the provisions of

Sections 1, 1a and 1b of this Rule 4 (the “Total Amount”). A Netting Member that has a Margin Portfolio that consists of a Market Professional Cross-Margining Account shall be required to make an additional Required Fund Deposit to the Clearing Fund associated with the activity of such Margin Portfolio. Unless otherwise expressly provided, references in these Rules that pertain to Required Fund Deposits shall apply to the Required Fund Deposits associated with a Netting Member’s Market Professional Cross-Margining Account.

A Netting Member’s Required Fund Deposit shall be reported daily, and payment shall be due by the time specified in the Corporation’s procedures; however, such payment shall not be due on a given day if: (a) the difference between the amount of a Member’s Required Fund Deposit, when combined with the amounts required with respect to its NYPC Original Margin, if applicable, as reported on that day, and the amount then on deposit towards satisfaction thereof is less than both (i) \$250,000, and (ii) 25 percent of the amount then on deposit; and (b) the Member is not on the Watch List.

(b) The lesser of \$5,000,000 or 10 percent of the Total Amount arrived at above, with a minimum of \$100,000, must, be made and maintained in cash, with the remaining portion of the Total Amount to be made and maintained in the form specified in Section 4 of this Rule. The previous sentence shall also apply to a Sponsoring Member Omnibus Account, but shall not apply to the individual Sponsored Members whose activity is presented by such Account.

(c) The Corporation shall calculate the Sponsoring Member Omnibus Account Required Fund Deposit in the manner set forth in Section 10 of Rule 3A.

(d) The initial Required Fund Deposit of each Netting Member, other than an Inter-Dealer Broker Netting Member, shall be set by the Corporation based upon the expected nature and level of such Member's activity.

(e) The Corporation shall determine the Required Fund Deposit of a Non-Conversion Participating Member that is a Netting Member as if such Member were a Conversion-Participating Member.

(f) Notwithstanding anything to the contrary in this Rule, the Corporation may require a Netting Member to make and maintain a higher Required Fund Deposit than the amount as noted above, if the Corporation determines that such higher Required-Fund Deposit is necessary to protect the Corporation and its Members from the risk (the “Legal Risk”) that the Corporation, as a result of a law applicable to a Netting Member’s insolvency or bankruptcy, may be delayed or prohibited from: (i) accessing any portion of the Netting Member’s Required Fund Deposit, (ii) netting, closing out or liquidating transactions, or setting off obligations, or taking any other action contemplated by Rule 4 (Clearing Fund and Loss Allocation), Rule 21 (Restrictions on Access to Services), Rule 22 (insolvency of a Member) or Rule 22A (Procedures for When the Corporation Ceases to Act), or (iii) otherwise exercising its rights pursuant to these Rules.

(g) Notwithstanding anything to the contrary in this Rule, the Corporation may require a Netting Member’s Required Fund Deposit, when combined with the amount of its NYPC Original Margin, to be in proportions of cash, Eligible Clearing Fund Securities and Eligible Letters of Credit that the Corporation determines to be necessary to protect itself and its Members from Legal Risk.

(h) Notwithstanding anything to the contrary above, the Corporation, in its sole discretion, may secure a loan made to a Repo Broker for purposes of satisfying that Repo Broker's Funds-Only Settlement Amount obligation with that Repo Broker's Clearing Fund deposit made to the Corporation.

Section 2a- Intraday Calculation of VaR Amounts- Intra-day Supplemental Fund Deposit

Pursuant to procedures established by the Corporation, the Corporation shall recalculate intraday, each Business Day, at the times established by the Corporation for this purpose, the amount of the intraday VaR Charge applicable to each Margin Portfolio of a Member, based upon the open positions in such Margin Portfolio at a designated time intraday, for purposes of establishing whether a Member shall be required to make payment of an additional amount (the Member's "Intraday Supplemental Fund Deposit") to its Required Fund Deposit. Such additional amount shall be deemed part of the Member's Required Fund Deposit for all purposes under these Rules.

The Corporation shall establish procedures for collection of an amount calculated in respect of a Member's Intraday Supplemental Fund Deposit, including parameters regarding threshold amounts that require payment, and the form and time by which payment is required to be made to the Corporation. The Corporation reserves the right to require a Member or Members generally to make additional Intraday Supplemental Fund Deposits if the Corporation determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting a Member or Members generally.

In addition to the above, Repo Parties will also be subject to the provisions of this Section 2a with respect to their pending (non-DK'ed) Demand Trades with Repo Brokers.

Section 3 - Form of Deposit

Subject to the provisions of Section 2 of this Rule governing the computation of deposits, and the limitations of this Section 3, Section 3a and Section 3b, a Netting Member's deposits to the Clearing Fund may be in the form of:

- (a) cash, or
- (b) an open account indebtedness fully secured by Eligible Clearing Fund Securities.

A minimum of 40 percent of the Netting Member's Required Fund Deposit shall, when combined with the Member's NYPC Required Original Margin, be made in the form of cash and/or Eligible Clearing Fund Treasury Securities.

Upon appropriate notice to the Corporation, pursuant to procedures that the Corporation establishes for such purpose, and subject to reasonable time constraints imposed by the Corporation based on its operational and administrative capacities, a Netting Member may substitute and/or withdraw securities from pledge and deposit, provided that the Member has, effective immediately prior to the withdrawal, taken appropriate action to maintain its Required Fund Deposit. Notwithstanding the above sentence, the Corporation may decline to permit a substitution or withdrawal on a given Business Day later than one hour or less prior to the close of the securities FedWire on such Day. Any interest on securities deposited by a Netting Member to secure a Clearing Fund open account indebtedness that is received by the Corporation shall be credited to the Member's cash deposits to the Clearing Fund, except in the event of a default by a Member in payment of any of its obligations to the Corporation, in which case the Corporation

may first liquidate such securities and apply all or a portion thereof, including any interest thereon, as provided in Section 7 of this Rule.

Section 3a– Special Provisions Related to Deposits of Cash

Cash deposits to the Clearing Fund shall be made in immediately-available funds. Cash contained in the Clearing Fund may be partially or wholly invested by the Corporation in its sole discretion, for its account in securities issued or guaranteed as to principal and interest by the United States or agencies and instrumentalities of the United States or repurchase agreements related to securities issued or guaranteed as to principal and interest by the United States or agencies and instrumentalities of the United States, and to the extent not so invested shall be deposited by the Corporation in its name in a depository or depositories selected by the Corporation. Investment income, if any, on cash deposits shall be paid to Members at such intervals, in such manner and in such amounts as the Corporation from time to time may determine.

Section 3b – Special Provisions Related to Eligible Clearing Fund Securities

(a) Any deposits of Eligible Clearing Fund Agency Securities or Eligible Clearing Fund Mortgage-Backed Securities, respectively, in excess of 25 percent of the Member’s Required Fund Deposit and its NYPC Original Margin will be subject to an additional haircut equal to twice the percentage as specified in the haircut schedule.

(b) No more than 20 percent of the Required Fund Deposit may, when combined with the Member’s NYPC’s Original Margin be in the form of Eligible Clearing Fund Agency Securities that are of a single issuer and no Member may post as eligible collateral Eligible Clearing Fund Agency Securities of which it is the issuer.

(c) A Member may post as eligible collateral Eligible Clearing Fund Mortgage-Backed Securities of which it is the issuer, however such collateral will be subject to a premium haircut as specified in the haircut schedule.

Eligible Clearing Fund Securities that are used to secure an open account indebtedness must be pledged to the Corporation on such terms and conditions as it may require, and be delivered to either the Corporation or to a depository institution approved by the Corporation that shall hold the securities on the Corporation's behalf. The valuation of such Eligible Clearing Fund Securities shall be at current market value, which shall be determined by the Corporation not less frequently than on a daily basis. All Eligible Clearing Fund Securities shall be subject to a haircut set forth in these Rules; The Corporation has the right, in its discretion, to refuse to accept a particular type or types of Eligible Clearing Fund Security as Clearing Fund deposit.

Section 4 - Lien

As security for any and all obligations and liabilities of a Netting Member to the Corporation including, without limitation, the obligations of the Member’s Permitted Margin Affiliate to the Corporation, any obligation or liability of a Netting Member pursuant to a Cross-Margining Agreement, any Reimbursement Obligation of a Cross-Margining Participant to the Corporation pursuant to Section 3 of Rule 43, any obligation of a Cross-Margining Beneficiary Participant to reimburse the Corporation pursuant to Section 7 of Rule 43, any obligation of a Cross-Guaranty Defaulting Member to reimburse the Corporation pursuant to Section 2 of Rule 41 or any obligation of a Cross-Guaranty Beneficiary Member to reimburse the Corporation pursuant to Section 5 of Rule 41, each such Member grants to the Corporation a first priority

perfected security interest in all assets and property placed by a Member in the possession of the Corporation (or its agents acting on its behalf), including all securities and cash on deposit with the Corporation or its agents pursuant to this Rule and Rule 13. The Corporation shall be entitled to its rights as a pledgee under common law and as a secured party under Articles 8 and 9 of the New York Uniform Commercial Code with respect to such collateral.

Section 5 - Use of Deposits and Payments

The use of the Clearing Fund deposits shall be limited to satisfaction of losses or liabilities of the Corporation, losses and liabilities incurred by the Corporation under a Cross-Margining Agreement, including Cross-Guaranty Payments and Cross-Guaranty Repayments made by the Corporation pursuant to Cross-Guaranty Agreements, Cross-Margining Payments and Cross-Margining Repayments made by the Corporation pursuant to Cross-Margining Agreements, arising from the failure of a Defaulting Member or the Member's Permitted Margin Affiliate to satisfy an obligation to the Corporation, the failure of a Cross-Guaranty Defaulting Member to satisfy an obligation to a Cross-Guaranty Counterparty, the failure of a Cross-Margining Participant or its Cross-Margining Affiliate to satisfy an obligation to an FCO that has been guaranteed by the Corporation, the failure of a Cross-Margining Participant to satisfy a Reimbursement Obligation under Rule 43, or the failure of an FCO to make payment under a Cross-Margining Guaranty or otherwise incident to the clearance and settlement business of the Corporation including losses and liabilities arising other than from such failure of such Member, and to providing the Corporation with a source of collateral both to meet its temporary financing needs, including, without limitation, any financing that is obtained by the Corporation to hold securities pending settlement, and to ensure the satisfaction of Netting Members' settlement obligations. If the Corporation pledges, hypothecates, encumbers, borrows, or applies any part of the Clearing Fund deposits, or other collateral that it has received from Members to satisfy, in whole or in part, any liability, obligation, or liquidity requirement, for more than 30 days, the Corporation, at the Close of Business on the thirtieth day (or on the first Business Day thereafter), shall consider the amount used to meet such financing as an actual loss to the Clearing Fund and immediately allocate such loss in accordance with Section 8 of this Rule.

If a loss or liability incurred by the Corporation is allocated to a Member pursuant to Section 8 of this Rule, a Member that is a Cross-Margining Participant incurs a Reimbursement Obligation to the Corporation pursuant to Section 3 of Rule 43, under a Cross-Margining Agreement, a Member that is a Cross-Margining Beneficiary Participant incurs an obligation to reimburse the Corporation pursuant to Section 7 of Rule 43, a Member that is a Cross-Guaranty Defaulting Member incurs an obligation to reimburse the Corporation pursuant to Section 2 of Rule 41 or a Member that is a Cross-Guaranty Beneficiary Member incurs an obligation to reimburse the Corporation pursuant to Section 5 of Rule 41, the Corporation may apply the portion of the: (a) Member's deposit to the Clearing Fund, or (b) in the case of a Netting Member that is a Category 1 Inter-Dealer Broker Netting Member, the deposit required pursuant to Section 7 of this Rule, necessary to satisfy such allocation or obligation. In this regard, the Corporation may apply any cash, draw against any letters of credit, and liquidate any securities deposited by the Member, and may do any or all of the foregoing whether or not the Member is treated as insolvent under Rule 22.

Section 6 - RESERVED FOR FUTURE USE

Section 7 - Allocation of Loss or Liability Incurred by the Corporation

Any loss or liability incurred by the Corporation as the result of the failure of a Defaulting Member to fulfill its obligations to the Corporation shall be satisfied as set forth in this Section 7 of this Rule 4.

(a) The corporation shall apply any Clearing Fund deposits, Funds-Only Settlement Amounts, other collateral held by the Corporation securing such Member's obligations to the Corporation, and any Clearing Fund deposits, Funds-Only Settlement Amounts, and other collateral held by the Corporation with respect to a Permitted Margin Affiliate of the Member, and the following additional resources set forth in paragraphs (i), (ii) and (iii) below as are applicable to the Defaulting Member:

(i) If a Margin Portfolio of the Defaulting Member contains NYPC Accounts, then: (A) the loss or liability incurred by the Corporation shall be determined in accordance with the Cross-Margining Agreement between the Corporation and NYPC; (B) the application of Clearing Fund deposits, Funds-Only Settlement Amounts and other collateral held by the Corporation shall be applied by the Corporation in accordance with the provisions of the Cross-Margining Agreement between the Corporation and NYPC; and (C) the Corporation shall apply any amounts available from NYPC under such Cross-Margining Agreement.

(ii) If the Defaulting Member is a Cross-Margining Participant, the Corporation shall apply any amounts available from an FCO under a Cross-Margining Guaranty either upon receipt or at the time described in Section 5(b) of Rule 43.

(iii) If the Defaulting Member is a Cross-Guaranty Defaulting Member, the Corporation shall apply any amounts available under a Cross-Guaranty Agreement (subject to an applicable Cross-Margining Agreement) either upon receipt or the time described in Section 3(b) of Rule 41.

(b) In the event there is any loss or liability incurred by the Corporation in respect of the Government Securities Division remaining after application of paragraph (a) above (any such loss or liability, a "Remaining Loss"), the Corporation shall apply an amount of up to 25% of the existing retained earnings of the Corporation, or such higher amount as the Board of Directors shall determine. Notwithstanding the foregoing, to the extent that a loss or liability is determined by the Corporation to arise in connection with an Off-the-Market Transaction, it shall be allocated directly and entirely to the Member that submitted the data on the Off-the-Market Transaction to the Corporation;

(c) If there is any Remaining Loss after application of paragraph (b) above, the Corporation shall determine the amount of such loss that is attributable to Tier One Netting Members.

To the extent there is a Remaining Loss attributable to Tier One Netting Members, the Corporation shall assess the Required Fund Deposit maintained by the Member an amount of up to \$50,000, in an equal basis per Tier One Netting Member, provided, however, that, in the event that the Corporation makes a payment to an FCO under a Cross-Margining Guaranty and

the Cross-Margining Participant that incurs a Reimbursement Obligation representing the amount of such payment fails to promptly satisfy the Reimbursement Obligation, the Corporation may in its discretion, and without treating such Cross-Margining Participant as a Defaulting Member, treat such payment as a Remaining Loss to be allocated in accordance with this subsection (c).

To the extent there is a Tier Two Remaining Loss, the Tier Two Remaining Loss shall be allocated to Tier Two Netting Members based upon their trading activity with the Defaulting Member that resulted in a loss. The Corporation shall assess such loss against the Tier Two Netting Members ratably based upon their loss as a percentage of the entire amount of the Remaining Loss attributable to Tier Two Netting Members. Tier Two Netting Members with a bilateral liquidation profit will not be allocated any portion of the Remaining Loss attributable to Tier Two Remaining Loss.

(d) If there is any Remaining Loss attributable to Tier One Netting Members after application of paragraph (c) above, it shall be allocated among Tier One FICC Members, ratably, in accordance with the amount of each Tier One Netting Member's respective Required Fund Deposit and based on the average daily level of such deposit over the prior twelve months (or such shorter period as may be available in the case of a Member which has not maintained a deposit over such time period) (such amount, the Member's "Average Required FICC Clearing Fund Deposit").

(e) Notwithstanding anything to the contrary in this Section 7, however, an Inter-Dealer Broker Netting Member, or a Non-IDB Broker with respect to activity in its Segregated Broker Account, shall not be subject to an aggregate allocation of loss pursuant to this Section 7 for any single loss-allocation event, in an amount greater than \$5 million.

(f) Any loss or liability incurred by the Corporation incident to its clearance and settlement business arising from the failure of a Netting Member to pay to the Corporation an allocation made pursuant to the preceding subsections of this Section, or arising other than from a Remaining Loss (hereinafter, an "Other Loss") shall be allocated among Tier One Netting Members, ratably, in accordance with the respective amounts of their Average Required FICC Clearing Fund Deposits.

(g) The entire amount of the Required Fund Deposit of any Netting Member at the time that the Corporation incurred Remaining Loss or Other Loss may be used to satisfy any amount allocated against a Member as a result of such Remaining Loss or Other Loss. If notification is provided to a Member that an allocation has been made against a Member pursuant to this Rule and that application of the Member's Required Fund Deposit is not sufficient to satisfy such obligation to make payment to the Corporation, the Member shall (i) deliver to the Corporation by the Close of Business on the next Business Day, or by the Close of Business on the Business Day of issuance of the notification if so determined by the Corporation, that amount which is necessary to eliminate any such deficiency, except that (ii) with regard to an allocation arising from any Remaining Loss allocated by the Corporation pursuant to subsection (d) of this Section 7 and any Other Loss, such Member may instead provide by the Close of Business on the Business Day on which such payment is due the Corporation written notice to the Corporation, pursuant to Section 13 of Rule 3, of its election to terminate its membership in the Corporation. If such Member elects to terminate its membership in the Corporation, its liability for an allocation arising from such Remaining Loss and Other Loss shall be limited to the amount of its Required Fund Deposit for the Business Day on which the notification of such allocation is provided to the Member. If such Member does not elect to

terminate its membership in the Corporation as provided for above, it shall make such deposits to the Clearing Fund, by the Close of Business on the Business Day on which the Member is obligated to make the payment provided for above, as are necessary to satisfy its Required Fund Deposit as of such Business Day. If the Member shall fail to take the action stated in either (i) or (ii) above, the Corporation shall cease to act generally with regard to such Member pursuant to Rules 21 and 22A, and may take disciplinary action against the Member pursuant to Rule 48.

A Member that elects to terminate its membership pursuant to alternative (ii) of the above paragraph in lieu of being liable to pay an additional assessment amount above its Required Fund Deposit shall not be eligible to re-apply to become a Comparison-Only Member or a Netting Member unless, prior to submitting such application, it makes the payment to the Corporation provided for in alternative (i) of the above paragraph, together with interest on that amount at the average of the Federal Funds Rate plus one percent, calculated from the date on which the Remaining Loss or Other Loss was incurred by the Corporation until the date of such payment. If a Netting Member elects to terminate its membership pursuant to alternative (ii) of the above paragraph, or if the Member fails to take any action, the Corporation will promptly make an additional assessment against the remaining Tier One Netting Members to cover the amount not paid by the Netting Member that made such election to terminate its membership.

(h) If a Remaining Loss or Other Loss occurs, the Corporation shall promptly notify each Member, and the SEC, of the amount involved and the reasons therefore. Any disciplinary action that the Corporation takes, or the voluntary or involuntary cessation of membership by a Member subsequent to the occurrence of the Remaining Loss or Other Loss, shall not, except as otherwise provided in this Rule, affect the obligations of the Member to the Corporation under this Rule or the Procedures thereof, or affect any remedy to which the Corporation may be entitled. If a Remaining Loss or Other Loss charged to Members is afterward recovered by the Corporation in whole or in part, the net amount of the recovery shall be credited or paid to those Persons, other than a Defaulting Member or other Person who caused in whole or part such Loss, including the Corporation, against whom the loss was charged, in proportion to the amounts paid by them, whether or not they are still Members.

(i) For purposes of calculating the allocations in this Section 7 that are based upon a Member's Average Required FICC Clearing Fund Deposit, a Member that is subject to an increased Clearing Fund deposit requirement pursuant to subsection (f) of Section 2 of this Rule shall be deemed to have a Average Required FICC Clearing Fund Deposit amount without such increase being taken into account.

Section 8- Timing of Payment of Deposit

The initial Required Fund Deposit of a Netting Member shall be required to be deposited into the Clearing prior to the Business Day on which such Person becomes a Netting Member in accordance with the Corporation's procedures.

A Netting Member must increase the amount of its Required Fund Deposit (by the deposit of cash, Eligible Netting Securities, and/or Eligible Letters of Credit subject to the requirements of this Rule) by the Required Fund Deposit Deadline on any Business Day that such Netting Member's actual deposit to the Clearing Fund is less than its Required Fund Deposit as set forth in the Report listing such, subject to the conditions included in Section 2 of this Rule 4.

The Corporation retains discretion to extend the Required Fund Deposit Deadline on any Business Day if there are operational or system difficulties that would reasonably prevent Members from satisfying Required Fund Deposit deficits by the time specified in the Corporation's procedures.

Notwithstanding the foregoing, the Corporation may require a Netting Member or Netting Members generally to deposit additional amounts to their Clearing Fund deposit on an intraday basis if the Corporation believes such action is necessary to protect itself and its Members.

Section 9 - Return of Deposits and Payments

The Corporation shall determine with such frequency as it shall from time to time specify, whether the amount deposited by a Member in the Clearing Fund is in excess of its Required Fund Deposit (hereinafter, "Excess Clearing Fund Deposit"). On any day that the Corporation has determined that an Excess Clearing Fund Deposit exists with respect to any Member, the Corporation will, in the form and manner required by the Corporation, notify each Member of such excess. Upon the request of a Member, in the form and manner required by the Corporation, the Corporation shall cause to be returned to each such Member cash on deposit (in excess of the minimum amount of cash required to be maintained in the Clearing Fund), and/or Eligible Clearing Fund Securities (valued at their market value, including accrued interest as of the end of the Business Day prior to such withdrawal), in an aggregate amount equal to such excess or such lesser amount as the Member may request; provided, however, that, any return of excess will be done in such a way that the remaining Clearing Fund on deposit meets the requirements of Section 4, 4a, and 4b of this rule. In addition, at the discretion of the Corporation, some or all of the Excess Clearing Fund Deposit may not be returned if the Member has an outstanding payment obligation to the Corporation, if the Corporation determines that the Member's anticipated Funds-Only Settlement Amounts or Net Settlement Positions in the near future may reasonably be expected to be materially different than those of the recent past or if the Member is on the Watch List.

In addition, the return of an Excess Clearing Fund Deposit amount to any Member is subject to the following limitations: (1) such return of Excess Clearing Fund Deposit shall not be done in a manner that would cause the Member to violate any other Section of these Rules; (2) Excess Clearing Fund Deposit shall not be returned to a Member to the extent that such return would reduce the amount of the Member's Cross-Guaranty Repayment Deposit to the Clearing Fund below the amount required to be maintained pursuant to Section 4 of Rule 41; and (3) Excess Clearing Fund Deposit shall not be returned to a Member to the extent that such return would reduce the amount of the Member's Cross-Margining Repayment Deposit to the Clearing Fund below the amount required to be maintained pursuant to Section 6 of Rule 43.

Section 10- Ceasing to be a Member

If a Netting Member gives notice to the Corporation pursuant to Rule 3 of its election to terminate its membership in the Netting System, the Member's deposits to the Clearing Fund in the form of cash or securities shall be returned to it within 30 calendar days thereafter, and the Member's deposits to the Clearing Fund in the form of letters of credit shall be returned to it within 90 calendar days thereafter, in each case provided that all amounts owing to the Corporation by the Member have been paid to the Corporation prior to such return and the Member has no remaining open Net Settlement Position, Fail Net Settlement Position, or Forward Net Settlement Position. Any obligation of a Member to the Corporation pursuant to

this Rule that is unsatisfied at the time it ceases to be a Member shall not be effected by such cessation.

The time periods specified in the above paragraph also govern the return of any cash or securities deposited by, or letters of credit issued on behalf of, an Inter-Dealer Broker pursuant to Section 7 of this Rule.

Notwithstanding the previous two paragraphs or anything else contained in these Rules, the Corporation may retain an amount equal to any Cross-Guaranty Repayment Deposit and/or Cross-Margining Repayment Deposit of any Member until such time as the Corporation determines that such Member is no longer liable to the Corporation under Rule 41 and/or Rule 43 to reimburse the Corporation for any Cross-Guaranty Repayment or Cross-Margining Repayment, respectively, that the Corporation may be obligated to make under any relevant Cross-Guaranty Agreement or Cross-Margining Agreement.

Section 11 - Corporation's Authority to Pledge and Assign

In furtherance of the rights of the Corporation pursuant to these Rules, the Corporation shall have full power and authority to pledge, repledge, hypothecate, transfer, create a security interest in, or assign any and all: (i) cash deposits, (ii) securities, repurchase agreements, deposits or other instruments in which cash deposits of Members are invested, and (iii) any securities or letters of credit pledged or deposited by any Member to secure an open account indebtedness to the Clearing Fund or otherwise to collateralize its obligations to the Corporation, for the purpose of securing loans made to the Corporation or other obligations incurred by the Corporation, in each case incident to the clearance and settlement business of the Corporation. Such loans or obligations shall be on terms and conditions deemed necessary or advisable by the Corporation in its sole discretion, and may be in amounts greater, and extend for periods of time longer, than the obligations, if any, of any Member to the Corporation for which such property was pledged to or deposited with the Corporation. Notwithstanding the above, the Corporation shall remain obligated to each Member to return, and to allow substitution for or withdrawal of, cash, securities, and letters of credit pledged or deposited by a Member as Clearing Fund deposit or to secure an open account indebtedness to the Clearing Fund, or otherwise to collateralize such Member's obligations to the Corporation, under the circumstances and within the timeframes specified in these Rules.

Section 12 – Clearance and Settlement Business of the Corporation

For purposes of this Rule 4, references to the clearance and settlement business of the Corporation shall include its business as a Securities Intermediary.

RULE 5 - COMPARISON SYSTEM

Section 1 - General

Trade comparison, which consists of the reporting, validating, and, in some cases, matching by the Corporation of the long and short sides of a securities trade, including a Repo Transaction, to ensure that the details of such trade are in agreement between the parties, is the first step in the clearance and settlement process for securities transactions. A Member of the Comparison System must submit to the Corporation for comparison trade data on all of its trades that are of the type processed by the Corporation (including trades executed and settled on the same day), calling for delivery of Eligible Securities, between it or an Executing Firm on whose behalf it is acting, and another Member or an Executing Firm on whose behalf it or another Member is acting. If the Corporation determines that a Comparison-Only Member has, without good cause, violated its obligations pursuant to this section, such Comparison-Only Member may be reported to the appropriate regulatory body, put on the Watch List pursuant to Rule 3, or subject to an additional fee. In addition, the Corporation may discipline a Comparison-Only Member for a violation of this section in accordance with Rule 48.

Trade data may be entered via any means permitted by the Corporation, and must include such identifying detail as the Corporation may require. As trade data are submitted to the Corporation, the Corporation shall generate output indicating that such trade data: (1) is compared, (2) is uncompared, (3) comparison is requested with regard to ("comparison requested"), and/or (4) has been deleted from the Comparison System.

Section 2 – Three Types of Comparison

Trade data may be submitted to the Corporation for Bilateral Comparison (Rule 6A), Demand Comparison (Rule 6B), or Locked-In Comparison (Rule 6C).

Section 3 – Trade Submission Communication Methods

Trade data may be submitted to the Corporation using the Interactive Submission Method, the Multiple Batch Submission Method, or the Single Batch Submission Method. Members and other authorized submitters must use the trade submission method(s) required by the Corporation with respect to each type of comparison.

Section 4 – Submission Size Alternatives

The following requirements shall apply to all trades that are submitted to the Corporation by a Member, including all trades that are submitted on behalf of any Affiliate or Executing Firm.

A trade with a par value of \$50 million or less must be submitted to the Corporation in the full size and in the exact amount in which the trade was executed. Trades for over \$50 million must be submitted in an equivalent number of \$50 million trades and a single tail for the remaining amount.

Notwithstanding the above: (i) GCF Repo Transactions must be submitted exactly as executed, and (ii) when the Corporation deems it appropriate and advises Members of such, Members using the Interactive Submission Method may submit Full-Sized trades exactly as executed, for amounts over \$50 million. The Corporation shall establish procedures governing the manner in which the Corporation shall compare Full-Sized Trades to trades submitted in

pieces and the order in which such comparison shall occur. The Corporation shall inform Members of these procedures by notice prior to their implementation.

The Corporation may discipline a Member for a violation of this section in accordance with Rule 48.

Section 5 – General Responsibilities of Members in the Comparison System

Trade data submitted to the Corporation by a Member or on behalf of a Member by an authorized submitter shall be submitted in the form and manner, and in accordance with the time schedules, prescribed by, or pursuant to, these Rules or otherwise by the Corporation.

The name of a Member printed, stamped or written on any form, document or other item issued by it pursuant to this Rule shall be deemed to have been adopted by it as its signature and shall be valid and binding upon it in all respects as though it had manually affixed its signature to such form, document or other item.

Each Member shall promptly review each Report it receives from the Corporation pursuant to this Rule. Any errors, omissions, or similar problems noted by a Member with respect to a Report must be promptly reported to the Corporation.

Any trade the data on which are submitted to the Corporation by a Member pursuant to these Rules which is not netted and settled through the Netting System pursuant to these Rules shall be settled directly between the parties.

Section 6 - Binding Nature of Comparisons

Comparisons generated by the Corporation, whether for data submitted on a yield basis or on a price basis, shall constitute the sole comparison for all trades in Eligible Securities for which Members have submitted data and which the Corporation has identified as Compared Trades. Each comparison generated by the Corporation as to any Compared Trade shall evidence a valid, binding and enforceable contract in respect of such Compared Trade. Except as otherwise provided in Rule 10, any confirmations, comparison or other documentary evidence of any such Compared Trade, other than the comparison generated by the Corporation, shall not affect the existence or terms and conditions of such a valid, binding and enforceable contract in respect of such Compared Trade.

Section 7 - Deletion of Trade Data by the Corporation

Trade data submitted to the Corporation shall pend in the Comparison System until the data either is compared or is deleted by the Corporation in accordance with a schedule for such deletion as is published by the Corporation from time to time, unless cancelled by Member or trade submitter action as provided for in these Rules.

Section 8 - Trade Data Submitted on a Yield Basis

If prior to Scheduled Settlement Date a Non-Conversion-Participating Member has submitted data on a Yield Comparison Trade on a yield basis, such data must be resubmitted by such Member on a price basis on or after the Final Price Date for comparison of final money information.

Section 9 - As-Of Trades

Data on As-Of Trades may be submitted for comparison at any time prior to the maturity date for the Eligible Securities that underlie the trade.

RULE 6A - BILATERAL COMPARISON

Section 1 – General

Bilateral Comparison requires the matching by the Corporation of data submitted by two Members (or by an authorized submitter of one or both Members). A Member of the Comparison System may submit to the Corporation for Bilateral Comparison trade data on any Transaction, prior to its maturity date, calling for delivery of Eligible Securities, between a Member of the Comparison System or an Executing Firm on whose behalf it is acting, and another Member of the Comparison System or an Executing Firm on whose behalf it is acting. The Corporation will, in accordance with these Rules, handle the comparison of Transactions reflected in the trade data so submitted to it.

In order for the Corporation to process a trade for Bilateral Comparison, the Corporation must receive data from the long and short sides of the trade (or, if one or both of the counterparties are not Members or are Sponsoring Members, the Corporation must receive the data from the Submitting Member(s) or authorized submitters acting on its or their behalf). For a Bilateral Comparison to be generated by the Corporation, except as otherwise provided in Rule 10, Rule 22A, the Schedule of Required Match Data, or the Schedule of Money Tolerances, there must be an exact match of all Required Match Data submitted on the trade, except for contra-participant identifying information if the Corporation, acting upon the request of, and with instructions deemed appropriate by the Corporation from, a Member translates an internal contra-party identifying number submitted by such Member to a standard Member identification number established by the Corporation. Except as otherwise provided in Rule 10, if there is a money difference in a Required Match Data item within the tolerance specifications set by the Corporation in the Schedule of Money Tolerances that are relevant to the trade, the Corporation shall accept the delivering party's amount. Notwithstanding anything to the contrary in the previous sentence, the Corporation, in its sole discretion, may establish minimum amounts, maximum amounts, and other parameters for the acceptance of data submitted to the Corporation.

Items identified as uncomparing by the Corporation reflect trades submitted by a Member for which the counterparty Member either did not submit data or did not submit data which matched in all respects, except as otherwise provided in these Rules. Comparison requested (advisory) data represents trades submitted by another Member against a Member.

Section 2 – Submission Method Requirements

Trade data may be submitted to the Corporation for Bilateral Comparison using the Interactive Submission Method, Multiple Batch Submission Method, or Single Batch Submission Method. A Member may use a different submission method than its counterparty or the Submitting Member acting on the counterparty's behalf.

Section 3 – Cancellation and Modification of Trade Data by Members

A Member that has submitted to the Corporation trade data for Bilateral Comparison that have not been compared may cancel such data from the Comparison System, or may modify such data, by providing appropriate instructions to the Corporation, pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose.

Trade data submitted for Bilateral Comparison that have been compared may be cancelled from the Comparison System upon receipt by the Corporation of appropriate instructions, submitted pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose, from both Members that submitted data on the trade.

Trade data submitted for Bilateral Comparison that have been compared may be modified upon receipt by the Corporation of appropriate instructions, submitted pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose, from both Members that submitted data on the trade, except that a Compared Trade cannot be modified unilaterally by a Member if the modification would cause the trade to become uncomparing.

Section 4 – Timing of Comparison

The comparison of trade data submitted to the Corporation for Bilateral Comparison shall be deemed to have occurred at the point in time at which the Corporation makes available to the Members on both sides of the Transaction a Report indicating that such trade data have been compared.

RULE 6B – DEMAND COMPARISON

Section 1—General

In order for the Corporation to process a trade for Demand Comparison, the Corporation must receive the trade data from a Demand Trade Source.

The Corporation has designated the Repo Brokers as Demand Trade Sources with respect to Brokered Repo Transactions (other than GCF Repo Transactions) that are submitted to the Corporation by the deadline established for this purpose in the Schedule of Timeframes. Brokered Repo Transactions (other than GCF Repo Transactions) submitted by the deadline noted in the previous sentence will be processed for Demand Comparison. With respect to such transactions, Repo Parties remain subject to Section 1 of Rule 5 which requires the Repo Party to also submit the transaction data to the Corporation. Brokered Repo Transactions submitted after the deadline noted in the first sentence of this paragraph will be processed for Bilateral Comparison.

Section 2—Authorization of Transmission and Receipt by the Corporation of Data on Demand Trades

With the exception of Brokered Repo Transactions (other than GCF Repo Transactions) that are required to be submitted for Demand Comparison as per Section 1 of this Rule, each Member that wishes to have a Demand Trade Source submit trade data on its behalf shall provide the Corporation, prior to the time of the making of such Demand Trade and in the form and manner required by the Corporation, with authorization for the Corporation to receive from the Demand Trade Source data on the Demand Trade. The Corporation shall not accept data from a Demand Trade Source with regard to a Member unless the Corporation previously has received such authorization from such Member.

Moreover, each Member that makes a Demand Trade shall provide the Demand Trade Source, prior to or at the time of the making of such Demand Trade and in the form and manner required by such Demand Trade Source, with sufficient authorization for the Demand Trade Source to transmit to the Corporation such data on the Demand Trade as the Corporation deems necessary.

Section 3—Submission Requirements

A Demand Trade shall be eligible for comparison by the Corporation if the submission contains all of the required data and is submitted pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose. A Demand Trade Source must submit data on Demand Trades to the Corporation using the computer-to-computer Interactive Submission Method or such other means as the Corporation shall require from time to time after providing appropriate notice to Members. Unless otherwise specified by the Corporation, the terminal interface Interactive Submission Method shall not be a valid submission method for Demand Trades.

Section 4—DK Notices

A Member may transmit a DK Notice to the Corporation with respect to a Demand Trade that has been submitted to the Corporation on the Member's behalf and which the Member believes is invalid or incorrect. The receipt of a DK Notice by the Corporation with respect to a

Demand Trade in the form and manner, and within the applicable timeframe for such, as established by the Corporation, shall cause the trade to become uncomparated and the Corporation's guaranty with respect to such trade, if in effect, shall cease to be in effect. A Member who does not submit a DK Notice with respect to a Demand Trade remains responsible for such Trade under these Rules.

A Member that transmitted a DK Notice erroneously with respect to a trade submitted for Demand Comparison may withdraw the DK Notice in order to enable comparison. Such withdrawal of a DK Notice must be made in the form and manner, and within the applicable timeframe for such, as established by the Corporation for such purpose.

Section 5—Modification and Cancellation of Data

A Demand Trade Source that has submitted trade data to the Corporation for Demand Comparison may have such data cancelled from the Comparison System, or may modify such data, by providing appropriate instructions to the Corporation, in the form and manner, and within the applicable timeframe for such, as established by the Corporation for such purpose. Such unilateral modification or cancellation on the part of the Demand Trade Source may be made only until such time as the trade has been matched in the Corporation's real-time trade matching system or the Member receives comparison output from the Corporation.

A Demand Trade Source may modify a trade against which a DK Notice has been submitted in order to enable comparison. Such modification must occur by use of the appropriate instruction and within the applicable timeframe for such, as established by the Corporation for such purpose.

Section 6—Reporting of Demand Trades

Data on Demand Trades shall be reported by the Corporation to Members as part of its Comparison System output with an indication that such data have been received from a Demand Trade Source.

Section 7—Discretion of the Corporation Not to Accept Data or to Modify, Add or Cancel Data

In its sole discretion, the Corporation may decline to accept from a Demand Trade Source data on the Demand Trades of a particular Member or Members.

Notwithstanding anything to the contrary in the Rules, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally modify, add, or cancel data on any Demand Trade.

Section 8—Binding Nature of Comparison System Output on Demand Trades

Comparison System output made available by the Corporation on Demand Trades of a Member shall evidence a valid, binding and enforceable Compared Trade for purposes of these Rules, notwithstanding that such data may not be matched with corresponding data submitted to the Corporation by such Member.

Section 9—Timing of Comparison

The comparison of trade data submitted to the Corporation for Demand Comparison that meets the requirements set forth in this Rule shall be deemed to have occurred upon receipt of such trade data from the Demand Trade Source by the Corporation.

RULE 6C - LOCKED-IN COMPARISON

Section 1 - General

In order for the Corporation to process a trade for Locked-In Comparison, the Corporation must receive the trade data from a Locked-In Trade Source.

Section 2 - Authorizations of Transmission to and Receipt by the Corporation of Data on Locked-In Trades

Except with respect to Auction Purchases and NYPC-Submitted Trades, which are governed by Section 2a and 3 of this Rule respectively, each Member that wishes to have a Locked-In Trade Source submit trade data on its behalf shall provide the Corporation, prior to the time of the making of such Locked-In Trade and in the form and manner required by the Corporation, with authorization for the Corporation to receive from the Locked-In Trade Source data on the Locked-In Trade. The Corporation shall not accept data from a Locked-In Trade Source with regard to a Member unless the Corporation previously has received such authorization from such Member. With regard to GCF Repo Transactions, the Corporation shall not accept data from a GCF-Authorized Inter-Dealer Broker regarding any such Transaction unless the Corporation previously has received authorization to do so from each of the two GCF Counterparties to the Inter-Dealer Broker Netting Member on such Transaction.

Moreover, each member that makes a Locked-In Trade shall provide the Locked-In Trade Source, prior to or at the time of the making of such Trade and in the form and manner required by such Locked-In Trade Source, with sufficient authorization for the Locked-In Trade Source to transmit to the Corporation such data as the Corporation deems necessary on the Locked-In Trade.

Section 2a – Authorization of Transmission to and Receipt by the Corporation of Data on NYPC-Submitted Trades

With respect to NYPC-Submitted Trades, a Netting Member shall provide NYPC with authorization for NYPC to transmit to the Corporation, and for the Corporation to receive from NYPC, data on the Member's trade, such authorization to be provided by the Member to NYPC in such form and manner as required by NYPC, prior to the time of transmission of the trade.

A Netting Member with respect to which a NYPC-Submitted Trade is transmitted to the Corporation is deemed to have authorized the Corporation to receive and process such NYPC-Submitted Trade in accordance with these Rules. Such Member shall be responsible pursuant to these Rules for a NYPC-Submitted Trade even if the data contains errors and omissions, and the Netting Member shall be liable as principal to the Corporation for all Locked-In Trades reported to the Corporation by NYPC.

Section 3 - Authorizations of Transmission to and Receipt by the Corporation of Data on Netting-Eligible Auction Purchases

With respect to Treasury Department auctions, a Netting Member that makes a Netting-Eligible Auction Purchase shall provide the Corporation and the Federal Reserve Bank through which it makes such Auction Purchase, prior to the time of the making of such Auction Purchase and in the form and manner required by the Treasury Department or the Federal Reserve Bank, as fiscal agent of the United States, and agreed to by the Corporation, with authorization for the

Federal Reserve Bank to transmit to the Corporation, and the Corporation to receive from the Federal Reserve Bank, data on the Member's Auction Purchase. The Corporation shall not accept data from the Federal Reserve Bank with regard to a Member, unless the Corporation previously has received this authorization from the Member.

With respect to Freddie Mac auctions, a Netting Member that makes a Netting-Eligible Auction Purchase shall provide the Corporation and Freddie Mac, prior to the time of the making of such Auction Purchase and in the form and manner required by Freddie Mac, and agreed to by the Corporation, with authorization for Freddie Mac to transmit to the Corporation, and the Corporation to receive from Freddie Mac, data on the Member's Auction Purchase. The Corporation shall not accept data from Freddie Mac with regard to a Member unless the Corporation previously has received this authorization from the Member.

Section 4—Submission Requirements

A Locked-In Trade shall be eligible for comparison by the Corporation if the submission contains all of the required data and is submitted pursuant to communications links, formats, time frames, and deadlines established by the Corporation for such purpose. Except with respect to Netting-Eligible Auction Purchases, GCF Repo Transactions, NYPC-Submitted Transactions and any other type of locked-in arrangement exempted from this requirement by the Corporation, a Locked-In Trade Source must submit data on Locked-In Trades using the computer-to-computer Interactive Submission Method or such other means as the Corporation shall require from time to time after providing appropriate notice to the Members. Unless otherwise specified by the Corporation, the terminal interface Interactive Submission Method shall not be a valid submission method for Locked-In Trades.

Section 5 - GCF Repo Transactions

A GCF Repo Transaction shall be eligible for comparison by the Corporation subject to the following conditions: (a) the data on such Transaction are submitted to the Corporation by a GCF-Authorized Inter-Dealer Broker; (b) the data are submitted pursuant to communications links, formats, timeframes and deadlines established by the Corporation for such purpose; (c) the data submission meets the requirements set forth in the Schedule of Data Items for GCF Repo Transactions; (d) the data submission meets the authorization requirements of Section 2 of this Rule; (e) the data submission meets the netting-eligibility requirements provided for in Section 2 of Rule 11; and (f) each of the two GCF Counterparties that are the counterparties (or are acting as Submitting Member for an Executing Firm that is the counterparty) to the GCF-Authorized Inter-Dealer Broker on such Transaction has a clearing arrangement with a bank authorized by the Corporation for such purpose.

Section 6—DK Notices

Except with respect to Netting-Eligible Auction Purchases, and GCF Repo Transactions, a Member may transmit a DK Notice to the Corporation with respect to a Locked-In Trade that has been submitted to the Corporation on its behalf and which the Member believes is invalid or incorrect. The receipt of a DK Notice by the Corporation with respect to a Locked-In Trade in the form and manner, and within the applicable timeframe for such, as established by the Corporation, shall be deemed to be a request for cancellation which the Corporation shall forward to the Locked-In Trade Source. The Corporation shall make such cancellation from the Comparison System only if it receives instructions from the Locked-In Trade Source to do so in the form and manner, and subject to the applicable timeframes for such, as established by the

Corporation for such purpose. In response to a DK Notice, the Locked-In Trade Source may modify the trade data in order to remove the DK status.

A Member that transmitted a DK Notice erroneously with respect to a Locked-In Trade may withdraw the DK Notice, as long as the Locked-In Trade Source has not already cancelled the Locked-In Trade. Such withdrawal of a DK Notice must be made in the form and manner, and within the applicable timeframe for such, as established by the Corporation for such purpose.

Section 7 - Reporting of Locked-In Trades

Data on Locked-In Trades shall be reported by the Corporation to Members as part of its Comparison System output with an indication that such data have been received from a Locked-In Trade Source.

Section 8 - Discretion to not Accept Data

In its sole discretion, the Corporation may decline to accept from a Locked-In Trade Source data on the Locked-In Trades of a particular Member or Members, including Netting-Eligible Auction Purchases (subject to the terms and conditions agreed to by the Corporation and the Treasury Department or Freddie Mac, as applicable, regarding Netting-Eligible Auction Purchases) and NYPC-Submitted Trades (subject to the terms and conditions agreed to by the Corporation and NYPC regarding NYPC-Submitted Trades).

Section 9 - Binding Nature of Comparison System Output on Locked-In Trades

Comparison System output made available by the Corporation on Locked-In Trades of a Member based on data received from a Locked-In Trade Source shall evidence a valid, binding and enforceable Compared Trade for purposes of these Rules, notwithstanding that such data are not matched with corresponding data submitted to the Corporation by such Member.

Section 10 - Modification and Cancellation of Data

A Locked-In Trade Source that has submitted to the Corporation trade data may have such data cancelled from the Comparison System, or may modify such data, by providing appropriate instructions to the Corporation, in the format and subject to the time schedules required by the Corporation.

A cancellation of a Locked-In Trade by a Locked-In Trade Source in response to a DK Notice submitted by a Member or as provided below shall cause the trade to become uncomparing and the Corporation's guaranty with respect to such trade, if in effect, shall cease to be in effect.

If the Locked-In Trade Source from which a Locked-In Trade derives is a party to such Locked-In Trade, the data on the Locked-In Trade may be cancelled from the Comparison System, or may be modified, only by the provision to the Corporation of appropriate instructions from the Locked-In Trade Source.

If the Locked-In Trade Source from which a Locked-In Trade derives is not a party to such Locked-In Trade, the data on the Locked-In Trade may be cancelled from the Comparison System, or modified, upon receipt by the Corporation, in the format and subject to the time schedules required by the Corporation, of appropriate, matching instructions from each Member that is, or is submitting on behalf of a party to such Locked-In Trade, and such matching

instructions shall supersede any instructions to the contrary received by the Corporation from the Locked-In Trade Source.

This Section shall not apply to Netting-Eligible Auction Purchases or GCF Repo Transactions. The cancellation and modification of data regarding such Auction Purchases are governed by the provisions of Section 11 of this Rule. The affirmation, cancellation and modification of data regarding GCF Repo Transactions are governed by the provisions of Section 12 of this Rule.

Notwithstanding anything to the contrary in this Section, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally modify, add, or cancel data on any Locked-In Trade.

Section 11 – Modification and Cancellation of Data on Netting-Eligible Auction Purchases and Related When Issued Transactions

A Federal Reserve Bank that has submitted data regarding a Netting-Eligible Auction Purchase to the Corporation may have such data cancelled from the Comparison System or may modify such data, by providing appropriate instructions to the Corporation. If a Federal Reserve Bank instructs the Corporation to cancel or modify data regarding a Netting-Eligible Auction Purchase, the Corporation shall promptly make available, in its Comparison System output, the cancellation or modification to the Member that made such Auction Purchase.

In addition, a Member that has made a Netting-Eligible Auction Purchase in connection with a Treasury Department auction may request, through the Corporation, that the appropriate Federal Reserve Bank cancel or modify the data regarding such Auction Purchase. The Corporation shall make such a Member-requested cancellation or modification to its Comparison System, only if it receives instructions from a Federal Reserve Bank to do so.

Freddie Mac, once it has submitted data regarding a Netting-Eligible Auction Purchase to the Corporation, may have such data deleted from the Comparison System, or may correct such data, by providing appropriate instructions to the Corporation. If Freddie Mac instructs the Corporation to delete or correct data regarding a Netting-Eligible Auction Purchase, the Corporation shall promptly make available, in its Comparison System output, the deletion or correction to the Member that made such Auction Purchase. In addition, a Member that has made a Netting-Eligible Auction Purchase in connection with a Freddie Mac auction may request, through the Corporation, that Freddie Mac delete or correct the data regarding such Auction Purchase. The Corporation shall make such a Member-requested deletion or correction to its Comparison System only if it receives instructions from Freddie Mac to do so.

Any cancellation of a Netting-Eligible Auction Purchase pursuant to this section shall cause the Netting-Eligible Auction Purchase to become uncomparable and the Corporation's guaranty with respect to such trade, if in effect, shall cease to be in effect.

The Corporation shall have the right to unilaterally modify, add or cancel data on any When Issued Transaction, in the event (i) a Treasury Department auction or a Freddie Mac auction is cancelled or indefinitely postponed, (ii) the original Issue Date (settlement date) of a Treasury Department auction or a Freddie Mac auction is changed, (iii) the original maturity date for a security auctioned or to be auctioned in a Treasury Department auction or a Freddie Mac auction is changed, (iv) the original issuance amount in a Treasury Department auction or a Freddie Mac auction is reduced, (v) a security auctioned in a Treasury Department auction or a

Freddie Mac auction that is the subject of a When Issued Transaction is not issued, or (vi) any event occurs with respect to a Treasury auction or a Freddie Mac auction that creates an obligation to substitute securities or otherwise alter the terms of the trade pursuant to guidelines published by The Securities Industry and Financial Markets Association.

Notwithstanding anything to the contrary in this Section, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally modify, add, or cancel data on any Netting-Eligible Auction Purchase (subject to the terms and conditions agreed to by the Corporation and the Treasury Department or Freddie Mac, as applicable, regarding Auction Purchases).

Notwithstanding anything to the contrary in this Section, in the event that a security auctioned in a Treasury Department auction or a Freddie Mac auction is not issued, the Corporation shall have the authority to unilaterally modify, add, or cancel data on any Netting-Eligible Auction Purchase involving that security (subject to the terms and conditions agreed to by the Corporation and the Treasury Department or Freddie Mac, as applicable, regarding Auction Purchases).

Section 12 - Affirmation, Cancellation, and Modification Requirements for Data on GCF Repo Transactions

Upon receipt by the Corporation of data on a GCF Repo Transaction, the Corporation shall promptly provide each of the two GCF Counterparties with such data. Each GCF Counterparty shall have the obligation to review such data, and either affirm or disaffirm such data, within the timeframe, and pursuant to procedures, established by the Corporation for such purpose. If a GCF Counterparty affirms such data within the timeframe established by the Corporation for such purpose, the Transaction shall remain compared by the Corporation. If a GCF Counterparty disaffirms such data within the timeframe established by the Corporation for such purpose, the Transaction shall be canceled and deleted by the Corporation.

If a GCF Counterparty does not either affirm or disaffirm such data within the timeframe established by the Corporation for such purpose, such GCF Counterparty shall be deemed to have affirmed such data. Should a GCF Repo Transaction be affirmed in this manner, the GCF-Authorized Broker that submitted data on such GCF Repo Transaction nonetheless shall have an ongoing obligation to the GCF-Counterparty to respond promptly to such GCF-Counterparty's inquiries regarding trade data errors, and to act in good faith to promptly resolve any such alleged errors.

During the time period between receipt by the Corporation of data on a GCF Repo Transaction and its affirmation pursuant to the above paragraph, such data may be unilaterally cancelled by either: (a) the GCF Inter-Dealer Broker as regards either or both sides of the Repo Transaction, or (b) a GCF Counterparty as regards the side of the Repo Transaction involving it and the GCF-Authorized Inter-Dealer Broker.

After data on a GCF Repo Transaction has been affirmed, such data may be cancelled only by the combined action of the GCF Inter-Dealer Broker and a GCF Counterparty as regards their side of the Repo Transactions; one of the two parties must request a cancellation and the other must approve such request.

Any data input field on an unaffirmed GCF Repo Transaction may be modified unilaterally by a GCF-Authorized Inter-Dealer Broker. A GCF Counterparty may not modify

any data on a GCF Repo Transaction except for the external reference number that has been assigned to such Transaction by the Corporation. If a GCF Counterparty modifies the external reference number that has been assigned to a GCF Repo Transaction by the Corporation, such action shall be the equivalent of an affirmation of the Transaction by such GCF Counterparty.

Notwithstanding anything to the contrary in this Section, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally correct, add, or cancel data on a GCF Repo Transaction.

Any cancellation of a GCF Repo Transaction pursuant to this section shall cause the GCF Repo Transaction to become uncomparated and the Corporation's guaranty with respect to such trade, if in effect, shall cease to be in effect.

Section 13 - Timing of Comparison

The comparison of trade data submitted to the Corporation for Locked-In Comparison that meets the requirements of this rule shall be deemed to have occurred upon the receipt of such trade data from the Locked-In Trade Source by the Corporation.

RULE 7 - REPO TRANSACTIONS

Section 1 - General

The comparison by the Corporation of Repo Transactions shall be subject to the special provisions of this Rule, which shall supersede any conflicting provisions of any other Rule, except, as regards Brokered Repo Transactions, the provisions of Rules 7 and 19.

Section 2- Comparison of General Collateral Repo Transactions

The comparison of General Collateral Repo Transactions shall be performed by the Corporation in the same manner as the comparison of all other Repo Transactions is performed pursuant to these Rules, except that: (a) the comparison of security type shall be based on a match of Generic CUSIP Numbers, and (b) there need not be a match of par amounts.

RULE 8 - EXECUTING FIRM TRADES

Section 1 - General

Notwithstanding anything to the contrary in these Rules, and subject to the requirements of Section 3 below a Submitting Member must submit to the Corporation for comparison and/or netting data on any transaction calling for the delivery of Eligible Securities between an Executing Firm on whose behalf it is acting pursuant to these Rules and either another Member of the Netting System, Comparison System or another Executing Firm on whose behalf it or another Member is acting pursuant to these Rules.

Section 2 - Comparison of Trade Data

Except as otherwise provided in Rule 10, for a comparison to be generated by the Corporation as regards a trade submitted for Bilateral Comparison involving an Executing Firm, in addition to the requirements contained in Rules 5 or 6A, there must be a match of information as to the identity of the Executing Firms involved in the trade. If the identity of an Executing Firm on a side of a trade is omitted by a Submitting Member, until and unless the Submitting Member provides additional or corrected data to the Corporation pursuant to these Rules, the Corporation shall assume that there is no Executing Firm for that side of the trade.

Section 3 - Obligation of the Submitting Member to Provide Notice

A Submitting Member shall provide the Corporation, in a form and manner satisfactory to the Corporation, notice of each Executing Firm that such Member intends to act on behalf of pursuant to these Rules; such notice shall indicate the types of eligible transactions that will be submitted for Comparison System and/or Netting System processing. Notice must be provided so as to be received by the Corporation not less than 3 Business Days prior to the commencement of such Member's initial data submission on behalf of each such Executing Firm.

A Submitting Member must also provide the Corporation, in a form and manner satisfactory to the Corporation, notice of each Executing Firm on whose behalf it has ceased to act as a Submitting Member pursuant to these Rules; such notice must be provided so as to be received by the Corporation not less than 3 Business Days before the Member ceases to act as a Submitting Member for each such Executing Firm. Thereafter, any modifications thereto shall require not less than 3 Business Days' notice to the Corporation.

Notwithstanding the above, the Corporation, in its sole discretion, may accept data submitted by a Submitting Member on behalf of an Executing Firm even though a written notice required by this Section has not been received by the Corporation from the Submitting Member.

Section 4 - Rights and Responsibilities of the Submitting Member as a Member of the Comparison System or Netting System

A Submitting Member shall have the same rights, and incur the same responsibilities, as regards trade data by it to the Corporation on behalf of an Executing Firm as it does, pursuant to these Rules, regarding data submitted to the Corporation on its own trades.

Section 5 - Discretion of the Corporation to Decline to Accept Certain Trade Data

The Corporation, in its sole discretion, may decline to accept trade data involving one or more Executing Firms, either generally for all trade data submitted to the Corporation or by Submitting Member.

Section 6 - Reports to Reflect Executing Firm Trade Data

Comparison output made available by the Corporation to Members shall reflect, as appropriate, the fact that a trade involves an Executing Firm.

RULE 9 - YIELD TO PRICE CONVERSION

Section 1 - General

The conversion by the Corporation of data on Eligible Conversion Trades from a yield basis to a price basis, and the comparison of such converted data, is subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of Rules 5, 6A, 6B, or 6C.

Section 2 - Conversion

The Corporation shall convert from a yield basis to a price basis data submitted to the Corporation by a Conversion-Participating Member on an Eligible Conversion Trade in accordance with the then applicable formulas for conversion of yields to equivalent prices that have been established by the Department of the Treasury. The annual coupon rate used by the Corporation to calculate the price of such Trades shall be an assumed rate that shall be determined by the Corporation on a per-CUSIP basis using the applicable par-weighted average yield, unless the Corporation, in its sole discretion, determines that an alternate method of determination of the assumed coupon rate is more appropriate; such assumed rate shall be adjusted down to the nearest one-eighth of one percent. This assumed rate shall be adjusted prior to and on the Final Price Date by increments of one-eighth of a percentage point based on changes in the applicable par-weighted average yield, or otherwise as deemed appropriate by the Corporation in its sole discretion.

On the Final Price Date, or as soon as possible thereafter, each assumed coupon rate set by the Corporation shall be adjusted to the applicable actual coupon rate. On and after the Final Price Date, the Corporation shall convert from a yield basis to a price basis data submitted to the Corporation by a Conversion-Participating Member on an Eligible Conversion Trade based on the actual coupon for the Eligible Securities that underlie the trade.

The conversion by the Corporation from a yield basis to a price basis of data on an Eligible Conversion Trade submitted to the Corporation prior to the Final Price Date for such trade by a Conversion-Participating Member shall: (1) if such Trade is eligible for netting by the Corporation pursuant to these Rules, be deemed to have occurred during the same processing cycle during which such data are compared by the Corporation on a yield basis, and (2) if such Trade is not eligible for netting by the Corporation pursuant to these Rules, be deemed to have occurred on Final Price Date. The conversion by the Corporation from a yield basis to a price basis of data on an Eligible Conversion Trade submitted to the Corporation by a Conversion-Participating Member on or after the Final Price Date for such trade shall be deemed to have occurred on the Business Day of receipt by the Corporation of such submission.

Section 3 - Comparison

After the Final Price Date, the comparison of trade data submitted to the Corporation by a Conversion-Participating Member on a yield basis may be established by the Corporation as the result of the matching of data after its conversion by the Corporation to a price basis with data submitted by another Member either: (1) on a yield basis that has been converted to a price basis by the Corporation, or (2) on a price basis.

Section 4 - Report of Comparison Involving Converted Data

On each Business Day, the Corporation shall report to its Members, through an appropriate indication in its Comparison System output, each of the compared trades of a Member that is a Converted Trade.

RULE 10 – ENHANCED COMPARISON PROCESSES PRESUMED MATCH DATA

Section 1 - Commission Data

If: (1) trade data have been submitted to the Corporation by two Members, one of which is a Broker and the other of which is a Dealer, (2) such data meet all of the Corporation's criteria for comparison other than the matching of the information submitted regarding the amount of commission that is payable on such trade, and (3) such Dealer has submitted a commission amount that does not match the commission amount owing on such trade that was submitted by such Broker, the trade shall be compared by the Corporation based on the commission amount being equal to that amount submitted by such Broker. A Broker may provide the Corporation with revised information as to commission amount and/or final money on a trade, within a tolerance specified by the Corporation in the Schedule of Money Tolerances.

Notwithstanding the above, if such Dealer is a Conversion-Participating Member and has provided notice to the Corporation, in a form and manner satisfactory to the Corporation, that it is able to and will submit commission amounts to the Corporation and does not wish to have a trade the data on which it has submitted to the Corporation be compared unless there is matching commission information, the Corporation shall not compare such trade if there is not a match of commission information.

The comparison by the Corporation of a trade involving unmatched commission amounts pursuant to this Section, while evidencing a valid, binding, and enforceable contract between the parties to the trade to the same degree as if the commission amounts matched, shall not constitute a final, binding determination by the Corporation as to the correct commission amount owing on such trade. The Broker that submitted data on such trade shall have an ongoing obligation to the Dealer that submitted data on such trade to respond promptly to such Dealer's commission difference inquiries, and to act in good faith to promptly resolve any such alleged differences.

On each Business Day, with regard to each trade with a commission difference that is compared as of such day pursuant to this Section, the Corporation shall provide Members in its Comparison System output with information as to the unmatched commission amounts.

Section 2 - Trades Involving An Executing Firm

If the data on a trade do not match because the information submitted as regards the identity of the Executing Firm on either side of the trade does not match, the Corporation may, in its discretion, compare the trade based on the identities of the two Submitting Members matching. If the data on a trade do not match because the data on either side of the trade identify the contra-party Executing Firm but either omit or incorrectly indicate the information regarding the identity of the Submitting Member for the contra-party Executing Firm, the Corporation may, in its discretion, if it has received notice, in a form and manner satisfactory to the Corporation (which notice may vary on a product-by-product basis), from a Member stating that the Member wishes to be deemed a Submitting Member for such Executing Firm should that the Executing Firm be identified as the contra-party Executing Firm on a side of a trade but no Submitting Member for such Executing Firm is properly identified, compare the trade based on such Member being the contra-party Submitting Member for that side.

Section 3 - Affiliated Members

If data on a side of a trade submitted by a Member (hereinafter, the "First Member") against another Member (hereinafter, the "Non-Contraparty Affiliated Member") do not compare as submitted, but would compare if matched against data submitted by a third member that is an Affiliate of the Non-Contraparty Affiliated Member (hereinafter, the "Contraparty Affiliated Member"), the Corporation may, in its discretion, if it has received notice from the Non-Contraparty Affiliated Member and the Contraparty Affiliated Member, in a form and manner satisfactory to the Corporation (which notice may vary on a product-by-product basis), stating that they are Affiliates and that each wishes to be presumed to be the correct contraparty to a side of a trade submitted with an indication that the other is the contraparty, if this would allow the data on the trade to match, compare the trade based on the first Member's correct contraparty being the Contraparty Affiliated Member.

Section 4 - Summarization of Par Amounts

If the data on a trade do not compare because the information submitted regarding par amount, viewed on an individual buy/sell basis, does not match, the Corporation may, in its discretion, compare the trade based on a match of either the total of the par amounts on two or more buy sides equaling the par amount(s) on one or more sell sides, or the total of the par amounts on two or more sell sides equaling the par amount(s) on one or more buy sides. This Section shall not apply to Repo Transactions.

If the data on a Full-Sized Trade do not compare because: (i) one side of a trade submitted a Full-Sized Trade and the other side of the trade did not, and (ii) the Corporation was not able to compare the trade pursuant to the procedures referred to in Section 4 of Rule 5, the Corporation may, in its discretion, perform a par summarization or similar process in order to attempt to match the trade.

Section 5 - Trade Date Information

If the data on a trade do not compare because the information submitted regarding trade date does not match, the Corporation may, in its discretion, compare the trade based on a presumption that the earlier trade date submitted is the correct trade date. In exercising this discretion, the Corporation shall attempt to match a buy/sell side with a contra sell/buy side with the closest trade date. This Section shall not apply to Repo Transactions.

Section 6 – Timing and Cumulative Effect of Presumptions

Notwithstanding anything to the contrary in this Rule, more than one presumption of a match of data may be used by the Corporation to generate a comparison of a trade.

The Corporation shall provide Members with prior notice setting forth, with regard to each enhanced comparison process, whether it shall be performed in Real Time or at end of day.

RULE 11 - NETTING SYSTEM

Section 1 - General

The Netting System is a system for aggregating and matching offsetting obligations resulting from trades, including Repo Transactions, submitted by or on behalf of Netting Members in Eligible Netting Securities. Each Business Day, the Corporation will calculate and report to each Netting Member, in a manner that does not disclose to any Netting Member, with respect to any Net Settlement Position, Fail Net Settlement Position, or Forward Net Settlement Position, the identity of any other Netting Member, each Net Settlement Position, Fail Net Settlement Position and Forward Net Settlement Position of a Member. With respect to each such Net Settlement Position and Fail Net Settlement Position, the Corporation will report to the Member the extent to which the Member is obligated to deliver Eligible Netting Securities to the Corporation and/or to receive Eligible Netting Securities from the Corporation, in accordance with each such Net Settlement Position.

The provisions of this Rule apply to Brokered Repo Transactions, except to the extent that they are inconsistent with the provisions of Rule 19.

Section 2 - Eligibility for Netting

A trade, other than a Repo Transaction, is eligible for netting and settlement through the Netting System if it meets all of the following requirements:

- (a) the trade is a Compared Trade;
- (b) the number of Business Days between the Scheduled Settlement Date for the trade, and the Business Day on which the Report of comparison of the data on the trade is issued to Members is not greater than the maximum number of Business Days established by the Corporation for such purpose and published in a schedule made available to Members, unless the Corporation determines a different timeframe to be appropriate;
- (c) the data on the trade are listed on a Report that has been made available to Netting Members;
- (d) netting of the trade will occur on or before its Scheduled Settlement Date;
- (e) data on each side of the trade have been submitted to the Corporation by a Netting Member, in accordance with these Rules, or the trade is a Demand Trade or a Locked-In Trade; and
- (f) the underlying securities are Eligible Netting Securities.

Except to the extent that, for a Brokered Repo Transaction, there is a conflict with the provisions of Rule 19 (in which case the provisions of Rule 19 govern), a Start Leg of a Repo Transaction, and a Close Leg of a Repo Transaction, each is eligible for netting and settlement through the Netting System if it meets all of the following requirements:

- (g) the Repo Transaction is a Compared Trade;
- (h) if the Repo Transaction has a Forward-Settling Start Leg, the number of calendar days between the Scheduled Settlement Date for the associated Close Leg and the Business Day

on which the data on the trade are submitted is not greater than the maximum number of Business Days established by the Corporation for such purpose and published in a schedule made available to Members, unless the Corporation determines a different timeframe to be appropriate;

(i) if the Start Leg of the Repo Transaction has settled, the number of calendar days between the Scheduled Settlement Date for the Close Leg and the Business Day on which the data on the trade are submitted is not greater than the maximum number of Business Days established by the Corporation for such purpose and published in a schedule made available to Members, unless the Corporation determines a different timeframe to be appropriate;

(j) the data on the trade are listed on a Report that has been made available to Netting Members;

(k) netting of the Start Leg or the Close Leg will occur before the opening of the Netting System on its Scheduled Settlement Date; and

(l) the underlying securities are Eligible Netting Securities.

Notwithstanding anything to the contrary above, an Auction Purchase is eligible for netting and settlement through the Netting System only if it is a Netting-Eligible Auction Purchase.

Notwithstanding the above, a trade eligible for netting and settlement through the Netting System to which an Executing Firm is a party, the data on which have been submitted to the Corporation on behalf of such Executing Firm by a Submitting Member that is a Netting Member, shall not be netted and settled through the Netting System if the Submitting Member has provided the Corporation with notice, in a form and manner satisfactory to the Corporation, that it does not wish to have trades submitted by it on behalf of that Executing Firm be netted and settled through the Netting System. Also notwithstanding the above, a trade shall not be netted and settled through the Netting System if either Submitting Member had submitted data on a side of the trade on behalf of an Executing Firm whose trades it had provided the Corporation with notice pursuant to these Rules that it did not wish to be netted and settled through the Netting System.

Notwithstanding the above, the Corporation may, in its sole discretion, exclude any trade or trades from the Netting System, including Netting-Eligible Auction Purchases (subject to the terms and conditions agreed to by the Corporation and the Treasury Department or Freddie Mac, as applicable, regarding Auction Purchases), by Netting Member or by Eligible Netting Security.

Notwithstanding the above, if data on a side of a trade have been submitted to the Corporation by Non-Conversion-Participating Member, the trade is not eligible for netting and settlement through the Netting System until such data are resubmitted by such Member after the Final Price Date for comparison of final money information.

Section 3 - Obligation to Submit Trades

Each Netting Member must submit to the Corporation for comparison and netting, pursuant to these Rules, data on all of its trades, (including trades executed and settled on the same day and trades executed between it or an Executing Firm on whose behalf it is acting) with other Netting Members (or an Executing Firm on whose behalf it or another Member is acting) that are eligible for netting pursuant to these Rules, except that this requirement is not applicable

to a Netting Member's Repo Transactions (a Netting Member's obligation to submit to the Corporation data on its Repo Transactions is governed by Rule 18).

Each Netting Member must also submit to the Corporation for netting and settlement pursuant to these Rules data on each trade (hereinafter an "Eligible Trade") executed by a Covered Affiliate that satisfies the following criteria: (i) the trade is eligible for netting pursuant to these Rules, and (ii) the trade is executed with another Netting Member or with a Covered Affiliate of another Netting Member. For purposes of this Section the term "executed" shall include trades that are cleared and guaranteed as to their settlement by the Covered Affiliate.

The preceding paragraph shall not apply to: (i) a trade that is executed between a Member and its Affiliates or between Affiliates of the same Member (an "Affiliate Trade"), (ii) a trade of a Covered Affiliate that has executed less than an average of 30 Eligible Trades plus Eligible Repo Transactions (as defined in Section 3 of Rule 18) (excluding Affiliate Trades) per business day per month within the prior twelve-month period, or (iii) a trade the submission of which to the Corporation would cause the Member to be in violation of any applicable law, rule or regulation.

All trade data required to be submitted to the Corporation under this Section must be submitted on a trade-by-trade basis with the original terms of the trades unaltered. A Member or any of its Affiliates may not engage in the Pre-Netting of Trades prior to their submission to the Corporation in contravention of this section. In addition, a Member or any of its Affiliates may not engage in any practice designed to contravene the prohibition against the Pre-Netting of Trades.

If the Corporation determines that a Netting Member has, without good cause, violated its obligations pursuant to this Section, such Netting Member may be reported to the appropriate regulatory body, put on the Watch List pursuant to Rule 4, or subject to an additional fee. In addition, the Corporation may discipline a Netting Member for a violation of this section in accordance with Rule 48.

Notwithstanding the above, the trade submission requirements related to Repo Transactions are governed by Rule 18.

Section 4 - Calculation of Net Settlement Positions

On each Business Day, for each Eligible Netting Security with a separate CUSIP number, except as otherwise provided in Rule 14 with respect to Forward Trades that comprise one or more Forward Net Settlement Positions, the Corporation will establish a Net Settlement Position or Fail Net Settlement Position, as applicable, for trades of a Netting Member that have not previously been settled, by comparing the aggregate par value amount of each Long Transaction in an Eligible Netting Security by the Netting Member (hereinafter, the "Long Total") and each Short Transaction in an Eligible Netting Security by the Netting Member (hereinafter, the "Short Total"). If the Long Total exceeds the Short Total, the resulting difference will constitute the Net Long Position. If the Short Total exceeds the Long Total, the resulting difference will constitute the Net Short Position. All Net Settlement Positions, including Fail Net Settlement Positions, shall be reported, by CUSIP Number, by the Corporation in a Report issued and made available during the morning of each Business Day to each Netting Member.

Section 5 - Allocation of Deliver and Receive Obligations

On each Business Day, except as otherwise provided in Rule 14 with regard to Forward Trades that comprise Forward Net Settlement Positions, the Corporation will establish Deliver Obligations and Receive Obligations as necessary to accomplish the settlement of Net Settlement Positions or Fail Net Settlement Positions, as applicable. Deliver Obligations and Receive Obligations shall be allocated by the Corporation on an equitable basis to Netting Members with corresponding Receive Obligations and Deliver Obligations that involve Eligible Netting Securities with the same CUSIP Number. A single Net Settlement Position or Fail Net Settlement Position may result in the establishment of more than one Deliver Obligation or Receive Obligation in an Eligible Netting Security. A single Deliver Obligation may be bound by the Corporation to more than one Receive Obligation, and vice versa. Each Deliver Obligation and Receive Obligation of a Netting Member shall be listed in the Report that, pursuant to Section 4 of this Rule, will be issued on each Business Day to each Netting Member.

Section 6 - Novation of Obligations

Net Settlement Positions and resultant Deliver Obligations and Receive Obligations of a Netting Member, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a correction of compared data made pursuant to these Rules, shall be fixed at the time the Report of such Positions and Obligations is made available by the Corporation to the Member, as provided in Section 10 of this Rule. At that time, all deliver, receive, and related payment obligations between Netting Members that were created by the trades that comprise a Net Settlement Position or Positions are terminated and replaced by the Deliver Obligations, Receive Obligations, and related payment obligations for such Members that are listed in the Report.

Notwithstanding anything to the contrary in the above paragraph, if a Right of Substitution was established by the parties to a Repo Transaction, such Right of Substitution shall continue, and be recognized by the Corporation, after the Corporation's Novation of the Repo Transaction.

Section 7 - Settlement at the Settlement Value

On each Business Day, each Deliver Obligation and Receive Obligation of a Netting Member shall be settled at the Settlement Value reported on such Business Day for such Obligation.

Section 8 - Fail Net Settlement Positions

On each Business Day, from their Scheduled Settlement Date, Fail Net Settlement Positions shall, pursuant to Rule 13, be marked to market, taking into account accrued interest, until the Actual Settlement Date for such Positions. Notwithstanding the above, the Corporation, in its sole discretion in order to promote an orderly settlement process, may elect to not mark to market, pursuant to Rule 13, a Fail Net Long Position where the Eligible Netting Securities that comprise such Position have been appropriately delivered to the Corporation pursuant to these Rules and the Corporation has not re-delivered such Eligible Netting Securities and, as a result, has held them overnight. Fail Deliver Obligations and Fail Receive Obligations shall be netted with any other Receive Obligations and Deliver Obligations.

The Corporation shall be obligated to deliver Eligible Netting Securities to a Netting Member with a Net Long Position as required by this Rule in order to settle such Position; however, the Corporation shall not be obligated to attempt to make any such delivery or deliveries until the Business Day on which the Corporation has received, as the result of a delivery to it from a Netting Member with a Net Short Position, Eligible Netting Securities with the same CUSIP number that: (1) are at least equal in quantity to such Net Long Position, and (2) have not, pursuant to this Rule, been allocated for delivery by the Corporation to another Netting Member.

Section 9 - Obligation to Make Settlement

Each Netting Member shall be obligated to satisfy all of its securities settlement and funds-only settlement obligations pursuant to these Rules on each day on which both the Corporation and the Federal Reserve Bank of New York are open for business, regardless of the days on which any third party, including a clearing bank or depository institution acting on behalf of such Member, is open for business.

Section 10 - Receipt of Netting Output

On each Business Day, Reports shall be deemed to have been made available by the Corporation to a Netting Member at the time at which the Corporation has both completed its processing cycle for the preparation of such Reports and has released such Reports to the Corporation's data output facility or facilities, unless the Corporation has notified such Member on such Business Day of a delay in the Corporation's making available such Reports or output to the Member.

The inability of a Netting Member, because of automation problems that it incurs or for any other reason, to receive a Report that has been made available to it by the Corporation shall not excuse or otherwise affect such Member's obligations pursuant to these Rules. A Netting Member shall be obligated to accept Reports from the Corporation in any format and in any medium usable by such Member, including, but not limited to, print copy, magnetic tape, video display terminal, and CPU-to-CPU (either real-time or otherwise) mediums.

Section 11 - Responsibility for Third Party Actions

No improper or unauthorized action, or failure to act, of a third party acting on behalf of a Netting Member (including, but not limited to, a service bureau) shall excuse or otherwise affect such Member's obligations pursuant to this Rule.

Section 12 - Obligation to Inform the Corporation

Each Netting Member shall be obligated to inform the Corporation of the following:

(a) difficulty in providing, or inability to provide, data input to the Corporation, or difficulty in receiving, or inability to receive, Reports from the Corporation, in the manner, or within the timeframes, that such Member ordinarily inputs or receives such information;

(b) the receipt by such Member from the Corporation of a Report that it believes contains erroneous information, omits material information, or has any other type of problem; and,

(c) potential difficulty in satisfying, or inability to satisfy, in a timely manner any of its obligations with respect to the delivery or receipt of securities, or the payment of monies, that arise pursuant to these Rules.

The Netting Member shall inform the Corporation promptly after the occurrence of any event specified above.

Section 13 - Buy-in Notices

If a Netting Member (hereinafter, the "Notifying Netting Member") submits to the Corporation a retransmitted notice of a buy-in with respect to Eligible Netting Securities that comprise an Open Net Long Position (hereinafter, the "Allocated Net Long Position"), the Corporation shall promptly retransmit such notice, on a random basis, to a Netting Member or Members (hereinafter, the "Allocated Netting Member") with an Open Net Short Position or Positions (hereinafter, the "Allocated Net Short Position"): (a) that is comprised of Eligible Netting Securities having the same CUSIP number as the Eligible Netting Securities that are the subject of the notice, (b) that is equal to or greater than, in size, the Allocated Net Long Position (or, if there is no such Allocated Net Long Position at least equal in size to the Allocated Net Short Position, the largest such Allocated Net Long Positions), and (c) that has been unsettled for the longest period of time. The Corporation shall have no obligation to execute on such notice, by buying in securities or in any other manner. If, in accordance with the Buy-in Regulations, a Netting Member that has submitted a notice of retransmitted buy-in informs the Corporation that it has executed on such notice by buying in the Eligible Netting Securities that are the subject of such notice, and provides evidence satisfactory to the Corporation of the price (hereinafter, the "Buy-in Price") at which such Eligible Netting Securities were bought in by such Member, the Corporation shall promptly notify the Allocated Netting Member of such. Notwithstanding anything to the contrary in this Rule or in Rules 12 or 13: (d) the Notifying Netting Member's obligation to settle with the Corporation the Allocated Net Long Position pursuant to these Rules through receipt of the underlying Eligible Netting Securities, and the Allocated Netting Member's obligation to settle with the Corporation the Allocated Net Short Position pursuant to these Rules through delivery of the underlying Eligible Netting Securities, each are terminated as of the time of such notification by the Corporation, and (e) for purposes of settlement pursuant to Rule 13 of the funds-only settlement obligations of the Notifying Netting Member with respect to the Allocated Net Long Position, and the funds-only settlement obligations of the Allocated Netting Member with respect to the Allocated Net Short Position, the Allocated Net Long Position and the Allocated Net Short Position shall be deemed to have been settled among such Members and the Corporation in accordance with this Rule and Rule 12, with the System Value for such purpose being deemed to be, for each Position, equal to the Buy-in Price.

Section 14 – Fails Charge

If a Netting Member does not satisfy a Deliver Obligation of Treasury securities or debentures issued by Fannie Mae, Freddie Mac or the Federal Home Loan Banks on a particular Business Day, the Corporation shall apply a debit charge on the funds amount associated with the Netting Member's failed position (the "fails charge"). If a Netting Member fails to receive Securities representing its Receive Obligation of Treasury securities or debentures issued by Fannie Mae, Freddie Mac or the Federal Home Loan Banks on a particular Business Day, the Corporation shall credit the Member in the amount of the fails charge.

The fails charge shall be the product of the (i) funds associated with a failed position and (ii) the greater of (a) 0 percent or (b) 3 percent per annum minus the Target Fed funds target rate

that is effective at 5 p.m. EST on the Business Day prior to the originally scheduled settlement date, capped at 3 percent per annum.

In the event that the Corporation is the failing party because the Corporation received Securities too near the close of Fedwire for redelivery or for any other reason, the fail charge will be distributed pro rata to the Netting Members based upon usage of the Government Securities Division's services.

At the end of each calendar month, the Corporation shall accrue a Netting Member's debits and credits and the resulting amount (either a debit or credit) shall be included in the Member's monthly bill.

The Board shall have the right, in its sole discretion, to revoke application of the charge if industry events or practices warrant such revocation.

The Corporation shall not guaranty fails charge proceeds in the event of a default (i.e., if the defaulting Member does not pay its fails charge, Members due to receive fails charge proceeds will have those proceeds reduced pro-rata by the defaulting Member's unpaid amount).

RULE 11A – RESERVED

This rule is reserved for future use.

RULE 11B – GUARANTY OF SETTLEMENT

(a) The Corporation shall guarantee the settlement of a trade the data on which were submitted for Bilateral Comparison, Demand Comparison, or Locked-In Comparison at the time at which the comparison of such trade occurs pursuant to Rules 6A, 6B, and 6C, respectively, as long as the trade meets the requirements of Section 2 of Rule 11 and was entered into in good faith.

(b) The Corporation's guaranty referred to in subsections (a) and (b) above shall mean the Corporation's obligation to include the trade in calculating a Net Settlement Position and to novate the deliver, receive, and payment obligations that were created by the trade pursuant to these Rules. The Corporation's guaranty of settlement of an individual trade applies only to the settlement of that trade as it exists as part of a Net Settlement Position.

(c) The Corporation's guaranty referred to in subsections (a) and (b) above shall no longer be in effect if the trade becomes uncomparated, is cancelled, or settles pursuant to these Rules.

RULE 12 - SECURITIES SETTLEMENT

Section 1 - General

Deliver Obligations of a Netting Member must be satisfied by delivery of the appropriate Eligible Netting Securities from a clearing bank or banks designated by the Member for such purpose to a clearing bank or banks designated by the Corporation for such purpose. Receive Obligations of a Netting Member must be satisfied by receipt of the appropriate Eligible Netting Securities by a clearing bank or banks designated by the Member for such purpose from a clearing bank or banks designated by the Corporation for such purpose.

All deliveries of Eligible Netting Securities in satisfaction of Deliver Obligations, and all receipts of Eligible Netting Securities in satisfaction of Receive Obligations, must be made against simultaneous payment or receipt in Federal funds at the Settlement Value for each such Obligation for the Business Day of such delivery or receipt.

All deliveries of Eligible Netting Securities in satisfaction of Deliver Obligations shall be identified by standard industry delivery codes indicating a new origination delivery. Reversal codes shall not be used to identify any delivery of securities to the Corporation without the express prior permission of the Corporation.

Section 2 - Designation of Clearing Banks

The Corporation shall notify each Person, no later than ten Business Days prior to its becoming a Netting Member, of the clearing bank or banks that the Corporation will use to deliver Eligible Netting Securities to Netting Members and to receive Eligible Netting Securities from Netting Members, and, by product, of the types of Eligible Netting Securities that each such clearing bank will so deliver and receive. Thereafter, the Corporation shall notify each Netting Member of any change in the Corporation's designation of the clearing bank or banks that will act on the Corporation's behalf, or in the product that any such clearing bank is designated to deliver or to receive, no later than ten Business Days prior to the effective date of such change.

A Person must notify the Corporation, in such manner as the Corporation may prescribe, no later than ten Business Days prior to its becoming a Netting Member, of the clearing bank or banks that it has designated to act on its behalf, pursuant to this Rule, in the delivery of Eligible Netting Securities to the Corporation and in the receipt of Eligible Netting Securities from the Corporation. Each Netting Member must notify the Corporation of any change in such designation, no later than ten Business Days prior to the effective date of such change. Such designation is subject to the Corporation's determination, in its reasonable judgment, that such clearing bank (a) has and will maintain access to FedWire, (b) has and will maintain the operational capability to interact satisfactorily with the clearing banks that act on behalf of the Corporation, and (c) has agreed to act on behalf of such Netting Member in accordance with this Rule.

Section 3 - Instructions to Clearing Banks

On each Business Day, the Corporation shall make available to each Netting Member a Report that provides information (for example, type of obligation (Deliver or Receive), name and reference number of clearing bank or banks, and CUSIP number, settlement date, par value, final dollar value, and other information descriptive of an Eligible Netting Security) that the Corporation deems sufficient to enable such Member to be able to settle its Net Settlement

Positions on such Business Day. Each such Member, based on the information provided in such Report, shall promptly provide appropriate instructions to its clearing bank or banks to deliver to the Corporation on that Business Day as provided in these Rules, and/or to receive from the Corporation on that Business Day as provided in these Rules, on behalf of the Member, Eligible Netting Securities of specified types and amounts, against payment or receipt at the appropriate Settlement Value, exactly as set forth in such Report.

Section 4 - Fail Net Settlement Positions

Each Fail Net Settlement Position shall be maintained by the Corporation on each Business Day subsequent to its Scheduled Settlement Day until and including the Actual Settlement Day for such Fail Net Settlement Position.

Section 5 - Partial Deliveries

In its sole discretion, the Corporation may accept a delivery from a Netting Member with a Net Short Position of only a portion of the Eligible Netting Securities that comprise such Net Short Position. The Corporation will do so only upon obtaining the consent of a Netting Member or Members with a Net Long Position or Positions comprised of Eligible Netting Securities with the same CUSIP number to a receipt by the Netting Member or Members from the Corporation of a like amount of such securities. If a partial delivery of Eligible Netting Securities by a Netting Member is accepted by the Corporation, the remaining securities that were not delivered to the Corporation will constitute a Fail Net Settlement Position.

Section 6 - Financing Costs

If a Netting Member with a Net Short Position delivers Eligible Netting Securities to the Corporation and the Corporation is unable, because the delivery was made near the close of FedWire or for any other reason, to redeliver such securities on the same Business Day to a Netting Member or Members with Net Long Positions in such securities and, as a result, the Corporation incurs costs, expenses, or charges related to financing such securities (hereinafter, the "financing costs"), the Netting Members, as a group, shall be obligated to pay, or to reimburse the Corporation, for such financing costs. Such payment or reimbursement of financing costs shall be allocated by the Corporation pro rata, based on usage of the Corporation's services. Notwithstanding the above, if the Corporation, in its sole discretion, determines that a Netting Member has, on a frequent basis and without good cause, caused the Corporation to incur financing costs, the Corporation shall notify the Member of such determination, and such Member (hereinafter, the "Late Delivering Member") shall be obligated to pay for, or to reimburse the Corporation for, the entire amount of any financing costs incurred by the Corporation on or after the date of such notification as the result of a delivery of Eligible Netting Securities made by the Late Delivering Member to the Corporation pursuant to this Rule, until the Board determines that such is no longer appropriate. A Late Delivering Member also may be subject to fine by the Corporation, if the Corporation determines that such is appropriate in order to promote an orderly settlement process.

Notwithstanding the above, if the Corporation, as the result of a violation by a Netting Member of the Rules, is obligated to obtain overnight financing for securities, the Netting Member shall be obligated to pay for, or to reimburse the Corporation for, the entire amount of any financing cost incurred by the Corporation.

Section 7 - Obligation to Receive Securities

If the Corporation has, in accordance with this Rule, delivered Eligible Netting Securities to a Netting Member with a Net Long Position, such Member shall be obligated to accept delivery of all such securities at the Settlement Value for the Receive Obligation or Receive Obligations that comprise such Position. If such Member fails to do so (hereinafter, the "Non-Receiving Member"), it shall be obligated to pay, or to reimburse the Corporation for, all costs, expenses, and charges incurred by the Corporation as the result thereof, and it may be subject to a fine by the Corporation if the Corporation, in its sole discretion, determines that such failure to accept securities was done without good cause.

The Corporation may, but shall have no obligation to, accept receipt, and otherwise shall return, Eligible Netting Securities delivered to it that either are securities that have not been designated by Report to be delivered to the Corporation on such Business Day (hereinafter, the "Exception Securities") or are securities (hereinafter, the "Mispriced Securities") that have been delivered to it at other than the appropriate Settlement Value for the Deliver Obligation or Deliver Obligations composed by such Eligible Netting Securities. If a Netting Member makes such a delivery to the Corporation (hereinafter, an "Exception Delivery"), such Member shall pay, or reimburse the Corporation, for any costs, expenses, and charges incurred by the Corporation as the result of such Exception Delivery, and such Member may be subject to fine by the Corporation if the Corporation, in its sole discretion, determines that the Member (hereinafter, the "Exception Delivering Member") has, on a frequent basis without good cause, made Exception Deliveries to the Corporation.

If the Corporation accepts an Exception Delivery of Exception Securities, the Exception Delivering Member shall be deemed to have loaned such Exception Securities to the Corporation, and such Exception Securities shall constitute a Net Long Position of such Member. The Corporation shall, as soon as practicable, redeliver to such Member a like amount of Eligible Netting Securities with the same CUSIP number, with such redelivery to be made at the Settlement Value of the Receive Obligation or Receive Obligations composed by such Eligible Netting Securities as of the Business Day on which the Exception Delivery was made. If the Corporation accepts an Exception Delivery of Mispriced Securities, an appropriate Clearance Difference Amount adjustment shall be made, pursuant to Rule 13, between the Corporation and the Netting Member that made such Exception Delivery. Until redelivery of such Exception Securities, the Corporation shall have all of the incidents of ownership of the Exception Securities, including both the right to transfer such Exception Securities and the right to pledge, repledge, assign or create a security interest in such Exception Securities to secure financing obtained by the Corporation to receive or carry such Exception Securities or for any other purpose.

Section 8 - Obligation to Facilitate Financing

If the Corporation deems it appropriate, in its sole discretion, in order to obtain financing necessary for the provision of the securities settlement services contemplated by these Rules, including, without limitation, fail financing of securities Positions arising out of the delivery by Netting Members to the Corporation of Eligible Netting Securities, the Corporation may: (i) create, and each Netting Member shall not take any action to adversely affect the creation of, such security interests in Eligible Netting Securities in favor of any entity or entities, including any depository institution, from which the Corporation, in its sole discretion, deems it necessary or desirable to obtain and maintain such financing and/or (ii) enter into repurchase transactions involving Eligible Netting Securities with any Netting Member or Clearing Agent Bank, and

each Netting Member shall not take any action to adversely affect such repurchase transactions. Any such financing obtained by the Corporation may be on terms and conditions deemed necessary or advisable by the Corporation in its sole discretion. Any such security interests or repurchase transaction obligations created by the Corporation in or with respect to any Eligible Netting Securities may be to obtain an amount greater, and may extend for a period of time longer, than the obligation of any Netting Member to the Corporation relating to such Eligible Netting Securities. Notwithstanding the above, the Corporation shall remain obligated to make delivery to Members of Eligible Netting Securities under the circumstances and within the timeframes specified in these Rules.

If an Inter-Dealer Broker Netting Member obtains financing of a Net Settlement Position, it must obtain such financing by entering into overnight repurchase transactions only with a Netting Member or Clearing Agent Bank.

Section 9 - Relationship with Clearing Banks

No improper or unauthorized action, or failure to act, by a clearing bank acting on behalf of a Netting Member shall excuse or otherwise affect the obligations of a Netting Member to the Corporation pursuant to these Rules.

If a Netting Member terminates an autocharge agreement that it, along with its clearing bank, has provided to a Federal Reserve Bank, as Fiscal agent of the United States, the Netting Member shall promptly inform the Corporation of such. Also, if a Netting Member is informed by its clearing bank that such clearing bank has terminated an autocharge agreement that Member and the bank have provided to a Federal Reserve Bank, as fiscal agent of the United States, the Netting Member shall promptly inform the Corporation of such. Moreover, if a Netting Member uses a clearing bank that also provides clearing services for the Corporation, the Netting Member hereby consents to the disclosure by such clearing bank to the Corporation of the following: (a) that the clearing bank has terminated an autocharge agreement that it and the Netting Member have provided to a Federal Reserve Bank, as fiscal agent of the United States, and (b) that the bank has been informed by the Netting Member that an autocharge agreement that the Netting Member and the clearing bank have provided to the Federal Reserve Bank, as fiscal agent of the United States, has been terminated.

Section 10 - Definition of "Good Cause"

As used in this Rule, "good cause" means a causal event or occurrence that the Corporation, in its sole discretion, determines to have been beyond the reasonable control of a Netting Member; depending upon the specific circumstances, this may include an extended failure of FedWire or the inability of a clearing bank acting on behalf of a Netting Member or the Corporation to gain access to FedWire.

RULE 13 - FUNDS-ONLY SETTLEMENT

Section 1 - General

One or more times on each Business Day, each Netting Member, as appropriate in accordance with this Rule, shall be obligated to pay to the Corporation, and/or shall be entitled to collect from the Corporation, the following (determined separately, where applicable, for the Market Professional Cross-Margining Account of a Netting Member):

(a) With regard to every Net Settlement Position, including every GCF Net Settlement Position, other than either a Fail Net Settlement Position or a Forward Net Settlement Position, either pay to the Corporation a Debit Transaction Adjustment Payment or collect from the Corporation a Credit Transaction Adjustment Payment;

(b) With regard to every Deliver Obligation and Receive Obligation, either pay to the Corporation a Debit Delivery Differential Adjustment Payment or collect from the Corporation a Credit Delivery Differential Adjustment Payment;

(c) With regard to every Forward Net Settlement Position, either pay to the Corporation a Debit Forward Mark Adjustment Payment or collect from the Corporation a Credit Forward Mark Adjustment Payment;

(d) With regard to all of its outstanding Term GCF Repo Transactions, the GCF Interest Rate Mark;

(e) With regard to all outstanding Forward-Starting Repo Transactions during their Forward-Starting Period, the Interest Rate Mark;

(f) With regard to each of its Debit Interest Rate Marks and Debit GCF Forward Marks, pay to the Corporation a related Debit Interest Rate Mark Adjustment Payment, and with regard to each of its Credit Interest Rate Marks and Credit GCF Forward Marks, collect from the Corporation a related Credit Interest Rate Mark Adjustment Payment;

(g) With regard to each of its Debit Forward Mark Adjustment Payments, collect from the Corporation a related Credit Interest Adjustment Payment, and with regard to each of its Credit Forward Mark Adjustment Payments, pay to the Corporation a related Debit Interest Adjustment Payment;

(h) With regard to every Fail Deliver Obligation and Fail Receive Obligation, either pay to the Corporation a Debit Fail Mark Adjustment Payment or collect from the Corporation a Credit Fail Mark Adjustment Payment;

(i) With regard to every Fail Net Settlement Position on a coupon payment date for the Eligible Netting Securities that comprise such Fail Net Settlement Position: (1) if the Member is in a Fail Net Short Position, it shall pay to the Corporation a Debit Coupon Adjustment Payment, and (2) if the Member is in a Fail Net Long Position, it shall collect from the Corporation a Credit Coupon Adjustment Payment;

(j) With regard to every Coupon-Eligible Close Leg on a coupon payment date for the Position, it shall pay to the Corporation a Debit Coupon Adjustment Payment, and (2) if the Member is in a Net Long Position, it shall collect from the Corporation a Credit Coupon Adjustment Payment;

(k) With regard to any settlement made pursuant to Rule 12 where there is a difference between the Settlement Value at which a Deliver Obligation or Receive Obligation was obligated to have been made and the dollar value at which such Obligation actually was settled, either pay to the Corporation a Debit Clearance Difference Amount or collect from the Corporation a Credit Clearance Difference Amount;

(l) With regard to any fees due and owing by a Netting Member to the Corporation it shall pay to the Corporation an Invoice Amount; and

(m) With regard to any other cash payments owing from a Netting Member to the Corporation or entitled to be collected by a Netting Member from the Corporation, the Miscellaneous Adjustment Amount.

Notwithstanding anything to the contrary in Rule 1 or in this Rule, a Netting Member or a Locked-In Trade Source (hereinafter, the "Exempt Member/Source") that is not obligated, pursuant to these Rules, to pay to the Corporation some or all of the Debit Forward Mark Adjustment Payments that ordinarily would be associated with its Forward Net Settlement Positions shall not be entitled to collect from the Corporation any Credit Forward Mark Adjustment Payments.

Notwithstanding anything to the contrary in Rule 1 or in this Rule, if a Member's has engaged in transactions involving Eligible Netting Securities with an Exempt Member/Source, the Corporation's obligation to pay to such Member a Credit Forward Mark Adjustment Payment, or Credit Forward Mark Adjustment Payments associated with such Positions shall be limited by, and shall be no greater than, the Amount of Debit Forward Mark Adjustment Payment or Payments payable to the Corporation under these Rules from the Exempt Member/Source.

Notwithstanding anything to the contrary in Rule 1 or in this Rule, if a Member has engaged in transactions involving Eligible Netting Securities with an Exempt Member/Source, the Corporation's obligation to pay to such Member a Credit Interest Adjustment Payment on Debit Forward Mark Adjustment Payments associated with resultant Forward Net Settlement Positions shall be limited by, and shall be no longer greater than, the amount of interest earned by the Corporation on such Debit Forward Mark Adjustment Payments.

Notwithstanding anything to the contrary in these Rules, if a Netting Member that has submitted an Off-the-Market Transaction to the Corporation has not paid to the Corporation, in a timely manner in accordance with these Rules, either a Debit Transaction Adjustment Payment or a Debit Forward Mark Adjustment Payment that is associated with the Off-the-Market Transaction, the Corporation may, in its sole discretion, not pay any Credit Transaction Adjustment Payment or a Credit Forward Mark Adjustment Payment associated with that Off-the-Market Transaction to the Netting Member or Members that otherwise would receive such Payment or Payments from the Corporation pursuant to these Rules.

Except as otherwise provided in Section 3, all funds-only payment obligations and collection rights that arise pursuant to this Rule shall be satisfied each Business Day on a net

total basis through payment or collection, as set forth in Section 2 of this Rule, of the Funds-Only Settlement Amount.

Section 2 - Calculation of Funds-Only Settlement Amount and Clearing Fund Funds-Only Settlement Amount

One or more times on each Business Day, the Corporation shall make available to each Netting Member and to the Funds-Only Settling Bank Member acting on behalf of the Member a Report stating the Funds-Only Settlement Amount that is either to be paid from such Member to the Corporation on such Business Day or to be collected by such Member from the Corporation on such Business Day. The Funds-Only Settling Bank Member shall also receive the Funds-Only Settlement amounts of all of the Netting Members for which it is acting and the Net Funds-Only Settlement Figure.

The Funds-Only Settlement Amount of each Netting Member shall be determined by calculating the net total, for a particular Business Day, of the following: (a) the Net Transaction Adjustment Payment; (b) the Net Delivery Differential Adjustment Payment; (c) the Net Forward Mark Adjustment Payment; (d) the Net Interest Adjustment Payment; (e) the Net Interest Rate Mark Adjustment Payment; (f) the Net Fail Mark Adjustment Payment; (g) the GCF Interest Rate Mark; (h) the Interest Rate Mark; (i) the Net Coupon Adjustment Payment; (j) the Net Clearance Difference Amount; (k) the Total Invoice Amount; (l) the Miscellaneous Adjustment Amount; (m) the Opening Balance; and (n) the Collected/Paid Amount. If such net total is a negative amount, such amount shall be owing by the Member to the Corporation; if such net total is a positive amount, such amount shall be owing by the Corporation to the Member. The amount of each component, as listed above, of the Funds-Only Settlement Amount shall be reported on each Business Day to each Netting Member.

The Corporation shall determine an intra-day Funds Only Settlement Amount by calculating a net total, for a particular Business Day, of certain of the amounts specified in Section 1 of this Rule as the Corporation shall announce to Members from time to time. If such amount is a positive amount, such amount shall be owing by the Corporation to the Member. The amount of such component, as listed above, of the intra-day Funds Only Settlement Amount shall be reported on each Business Day to each Netting Member. In addition, Repo Parties will also be subject to this provision with respect to their pending (non-DK'ed) Demand Trades with Repo Brokers.

One or more times on each Business Day, each Netting Member shall be obligated to fulfill its Funds-Only Settlement Amount payment obligation, as established pursuant to these Rules and indicated in the Netting System output made available to such Member, regardless of the fact that an adjustment has been made, or the possibility that an adjustment may later be made, by the Corporation to such Amount pursuant to these Rules (including adjustments made as the result of a correction of compared data or a change in coupon rate).

For the purpose of determining Members' Required Clearing Fund Deposit, the Corporation also will establish for each Member, other than Members that are Inter-Dealer Brokers, a Clearing Fund Funds-Only Settlement Amount that shall be determined by subtracting from the Member's Funds-Only Settlement Amount the Total Invoice Amount, the Miscellaneous Adjustment Amount, and Securities Industry and Financial Markets Association fees.

Section 3 - Intra-day Collection of Certain Amounts

Notwithstanding anything to the contrary elsewhere in this Rule, on any Business Day, any Debit Transaction Adjustment Payment, Debit GCF Interest Rate Mark, Debit Interest Rate Mark, and/or Clearance Difference Amount may be collected by the Corporation on an intra-day basis, with payment having to be made by the affected Member, within one hour after the Corporation has provided such Member with notification that payment of such Debit Transaction Adjustment Payment, Debit GCF Interest Rate Mark, Debit Interest Rate Mark, and/or Clearance Difference Amount is due that same day (so long as such notification is provided at least one hour prior to the close of the cash Fedwire operated by the Federal Reserve Bank of New York). Such intra-day payment shall be made as instructed by the Corporation.

Section 4 – Funds-Only Settling Bank Members

(a) Each Netting Member shall be required to appoint a Funds-Only Settling Bank to perform the Netting Member's Funds-Only Settlement Amount obligations via the process set forth in Section 5 of this Rule. A Netting Member must at all times have a Funds-Only Settling Bank validly appointed and acting on its behalf. The Netting Member and the Funds-Only Settling Bank shall execute an "Appointment of Funds-Only Settling Bank and Funds-Only Settling Bank Agreement".

(b) The following entities shall be eligible to become Funds-Only Settling Bank Members and to act as Funds-Only Settling Banks for Netting Members:

(i) A bank or trust company that is a DTC Settling Bank may apply to become a Funds-Only Settling Bank Member by signing the agreements described in subsection (d) below.

(ii) A Netting Member that is a bank, trust company or other entity and that has direct access to a relevant FRB and the NSS may apply to become a Funds-Only Settling Bank Member by signing the agreements described in subsection (d) below.

(iii) A Mortgage-Backed Securities Division Cash Settling Bank may apply to become a Funds-Only Settling Bank Member by signing the agreements described in subsection (d) below.

(iv) A bank or trust company that does not fall into (i), (ii) or (iii) and has direct access to a relevant FRB and the NSS may apply to become a Funds-Only Settling Bank Member by submitting the requisite application, signing the agreements described in subsection (d) below and submitting such other information required by the Corporation. The Corporation shall approve an application to become a Funds-Only Settling Bank Member pursuant to this subsection (iv) only upon a determination by the Corporation that the applicant meets the standards of financial responsibility and operational capability as the Corporation may require for this purpose as specified in important notices issued by the Corporation.

(c) On an ongoing basis:

(i) Funds-Only Settling Bank Members approved as such pursuant to subsection (b)(i) above shall be required to maintain their status as a DTC Settling Bank or re-apply under subsections (b)(ii), (b)(iii) or (b)(iv).

(ii) Funds-Only Settling Banks approved as such pursuant to subsection (b)(ii) above must maintain their status as a Netting Member or re-apply under subsections (b)(i), (b)(iii) or (b)(iv).

(iii) Funds-Only Settling Banks approved as such pursuant to subsection (b)(iii) above must maintain their status as a Mortgage-Backed Securities Division Cash Settling Bank or re-apply under subsections (b)(i), (b)(ii) or (b)(iv).

(iv) Funds-Only Settling Banks approved as such pursuant to subsection (b)(iv) above must maintain the financial responsibility and operational capability standards as the Corporation may require pursuant to subsection (b)(iv) above. If required by the Corporation, such Funds-Only Settling Banks shall submit the financial and other information (if applicable) specified by the Corporation in notices issued by the Corporation from time to time. Such information must be submitted within the timeframes specified in guidelines issued by the Corporation from time to time.

(d) Each applicant in (b)(i), (b)(ii), (b)(iii) and (b)(iv) shall sign and deliver to the Corporation:

(i) a membership agreement whereby the bank or trust company shall agree to:

(1) abide by the Rules of the Corporation applicable to Funds-Only Settling Bank Members and to be bound by all provisions thereof and that the Corporation shall have all the rights and remedies contemplated by the Rules; and

(2) be bound by any amendment to the Rules of the Corporation with respect to any transaction occurring subsequent to such time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation.

(ii) the “Appointment of Funds-Only Settling Bank and Funds-Only Settling Bank Agreement”; and

(iii) the agreement(s) authorizing the Corporation’s Settlement Agent to utilize NSS for funds-only settlement as the relevant FRB may require.

(e) Notwithstanding that an applicant qualifies under subsection (b) above, if a material change in condition at the applicant occurs which could bring into question the entity’s ability to perform as a Funds-Only Settling Bank, and such material change becomes known to the Corporation prior to the applicant commencing as a Funds-Only Settling Bank Member, the Corporation shall have the right to stay commencement of the applicant acting as a Funds-Only Settling Bank until a reconsideration of the applicant’s financial responsibility and/or operational capability (if applicable) can be completed. As a result of such reconsideration, the Corporation may determine to withdraw approval or condition the approval upon the furnishing of additional information or assurances.

(f) Before denying an application to become a Funds-Only Settling Bank Member pursuant to this Rule, the Corporation shall furnish the applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and shall notify the applicant of its right to request a hearing to determine whether the application should be denied, such request to be filed by the applicant pursuant to Rule 37.

(g) A Funds-Only Settling Bank shall not terminate its status as a Funds-Only Settling Bank and shall not terminate its representation of a Netting Member without having given 10 Business Days advance written notice thereof to the Corporation; however, the Corporation, in its discretion, may accept such termination within a shorter notice period. Such termination will not be effective until accepted by the Corporation. The affected Netting Members must appoint new Funds-Only Settling Banks prior to the termination.

(h) Based on its judgment that adequate cause exists to do so, the Corporation may at any time terminate an entity's membership status as a Funds-Only Settling Bank Member and its right to act as a Funds-Only Settling Bank.

(i) A Funds-Only Settling Bank's books and records, insofar as they relate to the Corporation's funds-only settlement process, shall be open to the inspection of the duly authorized representatives of the Corporation upon reasonable prior notice and during the Funds-Only Settling Bank's normal business hours.

(j) Each Funds-Only Settling Bank shall comply in all material respects with all applicable laws, including applicable laws relating to securities, taxation and money laundering in connection with its acting as a Funds-Only Settling Bank.

(k) Each Funds-Only Settling Bank shall fulfill, within the timeframe established by the Corporation, any 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 test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation from time to time to ensure the continuing operational capability of the Funds-Only Settling Bank.

(l) In addition to this Rule 13 and applicable provisions of Rule 1, the following Rules and any relevant schedules cited therein shall apply to Funds-Only Settling Bank Members in the same manner as they apply to Netting Members: Rule 29 (Release of Clearing Data), Rule 32 (Signatures), Rule 33 (Procedures), Rule 36 (Rule Changes), Rule 37 (Hearing Procedures), Rule 38 (Governing Law and Captions), Rule 39 (Limitations of Liability), Rule 42 (Suspension of Rules), Rule 44 (Action by the Corporation), Rule 45 (Notices), Rule 46 (Interpretation of Terms), Rule 47 (Interpretation of Rules) and Rule 48 (Disciplinary Proceedings).

Section 5- Funds-Only Settlement Amount Payment Process

All payments of Funds-Only Settlement Amounts by a Netting Member to the Corporation, and all collections of Funds-Only Settlement Amounts by a Netting Member from the Corporation, shall be done through the Funds-Only Settling Banks pursuant to the following process:

(a) As stated in Section 2 above, one or more times on each Business Day, the Corporation shall make available to the Funds-Only Settling Banks the Funds-Only Settlement Amounts of all of the Netting Members for which the Banks are acting and the Banks' Net

Funds-Only Settlement Figures. If the Funds-Only Settling Bank's Net Funds-Only Settlement Figure is a debit, it shall pay such amount to the Corporation in the manner provided in this Section by the deadline established by the Corporation in Section 6 of this Rule. If the Funds-Only Settling Bank's Net Funds-Only Settlement Figure is a credit, it shall receive such amount from the Corporation in the manner provided in this Section by the deadline established by the Corporation in Section 6 of this Rule.

(b) By the deadline established by the Corporation as announced in notices issued by the Corporation, the Funds-Only Settling Banks, without exception, must acknowledge to the Corporation via the designated terminal system their Net Funds-Only Settlement Figures and (1) their intention to settle with the Corporation their Net Funds-Only Settlement Figures by the applicable deadline, or (2) their refusal to settle for one or more particular Netting Members. Notwithstanding the foregoing, a Funds-Only Settling Bank that is a Netting Member and settles solely for its own account may opt to not acknowledge its Funds-Only Settlement Amount.

(c) If the Funds-Only Settling Bank sends refusal messages and its new Net Funds-Only Settlement Figure is a credit, it must send a message to the Corporation immediately after the refusal message acknowledging that amount. If its new Net Funds-Only Settlement Figure is a debit, the Funds-Only Settling Bank must send a message to the Corporation immediately after the refusal messages acknowledging its intention to settle the new amount with the Corporation by the payment deadline.

(d) A Funds-Only Settling Bank that cannot send an acknowledgement or refusal message to the Corporation due to an operational issue may telephone its instructions to Corporation's Operations area to the number specified in the Corporation's notices.

(e) A refusal to settle by the Funds-Only Settling Bank for a particular Netting Member is a refusal to settle all accounts of the Netting Member. The Funds-Only Settling Bank cannot refuse to settle only some of the accounts of the Member if the Member has multiple accounts at the Corporation.

(f) If the Funds-Only Settling Bank does not acknowledge, or sends a refusal regarding, the Netting Member's Funds-Only Settlement Amount that is a debit or if the Bank acknowledges the amount but then does not settle the payment, the Netting Member shall remain obligated, pursuant to the Rules, to pay such Amount by the payment deadline and shall do so by causing such payment to be made to the depository institution designated by the Corporation from time to time to receive such payment.

(g) A Funds-Only Settling Bank with a Net Funds-Only Settlement Figure that is a debit that has sent an acknowledgement to the Corporation must settle such amount pursuant to the process set forth herein by the payment deadline established by the Corporation in Section 6 of this Rule.

(h) DTC provides the Corporation with services with respect to the Corporation's Funds-Only Settlement process as described herein and in accordance with the Rules. DTC will act as Settlement Agent (as that term is used in the relevant FRB's Operating Circular 12 and in these Rules) for the Corporation and for the Corporation's Funds-Only Settling Banks with respect to the FRB's NSS, as the means of effecting Funds-Only Settlement.

(i) Funds-Only Settling Banks must settle their Net Funds-Only Settlement Figures via the FRB's NSS. The Settlement Agent will send a pre-advice to each Funds-Only Settling

Bank, notifying it that the Settlement Agent is about to send its NSS transmission to the FRB. NSS will allow the Corporation's Settlement Agent to instruct the relevant FRB to debit or credit, as applicable, the Funds-Only Settling Bank's account at the FRB by the requisite amount.

(j) If a Funds-Only Settling Bank is experiencing extenuating circumstances and, as a result, needs to opt out of NSS for one Business Day, the Funds-Only Settling Bank must notify the Corporation's Operations area prior to the acknowledgement deadline. The Netting Member shall remain obligated, pursuant to the Rules, to pay such its Funds-Only Settlement Amount that is a debit by the payment deadline and shall do so by causing such payment to be made to the depository institution designated by the Corporation from time to time to receive such payment.

(k) If the Funds-Only Settling Bank's account at the FRB has insufficient funds, DTC will receive notification from the FRB that the account was not debited. The affected Netting Member(s) must then promptly wire the requisite funds to the depository institution designated by the Corporation for this purpose by the payment deadline.

(l) In the event a Funds-Only Settling Bank fails to settle in the manner and at the time prescribed by the Corporation, due to insolvency or other cause, each Netting Member represented by that Funds-Only Settling Bank shall be obligated to the Corporation for its Funds-Only Settlement Amount and such payment must be made by the payment deadline; however, if the Corporation has made payment to the failed Funds-Only Settling Bank the Corporation shall have no obligation to any Netting Member for a Funds-Only Settlement Amount that is a credit.

(m) The Netting Member must remain at all times in compliance with the Rules, notwithstanding any circumstances related to its Funds-Only Settling Bank or NSS. Netting Members must at all times be prepared to wire payment to the depository institution designated by the Corporation for this purpose if its Funds-Only Settlement Amount is not satisfied via the NSS process. If the Corporation does not receive a Netting Member's Funds-Only Settlement Amount that is a debit by the payment deadline, the Member shall be subject to the applicable fine and any other disciplinary consequences under these Rules.

(n) Each Funds-Only Settling Bank shall monitor its FRB account to ensure accuracy of debits and credits made through the NSS process.

(o) Under FRB Operating Circular No. 12, FICC's Settlement Agent has certain processing responsibilities in allocating an indemnity claim made by an FRB as a result of processing the Corporation's funds-only settlement via NSS. The Corporation shall apportion the entirety of such liability to the Netting Members for whom the Funds-Only Settling Bank to which the indemnity claim relates was acting. Such liability for each applicable Netting Member shall be in proportion to the amount of such Members' Funds-Only Settlement Amounts on the Business Day in question. If for any reason such allocation is not sufficient to fully satisfy the FRB indemnity claim, then the remaining loss shall be treated as an "Other Loss" as defined by Rule 4 and allocated accordingly.

(p) No improper or unauthorized action, or failure to act, by a Funds-Only Settling Bank or other depository institution on behalf of a Netting Member shall excuse or otherwise affect such Netting Member's obligations to the Corporation pursuant to this Rule.

Section 5a - FICC/NYPC Funds-Only Settling Bank Arrangements

Any Funds-Only Settling Bank that settles for a Member that is also an NYPC Member or that settles for a Member and its Permitted Margin Affiliate that is an NYPC Member will have its net-net credit or debit balances at each clearing corporation other than balances with respect to futures positions of a Market Professional or a “customer” (as such term is defined in CFTC Regulation 1.3(k)), aggregated and netted for operational convenience and shall pay or be paid such netted amount. Any Funds-Only Settling Bank that settles for a Member with respect to the Member’s Market Professional Account and its NYPC Market Professional Account (or that of its Permitted Margin Affiliate’s NYPC Market Professional Account) will have its net-net credit or debit balances at each clearing corporation aggregated and netted for operational convenience and shall pay or be paid such netted amount.

Notwithstanding the previous sentence, the Member remains obligated to the Corporation for the full amount of its Funds-Only Settlement obligation amount.

Section 6 – Acknowledgement and Payment Deadlines for Funds-Only Settlement Amounts

(a) The acknowledgement required to be made by the Funds-Only Settling Banks regarding their Net Funds-Only Settlement Figures pursuant to Section 5 of this Rule shall be announced by the Corporation in its notice.

(b) Except as otherwise provided in Section 3 with respect to intra-day collections, a Netting Member that has an obligation, pursuant to this Rule, to pay a Funds-Only Settlement Amount to the Corporation shall cause such payment to be made, pursuant to the process set forth in Section 5 of this Rule, in Federal funds, by no later than 10:00 a.m. New York Time;

(c) When a Netting Member is entitled, pursuant to this Rule, to collect a Funds-Only Settlement Amount from the Corporation, the Corporation shall cause such payment to be made, in Federal funds, pursuant to the process set forth in Section 5 of this Rule, by 11:00 a.m. New York Time.

Notwithstanding anything to the contrary elsewhere in this Rule or in Rule 4, on any Business Day on which a Netting Member is notified by the Corporation that it must increase the amount of its Required Fund Deposit and the Netting Member has a Funds-Only Settlement Amount due it from the Corporation, in lieu of paying the Funds-Only Settlement Amount to the Netting Member, the Corporation may retain the lesser of the requested increase in the Required Fund Deposit or such Funds-Only Settlement Amount (or the entire Funds-Only Settlement Amount if the difference between the amounts is zero) and apply such amount against the Netting Member’s obligation to increase its Required Fund Deposit. Notwithstanding the foregoing, if the Corporation receives from the Netting Member any portion of the requested increase in the Required Fund Deposit by a pre-established time before the Corporation’s deadline to pay Funds-Only Settlement Amounts to Netting Members, the Corporation shall only be entitled to offset the Funds-Only Settlement Amount it owes to the Netting Member against the Netting Member’s remaining obligation to increase its Required Fund Deposit, if any. The Corporation shall give Netting Members prior written notice of the pre-established time referred to above (and any changes thereto).

The obligations of the Corporation pursuant to this Rule shall not be affected by the late collection or non-collection by it of any Funds-Only Settlement Amount of which payment is owing from any Netting Member.

Section 7 - Liability of a Netting Member

Each Netting Member shall pay, or reimburse the Corporation, for all losses, costs, expenses, and charges (including attorney's fees) incurred by the Corporation as the result of any failure of such Netting Member to fulfill its obligations to the Corporation pursuant to this Rule.

If a Netting Member (hereinafter, the "Defaulting Netting Member") fails to pay to the Corporation in a timely manner any portion of a Funds-Only Settlement Amount as required pursuant to this Rule (hereinafter, the "Unpaid Balance"), the Corporation, in its sole discretion, may apply to payment of the Unpaid Balance all or a portion of any monies owing by the Corporation to the Defaulting Netting Member, and/or all or a portion of such Member's deposits to the Clearing Fund or other collateral of such Member held by the Corporation. If the Corporation satisfies all or a portion of the Unpaid Balance through use of the Corporation's own funds or funds borrowed from third parties, the Defaulting Member shall be liable, in addition to the amount of the Unpaid Balance, for the costs of any such borrowing, including, without limitation, interest from the Business Day on which the failure to pay the Unpaid Balance occurred until and including the Business Day on which the Member pays to the Corporation the Unpaid Balance (or, if later, the Business Day on which funds borrowed from a third party are repaid by the Corporation to such party). The interest rate applicable to funds advanced by the Corporation pursuant to this Section shall be the Federal Funds Rate plus one percent.

If the Corporation, in its sole discretion, determines that a Netting Member has, without good cause, failed to pay to the Corporation in a timely manner pursuant to this Rule a Funds-Only Settlement Amount, it may impose a fine upon such Member. As used in this Section, "good cause" means a causal event or occurrence that the Corporation, in its sole discretion, determines was beyond the reasonable control of a Netting Member; depending upon the specific circumstances, this may include an extended failure of FedWire or the inability to gain access to FedWire by a depository institution acting on behalf of either a Netting Member or the Corporation. The failure to pay the Corporation in a timely manner by a depository institution acting on behalf of a Netting Member including the Netting Member's Funds-Only Settling Bank, shall not automatically constitute "good cause."

RULE 14 - FORWARD TRADES

Section 1 - General

The netting, settlement, and margining of Forward Trades and Forward Net Settlement Positions are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule.

Section 2 - Forward Net Settlement Positions

Each Forward Net Settlement Position of a Netting Member shall be reported, by CUSIP Number, by the Corporation in a Report issued and made available during the morning of each Business Day during the Forward Period applicable to such Position to such Member. Such Positions shall be established by the Corporation by comparing the aggregate par value amount of each purchase and each sale of the Eligible Netting Securities with a distinct CUSIP Number that comprise the Forward Trades that underlie such Positions from the first day during the Forward Period on which such trades are compared until the current Business Day on which such Position is being established.

A new Forward Net Settlement Position shall be established on each successive Business Day during the Forward Period applicable to such Position. Each Forward Net Settlement Position automatically converts into a Net Settlement Position on the Scheduled Settlement Day for such Forward Net Settlement Positions. Except as otherwise provided for in Rule 22A with regard to an insolvent Member or member for which that Corporation has otherwise ceased to act, the Corporation will not establish or report Deliver Obligations or Receive Obligations with regard to a Forward Net Settlement Position.

Section 3 - Novation

Forward Net Settlement Positions of a Netting Member, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a correction of compared data made pursuant to these Rules, shall be fixed at the time the Report of such Positions is made available by the Corporation to the Member, as provided in Section 10 of Rule 11. At that time, all deliver, receive, and related payment obligations between Netting Members that were created by the Forward Trades that comprise each Forward Net Settlement Position are terminated and replaced by the Deliver Obligations, Receive Obligations, and related payment obligations that will be established and reported by the Corporation with respect to each such Position on and, as applicable, after the Scheduled Settlement Day for such Positions.

Notwithstanding anything to the contrary in the above paragraph, if a Right of Substitution was established by the parties to a Repo Transaction, such Right of Substitution shall continue, and be recognized by the Corporation, after the Corporation's Novation of the Repo Transaction.

RULE 15 - SPECIAL PROVISIONS FOR CERTAIN NETTING MEMBERS

Section 1 - Non-Conversion Participating Members

Every Netting Member shall be a Conversion-Participating Member, except that the Corporation, in its sole discretion, for operational or other reasons, may, for a temporary period, permit a Netting Member to be a Non-Conversion-Participating Member.

Section 2 - Submitting Members

A Submitting Member that has submitted to the Corporation pursuant to these Rules data on a trade on behalf of an Executing Firm shall be obligated to the Corporation pursuant to these Rules (including, if the trade is netted and settled through the Netting System, as regards the calculation of payment of Required Fund Deposit and Funds-Only Settlement Amounts) in connection with such trades to the same degree as if it itself had executed such trades.

Section 3 - Inter-Dealer Broker Netting Members

At the request of the Corporation, each Inter-Dealer Broker Netting Member shall submit to the Corporation, data on all of its trades in Eligible Netting Securities, including trades done with Non-Members. Such request may include such data as is necessary to indicate, by reference number, a buy side that matches in par amount, and is bound to, one or more sell sides, and vice versa. Moreover, for every trade done by an Inter-Dealer Broker Netting Member or an Inter-Dealer Broker Netting Member involving an Eligible Netting Security, including trades done with Non-Members, the identity of each buy side and sell side counterparty shall be disclosed to the Corporation, in the form and manner prescribed by the Corporation for such disclosure. The requirements of this paragraph shall not apply to Repo Transactions.

If an Inter-Dealer Broker Netting Member fails to comply with the requirements of this Section, the Corporation, in its sole discretion, may treat such Member for purposes of these Rules as if it were a Dealer Netting Member, upon providing notice of such to the Member.

Notwithstanding anything to the contrary elsewhere in these Rules, including Rule 1, trades by an Inter-Dealer Broker Netting Member, acting as a broker, with a Non-Member that clears all of its trades in Eligible Netting Securities through one or more Netting Members (excluding Netting Members that are Inter-Dealer Brokers), each of which in turn submits all of such trades of the Inter-Dealer Broker with the Non-Member to the Corporation for netting and settlement through the Netting System, shall be treated by the Corporation for purposes of determining the status of the Inter-Dealer Broker Netting Member as if they were trades with a Netting Member.

RULE 16 - NETTING OF LOCKED-IN TRADES

Section 1 - General

The Obligations of the Corporation and each Netting Member regarding Demand Trades and Locked-In Trades that are eligible for netting and settlement through the Netting System are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule, except Rules 17 through 20.

Section 2 - Net Settlement Positions Comprised of Locked-In Trades

Net Settlement Positions that are comprised in whole or in part of Demand Trades and/or Locked-In Trades shall, except as otherwise provided in Rule 17, be treated by the Corporation in the same manner as all other Net Settlement Positions.

RULE 17 - NETTING AND SETTLEMENT OF NETTING-ELIGIBLE AUCTION PURCHASES

Section 1 - General

The netting and settlement of Netting-Eligible Auction Purchases shall be subject generally to the provisions of Rules 11 through 16; however, the provisions of this Rule shall supersede any conflicting provisions of any other Rule.

Section 2 - Provision of Appropriate Deliver Instructions

A Netting Member that makes a Netting-Eligible Auction Purchase in connection with a Treasury Department auction shall provide the Federal Reserve Bank through which it makes such Auction Purchase, prior to the time of the making of such Auction Purchase and in the form and manner required by the Treasury Department or the Federal Reserve Bank, as fiscal agent of the United States, with appropriate instructions providing that such Auction Purchase shall be delivered to the agent bank or banks designated by the Corporation to act on its behalf with regard to such Auction Purchase, in lieu of being delivered to such Member, or to its agent bank or banks, for inclusion in the Corporation's netting process.

Section 3 - Redeliveries of Auction Purchases

Notwithstanding anything to the contrary elsewhere in these Rules, the Settlement Value of a Receive Obligation that reflects the initial redelivery by the Corporation of a Netting-Eligible Auction Purchase or Netting-Eligible Auction Purchases received from a Federal Reserve Bank or Freddie Mac to a Member in satisfaction of all or a part of a Net Long Position of Such Member shall be the greater of: (a) that Business Day's System Value for such Receive Obligation, or (b) the Average Auction Price for such Auction Purchase or Auction Purchases.

Section 4 - Exception to Obligation of the Corporation to Accept Delivery and Make Payment for Netting-Eligible Auction Purchases

The Corporation shall be obligated (through its appropriate agent bank in the case of Treasury Department auctions) to accept delivery of and make payment for any Netting-Eligible Auction Purchase that has been reported by the Corporation to a Netting Member, pursuant to Rule 6C, as if the Corporation had made the Auction Purchase. Notwithstanding this, if: (1) the Netting Member has a Net Long Position comprised in whole or part of Eligible Netting Securities with the same CUSIP Number as the Netting-Eligible Auction Purchase (hereinafter the "Residual Long Position"), (2) the Corporation has reasonable cause to believe, based on information it has received, that the Netting Member cannot or will not take delivery from the Corporation of such Residual Long Position and pay for it in accordance with these Rules, and (3) the Corporation has determined, from its analysis and prevailing market conditions that there is reasonable cause to believe that it would incur a loss upon liquidation of a Residual Long Position after application of the margin deposited by the Netting Member and the liquidation of the Netting Member's other Positions, then the Corporation shall have the right, prior to 8:30 a.m. (New York Time) on Issue Date, or later if approved by the Treasury Department or Freddie Mac, as applicable, to notify the Federal Reserve Bank from which such Auction Purchase was made or Freddie Mac, as applicable, that it will not accept delivery of, and make payment for, the Netting Member's Auction Purchase up to the amount of the Netting Member's Residual Long Position. Notwithstanding the foregoing, the Corporation must make this notification to

Freddie Mac as soon as it is practicable for it to do so. If the Corporation exercises its right to refuse delivery under this Section, it shall promptly inform the affected Netting Member that it has done so.

The Corporation shall also not be required to accept delivery of and make payment for any Netting-Eligible Auction Purchase that has been reported by the Corporation to a Netting Member, pursuant to Rule 6C, if the security auctioned in a Treasury Department auction or a Freddie Mac auction that is the subject of the Netting-Eligible Auction Purchase is not issued.

As between the Corporation and the Netting Member, the Corporation's determinations under this Section shall be final.

Section 5 - Priority Auction Delivery System

If a Netting Member that has made a Netting-Eligible Auction Purchase or Netting-Eligible Auction Purchases believes that, on Issue Date, it will have, with regard to the Net Settlement Position for such Auction Purchase or Auction Purchases and other Eligible Netting Securities with the same CUSIP Number, a Net Short Position, no Net Settlement Position, or a Net Long Position smaller than the amount of such Auction Purchase or Auction Purchases, it may, on a CUSIP Number-by-CUSIP Number basis, request (hereinafter, a "Priority Auction Delivery Request") the Corporation, in a manner and within the timeframes required by the Corporation, to deliver to it or to its agent bank or banks, as soon as possible after their receipt by the Corporation from a Federal Reserve Bank, all or a portion of such Auction Purchase or Auction Purchases.

To accomplish this, if the Priority Auction Delivery Request is less long than the Member's Net Settlement Position on Issue Date, the Corporation shall change the Member's Net Settlement Position into two Net Settlement Positions; one, a revised Net Long Position (hereinafter, the "Revised Net Long Position") equal to the amount of Netting-Eligible Auction Purchases requested to be delivered on a priority basis (as that amount may be adjusted by the Corporation pursuant to these Rules), and the other, a Net Short Position (hereinafter, the "Offsetting Position") reflecting the difference between the Revised Net Long Position and the original Net Settlement Position. As regards any single auction and CUSIP Number, if a Member submits to the Corporation more than one Priority Auction Delivery Request, the Corporation shall act only upon the most recently received Priority Auction Delivery Request.

Notwithstanding anything to the contrary above, if a Priority Auction Delivery Request of a Member Requests delivery of an amount of Eligible Netting Securities greater than the amount of Netting-Eligible Auction Purchases made by the Member in the particular CUSIP for the relevant Issue Date, the Corporation shall automatically deem the Priority Auction Delivery Request to be a request for all of, but not more than, such Auction Purchases.

Notwithstanding anything to the contrary elsewhere in these Rules, prior to and on Issue Date:

- (a) the Revised Net Long Position shall not be netted against the Offsetting Position or against any other existing Net Short Position with the same CUSIP Number;
- (b) a Member with an Offsetting Position shall be subject to Clearing Fund deposit requirements on such Position pursuant to Rule 4 as it would any other Net Settlement Position;

(c) a Member with a Revised Net Long Position that, on an absolute dollar value basis, exceeds the Member's Offsetting Position, shall be subject to Clearing Fund deposit requirements pursuant to Rule 4 only on such excess amount; and

(d) the Offsetting Position is not available for offset against the Revised Net Long Position or any other Net Long Position.

This section shall not apply to Netting-Eligible Auction Purchases in connection with Freddie Mac auctions.

Section 6 - Priority of Allocation of Auction Purchase Deliveries

The first priority of allocation of deliveries by the Corporation of Netting-Eligible Auction Purchases received from a Federal Reserve Bank shall be to satisfy Priority Auction Delivery Requests in accordance with Section 5 of this Rule.

The second priority of allocation of deliveries by the Corporation of Netting-Eligible Auction Purchases received from a Federal Reserve Bank, and the first priority of allocation of deliveries by the Corporation of Netting Eligible Auction Purchases received from Freddie Mac, shall be, on a CUSIP Number-by-CUSIP Number basis, to ensure that every Netting Member with a Net Long Position (including a Revised Net Long Position) comprised in whole or part of Netting-Eligible Auction Purchases receives from the Corporation an amount of Auction Purchases equal to the lesser of such Member's Net Long Position or the amount of its Auction Purchases.

The third priority of allocation of deliveries by the Corporation of Netting-Eligible Auction Purchases received from a Federal Reserve Bank, and the second priority of allocation of deliveries by the Corporation of Netting Eligible Auction Purchases received from Freddie Mac, shall be, on a CUSIP Number-by-CUSIP Number basis, to deliver such Auction Purchases, on an equal basis in \$50 million increments, to each Member with a Net Long Position that remains unfilled.

Section 7 – Responsibility for Netting-Eligible Auction Purchases

A Netting Member shall be responsible pursuant to the Rules for a Locked-In Trade submitted with respect to it by a Federal Reserve Bank or Freddie Mac even if the data contains errors or omissions, and the Netting Member shall be liable as principal to the Corporation for all Locked-in-Trades reported to the Corporation by a Federal Reserve Bank or Freddie Mac.

Section 8 – Freddie Mac Auctions

Notwithstanding anything to the contrary in these Rules, Rules 4 and 13 shall not apply to Freddie Mac in its capacity as Issuer of Eligible Freddie Mac Securities.

RULE 18 - SPECIAL PROVISIONS FOR REPO TRANSACTIONS

Section 1 - General

The obligations of the Corporation and each Netting Member regarding Repo Transactions are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule, except Rules 19 and 20.

Section 2 - Obligation to Submit Repo Transactions

Each Netting Member that has requested of the Corporation that it provide its Netting System services for such Member's Repo Transaction data submissions must submit to the Corporation, or to either another Registered Clearing Agency or a Clearing Agency that has been exempted from registration as a Clearing Agency by the SEC, for comparison and netting, data on all of its Repo Transactions, including Repo Transactions executed by an Executing Firm on whose behalf it is acting, with any other Netting Member or Executing Firm on whose behalf it or another Netting Member is acting, if such Repo Transactions are eligible for netting pursuant to these Rules. All collateral substitutions pertaining to Repo Transactions must be performed through the Corporation, and the requisite collateral substitution requests must be submitted to the Corporation in accordance with the requirements, procedures and timeframes established by the Corporation from time to time.

Each Netting Member must also submit to the Corporation for netting and settlement pursuant to these Rules data on each Repo Transaction (hereinafter an "Eligible Repo Transaction") executed by a Covered Affiliate that satisfies the following criteria: (i) the Repo Transaction is eligible for netting pursuant to these Rules, and (ii) the Repo Transaction is executed with another Netting Member or with a Covered Affiliate of another Netting Member. For purposes of this Section, the term "executed" shall include Repo Transactions that are cleared and guaranteed as to their settlement by the Covered Affiliate.

The preceding paragraph shall not apply to: (i) a Repo Transaction that is executed between a Member and its Affiliates or between Affiliates of the same Member (an "Affiliate Trade"), (ii) a trade of a Covered Affiliate that has executed less than an average of 30 Eligible Trades (as defined in Section 3 of Rule 11) plus Eligible Repo Transactions (excluding Affiliate Trades) per business day per month within the prior twelve-month period meeting such criteria, or (iii) a Repo Transaction the submission of which to the Corporation would cause the Member to be in violation of any applicable law, rule or regulation.

All trade data required to be submitted to the Corporation under this Section must be submitted on a trade-by-trade basis with the original terms of the trades unaltered. A Member or any of its Affiliates may not engage in the Pre-Netting of Trades prior to their submission to the Corporation in contravention of this section. In addition, a Member or any of its Affiliates may not engage in any practice designed to contravene the prohibition against the Pre-Netting of Trades.

If the Corporation determines that a Netting Member has, without good cause, violated its obligations pursuant to this section, such Netting Member may be reported to the appropriate regulatory body, put on the Watch List pursuant to Rule 3, or subject to an additional fee. In addition, the Corporation may discipline a Netting Member for a violation of this section in accordance with Rule 48.

All collateral substitutions pertaining to Repo Transactions must be performed through the Corporation, and the requisite collateral substitution requests must be submitted to the Corporation in accordance with the requirements, procedures and timeframes established by the Corporation from time to time.

Section 3 - Collateral Substitutions

With regard to any Repo Transaction that comprises a Net Settlement Position and carries with it a Right of Substitution, a substitution of the Eligible Netting Securities collateral that underlies the Repo Transaction shall be processed by the Corporation pursuant to the following procedures and requirements:

(a) A notification for a request for substitution that contains the required data items in the Schedule of Required and Accepted Data Submission Items for a Right of Substitution, has been submitted to the Corporation by either: (i) the two Netting Members that submitted the data on the Repo Transaction, or (ii) by a Demand Trade Source or a Locked-In Trade Source approved by the Corporation to provide such data. Notwithstanding the previous sentence, a substitution of the Eligible Netting Securities collateral that underlies the Repo Transaction may be processed by the Corporation if it determines, in its sole discretion, that the Repo Party and Reverse Repo Party have provided sufficient evidence that they intended that a Right of Substitution exist.

(b) The notification, in the form and manner required by the Corporation, of the intent to substitute, has been submitted to the Corporation through the use of its designated messaging utility. The Corporation shall not accept notifications or amendments thereto in any other form and manner unless the Corporation has approved in advance such other form and manner. This notification or any amendments thereto may be submitted: (i) solely by a Repo Broker that was a party to the Repo Transaction, (ii) if the Repo Transaction is not a brokered one, by the Repo Party, or (iii) by a Demand Trade Source or a Locked-In Trade Source approved by the Corporation to provide such notification.

(c) The Repo Broker, the Repo Party, the Demand Trade Source or the Locked-In Trade Source referred to in subsection (b) above has submitted to the Corporation by the deadline published by the Corporation unless the deadline is extended by the Corporation, either in the notification described in subsection (b) of this Section 4 or otherwise as permitted by the Corporation, data on the nature of the New Securities Collateral, as specified in the Schedule of Required Data Submission Items for, New Securities Collateral, and any other detail deemed necessary, in the sole determination of the Corporation, to allow the Corporation to process the substitution.

(d) The required substitution requests with all necessary details have been submitted to the Corporation by the deadlines published by the Corporation unless the deadline is extended by the Corporation.

(e) All deliveries of Existing Securities Collateral or New Securities Collateral pursuant to this Rule shall be made in the same manner that Deliver and Receive Obligations of a Netting Member are required to be satisfied pursuant to Rule 12.

(f) Upon receipt of a request for such substitution and until information regarding the New Securities Collateral is provided to the Corporation for purposes of calculating the Required Fund Deposit of the Repo Party, the Corporation shall assign to the transaction a Contract Value

which is 150 percent of the Contract Value of the original securities collateral. Moreover, where the Corporation has been notified of a substitution but the New Securities Collateral has not yet been reported to the Corporation, the Corporation shall base margining with respect to the New Securities Collateral on the applicable Generic CUSIP using the methodology that is used for securities whose volatility is less amenable to statistical analysis set forth in Section 2(b) of Rule 4.

The Corporation shall have no obligation to ensure the acceptability to the Reverse Repo Party of any New Securities Collateral transferred pursuant to this Section.

Section 4 - General Collateral, Forward-Starting Repos

In order for a submitted General Collateral Repo Transaction that is also a Forward-Starting Repo Transaction to be included in a Member's Net Settlement Position of the Repo Start Date, such member must inform the Corporation, in the form and manner as specified by the Corporation from time to time, and by the Close of Business on the Business Day prior to the Repo Start Date, of the Specific CUSIP Number(s) and par value(s) of the securities allocated to such transaction. If such Member does not so inform the Corporation of such information, the Corporation shall remove the General Collateral Repo Transaction from its books.

Section 5 - Repo Transactions with Maturing Collateral

If a Repo Party has transferred Existing Securities Collateral that matures prior to the Scheduled Settlement Date for the Close Leg of the Repo Transaction, such Member shall be obligated to substitute for such Existing Securities Collateral, by no later than the Close of Business on the Business Day prior to such maturity date, New Securities Collateral, in accordance with the terms of the transaction. Upon failure of such Member to timely make the required substitution, the Corporation shall remove the Repo Transaction from its books.

RULE 19 - SPECIAL PROVISIONS FOR BROKERED REPO TRANSACTIONS

Section 1 - General

The obligations of the Corporation and each Netting Member regarding Brokered Repo Transactions are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule.

Section 2 - Responsibilities of Inter-Dealer Broker Netting Members and Non-IDB Repo Brokers

If an Inter-Dealer Broker Netting Member or Non-IDB Repo Broker wishes to submit to the Corporation data on a Repo Brokered Transaction, it must do so through a second participant account, which the Corporation will assign to it. With respect to a Non-IDB Repo Broker, this separate account shall be its Segregated Repo Account.

An Inter-Dealer Broker Netting Member or a Non-IDB Repo Broker may submit to the Corporation data on a Brokered Repo Transaction only upon written agreement, and compliance, with the following conditions: (a) the Inter-Dealer Broker Netting Member's or Non-IDB Repo Broker's establishment of a separate account, with a separate FedWire address, at a clearing bank that will be used exclusively for the settlement by the parties to the transaction of the Start Leg, and (b) the Inter-Dealer Broker Netting Member's or Non-IDB Repo Broker's granting of the necessary permissions to allow this account to be subject to review by the Corporation.

An Inter-Dealer Broker Netting Member or a Non-IDB Repo Broker that submits to the Corporation data on Brokered Repo Transactions shall be responsible for responding promptly and in good faith to notifications submitted by the Corporation and/or non-Inter-Dealer-Broker Netting Members to it of errors with such data, by modifying or canceling and replacing any incorrect data.

Section 3 - Responsibilities of a Non-Inter-Dealer-Broker Netting Member

A non-Inter-Dealer-Broker Netting Member must submit, or have submitted on its behalf, to the Corporation, or to either another Registered Clearing Agency or a Clearing Agency that has been exempted from registration as a Clearing Agency by the SEC, in a timely and accurate manner, data on all of its Brokered Repo Transactions. Notwithstanding anything to the contrary elsewhere in these Rules, if a Non-Inter-Dealer-Broker Netting Member fails, without good cause as determined by the Corporation, to submit data on Brokered Repo Transaction to the Corporation on a timely or accurate basis, the Corporation may treat the Brokered Repo Transaction as compared based on the data submission received from its counterparty Inter-Dealer-Broker Netting Member or Non-IDB Repo Broker with respect to activity in its Segregated Repo Account, for purposes of assessing all Clearing Fund deposit and Funds-Only Settlement Amount payment consequences of the Transaction, as well as the respective Receive Obligations(s) and/or Deliver Obligations(s) of the parties to the Transaction.

Section 4- Calculation of Funds-Only Settlement Amounts for Repo Brokers

Repo Brokers must satisfy, each business day, their Funds-Only Settlement Amount obligations including Forward Mark Adjustment Payments, according to the following parameters:

- (i) Any Debit Forward Mark Adjustment Payment or Credit Forward Mark Adjustment Payment up to a dollar amount cap (the “Cap”) that will be determined by the Corporation from time to time, shall be automatically collected from, or paid to the Repo Broker, as applicable.
- (ii) If the Repo Broker represents to the Corporation that it is unable to pay the amount of a Debit Forward Mark Adjustment Payment in excess of the Cap, the Corporation may, in its sole discretion, finance such amount. In such case, the Repo Broker shall be responsible for: (i) any costs incurred by the Corporation in arranging the financing (i.e., an administrative fee set forth in the Fee Structure) and (ii) reimbursing the Corporation for the financing costs incurred. The Repo Broker’s Clearing Fund deposit shall secure such financing.
- (iii) The Corporation may, in its sole discretion, retain any amount of a Credit Forward Mark Adjustment Payment that is in excess of the Cap.

Repo Brokers maintaining more than one Segregated Repo Account must aggregate Debit Forward Mark Adjustment Payments and Credit Forward Mark Adjustment Payments in those accounts for purposes of the Cap. The Corporation will retain the right to assess any and all Funds-Only Settlement amounts to the Non-Inter-Dealer Broker Netting Member counterparty in accordance with Section 3 above.

Section 5- Assumption of Blind Brokered Fails

With respect to a fail of the Start Leg of a Brokered Repo Transaction (notwithstanding Section 2(k) of Rule 11) or Close Leg of a Brokered Repo Transaction (notwithstanding Section 2(k) of Rule 11), the Corporation may, in its sole discretion in order to facilitate the settlement of such Leg, assume responsibility for such fail from the Repo Broker whether or not the Transaction has been compared. If the Corporation assumes responsibility for such Transaction, it shall become part of the counterparty’s Fail Deliver Obligation or Fail Receive Obligation as the case may be.

RULE 20 - SPECIAL PROVISIONS FOR GCF REPO TRANSACTIONS

Section 1 - General

The netting and settlement obligations of the Corporation and each Netting Member regarding GCF Repo Transactions are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule.

Section 2 - Netting

On each Business Day, the Corporation shall net all of a Netting Member's GCF Repo Transactions in a particular Generic CUSIP Number. GCF Repo Transactions shall be netted only with other GCF Repo Transactions. On each Business Day, for each separate Generic CUSIP Number, the Corporation shall establish a GCF Net Settlement Position for the outstanding GCF Repo Transactions of a Netting Member, by comparing the aggregate par value amount of each GCF Repo Transaction in which the Netting Member is a lender of cash and a borrower of securities or cash collateral (hereinafter, the "Cash Lender Total") and each GCF Repo Transaction in which the Netting Member is a borrower of cash and a lender of securities or cash collateral (hereinafter, the "Cash Borrower Total"). If the Cash Lender Total exceeds the Cash Borrower Total, the resulting difference will constitute a GCF Net Funds Lender Position. If the Cash Borrower Total exceeds the Cash Lender Total, the resulting difference will constitute the GCF Net Funds Borrower Position. All GCF Net Settlement Positions shall be reported, by Generic CUSIP Number, by the Corporation promptly to each Netting Member.

Except as otherwise provided for in this Rule, GCF Net Settlement Positions shall be treated by the Corporation in the same manner as all other Net Settlement Positions for purposes of these Rules.

Section 3 - Collateral Allocation

On each Business Day, the Corporation shall establish collateral allocation requirements for each of a Netting Member's GCF Net Funds Borrower Positions and GCF Net Funds Lender Positions such that: (a) for every GCF Net Funds Borrower Position, the Netting Member shall have a Collateral Allocation Obligation equal to such Position, and (b) for every GCF Net Funds Lender Position, the Netting Member shall have a Collateral Allocation Entitlement equal to such Position. Collateral Allocation Obligations must be satisfied by a Netting Member within the timeframes established for such by the Corporation by notice to all Members. If a Netting Member in a GCF Net Funds Borrower Position does not satisfy its consequent Collateral Allocation Obligation by the final cutoff for such allocation as set forth in the Schedule of GCF Timeframes, it shall be deemed to have failed on such Position, the consequence of which shall be that the Member shall not be entitled to receive the funds borrowed, but shall owe interest on such funds amount. In addition, the Corporation shall process Collateral Allocation Obligations that are submitted after 6:00 p.m. New York time on a good faith basis only.

A Netting Member that has, on a particular Business Day ("Day 1"), a Collateral Allocation Obligation, may satisfy such Obligation by posting with the Corporation, pursuant to these Rules: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been

traded (except where such traded securities are U.S. Treasury bills, such Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

Every Collateral Allocation Entitlement and Collateral Allocation Obligation that is established by the Corporation on Day 1 shall be reversed on the next Business Day ("Day 2"), within a timeframe for such established by the Corporation.

During Day 2 (within the timeframes established by the Corporation by notice to all Members), a Netting Member that posted with the Corporation securities in satisfaction of its Collateral Allocation Obligation on Day 1 may substitute for any securities so delivered on Day 1 cash, or (i) Comparable Securities, (ii) Other Acceptable Securities, or (iii) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, substitution may be with Comparable Securities and/or cash). All requests for substitutions must be made by the substitution deadline established by the Corporation and announced to Members by Important Notice from time to time.

A Netting Member that had, on Day 1, a Collateral Allocation Entitlement shall have the obligation on Day 2 to return to the Corporation the securities or cash collateral that it received on Day 1 and the right to receive back from the Corporation the funds that it paid on Day 1. Notwithstanding the foregoing, if the Netting Member is not able, due to reasons beyond its control and despite exercising best efforts, to return on Day 2 the securities it received on Day 1, the Netting Member may return: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash. The Corporation shall charge such Netting Member for any actual damages directly suffered by the other Netting Member as a result of not receiving back the same securities, and shall remit any amounts received to the other Netting Member. Such damages must be sufficiently demonstrated to the satisfaction of the Corporation and may not include special, consequential or punitive damages. A Netting Member that had, on Day 1, a Collateral Allocation Obligation shall have the obligation on Day 2 to return to the Corporation the funds that it received on Day 1 and the right to receive back from the Corporation the securities or cash collateral that it posted on Day 1 subject to the provisions of the second sentence of this paragraph.

If an Interbank Pledging Member owes a Prorated Interbank Cash Amount to the Corporation on Day 2 at the time established by the Corporation, the Interbank Pledging Member, as security for any and all obligations and liabilities of such Interbank Pledging Member in respect of such Member's Prorated Interbank Cash Amount, hereby grants to the Corporation a perfected security interest in all NFE-Related Collateral, subject to no lien created by or through the Interbank Pledging Member except any such lien in favor of the GCF Clearing Agent Bank maintaining any NFE-Related Account. Each Member hereby authorizes each GCF Clearing Agent Bank with which any NFE-Related Collateral is maintained to agree to act on entitlement orders or other instructions of the Corporation or its designee with respect to such NFE-Related Collateral and to monitor such property and its value on behalf of the Corporation pursuant to such arrangements as the Corporation deems advisable.

The Corporation shall be entitled to its rights as a pledgee under common law and as a secured party under Articles 8 of the New York Uniform Commercial Code with respect to the NFE-Related Collateral. The Corporation shall be entitled to create a security interest in the

NFE-Related Collateral in favor of a GCF Clearing Agent Bank as security for the Interbank Cash Amount Debit. In addition, the Corporation shall be entitled to (x) engage the services of the bank or other financial institution at which any NFE-Related Account is maintained to (A) manage, monitor and liquidate any NFE-Related Collateral on behalf of the Corporation and (B) obtain from such bank or other financial institution a liquidity facility or other financing arrangement pursuant to which the Corporation can incur indebtedness for the purpose of satisfying the Interbank Cash Amount Debit and (y) create a security interest in any such NFE-Related Collateral in favor of such bank as security for any facility or financing arrangement referred to in the foregoing subclause.

Notwithstanding anything to the contrary in these Rules, on any particular Business Day, the Corporation, in its sole discretion, may increase the amount of a Netting Member's Collateral Allocation Obligation by as much as ten percent of such Obligation.

For purposes of this Rule 20, the reference to "U.S. Treasury bills, notes or bonds" shall not include Treasury Inflation-Protected Securities or Separate Trading of Registered Interest and Principal Securities.

Section 3a – GCF Repo Event

(a) Corporation shall declare a GCF Repo Event if either of the following occurs: (i) the GCF interbank funds amount exceeds five times the average interbank funds amount over the previous ninety days for three consecutive days; or (ii) the GCF interbank funds amount exceeds fifty percent of the amount of GCF Repo collateral pledged for three consecutive days. The Corporation may declare a GCF Repo Event under any other circumstances where the Corporation believes, in its sole discretion, that it would be prudent to monitor GCF Repo activity against the GCF Repo Event Parameter and/or impose the GCF Repo Event Clearing Fund Premium and the GCF Repo Event Carry Charge. The Corporation shall inform GCF Repo Counterparties of the declaration of the GCF Repo Event via Important Notice and shall also inform the SEC.

(b) Upon declaration of a GCF Repo Event by the Corporation, a GCF Repo Counterparty shall be subject, on a daily basis, to a GCF Repo Event Clearing Fund Premium and a GCF Repo Event Carry Charge, unless the Corporation determines that such measures are not necessary to decrease GCF Repo activity levels or to protect the Corporation and its Members.

Section 4 - Right of Substitution

A Netting Member that has, on a particular Business Day, a Collateral Allocation Obligation, may satisfy such Obligation by posting with the Corporation, pursuant to these Rules: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Obligations may be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash, regardless of the type of collateral that it had previously posted in connection with such Obligation.

Section 5 - Novation

GCF Net Settlement Positions and resultant Collateral Allocation Entitlements and Collateral Allocation Obligations, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a modification of data made pursuant to these

Rules, shall be fixed at the time the Report of such Positions, Entitlements, and Obligations is made available by the Corporation to the Member. At that time, all deliver, receive, and related payment and collateral allocation obligations between Netting Members that were created by the GCF Repo Transactions that comprise a GCF Net Settlement Position or Positions are terminated and replaced by the Collateral Allocation Entitlements and Collateral Allocation Obligations and related payment obligations for such Members that are listed in the Report.

Section 6 - Authority of the Corporation to Act on Behalf of a GCF-Authorized Inter-Dealer Broker

If, as the result of a data submission error, a GCF-Authorized Inter-Dealer Broker has a GCF Net Settlement Position, the Corporation shall have the authority to borrow cash and/or securities and/or enter into repurchase transactions for cash or securities with a Netting Member or Clearing Agent Bank to fulfill the obligations of such GCF-Authorized Inter-Dealer Broker attendant to the incurring of such Position. If the Corporation takes such action, such GCF-Authorized Inter-Dealer Broker shall be liable to it for any costs incurred.

Section 7 – Establishment and Maintenance of GCF Securities Accounts.

Each GCF Securities Account which the Corporation establishes in the name of a GCF Clearing Agent Bank shall be a “securities account” for purposes of Section 8-501 of the NYUCC. Any security that the Corporation credits to a GCF Securities Account shall be a “financial asset” as defined in Section 8-102(a)(9) of the NYUCC. The Corporation shall be a Securities Intermediary with respect to each GCF Securities Account. The GCF Clearing Agent Bank for which a GCF Securities Account is established shall be the Entitlement Holder with respect to the securities in such GCF Securities Account, and any credit of securities to a GCF Securities Account in the name of a Clearing Agent Bank, as agent for customers, shall create in favor of such Clearing Agent Bank a Security Entitlement with respect to such Securities; however, no security Entitlement in any securities shall exist in favor of any Clearing Agent Bank until the Corporation has credited such securities to such Clearing Agent Bank’s GCF Securities Account on the Corporation’s books and records.

Each GCF Securities Account shall be used exclusively to hold Eligible Netting Securities in connection with the netting and settlement of GCF Repo Transactions. GCF Securities Accounts may not contain cash.

Securities that the Corporation credits to a GCF Securities Account shall be held in a GCF Collateral Excess Account.

The Corporation may utilize one or more GCF Custodian Banks to serve as its agent to create and maintain the Corporation’s books and records with respect to a GCF Securities Account, to deliver records with respect to the GCF Securities Account to the Entitlement Holder, and to otherwise act as its agent with respect to the GCF Securities Account.

The Corporation’s duties and obligations with respect to a GCF Securities Account shall be subject to the Securities Account Agreement entered into between the Corporation and the Entitlement Holder.

RULE 21 - RESTRICTIONS ON ACCESS TO SERVICES

Section 1 - Cause for Action by the Corporation

Based upon the judgment of the Board that adequate cause exists to do so, or as otherwise provided for in Rule 3, the Corporation may, at any time, upon providing notice to the Member, suspend a Member from any service provided by the Corporation either with respect to a particular transaction or transactions or with respect to transactions generally, or prohibit or limit such Member with respect to access to services offered by the Corporation in the event that:

(a) the Member or its Permitted Margin Affiliate has failed to perform any of its obligations to the Corporation arising under these Rules or under the Procedures or has materially violated any Rule or Procedure of, or any agreement with, the Corporation or those of an FCO with which the Corporation has entered into a Cross-Margining Agreement;

(b) the Member has failed to make to the Corporation, or to an FCO with which the Corporation has entered into a Cross-Margining Agreement, on a timely basis, any required payment, or deposit or delivery provided for in these Rules or in the Procedures, or those of the applicable FCO, including any fee, fine other charge, and a delivery of securities;

(c) the Board has determined that the Member is no longer in compliance with any provision of (i) the admission standards provided in Rule 2A that would be applicable to it if it were an applicant for membership, including consideration of the disqualification criteria contained in Rule 2A, or (ii) the continuance standards provided in Rule 3 applicable to it, including any operational testing and related reporting requirements and including consideration of the disqualification criteria contained in Rule 2A;

(d) the Board has reasonable grounds to believe that the Member, or its Controlling Management has been responsible for fraudulent or dishonest conduct or breach of fiduciary duty or has made a material misstatement or omitted to state a material fact in any statement to the Corporation or to any officer or employee of the Corporation in connection with its application to become a Member, or thereafter, in connection with any transaction processed or service furnished by the Corporation;

(e) the Board has reasonable grounds to believe that the Member is in or is approaching significant financial or operational difficulty or otherwise will be unable to meet its obligations to the Corporation;

(f) a GCF Clearing Agent Bank has determined to cease to extend credit to the Member;

(g) the Board otherwise has reasonable grounds to believe that such suspension, prohibition or limitation is necessary either for the protection of the Corporation or any of the other Members or to facilitate the orderly and continuous performance of the Corporation's services.

The Board may determine that adequate cause for suspension, prohibition or limitation does not exist, either unconditionally or on an appropriate temporary or other conditional basis, if the Board determines that any standard specified in this Section, as applied to a Member or its Controlling Management is unduly or disproportionately severe or that the conduct of such Member or its Controlling Management has been such as not to make it against the interests of

the Corporation, other Members, or the public for the Corporation to continue to act for such Member.

Section 2 – Restriction on Access or Suspension

Before the Corporation suspends a Member with respect to a particular transaction or transactions or prohibits or limits such Member's access to services offered by the Corporation pursuant to this Rule, the Corporation shall notify such Member as soon as practicable that it has taken such action, and such notice shall set forth the specific grounds under consideration upon which any suspension, prohibition or limitation of access may be based and shall contain notice to the Member of its right to request a hearing, pursuant to Rule 37. Any such hearing requested pursuant to Rule 37 shall be held as promptly as possible after such statement is furnished. If the Corporation takes any action pursuant to this Section, it shall notify the SEC as soon as practicable.

Section 3 – Summary Suspension

Notwithstanding Section 2 of this Rule, the Board may summarily suspend a Member with respect to a particular transaction(s) or transactions generally or summarily prohibit or a limit a Member's access to services offered by the Corporation in the event that the Member meets one or more of the criteria in Section 1 of this Rule and the Corporation determines, in its discretion, that such action is necessary for the protection of the Corporation or its members.

In the event that any Member has been summarily suspended, the Corporation may cease to act for such Member in accordance with Rule 22A, except as otherwise provided by these Rules. Any summary action which may be taken by the Board pursuant to this Section may instead be taken by one or more designees of the Board in the event that a quorum of the Board is unable to meet, provided that any summary action taken by one or more designees must be confirmed by the Board within 3 business days.

Any Member that has been summarily suspended or whose access has been summarily prohibited or limited pursuant to this Section shall be promptly furnished a written statement of the grounds for the decision and shall be notified of its right to request a hearing pursuant to Rule 37, except that the request for a hearing must be in writing and filed within 2 business days of receipt from the Corporation of such statement. Any such hearing requested pursuant to Rule 37 shall be held as promptly as possible after the Corporation has taken summary action against the Member pursuant to this Rule.

Section 4 - Action by the Corporation

Any action taken by the Corporation pursuant to this Rule may include, but shall not be limited to, any one or more of the following actions:

- (a) ceasing to act for the Member pursuant to Rule 22A;
- (b) limiting or excluding the Member's participation in one or more transactions or services which are available to the Member.

Section 5 - Rights and Remedies

After the Corporation has taken action pursuant to this Rule with respect to a Member with respect to either a particular transaction or transactions generally, the Corporation shall nevertheless have the same rights and remedies in respect of any monies or securities due from such Member, or any liability incurred as the result of such Member's action, or on behalf of such Member, as though the Corporation had not taken such action.

Section 6 - Report of Actions

A written report of any actions taken by the Corporation pursuant to this Rule, and the reasons therefore, shall be promptly made and filed with the SEC and with the Corporation's records.

RULE 21A – WIND-DOWN OF A NETTING MEMBER

When a Netting Member notifies the Corporation that it intends to wind down its activities, the Corporation may, in its sole discretion, in order to protect itself and its participants, determine that such Member is a “Wind-Down Member”. In that event and, without limiting any other rights of the Corporation under these Rules and Procedures, the Corporation may impose conditions on, or take actions with respect to, the Wind-Down Member as provided below.

As soon as practicable after the Corporation determines that a Member is a Wind-Down Member, the Corporation shall notify the Wind-Down Member, all other Members and the SEC of such determination.

The Corporation may, in its discretion, impose conditions on, or take actions with respect to, the Wind-Down Member as appropriate to mitigate risk the Corporation perceives may be presented by the Wind-Down Member, including but not limited to, the following:

- (i) Permitting the Wind-Down Member to submit to the Corporation only transactions that serve to support the wind-down;
- (ii) Permitting the Wind-Down Member to continue use of one or more of the Corporation’s services, notwithstanding that it may not meet some or all of the financial or operational requirements for continuance as a Netting Member;
- (iii) Restricting or modifying the Wind-Down Member’s use of any or all of the Corporation’s services (whether generally, or with respect to certain transactions);
- (iv) Requiring additional assurances of the financial responsibility or operational capability of the Wind-Down Member through, for example, submission of a guaranty of the Wind-Down Member’s obligations to the Corporation by an entity acceptable to the Corporation and/or additional reporting by the Wind-Down Member;
- (v) Agreeing to complete one or more trades to which the Wind-Down Member is a party prior to the time the Corporation’s guaranty otherwise would become effective pursuant to these Rules;
- (vi) Requiring the Wind-Down Member to post increased Clearing Fund deposits and/or to post its Required Fund Deposit in proportions of cash, Eligible Netting Securities and Eligible Letters of Credit different from those permitted under Rule 4;
- (vii) Prohibiting the Wind-Down Member from withdrawing Clearing Fund on deposit in excess of its Required Fund Deposit; or
- (viii) Calculating the Required Fund Deposit of the Wind-Down Member in a manner different from that provided in Rule 4, in order to more appropriately reflect the risk presented by the Wind-Down Member to the Corporation, such as,

for example, not applying certain components of the Required Fund Deposit calculation; or

(ix) Liquidating by buying-in or selling-out, as applicable, any open positions of the Wind-Down Member, for the benefit of such Wind-Down Member with any profit or loss resulting therefrom being debited or credited, as applicable, to the settlement account of the Wind-Down Member

If the Corporation takes, or mandates, any action pursuant to this Rule, the Corporation shall, as soon as practicable thereafter, notify the SEC and such other Members as it deems proper due to the nature of such action, and shall inform Members as to whether the Corporation shall relieve Members from the loss allocation obligations of Section 8 of Rule 4 with respect to transactions that Members enter into with the Wind-Down Member.

Notwithstanding the foregoing, the Corporation shall not be restricted from exercising any of its rights in these Rules or in any agreements between itself and the Member at any time, including the Corporation's right at any time to cease to act for the Wind-Down Member pursuant to Rules 21, 22 or 22A.

RULE 22 - INSOLVENCY OF A MEMBER

Section 1 - Obligation to Inform of Insolvency

A Member that (a) fails to perform any of its material contracts, obligations or agreements, (b) determines that it will be unable to perform any of its material contracts, obligations or agreements or (c) is insolvent, shall immediately notify the Corporation orally and in writing of such. Until a Member has so notified the Corporation, the Member, by submitting to the Corporation trade data with regard to transactions to which such Member is a party, shall be deemed to represent and warrant that it (d) is able to perform, and has not failed to perform, its material contracts and obligations, and (e) is not insolvent.

Section 2 - Determination of Insolvency

- (a) A Member shall be treated by the Corporation in all respects as insolvent:
- (i) upon receipt of the notice specified in Section 1 of this Rule, provided, however, that a Member shall not be treated as insolvent in the event such Member (without being deemed to have admitted its liability thereunder) provides or posts a bond, indemnity, or guaranty from a third party that the Board, in its sole discretion, deems satisfactory to ensure the performance of the Member's obligations;
 - (ii) in the event that the Member is determined to be insolvent by the Board, or by any Designated Examining Authority, Appropriate Regulatory Agency, or other examining authority or regulator with jurisdiction over such Member or any Self-Regulatory Organization or other self-regulatory organization that such Member is a member of;
 - (iii) if the Member is a member of the Securities Investor Protection Corporation, in the event that a court of competent jurisdiction finds that the Member meets any one of the conditions set forth in clauses (A), (B), (C), or (D) of Section 5(b)(1) of the Securities Investor Protection Act of 1970;
 - (iv) in the event of the entry or the making of a decree or order by a court, regulator or other supervisory authority of competent jurisdiction (A) adjudging the Member as bankrupt or insolvent, (B) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of the Member under the Bankruptcy Code or any other applicable Federal, State or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law, (C) appointing a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator (or other similar official) for the Member or for any substantial part of its property, (D) ordering the winding up or liquidation of its affairs, or (E) consenting to the institution by the Member of proceedings to be adjudicated as a bankrupt or insolvent; or

(v) the filing by the Member of a petition, or any case or proceeding, seeking reorganization or relief under the Bankruptcy Code or any other applicable Federal, State or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law, or the consent by the Member to the filing of any such petition, case or proceeding or to the appointment of a receiver, custodian, liquidator, assignee, trustee, sequestrator or other similar official for the Member or for any substantial part of its property, or the making by the Member of an assignment for the benefit of its creditors, or the admission by the Member in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Member in furtherance of any such action.

(b) The provisions of Section 2(a) of this Rule 22 shall be applicable to a Member that is a Cross-Margining Participant and, in addition, a Cross-Margining Participant may also be treated as insolvent under any circumstances specified in Rule 43.

(c) A Member may also be treated as insolvent by the Corporation, in its sole discretion, if a GCF Clearing Agent Bank determines to cease to extend credit to such Member.

(d) A Member that has entered into a Cross-Margining Agreement with the Corporation may be treated as insolvent by the Corporation, in its sole discretion, if it or a Permitted Margin Affiliate or Cross-Margining Affiliate defaults in its obligations to an FCO with which the Corporation has a Cross-Margining Agreement.

(e) A Member may be treated as insolvent by the Corporation, in its sole discretion, if a Cross-Margining Affiliate or a Permitted Margin Affiliate of the Member defaults in its obligations to the Corporation.

Section 3 - Notification of Insolvency

The Corporation shall, as soon as practicable after the Time of Insolvency, notify the SEC and each Member of the treatment of a Member as an insolvent Member. Such notice shall state whether the Corporation has ceased to act for the Member, the Time of Insolvency and in at least general terms, the actions that will be taken by the Corporation to resolve all outstanding obligations and other pending matters involving the insolvent Member and the Corporation.

As used in this Rule, the phrase "Time of Insolvency" shall mean the time, as determined by the Corporation to its reasonable satisfaction, that any event specified in Section 2 of this Rule has occurred.

Section 4—Ceasing to Act for the Member

Except as otherwise may be determined by the Board in any particular case, the Corporation shall, as soon as practicable after the Time of Insolvency, cease to act for the insolvent Member, as detailed in Rule 22A.

RULE 22A – PROCEDURES FOR WHEN THE CORPORATION CEASES TO ACT

Section 1 – Notification

When the Corporation has ceased to act for a Member, it shall provide Members with notice stating the Corporation's decision to cease to act for the Member. The Corporation may provide in such notice or a subsequent notice the steps to be taken as well as how pending transactions shall be affected.

If the Corporation has ceased to act for the Member because it has deemed the Member to be legally insolvent, the Corporation shall establish the Time of Insolvency as stated in Rule 22. If the Corporation has ceased to act for the Member for reasons other than legal insolvency, the Corporation shall establish the "Cut-Off Time". As used in this Rule, the phrase "Cut-Off Time" shall mean the time that is specified in advance by the Corporation in a notice to Members to be the time at which the Corporation is deemed to have ceased to act for the Member.

Section 2 - Action by the Corporation

Except as otherwise may be determined by the Board in any particular case, the Corporation shall, as soon as practicable after the Time of Insolvency or the Cut-Off Time, as applicable, cease to act for the Member, as detailed below:

(a) Notwithstanding anything to the contrary in the Schedule for Deletion of Trade Data Submitted to the Comparison System that is published from time to time by the Corporation, from and after the Time of Insolvency or the Cut-Off Time, as applicable, trades to which the Member is a party the data on which have been submitted to the Corporation that have not been deemed compared upon receipt by the Corporation pursuant to these Rules or that have not been reported by the Corporation to Members as compared, shall be deleted from the Comparison System, unless otherwise determined by the Board in order to promote an orderly settlement.

(b) Except as otherwise provided in Rules 17 and 18, all long and short Net Settlement Positions, Fail Net Settlement Positions, and Forward Net Settlement Positions, of the Member outstanding at the Time of Insolvency or the Cut-Off Time, as applicable, that have been reported by the Corporation to Members pursuant to Rule 11 and Rule 14 shall be closed out by (i) for each Eligible Netting Security with a distinct CUSIP Number, establishing a final Net Settlement Position (hereinafter, the "Final Net Settlement Position") that shall be equal to the net of all outstanding deliver and receive obligations of the Member in each Security, including those that arise from Fail Net Settlement Positions and those that are determined by the Corporation to arise from Forward Net Settlement Positions, and (ii) buying, borrowing, or reversing in or selling, lending or repoing out the Securities deliverable by or to such insolvent Member, and/or borrowing or lending monies, in order to close out the Final Net Settlement Position established for each Security. In the case of a Member that has included NYPC Accounts within a Margin Portfolio, the Corporation shall cooperate with the close-out procedures followed by NYPC. The close-out of a Margin Portfolio of a Member that has elected cross-margining pursuant to a Cross-Margining Agreement between the Corporation and NYPC shall be subject to the provisions set forth in the Cross-Margining Agreement between the Corporation and NYPC. If such Member also has a Market Professional Cross-Margining Account, any resulting gains upon liquidation of the Member's proprietary Account shall be used to offset any resulting liquidation loss in the Market Professional Cross-Margining Account.

This close out procedure shall be completed as promptly as practicable after the Corporation has given notice pursuant to Section 1 of this Rule Corporation's determination to cease to act, unless the Board determines that the immediate close out of Positions in a security may be disadvantageous to the Corporation or may promote a disorderly market in that security, in which case the Corporation may suspend the operation of this close-out provision until such later time as is determined by the Board, except that the Board may not suspend the operation of such close-out procedure for a period longer than 30 calendar days without the approval of such by the SEC. If, in the aggregate, the close-out of all of the Final Net Settlement Positions established for a Member results in the Corporation incurring any loss or liability, such loss or liability shall be allocated as provided in Rule 4. If, in the aggregate, the close-out of all of the Final Net Settlement Positions established for a Member results in a profit to the Corporation (after the Corporation has fulfilled its obligations under any Cross-Margining Agreements and Limited Cross-Guarantee Agreements), such profit shall be credited to the Member, or to a duly-appointed legal representative of the Member.

(c) Notwithstanding anything to the contrary elsewhere in these Rules, data on a transaction that is submitted to the Corporation by a Netting Member (hereinafter, the "Solvent Member") shall be deemed to be a Compared Trade (to the extent not already deemed compared by the Corporation pursuant to these Rules), based solely on the receipt of such data and without the need to match that data with data submitted by another Netting Member, under the following circumstances:

- (1) The data submitted by the Solvent Member indicate that the counterparty on the transaction is either a Netting Member that, subsequent to the execution of the transaction, the Corporation has determined to cease to act for (hereinafter, the "Insolvent Member") or an Executing Firm that used the Insolvent Member as its Submitting Member (hereinafter, the "Insolvent Member's Executing Firm");
- (2) The Solvent Member has submitted, in a timely manner, all of the transactions eligible for netting and settlement through the Netting System entered into either by it, or by an Executing Firm that it acts for as a Submitting Member (hereinafter, the "Solvent Member's Executing Firm"), with the Insolvent Member or the Insolvent Member's Executing Firm;
- (3) If the Corporation had announced to its Members that it would cease to act for the Insolvent Member as of a specified date and time, the transaction was executed before such specified deadline;
- (4) The transaction is not an Off-the-Market Transaction; and
- (5) The Corporation has made a determination that the transaction was entered into by the Solvent Member, or the Solvent Member's Executing Firm, in good faith and not primarily in order to take advantage of the Insolvent Member's financial condition.

Subsequent to the close-out of a Member's Positions, the Corporation shall in accordance with these Rules, ensure the timely settlement of all Deliver Obligations, Receive Obligations, and related payment obligations, that would have arisen had the Corporation not ceased to act, in accordance with the terms of the transactions that comprise such obligations. Notwithstanding the foregoing, if the Member was a GCF Net Funds Lender and had a Deliver Obligation of GCF-eligible mortgage-backed securities in connection with a GCF Repo Transaction, the

Corporation shall be authorized to satisfy the Deliver Obligation with: (i) Comparable Securities, and/or (ii) U.S. Treasury bills, notes or bonds. In the alternative, the Corporation may, in its sole discretion, permit a GCF Net Funds Borrower to purchase Comparable Securities and/or U.S. Treasury bills, notes, or bonds in return for a cash payment by the Corporation equal to the price paid by the GCF Net Funds Borrower for the Comparable Securities and/or the U.S. Treasury bills, notes, or bonds; provided, however, that if the Corporation in its sole discretion determines that the price paid by the GCF Net Funds Borrower was unreasonably high, the Corporation shall be entitled to pay the GCF Net Funds Borrower a reasonable price (as determined by an independent third party pricing source) for the Comparable Securities and/or the U.S. Treasury bills, notes or bonds.

If the Corporation takes any action pursuant to this Section, it shall notify the SEC of such by the Close of Business on the Business Day on which such action is taken.

Section 3 - Report of Actions

A written report of the actions taken by the Corporation pursuant to this Rule, and the reasons therefore, shall be promptly made and filed with the SEC and with the Corporation's records.

RULE 22B – CORPORATION DEFAULT

Corporation Default

(a) If a "Corporation Default" occurs pursuant to subsection (b) below, all Transactions which have been subject to Novation pursuant to these Rules but have not yet settled and any rights and obligations of the parties thereto shall be immediately terminated and the Board shall determine a single net amount owed by or to each Member with respect to such Transactions by applying the close out and application procedures of Sections 2(a) and (b) of Rule 22A and Sections 7(a) through (c) of Rule 4 (interpreted in all such cases as if each Member were a Defaulting Member) taking into account the other provisions in these Rules relating to loss allocation, including in the event that any Member is a Defaulting Member. For purposes of this Rule 22B and notwithstanding any other provision to the contrary, Novation is deemed to occur and Deliver Obligations and Receive Obligations established with respect to all Transactions at the time at which the data submitted in respect of such Transactions is compared and constitutes a Compared Trade. The Board shall notify each Member of the net amount so determined and Members who have been notified that they owe an amount to the Corporation shall pay that amount on or prior to the date specified by the Board, subject to any applicable setoff rights. Members who have a net claim against the Corporation shall be entitled to payment thereof along with other Members' and any other creditors' claims pursuant to the underlying contracts with respect thereto, these Rules and applicable law. For the avoidance of doubt, nothing herein shall limit the rights of the Corporation upon a Member default (including following a Corporation Default) including under any Cross-Guaranty Agreement with the Mortgage-Backed Securities Division or any other Cross-Guaranty Counterparty.

(b) The following events shall constitute a Corporation Default:

(i) Failure by the Corporation to make, when due, any undisputed payment or delivery to a Member required to be made by it under these Rules and such failure is not remedied within 90 days after notice of such failure is given to the Corporation by the affected Member; *provided* that this clause (i) shall not apply to (A) obligations of the Corporation to Wind-Down Members, Defaulting Members or Members for whom the Corporation has otherwise ceased to act pursuant to Rule 22A; (B) any payment or delivery which the Corporation satisfies by alternate means as provided in these Rules; (C) any obligation of the Corporation that is not a payment or delivery obligation of the Government Securities Division to a Member under these Rules; (D) any payment or delivery the deadline of which has been suspended pursuant to Rule 42, until such time as the suspension is no longer in effect and failure of the Corporation with respect thereto remains unremedied for 90 days following notice of failure to pay or deliver on the later due date determined pursuant to the suspension; or (E) any payment or delivery required to be made to a Member where such payment or delivery is not made solely as a result of an operational technological or administrative error or impediment and the Corporation possesses sufficient funds or assets to satisfy such payment or delivery obligation; or

(ii) The Corporation (A) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (B) institutes a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or presents a petition for its

winding-up or liquidation; (C) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation and, in each case, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation and the judgment or order with respect thereto remains unstayed for a period of at least 90 days from the issue thereof; or (D) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets, provided that in the case that such appointment is not sought by the Corporation, such appointment remains unstayed for a period of at least 90 days from the issue thereof.

(c) Interpretation in Relation to the Federal Deposit Insurance Corporation Act of 1991

The Corporation and the Netting Members intend that these Rules be interpreted in relation to certain terms (identified below) that are defined in the Federal Deposit Insurance Corporation Act of 1991 ("FDICIA"), as amended, as follows:

The Government Securities Division of the Corporation is a "clearing organization";

Any obligation of a Netting Member or the Corporation to make any payments to the other is a "covered clearing obligation" and a "covered contractual payment obligation";

An entitlement of a Netting Member or the Corporation to receive a payment from the other is a "covered contractual payment entitlement";

The Corporation and each Member is a "member" of the "clearing organization";

The amount by which the covered contractual payment entitlements of a Netting Member or the Corporation exceed the covered contractual payment obligations of such Member or the Corporation after netting pursuant to Rule 22A or this Rule 22B is its "net entitlement";

The amount by which the covered contractual payment obligations of a Netting Member or the Corporation exceed the covered contractual payment entitlements of such Member or the Corporation after netting under a netting pursuant to Rule 22A or this Rule 22B is its "net obligation"; and

These Rules, together with all other agreements between the Corporation and a Netting Member, are a "netting contract", the margin, Clearing Fund and other provisions of these Rules granting an interest in any funds or property of a member to the Corporation constitute a "security agreement or arrangement or other credit enhancement" relating to such netting contract and the close-out process in Rule 22A or this Rule 22B constitutes the "terminat[ion], liquidat[ion], accelerat[ion], and nett[ing]" of obligations.

RULE 23-FINE PAYMENTS

The Corporation may impose a fine on a Member or Limited Member pursuant to these Rules. Fines shall be payable in the manner and at such time as determined by the Corporation from time to time.

RULE 24 - CHARGES FOR SERVICES RENDERED

Section 1

Members shall pay such fees and charges to the Corporation as shall be specified by the Corporation or in the Procedures and approved by the Board of Directors on a reasonable and non-discriminatory basis.

Sponsoring Members shall be responsible for all fees pertaining to their Sponsoring Member activity as set forth in the Corporation's Fee Structure.

Section 2

A Member or a Sponsoring Member may be charged for any unusual expenses caused directly or indirectly by such Member, or in the case of a Sponsoring Member, caused directly or indirectly by itself or one or more of its Sponsored Members, including but without limitation, the cost of producing records pursuant to a court order or other legal process in any litigation or other legal proceeding to which such Member, Sponsoring Member or Sponsored Member is a party or in which such records relating to such Member, Sponsoring Member or Sponsored Member are so required to be produced, whether such production is required at the instance of such Member, Sponsoring Member or Sponsored Member or of any other party other than the Corporation.

RULE 25 - BILLS RENDERED

On or before the fifth Business Day of each month, the Corporation will render bills to Members and to Sponsoring Members regarding their aggregate Sponsoring Member activity, which may reflect adjustments to prior bills, for charges on account of the actual business of a prior month, and for fines imposed during any month. Unless otherwise permitted by the Corporation, for each Comparison-Only Member, payment of such bill is due upon its receipt, and for each Netting Member or Sponsoring Member, such Member shall be obligated to pay the amount of the bill on the tenth Business Day of such month as a part of satisfying its Funds-Only Settlement Amount obligation.

Sponsoring Members shall receive bills for their aggregate Sponsoring Member activity as set forth in the Fee Structure.

RULE 26 -RESERVED

This rule is reserved for future use

RULE 27 - ADMISSION TO PREMISES OF THE CORPORATION, POWERS OF ATTORNEY, ETC.

No person will be permitted to enter the premises of the Corporation as the representative of any Member unless he has first been approved by the Corporation and has been issued such credentials as the Corporation may from time to time prescribe and such credentials have not been canceled or revoked. Such credentials must be shown on demand, and may limit the portions of the premises to which access is permitted thereunder. Any credentials issued pursuant to this Rule may be revoked at any time by the Corporation in its discretion, and prompt notice of such revocation shall be given to the employer of the person whose credentials have been so revoked.

Any Member shall, if any person in its employ to whom any credentials have been issued pursuant to this Rule or to whom a power of attorney or other authorization has been given to act for it in connection with the work of the Corporation shall for any reason cease to be so employed, give to the Corporation immediate notice in writing of such termination of employment and if any such power of attorney or other authorization is otherwise revoked or canceled, shall likewise give to the Corporation immediate notice in writing of such revocation or cancellation. All credentials issued pursuant to this Rule shall be immediately surrendered to the Corporation upon their revocation by the Corporation or by the employer or upon the termination of the employment of the holder thereof.

Unless revoked by the Corporation, all credentials, authorizations, and powers of attorney issued pursuant to this Rule or in connection with the work of the Corporation shall remain in full force and effect until the Corporation shall have received written notice of the revocation thereof or of the termination of the holder's employment.

RULE 28 - FORMS

In connection with any transactions or matters handled through, with or by the Corporation under or pursuant to the Rules, such forms of lists, notices and other documents shall be used as the Corporation may from time to time prescribe, and additions to, changes in and elimination of any such forms may be made by the Corporation at any time in its discretion. In addition, any information required to be delivered to the Corporation by use of any such forms may be delivered by the use of any media as shall be prescribed in the Procedures or by the Corporation from time to time.

RULE 29 - RELEASE OF CLEARING DATA

(a) Absent valid legal process or as provided elsewhere in this Rule, the Corporation will only release Clearing Data relating to transactions of a particular Member to: (i) such Member and its Permitted Margin Affiliate or Cross-Margining Affiliate, as applicable, (ii) such Member's Sponsoring Member, if such Member is a Sponsored Member, (iii) the Securities and Exchange Commission, (iv) the Federal Reserve Bank of New York for market surveillance purposes, or to an FCO and its regulators pursuant to a Cross-Margining Arrangement. Data released to an FCO and its regulators pursuant to a Cross-Margining Arrangement will include information and data pertaining to the Member's Market Professional customers if applicable under the Arrangement.

(b) The Corporation, in its sole discretion, may release Clearing Data relating to transactions of Members to regulatory organizations and self-regulatory organizations, as defined in the Securities Exchange Act of 1934, as amended, or other comparable Federal or State statutes, as well as to clearing organizations affiliated with or designated by contract markets trading specific futures products under the oversight of the Commodity Futures Trading Commission. Provided, however, that nothing in this Rule shall prevent the Corporation from releasing Clearing Data to others, provided that such data shall be in a form as to prevent the disclosure, whether patently or in easily discernible format, of proprietary and/or confidential financial, operational or trading data of a particular Member or inappropriately arranged groups of Members.

(c) With respect to the foregoing, the release of any Clearing Data shall be conditioned upon either (i) a written request, or (ii) the execution of a written agreement with the Corporation, whichever is appropriate in the Corporation's discretion and the Corporation, in its discretion, shall establish the conditions under which such data shall be released and the fees, if any, to be paid for such data.

(d) The term "Clearing Data" shall mean, for the purposes of this Rule, transaction data which is received by the Corporation in the clearance and/or settlement processes of the Corporation, or such data, reports or summaries thereof, which may be produced as a result of processing such transaction data.

(e) The foregoing notwithstanding, this Rule is not intended to, nor shall it be deemed to be in contravention, or a limitation, of the Corporation's obligations, as a self-regulatory organization, to cooperate and share data with other regulatory and self-regulatory organizations for regulatory purposes.

(f) Notwithstanding anything to the contrary in this Rule, the Corporation may release Clearing Data to The Bond Market Association in connection with its collection fees on behalf of The Securities Industry and Financial Markets Association pursuant to Rule 26, provided that the Corporation: (1) provides Clearing Data only to the extent necessary to facilitate the collection of fees on behalf of The Securities Industry and Financial Markets Association, and (2) obtains, in a form and manner required by the Corporation, the agreement of The Securities Industry and Financial Markets Association to maintain the confidentiality of any Clearing Data provided by the Corporation to it.

RULE 30 - LISTS TO BE MAINTAINED

Section 1

The Corporation shall maintain and make available to a Member upon request a master file listing each Eligible Security, and a master file listing each Eligible Netting Security, and may from time to time add securities to such lists or remove securities therefrom. The Corporation shall list a security as an Eligible Security or an Eligible Netting Security only upon a determination by the Corporation that it has the existing operational capability to do so and to continue successfully to provide its services to Members.

Section 2

The Corporation shall maintain lists, by category of Membership, of each Comparison-Only Member, Netting Member, and Sponsored Member, which lists shall be made available to a Member upon request.

RULE 31 - DISTRIBUTION FACILITIES

If deemed necessary, the Corporation will establish distribution facilities which may, subject to such regulations as the Corporation may from time to time prescribe, be used by Members for the distribution of papers, documents and other material incidental to the ordinary course of business.

The Corporation assumes no responsibility whatever for the form or content of any papers, documents or other material (other than items prepared by it) placed in the boxes in its distribution facilities assigned to each Member or otherwise handled by the Corporation; nor does the Corporation assume any responsibility for any improper or unauthorized removal from such boxes or from the Corporation's facilities of any such papers, documents or other material, including items prepared by the Corporation.

Each Member shall send an authorized representative to the Corporation's distribution facilities at frequent intervals to pick-up documents or material made available to the Member by the Corporation.

The Corporation's distribution facilities will remain open on Business Days during the hours specified by the Corporation. The Corporation may admit authorized persons holding valid passes issued pursuant to Rule 27 at other hours.

RULE 32 - SIGNATURES

The Corporation may, at its option, in lieu of relying on an original signature, rely on a signature as if it were (and the signature shall be considered and have the same effect as) a valid and binding original signature in the following circumstances:

If such signature is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, xeroxing, electronic mail, electronic data interchange, telegram, or telex).

RULE 33 - PROCEDURES

The Board of Directors shall, pursuant to these Rules, prescribe from time to time Procedures and other regulations in respect of the business of the Corporation. The Board of Directors may, by resolution, delegate to an Officer of the Corporation the power to prescribe Procedures and regulations. Each Member will be bound by such Procedures and regulations and any amendment thereto in the same manner as it is bound by the provisions of these Rules. Members shall be given 10 Business Days' notice of any proposed amendment to the Procedures.

RULE 34 - INSURANCE

The Corporation shall use its best efforts to maintain, or arrange for the maintenance by the Corporation of such insurance, including fidelity bonds, in such amounts and having such coverage regarding the business of the Corporation, as the Board shall deem appropriate. The insurance policies or contracts pursuant to which such insurance is provided shall be open to the inspection of the Members at the offices of the Corporation during regular business hours on Business Days. If the Corporation shall materially reduce the amount or coverage of any such insurance or the persons providing such insurance shall notify the Corporation of a material reduction in the amount of coverage thereof, the Corporation shall promptly notify each Member and the Securities and Exchange Commission thereof stating the effective date of such reduction.

RULE 35 - FINANCIAL REPORTS

As soon as practicable after the end of each calendar year, the Corporation shall provide to Members financial statements of the Corporation audited and covered by a report prepared by independent public accountants for such calendar year. The Corporation shall undertake to provide such financial statements and report to Members within 60 days following the close of the Corporation's fiscal year.

The Corporation shall also provide to Members unaudited financial statements of the Corporation within 30 days following the close of the Corporation's fiscal quarter for each of the first three calendar quarters of each calendar year.

RULE 36 - RULE CHANGES

The Corporation shall promptly notify all Members and registered clearing agencies of any proposal it has made to change, revise, add or repeal any Rule, and of the text or a brief description of the proposed Rule and its purpose and effect. Members and registered clearing agencies may submit to the Corporation for its consideration their comments with respect to any such proposal, and such comments shall be filed with the Corporation's records and copies thereof delivered to the Securities and Exchange Commission.

RULE 37 - HEARING PROCEDURES

Section 1 - General

An Interested Person may, when permitted by these Rules, request a hearing pursuant to Section 2 or Section 3 of this rule, as applicable, 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 a written request for a hearing setting forth (a) the action or proposed action of the Corporation with respect to which the hearing is requested and (b) the name of the representative of the Interested Person who may be contacted with respect to the hearing. Within seven Business Days after the Interested Person files such written request with the Corporation, or two Business Days in the case of action taken against the Interested Person pursuant to Rule 21 or Rule 22, 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 five Business Days prior to the hearing (unless the parties agree to waive the five Business Day requirement).

If the Corporation has assessed a fine against a Member, and an Interested Person desires to dispute the fine and complies with the requirements described above regarding filing a written request for a hearing and a written statement, the Corporation shall automatically conduct a review of the disputed fine. The Corporation may examine the written statement submitted by the Interested Person and/or arrange a meeting with the Interested Person to discuss the disputed fine. If the Corporation determines to waive the fine, it shall inform the Board of its determination and its reasons thereof. The Board may, in its discretion, determine to reinstate any fine waived by the Corporation. If the Corporation determines not to waive the fine as a result of the review process, the Interested Person shall be entitled to a hearing before a panel pursuant to Section 2 or Section 3 of this Rule 37. The Corporation shall advise the Interested Person of the result of the review process.

Section 2 - Minor Rule Violations

A hearing requested in connection with a violation of the Rules of the Corporation for which a fine may be assessed against the Interested Person in an amount not to exceed \$5,000 (a "Minor Rule Violation"), shall be held before a panel of three officers of the Corporation (a "Minor Violation Panel"). The members of the Minor Violation Panel shall select one of their numbers to be the chairman, and the chairman shall be the person in charge of the conduct of the hearing. At the hearing, an officer of the Corporation shall present the case against the Interested Person. The Interested Person shall have an opportunity to be heard and may be represented by

counsel. A record shall be kept of the hearing and the costs associated with the hearing may, in the discretion of the Corporation, be charged in whole or in part to the Interested Person if the decision is adverse to the Interested Person. The Minor Violation Panel shall provide the Interested Person with a written statement of its decision no later than 10 business days after the conclusion of the hearing. If the decision of the Minor Violation Panel is adverse to the Interested Person, the Interested Person may request a further hearing under Section 3 of this Rule by filing a written request with the Secretary of the Corporation within five Business Days of receipt of such written statement. The Corporation shall notify the Interested Person of the date, time and place of the hearing at least five business days prior to the hearing. The failure of the Interested Person to submit the written request within the required time period shall be deemed an election to waive the right to any further hearing.

A Minor Rule Violation as defined in this Rule shall be deemed a minor rule violation within the meaning of Rule 19d-1(c)(2) under the Securities Exchange Act of 1934, as amended (the "Act"), and this Rule shall be deemed a "plan" within the meaning thereof. The action imposed by the Corporation shall not be considered "final" for purposes of paragraph (c) (1) of Rule 19d - 1 of the Act in any instance in which the fine is in an amount that does not exceed \$2,500, imposed against an Interested Person that is not a Netting Member, and with respect to which the Interested Person does not seek an adjudication pursuant to Section 3 of this Rule 37.

Section 3 - Hearings

A hearing on any matter not covered by Section 2 of this rule, or a further hearing requested pursuant to Section 2 shall be before a panel (hereinafter the "Panel") of three individuals drawn from members of the Board of Directors or their designees. The members of the Panel shall be selected by the Chairman of the Board.

Notwithstanding the above, the Panel shall not include any individual representing the Interested Person against which the proposed action is to be taken, nor any person who had responsibility for the action or proposed action of the Corporation as to which the hearing relates.

At the hearing, the Interested Person shall be afforded an opportunity to be heard and may be represented by counsel if the Interested Person has so elected pursuant to Section 1 of this Rule. A record shall be kept of the hearing, and the cost associated with the hearing may, in the discretion of the Panel, be charged in whole or in part to the Interested Person in the event that the decision at the hearing is adverse to the Interested Person.

Section 4 - Hearing Procedure

The Panel shall advise the Interested Person of its decision and the specific grounds upon which the decision is based, within ten Business Days after the conclusion of the hearing. If the decision of the Panel shall have been to impose a disciplinary sanction on the Interested Person in accordance with Rule 48 or to affirm any action previously taken against the Interested Person pursuant to Rule 21 or Rule 22, a notice of decision setting forth (a) any act or practice in which the Interested Person has been found to have engaged, or which the Interested Person has been found to have omitted, (b) the specific provision(s) of the Rules of the Corporation or of the Member's agreements with the Corporation which any such act or practice or omission to act has been deemed to violate, and (c) the sanction imposed and the reasons thereof shall be furnished to the Interested Person. A copy of the Panel's notice of decision shall also be furnished to the Chairman of the Board.

Section 5 - Reversal or Modification of Panel Decisions

Decisions of the Panel are final, but the Board of Directors may in its discretion modify any sanction or reverse any decision of the Panel that is adverse to the Interested Person.

The reversal or modification by the Board of Directors of any action previously taken against the Interested Person pursuant to these Rules shall not invalidate the acts of the Corporation or its officers or directors taken prior to such reversal or modification.

Section 6 - Finality of Corporation Action

Any action or proposed action of the Corporation as to which an Interested Person has the right to request a hearing shall be deemed final and effective (a) when the Interested Person stipulates to the taking of such action by the Corporation, (b) upon the expiration of the applicable time period provided in these Rules for the filing of a written request for a hearing or a written statement pursuant to Section 1 of this Rule, or (c) if a hearing has been held pursuant to Section 3 of this Rule, when the Corporation gives notice to the Interested Person of the Panel's decision.

Section 7 - Alternative Procedures

The Corporation may at any time establish procedures for a hearing not otherwise provided for by these Rules with respect to any action or proposed action of the Corporation.

RULE 38 – GOVERNING LAW AND CAPTIONS

Section 1 – Governing Law

The Rules, and the rights and obligations under the Rules, shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and performed therein.

Section 2 - Captions

Captions to any Rules are for information and guidance only, are not part of any Rule and are to be given no consideration in applying or construing any Rules.

RULE 39 - LIMITATIONS OF LIABILITY

Section 1 – Reliance of the Corporation upon Instructions Containing Errors

The Corporation may accept or rely upon any information or instruction given to the Corporation by a Member including wire transmission, physical delivery or delivery by other means of information or instructions recorded on magnetic tape or other media or of facsimile copies of information or instructions, in a form acceptable to the Corporation and in accordance with the Rules, which reasonably is understood by the Corporation to have been delivered to the Corporation by the Member.

The Corporation may accept and rely upon any information or instruction given to the Corporation by a Member, a Demand Trade Source, a Locked-In-Trade Source or a Designee on behalf of another Member (each hereinafter referred to as the "Agent"), including wire transmission, physical delivery or delivery by other means of information or instructions, in a form acceptable to the Corporation and in accordance with the Rules, which reasonably is understood by the Corporation to have been delivered to the Corporation by the Agent, and the Corporation shall be entitled to act pursuant to any such information or instruction as though such information or instruction had been received from the Member for which the Agent is acting.

Any Member delivering information or instructions as provided above, or on whose behalf an Agent shall deliver information or instructions as provided above, even though they may be inaccurate or not authentic, shall indemnify the Corporation, and any of its employees, officers, directors, shareholders, agents, Members, who may sustain any loss, liability or expense as a result of (a) any act done in reliance upon the authenticity of any information or instruction received by the Corporation, (b) the inaccuracy of the information contained therein or (c) effecting transactions in reliance upon such information or instruction, against any such loss, liability or expense.

Notwithstanding the foregoing, the Corporation will not act upon any such information or instruction purporting to have been given by a Member or an Agent commencing no later than one Business Day after the Corporation receives written notice from the Member that the Corporation shall not accept such information or instructions until no later than one Business Day after the Member shall withdraw such notice.

Section 2 – Limitation on Liability of the Corporation for the Obligations of Affiliated Entities

(a) Notwithstanding any affiliation between the Corporation and any other entity, including another clearing agency, except as otherwise expressly provided by written agreement between the Corporation and such other entity:

(i) the Corporation shall not be liable for any obligations of such other entity nor shall any fund or any other assets of the Corporation be available to such other entity (or any person claiming through such other entity) for any purpose, and no Member shall assert against the Corporation any claim based upon any obligations of any other entity to such Member; and

(ii) such other entity shall not be liable for any obligations of the Corporation nor shall any fund or any other assets of such other entity be available to the Corporation (or any person claiming through the Corporation) for any purpose,

and no Member shall assert against such other entity any claim based upon any obligations of the Corporation to such Member.

(b) Notwithstanding the Corporation being the owner of both the Government Securities Division and the Mortgage-Backed Securities Division,

(i) the Government Securities Division shall not be liable for any obligations of the Mortgage-Backed Securities Division nor shall the Clearing Fund or other assets of the Government Securities Division be available to the Mortgage-Backed Securities Division or any Mortgage-Backed Securities Division Participant for any purpose, and no Mortgage-Backed Securities Division Participant shall assert against the Government Securities Division any claim based upon any obligations of the Mortgage-Backed Securities Division to such Mortgage-Backed Securities Division Participant; and

(ii) the Mortgage-Backed Securities Division shall not be liable for any obligations of the Government Securities Division nor shall any participants fund, user fund or other assets of the Mortgage-Backed Securities Division be available to the Government Securities Division or any Member for any purpose, and no Member shall assert against the Mortgage-Backed Securities Division any claim based upon the obligations of the Government Securities Division to such Member

(c) the Corporation may discipline a Member for a violation of this Section 2 of Rule 39 in accordance with Rule 48.

Section 3 – Limitation on Liability of the Corporation

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, 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 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; and

(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 40 - GENERAL PROVISIONS

Section 1

Every Member shall designate a representative of the Member authorized in the name of the Member to sign all instruments, to correct errors and to perform such other duties as may be required under these Rules and to transact all business requisite in connection with the operations of the Corporation which representative shall be capable of taking such action in a manner consistent with the daily time schedules and other requirements established by or pursuant to these Rules. If the representative of the Member is not a general partner in the Member's or is not an officer of the Member's Corporation, such representative shall, in the case of a firm, be authorized to act by written power of attorney, or in the case of a Corporation, by resolution by the board of directors of such Corporation. Such power of attorney or resolution, as the case may be, shall be in such form approved by the Corporation.

Members shall file with the Corporation the signatures of the members of their firms or the officers of their Corporations and of the representatives of such firms or Corporations who are authorized to sign checks, agreements, receipts, orders and other papers necessary for conducting business with the Corporation together with the powers of attorney or other instruments giving such authority.

Each Member shall be allotted a number which must appear on the face of all forms used by it in connection with the operations of the Corporation.

Section 2

A Member may appoint one or more persons as its agent(s) with respect to all contracts or transactions compared through or by the Corporation and all matters relating thereto, provided that such appointment has been consented to by the Corporation and is evidenced by such appointments, authorizations, certifications and other agreements in such form as may be required by the Corporation.

Section 3

The Corporation may, in its discretion, require Members to provide appropriate staff in their offices during specified hours on non-Business Days when such is deemed necessary by the Corporation to insure the integrity of its systems and/or for the protection of the Corporation.

RULE 41 - CROSS GUARANTY AGREEMENTS

Section 1 – Authority

The Corporation may, from time to time, enter into one or more Limited Cross-Guaranty Agreements.

In determining its available net resources pursuant to a Limited Cross-Guaranty Agreement, the Corporation shall first offset the available net resources of the Government Securities Division pursuant to the Cross-Margining Agreement between the Corporation and NYPC and then the Mortgage-Backed Securities Division.

Section 2 – Cross-Guaranty Defaulting Member Obligations

In addition to a Member's other obligations to the Corporation under these Rules, a Cross-Guaranty Defaulting Member on account of which the Corporation has made a Cross-Guaranty Payment shall be obligated to the Corporation for the amount of such Cross-Guaranty Payment less the amount of any Cross-Guaranty Repayment received by the Corporation in respect thereof.

Section 3 - Application of Cross-Guaranty Payments

The Corporation shall, in its sole discretion, either:

(a) apply any Cross-Guaranty Payment received by the Corporation on account of a Cross-Guaranty Defaulting Member: (1) to the unpaid obligations of such Cross-Guaranty Defaulting Member to the Corporation and (2) to reduce the assessments made or that otherwise would be made against other Netting Members (each, a "Cross-Guaranty Beneficiary Member") pursuant to Section 8 of Rule 4; or

(b) retain any Cross-Guaranty Payment received by the Corporation and not apply such Cross-Guaranty Payment to reduce any assessments against other Netting Members pursuant to Section 8 of Rule 4 until the Corporation determines that the Corporation is no longer liable for any Cross-Guaranty Repayment, at which point the Cross-Guaranty Payment shall be treated as an amount that has been recovered pursuant to Section 8(k) of Rule 4.

Section 4 - Cross-Guaranty Repayment Deposits

Unless and to the extent the Corporation otherwise determines, (a) in addition to the other deposits to the Clearing Fund, a Cross-Guaranty Beneficiary Member shall be required to make a deposit to the Clearing Fund (a "Cross-Guaranty Repayment Deposit") in an amount equal to the amount of the reduction in the assessment made or that otherwise would have been made against such Cross-Guaranty Beneficiary Member if the Corporation had not received a Cross-Guaranty Payment on account of a Cross-Guaranty Defaulting Member and (b) such Cross-Guaranty Repayment Deposit shall be maintained by such Cross-Guaranty Beneficiary Member for so long as the Corporation determines that the Corporation may be liable for a Cross-Guaranty Repayment and that such Cross-Guaranty Beneficiary Member may therefore be liable to the Corporation pursuant to Section 5 of this Rule.

In the event that the Corporation is required to make a Cross-Guaranty Repayment and it does not have a sufficient amount of Cross-Guaranty Repayment Deposits to cover the liability, the Corporation shall treat the shortfall as an “Other Loss” pursuant to Section 8(g) of Rule 4.

Section 5 - Cross-Guaranty Beneficiary Member Obligations

Unless and to the extent the Corporation otherwise determines, (a) if the Corporation makes a Cross-Guaranty Repayment in respect of any Cross-Guaranty Payment, the appropriate Cross-Guaranty Beneficiary Members shall be obligated to reimburse the Corporation for such Cross-Guaranty Repayment pro rata their Cross-Guaranty Repayment Deposits up to the full amount of such Cross-Guaranty Repayment Deposits, and (b) the Corporation shall be entitled to apply the deposits of such Cross-Guaranty Beneficiary Members to the Clearing Fund in satisfaction of such obligation to reimburse the Corporation.

RULE 42- SUSPENSION OF RULES

The time fixed by these Rules, the Procedures or any regulations issued by the Corporation for the doing of any act or acts may be extended or the doing of any act or acts required by these Rules, the Procedures or any regulations issued by the Corporation may be waived or any provision of these Rules, the Procedures or any regulations issued by the Corporation may be suspended by the Board of Directors or by any Officer of the Corporation having a rank of Managing Director or higher whenever, in its or his judgment, such extension, waiver or suspension is necessary or expedient.

A written report of any such extension, waiver or suspension (other than an extension of time of less than eight hours), stating the pertinent facts, the identity of the person or persons who authorized such extension, waiver or suspension and the reason such extension, waiver or suspension was deemed necessary or expedient, shall be promptly made and filed with the Corporation's records and shall be available for inspection by any Member during regular business hours on business days. Any such extension or waiver may continue in effect after the event or events giving rise thereto but shall not continue in effect for more than 60 calendar days after the date thereof unless it shall be approved by the Board of Directors within such period of 60 calendar days.

RULE 43 - CROSS-MARGINING ARRANGEMENTS

Section 1 - General

The Corporation may establish Cross-Margining Arrangements with one or more FCOs pursuant to which a Cross-Margining Participant may, at the discretion of the Corporation and in accordance with the provisions of the Rules, elect to have its Required Fund Deposit in respect of Eligible Positions at the Corporation and its (or its Permitted Margin Affiliate's or Cross-Margining Affiliate's, if applicable) margin requirement in respect of Eligible Positions at such FCO(s) calculated either (i) by taking into consideration the net risk of such Eligible Positions at each such clearing organization or (ii) as if such positions were in a single portfolio.

The following provisions of this Rule shall be applicable to any such Cross-Margining Participant, and such Cross-Margining Participant shall also be bound by the provisions of the applicable Cross-Margining Agreement(s), which shall be deemed to be Rules.

In determining its liquidation amounts and available net resources pursuant to a Cross-Margining Agreement where margin requirements are calculated as described in subsection (i) in the first paragraph above in this Section 1, the Corporation shall first offset the liquidation results and the available net resources of the Corporation and NYPC pursuant to the Cross-Margining Agreement with NYPC.

Section 2 - Agreement to Become a Cross-Margining Participant

(a) A Netting Member that is a member of one or more FCOs may become a Cross-Margining Participant in a Cross-Margining Arrangement between the Corporation and one or more FCOs with the consent of the Corporation and each such FCO. A Netting Member shall become a Cross-Margining Participant upon acceptance by the Corporation and each applicable FCO of an agreement executed by such Cross-Margining Participant in the form specified in the applicable Cross-Margining Agreement(s) and shall be permitted to establish a Market Professional Cross-Margining Account upon acceptance by the Corporation and each applicable FCO of an agreement executed by such Cross-Margining Participant in the form specified in the applicable Cross-Margining Agreement.

(b) A Netting Member having an affiliate that is a member of one or more FCOs may become a Cross-Margining Participant, and its affiliate may become a Cross-Margining Affiliate, or a Permitted Margin Affiliate, in a Cross-Margining Arrangement between the Corporation and one or more such FCOs with the consent of the Corporation and each such FCO. A Netting Member shall become a Cross-Margining Participant and its affiliate shall become a Cross-Margining Affiliate, upon acceptance by the Corporation and each applicable FCO of an agreement executed by such Cross-Margining Participant and its Cross-Margining Affiliate in the form specified in the applicable Cross-Margining Agreement and shall be permitted to establish a Market Professional Cross-Margining Account upon acceptance by the Corporation and each applicable FCO of an agreement executed by such Cross-Margining Participant and its Cross-Margining Affiliate in the form specified in the applicable Cross-Margining Agreement.

Section 3 - Cross-Margining Guaranty and Reimbursement Obligation

In the event that the Corporation becomes obligated to make a payment to an FCO under the Corporation's Cross-Margining Guaranty of the obligations of a Cross-Margining Participant or its Cross-Margining Affiliate, the Cross-Margining Participant shall thereupon immediately be

obligated, whether or not the Corporation has then made payment to FCO, to pay to the Corporation the amount of the "Reimbursement Obligation" as specified in the applicable Cross-Margining Agreement.

Section 4 - Insolvency - Allocation of Loss

A Cross-Margining Participant may be treated as insolvent at the discretion of the Corporation in the event that: (i) such Cross-Margining Participant is determined to be insolvent by an FCO, or (ii) the Cross-Margining Affiliate or Permitted Margin Affiliate of a Cross-Margining Participant is deemed to be insolvent by an FCO and such Cross-Margining Participant does not immediately upon demand by the Corporation deposit with the Corporation an amount in cash or Eligible Netting Securities equal to the then current Cross-Margining Guaranty of the Corporation to such FCO in respect of such Cross-Margining Affiliate's obligations to the FCO.

Section 5 – Application of Cross-Margining Payments

The Corporation shall, in its sole discretion either:

(a) apply any Cross-Margining Payments received by the Corporation on account of a Cross-Margining Participant (1) to the unpaid obligations of such Cross-Margining Participant to the Corporation and (2) to reduce the assessments made or that otherwise would be made against other Netting Members (each a "Cross-Margining Beneficiary Participant") pursuant to Section 7 of Rule 4; or

(b) retain any Cross-Margining Payment and not apply such payment to reduce any assessments against other Netting Members pursuant to Rule 4 for so long as the Corporation determines that the Corporation is no longer liable for any Cross-Margining Repayment, at which point the Cross-Margining Payment shall be treated as an amount that has been recovered pursuant to Rule 4.

Section 6 – Cross-Margining Repayment Deposits

Unless and to the extent the Corporation otherwise determines, (a) in addition to the other deposits to the Clearing Fund, a Cross-Margining Beneficiary Participant shall be required to make a deposit to the Clearing Fund (a "Cross-Margining Repayment Deposit") in an amount equal to the amount of the reduction in the assessment made or that otherwise would have been made against such Cross-Margining Beneficiary Participant if the Corporation had not received a Cross-Margining Payment on account of a Cross-Margining Participant and (b) such Cross-Margining Repayment Deposit shall be maintained by such Cross-Margining Beneficiary Participant for so long as the Corporation determines that the Corporation may be liable for a Cross-Margining Repayment and that such Cross-Margining Beneficiary Participant may therefore be liable to the Corporation pursuant to Section 7 of this Rule.

In the event that the Corporation is required to make a Cross-Margining Repayment and it does not have a sufficient amount of Cross-Margining Repayment Deposits to cover the liability, the Corporation shall treat the shortfall as an "Other Loss" pursuant to Section 8(g) of Rule 4.

Section 7 - Cross-Margining Beneficiary Participant Obligations

Unless and to the extent the Corporation otherwise determines, (a) if the Corporation makes a Cross-Margining Repayment in respect of any Cross-Margining Payment, the appropriate Cross-Margining Beneficiary Participants shall be obligated to reimburse the Corporation for such Cross-Margining Repayment pro rata their Cross-Margining Repayment Deposits up to the full amount of such Cross-Margining Repayment Deposits, and (b) the Corporation shall be entitled to apply the deposits of such Cross-Margining Beneficiary Participants to the Clearing Fund in satisfaction of such obligation to reimburse the Corporation.

RULE 44 - ACTION BY THE CORPORATION

Where action by the Board of Directors is required by these Rules, the Corporation may act, to the full extent permitted by law, by the Chairman of the Board, the President or any of Managing Director or Vice President or by such other Person or Persons, whether or not employed by the Corporation as may be designated by the Board of Directors from time to time.

RULE 45 - NOTICES

Section 1 - Notice to an Interested Person

Any notice pursuant to these Rules from the Corporation to an Interested Person shall be sufficiently served on such Interested Person if the notice is in writing, and is mailed to the Interested Person's office address, is sent via electronic mail to the Interested Person's electronic mail address or is transmitted by facsimile machine to a facsimile machine located either in the Interested Person's office or elsewhere as designated by such Interested Person. Any notice to an Interested Person, if mailed, shall be deemed to have been given when deposited in the United States Postal Service, with postage thereon prepaid, directed to the Interested Person at its office address, and if sent via electronic mail, shall be deemed given when routed to the electronic mail address of the Interested Person. Any notice to an Interested Person, if transmitted by facsimile machine as provided above, shall be deemed to have been given when such transmission is verified on the facsimile machine of the Corporation as having been transmitted.

Notwithstanding anything in these Rules to the contrary, the Corporation may distribute notices to all Interested Persons by posting such notices on the Corporation's website. The Corporation shall deem a notice delivered once such notice is successfully posted to the website.

Section 2 - Notice to the Corporation

Any notice from an Interested Person to the Corporation shall be sufficiently served on the Corporation if the notice is in writing and is delivered, mailed, or transmitted by facsimile machine to the Corporation at its principal place of business, Attention: Secretary, or such other place as it designates. Any such notice to the Corporation shall be deemed to have been given when received.

Section 3 - Notice by the Corporation of Certain Actions

Any notice required to be given by the Corporation pursuant to Rule 21, Rule 22 or Rule 48 shall set forth the specific grounds under consideration upon which any action taken by the Corporation pursuant to such Rule or Rules may be based and shall contain notice to the Member of its right to request a hearing, such request to be filed by such Member with the Corporation pursuant to Rule 37.

RULE 46 - INTERPRETATION OF TERMS

Notwithstanding the use of words such as "borrow", "collateral", "lend", "purchase", "secure", and "sell", and other words derived from those words, which reflect terminology commonly used in the market for transactions of the kind processed by the Corporation under these Rules, the use of such words in these Rules, or in agreements entered into by the Corporation with Members pursuant to these Rules, shall not be deemed to affect the intent of the Members as to their characterization of such transactions in agreements entered into by the Members with one another or with third parties in respect of such transactions.

RULE 47 - INTERPRETATION OF RULES

The Board of Directors of the Corporation or any Committee thereof or their designee(s) shall have the authority to interpret the Rules of the Corporation. Interpretations of the Board of Directors or any Committee thereof or their designee(s) shall be final and conclusive.

RULE 48 - DISCIPLINARY PROCEEDINGS

Section 1 - General

The Corporation may discipline any Member for a violation of any provision of the Rules of the Corporation or such Member's agreements with the Corporation, for any error, delay or other conduct that constitutes an abuse or misuse of the Corporation's processes or otherwise is detrimental to the operations of the Corporation, or for not providing adequate facilities for such Member's business with the Corporation, by termination of membership in either or both of the Comparison System or the Netting System, ceasing to act for the Member, other limitation of or restriction on activities, functions and operations, fine, censure or any other fitting sanction.

Section 2 - Role of the Board

The Board of Directors shall be responsible for overseeing the process of addressing rules violations and other detrimental conduct. Management of the Corporation shall be responsible for presenting to the Board actions of a Member or Members that, in their opinion, constitute a rules violation or detrimental conduct, for that Committee's determination as to what, if any, disciplinary action is appropriate. Any such presentation shall be made as is practicable after the action deemed by management to constitute a rules violation or detrimental conduct has occurred.

The imposition of any disciplinary action involving ceasing to act or termination of membership in either or both of the Comparison System or Netting System, shall require Board approval.

Section 3 - Major and Minor Offenses

If the Board determines that a Member has committed a rules violation or an act of detrimental conduct, it shall classify the act as either major or minor in nature. Major offenses generally shall require a finding of either misconduct involving the funds or securities settlement obligations of a Member pursuant to these Rules or a deliberate act of fraud or misconduct of a Member. In addition, repeated offenses by a Member of a minor nature may cause the Member to be deemed to have committed a major offense.

A Member committing a major offense may be subject to disciplinary action up to and including termination of its membership in the Comparison System or in both the Comparison System and the Netting System. At a minimum, after a determination has been made by the Board that a major offense has been committed by a Member, a letter shall be sent by the Corporation to the Member informing it of its commission of offense and requiring that a written explanation be provided to the Corporation as to why the offense occurred and the actions taken and/or to be taken by the Member to ensure that the offense will not reoccur. Representatives of the Member may be required to appear before the Board to provide such explanation.

A Member committing a minor offense shall be subject to a fine or other disciplinary action, except for ceasing to act or termination of membership. Moreover, after a determination has been made by the Board that a minor offense has been committed by a Member, a letter shall be sent to the Member informing it of its commission of the offense.

Section 4 - Notification to a Member

Before imposing any disciplinary sanction on a Member pursuant to this Rule, the Corporation shall notify such Member pursuant to Rule 45 of the type of disciplinary sanction being imposed, the reasons for the imposition of the disciplinary sanction (which shall include a description of the action of the Member deemed to constitute a rules violation or detrimental conduct), the effective date of such action, and its right to a hearing to contest the imposition of the action. The Corporation may, in its discretion, take any disciplinary action authorized by these Rules against a Member immediately upon providing the notification to the Member required in this Section.

RULE 49 – DTCC SHAREHOLDERS AGREEMENT

Section 1 – Certain Definitions

For purposes of this Rule 49:

“DTCC” means The Depository Trust & Clearing Corporation, the holder of all of the capital stock of the Corporation.

“Shareholders Agreement” means the Shareholders Agreement of DTCC, dated as of November 4, 1999, as heretofore or hereafter amended and restated.

“Common Shares” has the meaning given to such term in the Shareholders Agreement.

“Mandatory Purchaser Participant” has the meaning given to such term in the Shareholders Agreement.

“Voluntary Purchaser Participant” has the meaning given to such term in the Shareholders Agreement.

Section 2- Netting Members

As a condition to its use of the services and facilities of the Government Securities Division of the Corporation, a Netting Member other than a non-U.S. based central securities depository shall be required to purchase and own Common Shares in accordance with the terms of the Shareholders Agreement and be a party to the Shareholders Agreement. For purposes of the Shareholders Agreement, a Netting Member other than a non-U.S. based central securities depository shall be a Mandatory Purchaser Participant.

Section 3 - Comparison-Only Members

A Comparison-Only Member shall be permitted (but not required) to purchase and own Common Shares in accordance with the terms of the Shareholders Agreement and be a party to the Shareholders Agreement. For purposes of the Shareholders Agreement, a Comparison-Only Member shall be a Voluntary Purchaser Participant.*

Section 4 - Sponsored Members

This Rule 49 shall have no application to a Sponsored Member.

Section 5 - Certain Other Matters

*Note that, if a Comparison-Only Member is also a member or participant of any other clearing agency subsidiary of DTCC, such Comparison-Only Member may be a Mandatory Purchaser Participant pursuant to the terms of the Shareholders Agreement and the rules or procedures of such other subsidiary. If a Sponsored Member is also a member or participant of any other clearing agency subsidiary of DTCC, such Sponsored 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.

The Corporation shall execute and deliver the Shareholders Agreement as attorney in fact for a Member that purchases Common Shares pursuant to Section 2 or Section 3 of this Rule 49 if such Member is not already a party to the Shareholders Agreement. In addition, the Corporation may on behalf of DTCC pursuant to the Shareholders Agreement, without duplication of payment, (A) debit a Member for any amount payable by the Member to DTCC for Common Shares purchased by the Member and (B) credit a Member for any amount payable by DTCC to the Member for Common Shares sold by the Member.

SCHEDULE OF TIMEFRAMES
(all times are New York City times)

8:00 p.m. – Deadline for final input by members to FICC of trade data.

10:30 p.m. to 2:00 a.m. – Time during which FICC’s comparison, netting, settlement and margining output is made available to Members.

8:30 a.m. – The securities Fedwire opens, and securities settlements begin.

9:15 a.m. – Netting-eligible auction purchases are received by FICC from the Federal Reserve Banks and are immediately redelivered to members in a long position.

9:30 a.m.* – Deadline for satisfaction of a Clearing Fund deficiency call.

10:00 a.m. – Funds-only settlement debits and credits are executed via the Federal Reserve’s National Settlement Service

11:00 a.m. – Deadline for submission of repo collateral substitution notifications, after which a late fee will be imposed. Such notification is not deemed to be submitted until it is received by FICC.

12:00 p.m. – Netting Member deadline to either (1) initiate request to receive back excess cash or collateral from the A.M. Clearing Fund call, or (2) initiate request to substitute currently held Clearing Fund securities.

12:00 p.m. – All open positions and obligations will be recorded at this time and used in the computation of intraday Clearing Fund requirements, funds-only settlement and, if applicable, NYPC margin.

12:00 p.m.** – First deadline for submission of information regarding New Securities Collateral, after which a late fee will be imposed. Such information is not deemed to be submitted until it is received by FICC.

12:30 p.m.** – Second deadline for submission of information regarding New Securities Collateral, after which such submissions will be processed by FICC on a good faith basis only and a late fee imposed. Such information is not deemed to be submitted until it is received by FICC.

1:00 p.m.** – Final deadline for submission of information regarding New Securities Collateral, after which the Netting Member must resubmit its information for processing by FICC during the following business day. Such information is not deemed to be submitted until it is received by FICC.

* This deadline may be extended by FICC on days on which there are operational or systems difficulties that would reasonably prevent members from satisfying the deadline.

** This deadline will be extended by one (1) hour on days that: (i) FICC determines are high volume days, or (ii) The Securities Industry and Financial Markets Association announces in advance will be high volume days.

2:00 p.m. – Time during which reports will be made available with respect to the intraday Clearing Fund requirements, funds-only settlement and, if applicable, NYPC margin requirements.

2:15 p.m. – Netting Member deadline to initiate request in the Clearing Fund Management system (CFM) to receive back excess Clearing Fund cash or collateral from intraday call.

2:45 p.m.* – Deadline for satisfaction of a Clearing Fund deficiency call (P.M. Clearing Fund call).

3:00 p.m. (subject to extension) – FICC closes for Fedwire transfer originations and no further securities movements for that business day will occur, with exception of reversals, which may occur until 3:30 p.m.

3:15 p.m. – Intra-day funds-only settlement debits and credits are executed via the Federal Reserve's National Settlement Service for Netting Members.

4:00 p.m. – Brokered Repo Transactions submitted prior to 4:00 p.m. will be processed as Demand Trades. After 4:00 p.m. such Trades will be processed for Bilateral Comparison.

4:30 p.m. – Deadline for submission of DK Notices by Repo Parties to Brokered Repo Transactions submitted on a Demand basis prior to 4:00 p.m.

* This deadline may be extended by FICC on days on which there are operational or systems difficulties that would reasonably prevent members from satisfying the deadline.

SCHEDULE OF GCF TIMEFRAMES
(all times are New York City times)

- 7:00 a.m.** FICC begins to accept from GCF-Authorized Inter-Dealer Brokers (“brokers”) data on GCF Repo Transactions – Brokers must submit data on a GCF Repo Transaction that they are a party to within five minutes of executions of such Transaction.
- 7:30 a.m. 2:30 p.m.** Collateral that was lent interbank is returned to the FICC account at the clearing bank of the lender of securities collateral to facilitate substitutions in the event of a request by the lender.
- 10:00 a.m.** Dealers must begin affirming or disaffirming GCF Repo Transactions within one half hour of receipt of data on such transactions from FICC
- 10:30 a.m.** Deadline for dealer affirmation or disaffirmation of all GCF Repo Transactions that they are a party to that are executed prior to 10 a.m.
- 1:00 p.m.** For GCF Repo Transactions executed after 1:00 p.m., dealers must affirm or disaffirm GCF Repo Transactions within ten minutes of their receipt of data on such transactions from FICC.
- 3:00 p.m.** Cutoff for GCF Repo Transaction data submission from brokers to FICC including dealer trade affirmation or disaffirmation –all unaffirmed trades automatically affirmed by FICC – notification by FICC to banks and dealers of final positions – collateral allocations begin.
- 3:30 p.m.** GCF Counterparties (“dealers”) must, through their clearing bank, return collateral to the FICC account to accomplish the reversal of the previous Business Day’s GCF Net Settlement Positions.
- 4:30 p.m.*** First deadline for dealer allocation of collateral to satisfy obligations, after which a late fee will be imposed.
- 6:00 p.m.** Second deadline for dealer allocation of collateral to satisfy obligations, after which FICC shall process Collateral Allocation Obligations on a good faith basis only

* Or one hour after the close of the securities FedWire, if later.

SCHEDULE FOR THE DELETION OF TRADE DATA

Trade data on transactions other than Repo Transactions that remain uncomparing shall pend in the Comparison System until the later of: (a) for trades in new issues and re-issues, the issue date or re-issue date for such trades, or (b) the processing cycle after the second Business Day after the date of submission of such data. Trade Data on Repo Transactions that remain uncomparing shall pend in the Comparison System until the later of: (a) the processing cycle after the second Business Day after the Repo Start Date, or (b) the processing cycle after the second Business Day after the date of submission of such data. Data on trades (including Yield Comparison Trades) that are not eligible for netting that compare (prior to being deleted) are deleted during the same processing cycle during which such comparison is reported to Members. Data on trades eligible for netting that compare shall pend until (and shall be deleted during) the processing cycle prior to the Scheduled Settlement Date for such trades.

The timeframes for deletion of trade data that are set forth in this schedule may be changed by the Corporation upon the provision by it of 15 Business Days' prior notice of such to all Members.

SCHEDULE OF REQUIRED MATCH DATA

These Required Match Data items are applicable to all transactions, including Repo Transactions, except as otherwise noted below:

- (1) Contra Member identifying information
- (2) CUSIP Number
- (3) Member's identifying number
- (4) Par amount (this is not applicable to General Collateral Repo Transactions)
- (5) Settlement amount (final money) - if this field is left blank, the Corporation will calculate the settlement amount using: (a) for Repo Transactions, the start amount, the Contract Repo Rate, and the number of days from start date to settlement date, and (b) for buy/sell transactions, the par value, price, and accrued interest
- (6) Settlement date - must contain a valid, settlement date
- (7) Transaction type - an indication of the type of transaction (i.e., buy, sell, repo, or reverse)

In addition, these Required Match Data items are applicable only to Repo Transactions:

- (8) Start amount - the Contract Value for the start leg of the Repo Transaction
- (9) Start date - the settlement date for the start leg of a Repo Transaction

This schedule does not apply to Netting-Eligible Auction Purchases and GCF Repo Transactions. Also, notwithstanding the above, the requirements of this schedule are superseded by the provisions of Rule 10 to the extent that they are inconsistent with that Rule.

SCHEDULE OF REQUIRED DATA SUBMISSION ITEMS

In addition to the data items listed in the Schedule of Required Match Data, the following data items are required, as indicated below, to be submitted by Members when they submit trade data to the Corporation:

- (1) Broker reference number - the reference number used by an Inter-Dealer Broker Member submitting data to uniquely identify the matching short and long sides of a brokered transaction
- (2) Contra Submitting Member's executing firm - if this field is left blank, the Corporation will fill this field with the contra Submitting Member's identifying number
- (3) Executing Firm - if this field is left blank, the Corporation will fill this field with the submitting Member's identifying number
- (4) External reference number - the reference number used by a Member submitting data to uniquely identify the transaction
- (5) Price (rate) - as regards Repo Transaction, the repo rate must be submitted in this field
- (6) Pricing method - for buy/sell transactions, this field must be submitted with either a "D" (discount), (P) (price), or "Y" (yield), while for Repo Transactions, this field must be submitted with an "R" (rate)
- (7) Trade date

This schedule does not apply to Netting Eligible Auction Purchases and GCF Repo Transactions.

SCHEDULE OF REQUIRED AND ACCEPTED DATA SUBMISSION ITEMS FOR A RIGHT OF SUBSTITUTION

In addition to the data items required in the Schedules of Required Match Data and Required Data Submission Items, the following data items are required to be received by the Corporation as regards a Repo Transaction in order for the Corporation to process a substitution:

- (1) the Specific Existing Securities Collateral CUSIP Number;
- (2) the par amount;
- (3) the principal value;
- (4) Start date for Repo and Contract Repo Rate;
- (5) For Brokered Repo Transactions, the reverse repo rate; and
- (6) Counterparty to the transaction.

The following data items may be submitted to the Corporation in order for it to acknowledge the existence of a Right of Substitution as regards to that Repo Transaction:

- (1) Number of Rights of Substitution-the number of times that collateral may be substituted over the life of the Repo Transaction;
- (2) Generic Collateral CUSIP: the nine-digit security identifier established by the CUSIP Bureau, with each such generic CUSIP representing a security type and length to maturity range;
- (3) Par Fill or Money Fill Repo;
- (4) Frequency – the number of times within a specified time period that a substitution may occur; and
- (5) Variance-in par fill transactions, the percentage by which the principal value of the replacement collateral may differ from the principal value of the original collateral.

This schedule does not apply to Netting-Eligible Auction Purchases and GCF Repo Transactions.

SCHEDULE OF REQUIRED AND ACCEPTED DATA SUBMISSION ITEMS FOR NEW SECURITIES COLLATERAL

In addition to the data items required in the Schedules of Required Match Data and Required Data Submission Items, the following data items are required to be received by the Corporation as regards a Repo Transaction in order for it to process a substitution:

- (1) the Specific Existing Securities Collateral CUSIP Number;
- (2) the par amount;
- (3) the principal value;
- (4) Start date for Repo and Contract Repo Rate;
- (5) For Brokered Repo Transactions, the reverse repo rate; and
- (6) Counterparty to the transaction.

This schedule does not apply to Netting-Eligible Auction Purchases and GCF Repo Transactions.

SCHEDULE OF REQUIRED AND OTHER DATA SUBMISSION ITEMS FOR GCF REPO TRANSACTIONS

The following data items are required to be received by the Corporation from a GCF-Authorized Inter-Dealer Broker as regards a GCF Repo Transaction in order for such Transaction to be compared by the Corporation:

Trade Reference Number – The GCF-Authorized Inter-Dealer Broker’s unique reference number for the GCF Repo Transaction.

End Date - The settlement date for the Close Leg.

Start Money – The Start Leg settlement amount.

Repo Rate – The underlying interest rate.

Broker’s Reverse Participant ID – Participant number of the GCF Counterparty from whom the Broker is reversing in securities.

Broker’s Repo Participant ID – Participant number of the GCF Counterparty to whom the Broker is repoing out securities.

CUSIP – The nine digit Generic CUSIP Number.

The following fields will be automatically populated by the Corporation with default data, which may be overridden by the GCF-Authorized Inter-Dealer Broker as required:

Trade Date – The current date will automatically populate this field.

Start Date – The current date will automatically populate this field.

Reverse Dealer Exec. ID – The information entered in the “Broker’s Reverse Participant ID” field will automatically populate this field.

Repo Dealer Exec. ID – The information entered in the “Broker’s Repo Participant ID” field will automatically populate this field.

Role – Reserved for future use.

Transaction – Reserved for future use.

The following fields will be automatically calculated and/or populated by the Corporation, and cannot be overridden by the GCF-Authorized Inter-Dealer Broker:

GSCC TID – The Corporation’s unique transaction identifier, automatically assigned to a new GCF Repo Transaction by the Corporation.

Final Money – The Corporation will automatically calculate the Close Leg settlement money for the GCF Repo Transaction using start money, rate and term (based on start date and end date).

Security Description – Automatically displayed by the Corporation based upon Generic CUSIP Number submitted.

Broker's Reverse Participant Name – Automatically displayed by the Corporation based upon the identification number entered in the “Broker's Reverse Participant ID” field.

Broker's Repo Participant Name – Automatically displayed by the Corporation based upon the ID entered in the “Broker's Repo Participant ID” field.

Term – Total number of days that the GCF Repo Transaction is scheduled to be outstanding, automatically calculated and displayed by the Corporation.

Interest – The total repo interest (i.e., the difference between the repo start and end money) automatically calculated and displayed by the Corporation.

Accrued to Date – The repo interest accrued to date automatically calculated and displayed by the Corporation.

SCHEDULE OF MONEY TOLERANCES

Effective January 17, 2003

The following Money Tolerances have been established by the Corporation:

- (1) Settlement amount - \$0.10 per \$1 million for repo transactions (applicable in Real Time) Notwithstanding this tolerance, any money difference of \$1.00 or less in the settlement amount of a trade will not prevent the trade from being matched.

Settlement amount- \$2 per \$1 million for buy-sell transactions (applicable in Real Time)
- (2) Settlement amount (in connection with the Corporation's presumption of a match of data pursuant to Rule 10) does not apply to Repo Transactions - \$40 per \$1 million
- (3) Start amount (applies only to Repo Transactions) - \$1 per Repo Transaction

SCHEDULE OF HAIRCUTS FOR ELIGIBLE CLEARING FUND SECURITIES

Security Type	Remaining Maturity	Haircut
1. Treasury		
Bills, Notes, Bonds, TIPS	Zero to 1 year	2.0%
	1 year to 2 years	2.0%
	2 years to 5 years	3.0%
	5 years to 10 years	4.0%
	10 years to 15 years	6.0%
	15 years or greater	6.0%
Zero Coupon	Zero to 1 year	5.0%
	1 year to 2 years	5.0%
	2 years to 5 years	5.0%
	5 years to 10 years	12.0%
	10 years to 15 years	12.0%
	15 years or greater	12.0%
2. Agency*		
Notes, Bonds	Zero to 1 year	7.0%
	1 year to 2 years	7.0%
	2 years to 5 years	7.0%
	5 years to 10 years	7.0%
	10 years to 15 years	10.0%
	15 years or greater	10.0%

Zero Coupon	Zero to 1 year	7.0%
	1 year to 2 years	7.0%
	2 years to 5 years	7.0%
	5 years to 10 years	18.0%
	10 years to 15 years	18.0%
	15 years or greater	18.0%
3. MBS Pass-Throughs*	Ginnie Mae	7.0%
	Fannie Mae/Freddie Mac	7.0%
4. Self-issued MBS**		14% (or 21% if 25% concentration limit is exceeded).

* Any deposits of Eligible Clearing Fund Agency Securities or Eligible Clearing Fund Mortgage-Backed Securities in excess of 25 percent of a Member's Required Fund deposit will be subject to a haircut that is twice the amount of the percentage noted in the haircut schedule. Eligibility requirements will be announced by the Corporation from time to time.

** A Member may deposit Eligible Clearing Fund Mortgage-Backed Securities of which it is the issuer, however such securities will be subject to a premium haircut. This haircut shall be 14% as an initial matter. If a Member also exceeds the 25% concentration limit, the haircut shall be 21%.

FEE STRUCTURE
(effective January 2, 2013)

I. TRADE COMPARISON FEES

A. Trade Submission

A trade submission is a submission of a side of a trade, submission of a Repo Transaction, bilateral or demand.

The fee for trade submission is as follows:

\$.27 per submission for up to 50,000 submissions per month

\$.15 per submission for 50,001 to 100,000 submissions per month

\$.01 per submission for 100,001 or greater submissions per month

A submission that is rejected by the Corporation because it failed to pass the necessary edit checks other than valid contra side will not be charged the submission fee, but will be charged a fee of \$.50 for the rejection.

The Corporation will charge an additional fee for modifications and cancellations as set forth below in subsection D.

B. Surcharge for Submission Method

At the end of a month, and with respect to each Member account, a Member that did not submit trade data to the Corporation during that month using the Interactive Submission Method shall be charged: (a) an additional comparison fee of \$.10 per side or Repo Transaction if it used the Multiple Batch Submission Method or (b) an additional comparison fee of \$.25 per side or per Repo Transaction if it used the Single Batch Submission Method.

Notwithstanding the foregoing, (1) the Corporation may reduce a Member's additional comparison fees for a month from \$.10 or \$.25 per side or Repo Transaction, as applicable, to \$.00 or \$.10 per side or Repo Transaction, as applicable, if the Corporation determines, in its sole discretion, that during such month, the Member has in good faith switched to (i) the Interactive Trade Submission Method from the Multiple Batch Submission Method or the Single Batch Submission Method, or (ii) the Multiple Batch Submission Method from the Single Batch Submission Method.

C. Yield-to-Price Conversion

The charge for the conversion by the Corporation of a side of a trade from a yield basis to a price basis is 15 cents per such side.

D. Modifications and Cancellations

The charge to a Member for the entry of a request to modify or cancel either a side of a trade or a Repo Transaction, other than a GCF Repo Transaction, is 25 cents per such request.

The charge to a Member for the entry of a request to modify or cancel a side of a GCF Repo Transaction is 5 cents 50 million of par value.

E. Locked-In Trade Data

Data received by the Corporation on a locked-in basis from a Locked-in Trade Source related to a side of a trade entered into by a Member, or entered into by a Non-Member that the Member is clearing for, shall result in a charge for processing and reporting by the Corporation to the Member of 16 cents per 50 million of par value increment of such side. This charge shall not apply to GCF Repo Transactions.

The charge to the non-Inter-Dealer Broker Member for the processing and reporting by the Corporation of a GCF Repo® Transaction entered into by the Member, or entered into by a Non-Member that the Member is clearing for, is a one time recording fee of \$.05 per million gross dollar amount of such GCF Repo Transaction (with a minimum charge of \$2.50). The charge to the Inter-Dealer Broker Member for the processing and reporting by the Corporation of a GCF Repo® Transaction is a onetime recording fee of \$.025 per million gross dollar amount of such GCF Repo® Transaction (with a minimum charge of \$1.25).

II. COMMUNICATION FEES

Failure to migrate from legacy networks to SMART and/or SFTI. Cost*

*The entire cost of supporting the legacy network connections will be allocated among remaining users pro rata.

III. NETTING FEE AND CHARGES

A. Netting Fee

1. For each side of a Compared Trade, other than a Repo Transaction, that is netted, a fee equaling the sum (in addition to the comparison fee) of:
 - (i) \$0.18; and
 - (ii) \$0.018 per 1 million of par value.
2. For each Start Leg or Close Leg of a Repo Transaction other than a GCF Repo Transaction that is netted, a fee equaling the sum (in addition to the comparison fee) of:
 - (i) \$0.18; and
 - (ii) \$0.018 per 1 million of par value.
3. For each Fail Deliver Obligation and Fail Receive Obligation that is netted, a fee equaling the sum (in addition to the comparison fee) of:
 - (i) \$0.18; and
 - (ii) \$0.018 per 1 million of par value.

4. In addition to the above, for each Deliver Obligation and Receive Obligation created as a result of the netting process, a fee of \$0.15 per 1 million of par value.

B. Auction Takedown Process

Members shall be charged for the following functions associated with the Auction Takedown Services provided by the Corporation:

- | | | |
|----|---|---|
| 1. | Locked-in trades | \$.50 per 50 million of par value increment |
| 2. | Priority Auction Delivery request (also known as a Customer Delivery request) | \$1.00 per request |

C. Financing Charges[Ⓢ]/

1. No charges for Inter-Dealer Broker Netting Members acting in a Broker capacity.
2. For each other Netting Member, a pass-through charge calculated on a percentage of the total of all such costs incurred by the Corporation, (including any reimbursements made pursuant to subsection (4) below), allocated by product, which percentage is calculated as follows:

Total dollar value of deliver and receive obligations of such Netting Member in such product

Total dollar value of deliver and receive obligations of all Netting Members (other than Inter-Dealer Broker Netting Members acting in a Broker capacity) in such product

3. Notwithstanding the above, if, after providing to a Netting Member appropriate notice and opportunity to be heard, the Corporation determines that such Netting Member has, on a recurring basis and without good cause, caused the Corporation to incur financing costs, such Member will be obligated to pay for the entire amount of any financing costs incurred by the Corporation as the result of deliveries by such Member to the Corporation.
4. As stated in Rule 12, if the Corporation, as the result of a violation of the Rules by a Netting Member, incurs financing costs, the Netting Member shall be obligated to pay for, or reimburse the Corporation for, the entire amount of any such costs.

[Ⓢ]/Financing costs include the costs of both carrying positions overnight and borrowing to cover Inter-Dealer Broker Netting Member (acting in a Broker capacity) mark and TAP payments.

5. Notwithstanding anything to the contrary above, the Corporation may pay for directly, or reimburse, a Repo Broker for overnight financing costs that the Repo Broker has incurred related to the settlement of a Start Leg outside of the Netting System, up to a dollar amount deemed reasonable by the Corporation, if the Corporation determines, in its sole discretion, that such financing costs were incurred by the Repo Broker unavoidably and not through its own fault.
6. Notwithstanding anything to the contrary above, the Corporation may pay for directly, or reimburse, a Repo Broker that incurs financing costs for a Net Settlement Position, up to a dollar amount deemed reasonable by the Corporation, if the Corporation determines, in its sole discretion, that such financing costs were incurred by the Repo Broker: (i) unavoidably and not through its own fault and (ii) if the Repo Broker is an Inter-Dealer Broker Netting Member, through overnight repurchase transactions with Netting Members or a Clearing Agent Bank.

D. Clearance Charges

1. No charges for Inter-Dealer Broker Netting Members acting in a Broker capacity.
2. For each other Netting Member, a standard charge of \$2.35 per deliver and receive obligation on Scheduled Settlement Date.
3. Notwithstanding anything to the contrary above, the Corporation may pay for directly, or reimburse, the clearance costs incurred by a Repo Broker for Repo Transactions related to the settlement of a Start Leg outside of the Netting System, up to a dollar amount deemed reasonable by the Corporation.

E. Repo Transaction Processing Fee

For a term Repo Transaction other than a GCF Repo Transaction that has been compared and netted, but which has not yet settled, a fee calculated as follows:

(1) (a) for Repo Brokers (as defined in subsection III.H below) with respect to their brokered Repo Transaction activity, a .0175 basis point charge (i.e., one and three quarter hundredth of a basis point) applied to the gross dollar amount of each such Repo Transaction; and

(b) for all other Netting Members, as well as Repo Brokers with respect to their non-brokered Repo Transaction activity, a .025 basis point charge (i.e., two and a half hundredth of a basis point) applied to the gross dollar amount of each such Repo Transaction.

and

(2) a .060 basis point charge (i.e., 6 hundredths of a basis point) applied to the net dollar amount of a Netting Member's Repo Transactions within a CUSIP.

For a GCF Repo Transaction that has been compared and netted, but which has not yet settled, a fee calculated as follows:

(1) (a) for Repo Brokers acting as GCF-Authorized-Inter-Dealer Brokers, a .0175 basis point charge (i.e., one and three quarter hundredth of a basis point) applied to the gross dollar amount of such GCF Repo Transaction; and

(b) for all other Netting Members, a .025 basis point charge (i.e., two and one half hundredth of a basis point) applied to the gross dollar amount of such GCF Repo Transaction;

and

(2) (a) .060 basis point charge (i.e., 6 hundredths of a basis point) applied to the net dollar amount of a Netting Member's Collateral Allocation Entitlements and Collateral Allocation Obligations.

These fees will be applied each calendar day, but calculated on an annualized basis.

For Repo Transactions other than GCF Repo Transactions, these fees do not apply if the Close Leg is scheduled to settle one Business Day after the Start Leg.

F. Coupon Pass-Through Fee

For each pass-through of a coupon payment, pursuant to these Rules, from a Member with a Net Short Settlement Position to a Member with a Net Long Settlement Position, a fee of 25 cents per such coupon movement per each member.

G. Repo Collateral Substitution Fees

The charge for the processing of a repo collateral substitution request is \$.75.

H. Definition

For purposes of this Section III, a "Repo Broker" includes (1) an Inter-Dealer Broker Netting Member, and (2) a division or other separate operating unit within a Dealer Netting Member that the Corporation has determined: (a) operates in the same manner as a Broker, and (b) has agreed to, and does, participate in the Repo netting service pursuant to the same requirements imposed on Inter-Dealer Broker Netting Members under these Rules that participate in that service.

IV. MINIMUM MONTHLY FEE

Each Comparison-Only Member and each Netting Member shall, regardless of the level of its activity, pay a minimum monthly fee on its sole or primary account of \$1,000.

V. FEES APPLICABLE TO ADDITIONAL ACCOUNTS

If a Member maintains more than one account at the Government Securities Division, each such additional account shall be subject to the following fees:

A. Additional Account Opened at the Request of Member

- (i) Maintenance fee of \$1,000;
- (ii) Fees based on transaction activity (no minimum monthly fee); and
- (iii) Applicable non-transaction-based fees.

B. Additional Account Opened at the Direction of the Corporation

- (i) Fees based on transaction activity subject to a \$1,000 minimum monthly fee; and
- (ii) Applicable non-transaction-based fees.

For purposes of this Fee Structure, the Corporation will consider a Member's primary account to be the account with the most activity in the applicable month. All other accounts maintained by the Member shall be considered additional accounts.

VI. SUBMITTING MEMBERS

A Submitting Member shall be liable for fees and charges arising from trades the data on which it has submitted to the Corporation on behalf of an Executing Firm to the same extent as if such Member had executed the trades.

VII. SPONSORING MEMBERS

A Sponsoring Member shall be liable for fees and charges arising from Sponsored Member Trades the data on which it, or its Sponsored Member(s), has submitted to the Corporation. A Sponsoring Member shall also be subject to the fee for additional accounts set forth in Section V (A) of this Fee Structure; provided, that a Sponsoring Member Omnibus Account shall be considered a single account for purposes of calculating such fee, regardless of the number of Sponsored Members whose trading activity is conducted through such account.

VIII. DEFINITION

For purposes of this fee structure, a "side" of a trade or a transaction, and a Start Leg or a Close Leg of a Repo Transaction other than a GCF Repo Transaction, shall be limited to \$50 million increments. Thus, if the aggregate amount of a side of a trade, or of a Start Leg or Close Leg of a Repo Transaction other than a GCF Repo Transaction, is greater than \$50 million, each \$50 million portion of that aggregate amount (including the final, residual portion if that is less than \$50 million) shall be considered as a separate "side" or Leg for purposes of this Fee Structure. A Term GCF Repo Transaction shall be considered to have only one Start Leg and one Close Leg during its term.

IX. LATE FEES

Late Submission of Collateral Substitution Notifications

On any particular Business Day, a Repo Party shall be assessed a late fee of \$100 for each repo collateral substitution notification that is received by the Corporation after the deadline for such as stated in the Schedule of Timeframes.

Late Submission of Information Regarding New Securities Collateral

On any particular Business Day, a Repo Party shall be assessed a late fee of (i) \$100 for each submission of information regarding New Securities Collateral that is received by the Corporation after the first deadline, but before the second deadline, for such as stated in the

Schedule of Timeframes, and (ii) \$250 for each submission of information regarding New Securities Collateral that is received and processed by the Corporation after the second deadline for such as stated in the Schedule of Timeframes. Such fees will be assessed with respect to each transaction for which a notification of a repo collateral substitution has been received by FICC, but for which FICC has not received information regarding New Securities Collateral.

Late Fee Related to GCF Repo Transactions

On any particular business day, if a dealer does not make the required collateral allocation by the later of 4:30 p.m. (New York time) or 1 hour after the actual close of Fedwire reversals, the dealer shall be subject to a late fee of \$500.00, unless the Corporation determines, in its sole discretion, that the failure to meet this timeframe is not primarily the fault of the dealer.

X. ADMINISTRATIVE FEES

On any particular Business Day, a Repo Broker shall be assessed an administrative fee of \$50 for each instance where the Corporation determines to finance a Debit Forward Mark Adjustment Payment in excess of the Cap, as set forth in Section 4 of Rule 19. Such administrative fee shall be in addition to any costs incurred by the Corporation in arranging the financing for which the Repo Broker maintains responsibility and must reimburse the Corporation pursuant to that Section.

XI. THIRD PARTY FEES AND CHARGES

The Corporation may also bill Members for, and include on the Members' billing statements, fees and charges which may be imposed on such Members by third parties such as: (a) other subsidiaries of The Depository Trust & Clearing Corporation; (b) self-regulatory organizations and other securities industry organizations or entities of which such Member is a member, where such third party has represented to the Corporation that it has an agreement with the Member allowing the Member's payment of such fees and charges; and (c) other organizations and entities which provide services or equipment to Members which are integral to services provided by the Corporation. Any amounts so collected will be remitted to the entity imposing such fee or charge.

Such fees and charges may include those of companies that identify themselves as being an affiliate of the Member. Members should check their billing statements, which shall reflect all such charges, and report any problems to the Corporation immediately.

XII. CAPITAL BASE, PRICING AND REBATE POLICY

The Corporation's policy is to retain only that amount of revenue which, in the view of the Board, is appropriate to ensure that the Corporation maintains a sufficient capital base and sound financial structure. Consistent with this policy, the Corporation may, for activity submitted during a given month, in its sole discretion, adjust downward (discount) its comparison and netting fees. Any such discount shall be reflected directly in fee collections from Members for that month.

This policy is not intended to apply to a service newly-provided by the Corporation, until it is deemed by the Operations and Planning Committee to be sufficiently established.

The Corporation will rebate excess net income to members, pro rata, at periodic intervals deemed appropriate by, and at the discretion of, the Corporation based upon their gross fees paid to the Corporation within the applicable rebate period (adjusted for miscellaneous charges and rebates). Rebates will be distributed only to those Members maintaining membership during all or a portion of the applicable rebate period, as announced by the Corporation from time to time.

For purposes of this paragraph, “excess net income” shall mean income after expenses and capitalization costs not needed in the opinion of the Corporation in its sole discretion taking into account, among other things, anticipated expenses, losses, liabilities, revenues, and maintenance of an appropriate minimum level of shareholders’ equity.

FINE SCHEDULES

Late Satisfaction of Clearing Fund Deficiency Call

AMOUNT	FIRST OCCASION	SECOND OCCASION	THIRD OCCASION	FOURTH OCCASION
Up to \$100M	**	\$100	\$200	\$ 500
Greater than \$100M to \$900 M	**	300	600	1,500
Greater than \$900 M to \$1.7 MM	**	600	1,200	3,000
Greater than \$1.7 MM to \$2.5MM	**	900	1,800	4,500
Greater than \$2.5 MM	**	1,000	2,000	5,000

Notes:

M=one thousand
MM= one million

** First occasions result in a warning letter issued to the Member.

The number of occasions is determined over a moving three-month period beginning with the first occasion.

If the number of occasions within the rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the amount of the fine.

A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount. If a member is late for more than one hour and it is the member's fourth occasion, the Corporation shall obtain the concurrence of the Board of Directors as to the amount of the fine.

Late Payment of Funds Settlement Debit

Amount	First Occasion	Second Occasion	Third Occasion	Fourth Occasion
\$1 to \$100M	\$100	\$200	\$ 500	\$1,000
Greater than \$100M to \$900M	300	600	1,500	3,000
Greater than \$ 900M to \$1.7 MM	600	1,200	3,000	6,000
Greater than \$1.7 MM to \$2.5MM	900	1,800	4,500	9,000
Greater than \$2.5 MM	1,000	2,000	5,000	10,000

M=one thousand

MM= one million

- (1) Each instance of late payment of a late payment of a Funds Settlement Debit is deemed to be a separate occasion. Such latenesses are combined, regardless of type, to determine the number of occasions.
- (2) The number of occasions is determined over a moving three-month period beginning with the 1st occasion.
- (3) If the number of occasions within the rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount.
- (4) A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount. If a member is late for more than one hour and it is the member's fourth occasion, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount.

FINE SCHEDULE

Failure to Timely Provide Financial and Related Information

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
Request for Information*	<u>Occasion</u>	<u>Occasion</u>	<u>Occasion</u>	<u>Occasion</u>
Financial Reports** ***	\$300	\$600	\$1,500	

*Fines to be levied for offenses within a moving twelve-month period beginning with the first occasion.

**For purposes of this Fine Schedule, Reports/Information shall mean the financial, regulatory and other information required to be submitted to the Corporation pursuant to the Rules, Procedures, Important Notices or notices on the Corporation's website.

***Fourth or more occasion fines will be determined by the Corporation with the concurrence of the Board of Directors.

If the Member's late submission applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

Business Continuity Testing for Top Tier Firms – Fines for Failure to Test

Fine for failure to complete annual testing requirement:	\$10,000
Fine for failure to complete testing for two successive years:	\$20,000
General Continuance Standards-Fine for Failure to Notify of Falling out of Compliance	

Fine for failure to notify	\$1,000
----------------------------	---------

If the Member's failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a

participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

Reportable Events-Fine for Failure of Timely Notification

Fine for failure to timely notify \$5,000

If the Member’s failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

Failure to Confirm OFAC Program

Fine Name	Amount(s)
Failure to confirm OFAC Program	\$5,000.00

DESIGNATED LOCKED-IN TRADE SOURCES

Federal Reserve Banks, as fiscal agents of the United States

Freddie Mac

GCF-Authorized Inter-Dealer Brokers (for GCF Repo Transactions)

The Treasury Department

New York Portfolio Clearing, LLC

CROSS-MARGINING AGREEMENTS

- Cross-Margining Agreement with the Chicago Mercantile Exchange, Inc. (incorporated by reference).
- Cross- Margining Agreement with NYPC (incorporated by reference).

BOARD INTERPRETATIONS AND STATEMENTS OF POLICY

INTERPRETATION OF THE BOARD OF DIRECTORS OF THE GOVERNMENT SECURITIES CLEARING CORPORATION

Pursuant to Rule 47 of the Government Securities Clearing Corporation ("the Corporation"), the Board of Directors has the authority to interpret the rules of the Corporation. The purpose of this interpretation is to clarify certain provisions of the Corporation Rule 4 ("Rule 4") and the extent to which Clearing Fund and other required deposits of Netting Members may be applied to a loss or liability incurred by the Corporation.

Section 6 of Rule 4 provides that the use of the Clearing Fund shall be limited to satisfaction of losses or liabilities of the Corporation arising from the failure of a Netting Member to satisfy an obligation to the Corporation or incident to the clearance and settlement business of the Corporation other than from such failure of such Member, and to providing the Corporation with a source of collateral to meet its temporary financing needs. Section 7 of Rule 4 provides that collateral in the amount of \$1.6 million is required to be maintained by Inter-Dealer Broker Netting Members (which Members are not required to contribute to the Clearing Fund) for the purpose of collateralizing any obligations that such Member may have to the Corporation pursuant to the Shareholder Agreement and Section 8 (Allocation of Loss or Liability Incurred by the Corporation) of Rule 4.

1. Use of required deposits to satisfy a loss or liability arising incident to the clearance and settlement business of the Corporation

The appropriateness of the use of required deposits to satisfy in whole or part a loss or liability arising incident to the clearance and settlement business of the Corporation is best determined by the Board of Directors on a case-by-case basis. The determination as to whether a loss or liability arose incident to the clearance and settlement business of the Corporation such that the loss or liability may be covered by Netting Members' required collateral may be made only by the Board of Directors, after consideration of the circumstances that led to the loss and liability and the effect on the Corporation of the use of required collateral to cover such loss or liability.

2. Use of required deposits to provide the Corporation with a source of collateral to meet its temporary financing needs

The use of required deposits to provide the Corporation with a source of collateral for financing is limited to those temporary financing needs related to the clearance and settlement business of the Corporation.

September 13, 1989

STATEMENT OF POLICY OF THE BOARD OF DIRECTORS OF THE
GOVERNMENT SECURITIES CLEARING CORPORATION
ON THE RELEASE OF INFORMATION

Section 17A(b)(3) of the Securities Exchange Act of 1934, as amended (the "Act"), provides, among other things, that the rules of clearing agency self-regulatory organizations must be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and to protect investors and the public interest. the Corporation recognizes in Rule 29 its obligation as a self-regulatory organization to share clearing, financial, and other data on its members with other SEC-regulated, self-regulatory organizations for regulatory purposes. Rule 3 provides the Corporation with the authority to examine the financial and operational conditions of its members, and to receive information relevant to such examination from any other SEC-regulated, self-regulatory organization. Rule 3 also requires the Corporation to maintain the same degree of confidentiality regarding such financial and operational information that the appropriate regulatory body having jurisdiction over the member would maintain.

In accordance with its responsibilities under its rules, and consistent with the requirements of a clearing agency under the Act, the Board of Directors has approved the entering into of an agreement by the Corporation with other SEC-registered clearing agencies to share, for regulatory purposes, with such other SEC-registered clearing agencies financial and operational information relating to members that are also members of such other SEC-registered clearing agencies. The Board of Directors has also approved the filing of such agreement with the Securities and Exchange Commission. Such agreement is not intended to limit the ability under the Act of the Corporation, for regulatory purposes, to share data on its members whenever such is deemed necessary or appropriate. It is, however, a first step toward formalizing certain minimum levels of information sharing, with the intent to standardize such reporting.

March 1, 1990

EFFECTIVE AS OF 1/07/13

FIXED INCOME CLEARING CORPORATION
MORTGAGE-BACKED SECURITIES DIVISION
CLEARING RULES

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RULE 1 - DEFINITIONS

Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules, have the meanings herein specified.

Account

The term "Account" means any account maintained by the Corporation on behalf of a Clearing Member. An Account maintained for a Member acting as a Dealer is referred to as a "Dealer Account," and an Account maintained for a Member acting as a Broker is referred to as a "Broker Account."

Affiliate

The term "Affiliate" shall have the meaning given that word in SEC Rule 405, promulgated under the authority of the Securities Act of 1933.

Aggregated Account

The term "Aggregated Account" means either a single Account linked to an aggregate ID or a set of Accounts linked to an aggregate ID for the processing of Transactions in the Clearing System. Pursuant to these Rules, Members' Cash Settlement obligations and Mark-to-Market requirements are calculated on a net basis at the aggregate ID level.

Applicant Questionnaire

The term "Applicant Questionnaire" means the questionnaire required in Rule 2A to be completed and delivered to the Corporation by each applicant to become a Clearing Member.

Appropriate Regulatory Agency

The term "Appropriate Regulatory Agency" shall have the meaning given that term in Section 3(a)(34)(C) of the Exchange Act.

Bank Clearing Member

The term "Bank Clearing Member" shall have the meaning given that term in Section 1 of Rule 2A.

Board or Board of Directors

The terms "Board" or "Board of Directors" mean the Board of Directors of the Fixed Income Clearing Corporation or a committee thereof acting under delegated authority.

Broker

The term "Broker" means a Member that is in the business of buying and selling securities as agent on behalf of Dealers.

Broker Give-Up Date

The term "Broker Give-Up Date" means the date on which Dealers for which a Broker has acted in a Broker Give-Up Trade are substituted for the Broker.

Broker Give-Up Trade

The term "Broker Give-Up Trade" means an SBO-Destined Trade, Trade-for-Trade Transaction or Option Contract in which a Broker acting on behalf of selling and purchasing Dealers temporarily is identified in the applicable Reports initially made available by the Corporation as the Original Contra-Side Member with respect to each Dealer, with the Dealers to be substituted on the Broker Give-Up Date.

Brokered Transaction

The term "Brokered Transaction" means any "give-up" transaction calling for the delivery of an Eligible Security the data on which has been submitted to the Corporation by Members, to which transaction a Broker is a party.

Business Day

The term "Business Day" means any day on which the Corporation is open for business.

Cash Balance

The term "Cash Balance" means the net amount computed by the Corporation each Business Day with respect to each Aggregated Account pursuant to Rule 11.

Cash Settlement

The term "Cash Settlement" refers to the payment each Business Day by the Corporation to a Member or by a Member to the Corporation pursuant to Rule 11.

Cash Settling Bank Member

The term "Cash Settling Bank Member" means a bank, trust company or other entity specified in these Rules that has qualified pursuant to the provisions of these Rules and which is a party to an effective "Appointment of Cash Settling Bank and Cash Settling Bank Agreement" whereby the Cash Settling Bank undertakes to perform cash settlement services for the Member which also is a party thereto. The term "Cash Settling Bank Member" shall be used interchangeably with the term "Cash Settling Bank".

CFTC

The term "CFTC" means the Commodity Futures Trading Commission.

CFTC-Recognized Clearing Organization

The term "CFTC-Recognized Clearing Organization" means a clearing organization that is affiliated with, or designated by, a contracts market or markets trading specific futures products, and is under the oversight of the CFTC.

Clearance Date

The term "Clearance Date" means the date on which the parties to a Transaction actually deliver and pay for Eligible Securities as reported to the Corporation, which may be a date other than the Contractual Settlement Date.

Clearance Difference Amount

The term "Clearance Difference Amount" means the dollar difference between the Settlement Value of a Pool Deliver Obligation or a Pool Receive Obligation and the actual value at which such Pool Deliver Obligation or Pool Receive Obligation was settled.

Clearing Agency

The term "Clearing Agency" shall have the meaning given it in Section 3(a)(23) of the Exchange Act.

Clearing Fund

The term "Clearing Fund" means the Clearing Fund established by the Corporation pursuant to these Rules, which shall be comprised of the aggregate of all Required Fund Deposits and all other deposits, including Cross-Guaranty Repayment Deposits.

Clearing Members

The term "Clearing Member" means any entity admitted into membership pursuant to Rule 2A.

Clearing Organization

The term "Clearing Organization" means a Clearing Agency, Derivatives Clearing Organization, CFTC-Recognized Clearing Organization, and/or Self-Regulatory Organization, and any other organization performing a similar function, whether or not regulated by the SEC or the CFTC, in which a Member is a member or participant.

Clearing System

The term "Clearing System" means the (i) System of services provided by the Corporation to Persons that are Members thereof, including Trade Comparison, TBA Netting, Pool Comparison Pool Netting, and settlement, as applicable, and (ii) operations carried out by the Corporation in the course of providing such services, as provided in these Rules.

Commodity Exchange Act

The term "Commodity Exchange Act" means the Commodity Exchange Act, as amended.

Compared Trade

The term "Compared Trade" means a trade the data on which has been compared or deemed compared pursuant to these Rules including trades that the Corporation, in exercising authority under Rule 17 in the case of a Member for whom the Corporation has ceased to act, has deemed compared based on data submitted by a single Member.

Contractual Settlement Date

The term "Contractual Settlement Date" means, in the case of a Trade-for-Trade Transaction, Specified Pool Trade, SBO-Destined Trade, SBO Trade and Pool Net Settlement Position, the settlement date mutually agreed to by the parties to the Transaction.

Controlling Management

The term "Controlling Management" shall mean the Chief Executive Officer, the Chief Financial Officer, and the Chief Operations Officer, or their equivalents, of an applicant or Member.

Corporation

The term "Corporation" means the Fixed Income Clearing Corporation, the owner of the Mortgage-Backed Securities Division. Where these Rules refer to action taken by "the Corporation," the term should be understood to mean the management of the Fixed Income Clearing Corporation, unless otherwise specified.

Coverage Charge

The term "Coverage Charge" means with respect to a Member's Required Fund Deposit, an additional charge to bring the Member's coverage to a targeted confidence level.

Credit Risk Rating Matrix

The term “Credit Risk Rating Matrix” refers to a matrix developed by the Corporation to rate a Member’s potential risk to the Corporation based on the Member’s financial condition, as determined by financial information required to be submitted by that Member and other relevant information.

Cross-Guaranty Agreement

The term “Cross-Guaranty Agreement” shall mean any netting contract, limited cross-guaranty, or similar agreement between the Corporation and (i) any Clearing Organization, or (ii) any other domestic or foreign clearinghouse, clearing association, clearing corporation or similar organization.

Cross-Guaranty Beneficiary Member

The term “Cross-Guaranty Beneficiary Member” shall have the meaning given to such term in Rule 32.

Cross-Guaranty Counterparty

The term “Cross-Guaranty Counterparty” shall mean any party, other than the Corporation, to a Cross-Guaranty Agreement.

Cross-Guaranty Defaulting Member

The term “Cross-Guaranty Defaulting Member” shall mean a Defaulting Member on account of which the Corporation makes or receives a Cross-Guaranty Payment.

Cross-Guaranty Payment

The term “Cross-Guaranty Payment” shall mean any payment, other than a Cross-Guaranty Repayment, that the Corporation makes or receives pursuant to a Cross-Guaranty Agreement.

Cross-Guaranty Repayment

The term “Cross-Guaranty Repayment” shall mean (i) any amount of a Cross-Guaranty Payment received by the Corporation that the Corporation (A) repays to a Cross-Guaranty Counterparty pursuant to a Cross-Guaranty Agreement or (B) pays over to a Defaulting Member or its legal representative pursuant to a court order or judgment or (ii) any amount of a Cross-Guaranty Payment made by the Corporation that the Corporation receives back from a Cross-Guaranty Counterparty pursuant to a Cross-Guaranty Agreement.

Cross-Guaranty Repayment Deposit

The term “Cross-Guaranty Repayment Deposit” shall mean the deposit to the Clearing Fund required to be made by a Cross-Guaranty Beneficiary Member pursuant to Section 4 of Rule 32.

CUSIP Average Price or CAP

The term "CUSIP Average Price" or "CAP" means, in the case of any SBON Trade, the average contract price as computed by the Corporation of all SBO-Destined Trades in the CUSIP number, as the case may be, that have been netted to produce the SBON Trade.

CUSIP Number

The term "CUSIP Number" means the Committee on Uniform Securities Identification Procedures identifying number for an Eligible Security.

Dealer

The term "Dealer" means a Member that is in the business of buying and selling Securities as principal, either directly or through a Broker.

Dealer Clearing Member

The term “Dealer Clearing Member” shall have the meaning set forth in Section 1 of Rule 2A.

Defaulting Member

The term “Defaulting Member” means a Member that is treated by the Corporation as insolvent and/or for which the Corporation has ceased to act pursuant to these Rules.

Delivery Date

The term “Delivery Date” means the earliest date on which pools can be delivered in satisfaction of a trade, as per mutual agreement between buyer and seller.

Derivatives Clearing Organization or “DCO”

The term “Derivatives Clearing Organization or “DCO” shall have the meaning given such term in Section 1a(9) of the Commodity Exchange Act.

Designated Examining Authority

The term "Designated Examining Authority" shall mean (1) in the case of a broker or dealer registered pursuant to Section 15 or 15C of the Exchange Act that belongs to only one Self-Regulatory Organization, such Self-Regulatory Organization, and (2) in the case of a broker or dealer registered pursuant to Section 15 or 15C of the Exchange Act that

belongs to more than one Self-Regulatory Organization, the Self-Regulatory Organization designated by the SEC pursuant to Section 17(d) of the Exchange Act as the entity with responsibility for examining such broker or dealer.

Designee

The term “Designee” means a service provider designated by a Member either orally or in writing to provide the Corporation with instructions on behalf of the Member.

Deterministic Risk Component

The term “Deterministic Risk Component” means with respect to the margin portfolio of a Clearing Member, the calculation equaling: (i) the Mark-to-Market Debit; minus (ii) the Mark-to-Market Credit; plus (iii) a cash obligation item debit; minus (iv) a cash obligation item credit; plus or minus (v) accrued principal and interest.

Direct Transaction

The term "Direct Transaction" means any Transaction calling for the delivery of an Eligible Security the data on which has been submitted to the Corporation by Members, that is not a Brokered Transaction.

DK

The term "DK" means a statement submitted to the Corporation by a Member that the Member "does not know" (i.e., denies the existence of) a Transaction reported to the Member by the Corporation.

DTC

The term “DTC” means The Depository Trust Company.

DTC Settling Bank

The term “DTC Settling Bank” means an entity that qualifies as a settling bank under DTC’s rules and has been approved as such by DTC.

Eligible Clearing Fund Agency Security

The term “Eligible Clearing Fund Agency Security” means a direct obligation of those U.S. agencies or government sponsored enterprises as the Corporation may designate from time to time, and that satisfies such criteria set forth in notices issued by the Corporation from time to time.

Eligible Clearing Fund Mortgage-Backed Security

The term “Eligible Clearing Fund Mortgage-Backed Security” means a mortgage-backed pass through obligation issued by those U.S. agencies or Government Sponsored Enterprises as the Corporation may designate from time to time, and that satisfies such criteria set forth in notices issued by the Corporation from time to time.

Eligible Clearing Fund Security

The term “Eligible Clearing Fund Security” means an unmatured bond which is either an Eligible Clearing Fund Agency Security, an Eligible Clearing Fund Mortgage-Backed Security or an Eligible Clearing Fund Treasury Security.

Eligible Clearing Fund Treasury Security

The term “Eligible Clearing Fund Treasury Security” means a direct obligation of the U.S. government that satisfies the criteria set forth in notices issued by the Corporation from time to time.

Eligible Letter of Credit

The term "Eligible Letter of Credit" means a letter of credit that:

- (i) contains the unqualified commitment of such issuer to pay a specified sum of money upon demand (properly drawn under the letter of credit);
- (ii) is irrevocable; and
- (iii) is in a form, and contains such other terms and conditions, as may be required by the Corporation.

Eligible Security

The term "Eligible Security" means a Security that the Corporation has determined to be eligible for services provided by the Corporation in any System pursuant to these Rules. A security of an issuer that is listed on the Office of Foreign Assets Control (“OFAC”) list of specially designated nationals distributed by the U.S. Department of the Treasury, or of an issuer that is incorporated in a country that is on the OFAC list of countries subject to comprehensive sanctions, shall not be an “Eligible Security”.

End of Day Charge

The term “End of Day Charge” means with respect to each Clearing Member, the calculation equaling: (i) the VaR Charge; plus (ii) the Mark-to-Market Debit; minus (iii) the Mark-to-Market Credit; plus (iv) a cash obligation item debit; minus (v) a cash obligation item credit; plus or minus (vi) accrued principal and interest.

EPN Service

The term "EPN Service" means the Corporation's electronic pool notification service that enables EPN Users to electronically communicate pool information to other EPN Users, as described in the Corporation's EPN Rules and EPN procedures.

Excess Capital

The term "Excess Capital" means Excess Net Capital, net assets, or equity capital as applicable to a Clearing Member based on its type of regulation.

Excess Capital Differential

The term "Excess Capital Differential" means the amount by which a Member's VaR Charge exceeds its Excess Capital.

Excess Capital Ratio

The term "Excess Capital Ratio" means the quotient, rounded to the nearest whole two decimal places, resulting from dividing the amount of a Member's VaR Charge by the amount of its Excess Capital that it maintains.

Excess Net Capital

The term "Excess Net Capital" means, as of a particular date, the amount equal to the difference between the Net Capital of a broker or dealer and the minimum Net Capital such broker or dealer must have to comply with the requirements of SEC Rule 15c3-1(a), or any successor rule or regulation thereto.

Exchange Act

The term "Exchange Act" means the Securities Exchange Act of 1934, as amended.

Fail

The term "Fail" means a Transaction the clearance of which has not occurred or has not been reported to the Corporation as having occurred on the Contractual Settlement Date, or expiration date, as applicable.

Federal Funds Rate

The term "Federal Funds Rate" means, for each Business Day, the rate reported as such in a publicly available source. If there is a dispute as to the Federal Funds Rate for a particular Business Day, it shall be settled by reference to the rate set forth in H. 15(519) for such Business Day opposite the caption "Federal Funds (Effective)." For this purpose, "H. 15(519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

FHLMC

The term "FHLMC" means the Federal Home Loan Mortgage Corporation.

FedWire

The term "FedWire" means the Federal Reserve Wire Transfer System for securities movements or for funds-only movements, as the context requires.

Financial Statements

The term "Financial Statements" means a balance sheet, statement of income and statement of changes in financial position and statement of changes in owner's equity, in each case with accompanying notes.

Firm CUSIP Average Price (FCAP)

The term "Firm CUSIP Average Price" or "FCAP" means the average purchase or sale contract price of a Member's SBO-Destined Trades with a particular Original Contra-Side Member in a particular CUSIP number.

FNMA

The term "FNMA" means Fannie Mae.

Foreign Member

The term "Foreign Member" means a Foreign Person that is a Member. A Bank Clearing Member that participates in the Corporation through a branch or agency located in the U.S. which is regulated by a U.S. and/or state regulatory authority shall not be deemed to be a Foreign Member for purposes of the Corporation's Rules and procedures.

Foreign Person

The term "Foreign Person" means a Person that is organized or established under the laws of a country other than the United States and does not include a Bank Clearing Member that participates in the corporation through a branch or agency located in the U.S. which is regulated by a U.S. and/or state regulatory authority.

FRB

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

Fully Compared

The term "Fully Compared" means that trade input submitted by a Broker matches trade input submitted by each Dealer on whose behalf the Broker is acting in accordance with the Net Position Match Mode. .

GNMA

The term "GNMA" means the Government National Mortgage Association ("Ginnie Mae"), a corporate instrumentality of the U.S. Department of Housing and Urban Development.

Government Securities Division Funds-Only Settling Bank Member

The term "Government Securities Division Funds-Only Settling Bank Member" means an entity that qualifies as a funds-only settling bank member under the rules of the Government Securities Division and has been approved as such by the Corporation.

Government Securities Division

The term "Government Securities Division" means the division of the Fixed Income Clearing Corporation that provides clearing and other services related to transactions in U.S. Government securities and certain mortgage-backed securities.

Government Securities Division Member

The term "Government Securities Division Member" means a member who utilizes the services of the Government Securities Division.

Government Securities Issuer

The term "Government Securities Issuer" means an entity that issues "government securities", as that term is defined in subparagraphs (A), (B) and (C) of Section 3(a)(42) of the Exchange Act.

Government Sponsored Enterprise

The term "Government Sponsored Enterprise" shall mean FNMA, GNMA, Federal Home Loan Banks, or the FHLMC.

Government Securities Issuer Clearing Member

The term "Government Securities Issuer Clearing Member" shall have the meaning given that term in Section 1 of Rule 2A.

Insurance Company

The term "Insurance Company" shall have the meaning given that term in Section 2(a)(17) of the Investment Company Act of 1940, as amended.

Insurance Company Clearing Member

The term "Insurance Company Clearing Member" shall have the meaning given that term in Section 1 of Rule 2A.

Interactive Submission Method

The term "Interactive Submission Method" means a trade submission method that is used to submit data on individual trades to the Corporation immediately after trade execution pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose.

Inter-Dealer Broker

The term "Inter-Dealer Broker" means a Person which is in the business of buying and selling securities as agent on behalf of dealers and is registered under Section 15 or Section 15C of the Exchange Act.

Inter-Dealer Broker Clearing Member

The term "Inter-Dealer Broker Clearing Member" shall have the meaning given that term in Section 1 of Rule 2A.

Interested Person

The term "Interested Person" means a Member or an applicant for membership.

Legal Risk

The term "Legal Risk" shall have the meaning given that term in Section 2 of Rule 4.

Long Position

The term "Long Position" means a Member's obligations with respect to the purchase of an Eligible Security or an Option Contract, as determined pursuant to these Rules.

Mark-to-Market

The term "Mark-to-Market" means the aggregate amount of a Member's profits and losses calculated by the Corporation pursuant to Rule 4.

Mark-to-Market Credit

The term “Mark-to-Market Credit” means the amount of a Clearing Member’s Mark-to-Market if such amount represents a net profit.

Mark-to-Market Debit

The term “Mark-to-Market Debit” means the amount of a Clearing Member’s Mark-to-Market if such amount represents a net loss.

Member

The term "Member" means any entity accepted into membership in the Mortgage-Backed Securities Division.

Minimum Charge

The term “Minimum Charge” means the minimum amount of each Clearing Member’s Required Fund Deposit, as applicable, before application of special premiums and amounts applicable under these Rules.

Mortgage-Backed Securities Division

The term “Mortgage-Backed Securities Division” means the division of the Fixed Income Clearing Corporation that provides services related to mortgage-backed securities Transactions.

Multiple Batch Submission Method

The term “Multiple Batch Submission Method” means a trade submission method that is used to submit multiple batches of trade data to the Corporation throughout the day pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose.

Net Assets

The term “Net Assets” shall mean the difference between the total assets and the total liabilities of a Clearing Member.

Net Capital

The term "Net Capital" means, as of a particular date, the amount equal to the net capital of a broker or dealer as defined in SEC Rule 15c3-1(c)(2), or any successor rule or regulation thereto.

Net Position Match Mode

The term "Net Position Match Mode" refers to a method establishing parameters for the comparison of Transactions involving a Broker.

Net Worth

The term "Net Worth" means, as of a particular date, the amount equal to the excess of the assets of a Person over the liabilities of such Person, computed in accordance with generally accepted accounting principles, including liabilities that are subordinated to the claims of creditors pursuant to a satisfactory subordination agreement, as defined in Appendix D of 17 C.F.R. Section 240.15c3-1d or in 17 C.F.R. Section 402.2(d), as applicable.

Non-Member

The term "Non-Member" means any Person that is not a Member.

Notification of Settlement

The term "Notification of Settlement" means an instruction submitted to the Corporation by a purchasing or selling Clearing Member pursuant to these Rules reflecting settlement of an SBO Trade, Trade-for-Trade Transaction or Specified Pool Trade.

Novation

The term "Novation" means the action by the Corporation, taken pursuant to these Rules, to terminate deliver, receive, and related payment obligations between Members and replace them with similar obligations to and from the Corporation.

NSS

The term "NSS" means the National Settlement Service of the FRB.

Off-the Market Transaction

The term "Off-the-Market Transaction" means any of the following:

- (1) A single Transaction that is:
 - (i) greater than \$1 million in Par Amount; and
 - (ii) executed at a contract price that is either higher or lower (by a percentage amount determined by the Corporation based on factors such as market conditions) than the System Price for the underlying Eligible Security on trade date;

- (2) A pattern of Transactions that, if looked at as a single transaction, would be encompassed by subsection (1) of this definition.

Officer of the Corporation

The term "Officer of the Corporation" means the Chairman of the Board, President, Managing Director, Vice President, Secretary, Assistant Secretary, Treasurer, or Assistant Treasurer of the Corporation.

Open Commitment Report

The term "Open Commitment Report" means the Report furnished by the Corporation to Members reflecting Members' open commitments in the Clearing System.

Option Contract

The term "Option Contract" means an option to sell or buy a specified amount of Eligible Securities by or on a specified date to or from the other party to the contract against payment of the Strike Price. Upon exercise, a "Call Option Contract" entitles the purchaser to buy, and obligates the seller (writer) to sell, Eligible Securities for the Strike Price, whereas a "Put Option Contract" entitles the purchaser to sell, and obligates the seller (writer) to buy, Eligible Securities for the Strike Price.

Original Contra-Side Member

The term "Original Contra-Side Member" means a Member with whom a Member has entered into a contract for the purchase or sale of an Eligible Security or an Option Contract.

Par Amount

The term "Par Amount" means for Trade-for-Trade and SBO Transactions, Option Contracts and Pool Deliver and Pool Receive Obligations, the current face value of a Security to be delivered on the Contractual Settlement Date. With respect to Specified Pool Trades, "Par Amount" shall mean the original face value of a Security to be delivered on the Contractual Settlement Date.

Partially Compared

The term "Partially Compared" means that trade input submitted by a Broker matches trade input submitted by one but not both of the Dealers on whose behalf the Broker is acting in accordance with the Net Position Match Mode.

Person

The term "Person" means a partnership, corporation, limited liability company or other organization, entity, or individual.

Pool Comparison

The term “Pool Comparison” means the service provided to Clearing Members, as applicable, and the operations carried out by the Corporation in the course of providing such service, in accordance with Rule 7.

Pool Deliver Obligation

The term "Pool Deliver Obligation" means a Clearing Member's obligation to deliver Eligible Securities to the Corporation at the appropriate Settlement Value either in satisfaction of all or part of a Pool Net Short Position.

Pool Net Long Position

The term “Pool Net Long Position” means, with respect to each type of Eligible Security, the amount of Eligible Securities that a Clearing Member is obligated, pursuant to Rules 8 and 9, to receive from the Corporation.

Pool Net Price

The term “Pool Net Price” means the Settlement Price, not including accrued interest, established by the Corporation during the Pool Netting process for each Eligible Security.

Pool Net Settlement Position

The term “Pool Net Settlement Position” means either a Pool Net Short Position or a Pool Net Long Position, as the context requires.

Pool Net Short Position

The term “Pool Net Short Position” means, with respect to each type of Eligible Security, the amount of Eligible Securities that a Clearing Member is obligated, pursuant to Rules 8 and 9, to deliver to the Corporation.

Pool Netting

The term “Pool Netting” means the service provided to Clearing Members, as applicable, and the operations carried out by the Corporation in the course of providing such service in accordance with Rule 8.

Pool Receive Obligation

The term "Pool Receive Obligation" means a Clearing Member's obligation to receive Eligible Securities from the Corporation at the appropriate Settlement Value either in satisfaction of all or part of a Pool Net Long Position.

Purchase and Sale Report

The term "Purchase and Sale Report" means the Report furnished by the Corporation reflecting a Member's Compared Trades in Eligible Securities.

Registered Clearing Agency

The term "Registered Clearing Agency" means a Clearing Agency that is registered as such with the SEC.

Registered Investment Company

The term "Registered Investment Company" means an investment company as such term is defined in Section 3 of the Investment Company Act of 1940, as amended.

Registered Investment Company Clearing Member

The term "Registered Investment Company Clearing Member" shall have the meaning given that term in Section 1 of Rule 2A.

Registered Securities Dealer

The "Registered Securities Dealer" means a dealer registered with the SEC under Section 15 or 15 C of the Exchange Act.

Report

The term "Report" means any document, record, or other output prepared by the Corporation and made available to a Member in any format (including, but not limited to, machine-readable and print-image formats) or medium (including, but not limited to, print copy, magnetic tape, video display terminal, and interactive message formats) that provides information to such Member with regard to the services provided by, or the operations of, the Corporation.

Reportable Event

The term "Reportable Event" means an event that would effect a change in control of a Clearing Member or could have a substantial impact on such Member's business and/or financial condition, including, but not limited to: (a) material organizational changes including mergers, acquisitions, changes in corporate form, name changes, changes in the ownership of a Member or its Affiliates, and material changes in management, (b) material changes in business lines, including new business lines undertaken, and (c) status as a defendant in litigation which could reasonably impact the Member's financial condition or ability to conduct business.

Required Fund Deposit

The term "Required Fund Deposit" means the amount a Clearing Member is required to deposit to the Clearing Fund pursuant to Rule 4.

Required Fund Deposit Deadline

The term "Required Fund Deposit Deadline" means the deadline set forth by the Corporation for such purpose in its procedures, unless the Corporation has issued a notice extending such deadline pursuant to these Rules.

RTTM Compare Report

The term "RTTM Compare Report" means the Report furnished by the Corporation as a result of real-time trade matching processing, reflecting a Clearing Member's Compared Trades in Eligible Securities.

RTTM Purchase and Sale Report

The term "RTTM Purchase and Sale Report" means the Report furnished by the Corporation to Clearing Members reflecting Clearing Members' Compared Trades that are Specified Pool Trades.

Rules

The term "Rules" means these Rules of the Mortgage-Backed Securities Division.

SBO Contra-Side Member

The term "SBO Contra-Side Member" means the Member with whom a Member is directed by the Corporation to effect an SBO Trade. An "SBON Contra-Side Member" is an SBO Contra-Side Member that is not an Original Contra-Side Member with respect to such SBO Trade. An "SBOO Contra-Side Member" is an SBO Contra-Side Member that is also an Original Contra-Side Member with respect to such SBO Trade.

SBO-Destined Trade

The term "SBO-Destined Trade" means a TBA transaction in the Clearing System intended for TBA Netting in accordance with the provisions of these Rules.

SBO Market Differential

The term "SBO Market Differential" means the amount computed pursuant to these Rules, reflecting the difference between Firm CUSIP Average Prices (in the case of an SBO Netted or SBO Net-Out Position) or between the CUSIP Average Price and the Firm CUSIP Average Price (in the case of an SBON Trade).

SBO Net Open Position

The term "SBO Net Open Position" means any SBO-Destined Trade that cannot be offset pursuant to these Rules.

SBO Net-Out Position

The term "SBO Net-Out Position" means the result of offsetting purchase and sale SBO-Destined Trades among different Original Contra-Side Members pursuant to these Rules.

SBO Net-Out Unit

The term "SBO Net-Out Unit" means an SBO-Destined purchase transaction and an SBO-Destined sale transaction that have been offset through TBA Netting between non-original countersides in accordance with the provisions of these Rules.

SBO Netted Position

The term "SBO Netted Position" means the result of offsetting purchase and sale SBO-Destined Trades between the same Original Contra-Side Members pursuant to these Rules.

SBO Trade

The term "SBO Trade" means a settlement balance order that offsets an SBO Net Open Position pursuant to these Rules. A Member which has one or more "Long SBO Trades" in a particular CUSIP number is a net purchaser with respect to that CUSIP number, as the case may be; a Member which has one or more "Short SBO Trades" is a net seller. An SBO Trade may be either an SBON Trade or an SBOO Trade.

SBON Trade

The term "SBON Trade" means an SBO Trade which a Member is directed by the Corporation to effect with an SBON Contra-Side Member.

SBOO Trade

The term "SBOO Trade" means an SBO Trade which a Member is directed by the Corporation to effect with an SBOO Contra-Side Member.

SEC

The term "SEC" means the Securities and Exchange Commission.

The Securities Industry and Financial Markets Association

The term “The Securities Industry and Financial Markets Association ”(“SIFMA”) means the Securities Industry and Financial Markets Association or any successor organization.

Security

The term "Security" shall have the meaning given that term in the Exchange Act and the rules and regulations thereunder. The term "Securities" shall mean more than one Security.

Self-Regulatory Organization

The term "Self-Regulatory Organization" shall have the meaning given that term in Section 3(a)(26) of the Exchange Act. For purposes of these Rules, the term “Self-Regulatory Organization” shall also include foreign equivalents of those entities listed in Section 3(a)(26).

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 interfacing with NSS for Cash Settlement pursuant to these Rules.

Settlement Price

The term "Settlement Price" means (a) in the case of a Trade-for-Trade Transaction, Specified Pool Trade or SBO-Destined Trade, the contractual settlement price agreed to by the parties; (b) in the case of an SBON Trade, the CUSIP Average Price; (c) in the case of an SBOO Trade, the Firm CUSIP Average Price, and (d) in the case of a Pool Deliver or Pool Receive Obligation, the Pool Net Price.

Settlement Value

The term "Settlement Value" means the amount in dollars equal to the Par Amount of each Eligible Security that comprises a Trade-for-Trade Transaction, a Specified Pool Trade, an SBO-Destined Trade, an SBOO Trade, an SBON Trade, a Pool Deliver Obligation, a Pool Receive Obligation, multiplied by the Settlement Price plus interest that has accrued with regard to each such Eligible Security up to the Business Day for which such dollar amount is calculated.

Short Position

The term "Short Position" means a Member's obligations with respect to the sale of an Eligible Security or an Option Contract, as determined pursuant to these Rules.

SIFMA Guidelines

The term "SIFMA Guidelines" means the guidelines for good delivery of Mortgage-Backed Securities as promulgated from time to time by The Securities Industry and Financial Markets Association.

Single Batch Submission Method

The term "Single Batch Submission Method" means a trade submission method that is used to submit a single batch of trade data to the Corporation at end of day pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose.

Specified Pool Trade

The term "Specified Pool Trade" means a trade in which all required pool data, including the pool number to be delivered on the Contractual Settlement Date, are agreed upon by Members at the time of execution.

Statutory Disqualification

The term "Statutory Disqualification" shall have the meaning given that term in Section 3(a)(39) of the Exchange Act.

Strike Price

The term "Strike Price" means the price at which an option granted pursuant to an Option Contract may be exercised.

System

The term "System" means a set of specific services provided by the Corporation to Members which elect and are qualified to avail themselves of such services. The term encompasses the Clearing System, and any other System established from time to time.

System Price

The term "System Price" means the price for any trade or any Pool Deliver or Pool Receive Obligation not including accrued interest, established by the Corporation on each Business Day, based on current market information, for each Eligible Security.

System Value

The term "System Value" means the amount in dollars equal to the current face of each Eligible Security that comprises any trade or any Pool Deliver or Pool Receive Obligation multiplied by the System Price, plus, when applicable, interest that has accrued with regard to each such Eligible Security up to the Business Day for which such dollar amount is calculated.

TBA Comparison

The term “TBA Comparison” means the service provided to Clearing Members, as applicable, and the operations carried out by the Corporation in the course of providing such service in accordance with Rule 5.

TBA Netting

The term “TBA Netting” means the service provided to Clearing Members, as applicable, and the operations carried out by the Corporation in the course of providing such service in accordance with Rule 6.

TBA Obligations

The term “TBA Obligations” means SBO-Destined obligations and, with respect to Trade-for-Trade Transactions, settlement obligations generated by the Trade Comparison system.

Tier One Member

The term “Tier One Member” means a Clearing Member whose membership category has been designated as such by the Corporation pursuant to Rule 2A for loss allocation purposes.

Tier Two Member

The term “Tier Two Member” means a Clearing Member whose membership category has been designated as such by the Corporation pursuant to Rule 2A for loss allocation purposes.

Total Credit Cash Balance Figures

The term “Total Credit Cash Balance Figure” means the sum of the Cash Balances which are credits of the Members for which a Cash Settling Bank Member is acting.

Total Debit Cash Balance Figure

The term “Total Debit Cash Balance Figure” means the sum of the Cash Balances which are debits of the Members for which a Cash Settling Bank Member is acting.

Trade Comparison

The term “Trade Comparison” means the service provided to Clearing Members and the operations carried out by the Corporation in the course of providing such service, in accordance with Rule 5.

Trade-for-Trade Transaction

The term "Trade-for-Trade Transaction" means a TBA Transaction submitted to the Corporation not intended for TBA Netting in accordance with the provisions of these Rules.

Transaction

The term "Transaction" means a trade that is eligible for processing by the Corporation in accordance with these Rules.

Unmatched Margin Report

The term "Unmatched Margin Report" means the Report furnished by the Corporation to Dealers listing Transactions involving Brokers that have the uncomparing side of a partially matched trade and that will be included in the calculation of the Dealer's Required Fund Deposit.

Unregistered Investment Pool

The term "Unregistered Investment Pool" means an entity primarily engaged in the business of investing, reinvesting, or trading securities that holds a pool of securities and/or other assets that meets the following criteria: (i) it is not registered as an investment company under the Investment Company Act of 1940, (ii) it does not register its securities offerings under the Securities Act of 1933, (iii) satisfies minimum net asset requirements and (iv) it has an investment advisor that is domiciled in the U.S. and that is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

Unregistered Investment Pool Clearing Member

The term "Unregistered Investment Pool Clearing Member" shall have the meaning given that term in Section 1 of Rule 2A.

VaR Charge

The term "VaR Charge" means, with respect to each margin portfolio, a calculation of the volatility of specified net unsettled positions of a Member, as of the time of such calculation (with respect to the specified net unsettled positions as of the time of such calculation). Such volatility calculations shall be made in accordance with any generally accepted portfolio volatility model, including, but not limited to, any margining formula employed by any other clearing agency registered under Section 17A of the Exchange Act. Such calculation shall be made utilizing such assumptions (including confidence levels) and based on such historical data as the Corporation deems reasonable, and shall cover such range of historical volatility as the Corporation from time to time deems appropriate.

Watch List

The term “Watch List” refers to the list of Members being more closely monitored by the Corporation for any reason deemed necessary by the Corporation.

RULE 2 - MEMBERS

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

(b) The Corporation shall have the following membership types:

(i) Clearing Members

(ii) Cash Settling Bank Members

With respect to item (ii) above, Cash Settling Bank Members shall be governed by Rule 3A.

(c) Only Members shall be entitled to settle contracts or other Transactions through the Corporation. Except for Brokers effecting Broker Give-Up Trades which have Fully Compared, a Member which processes, compares, settles or carries out through the Clearing System any contract or other Transaction for another Member, or a partnership, corporation or other organization, entity or person who is not a Member (hereinafter a non-Member), shall, so far as the rights of the Corporation and of other Members are concerned, be liable as principal. A non-Member who processes, compares, settles or carries out contracts or Transactions through a Member shall not possess any of the rights or benefits of a Member.

(d) All Clearing Members are required to be members of the Corporation's EPN Service.

RULE 2A – INITIAL MEMBERSHIP REQUIREMENTS

Section 1 - Eligibility for Membership: Clearing Members

Eligibility for Clearing Membership shall be as follows:

(a) A Person shall be eligible to apply to become a Bank Clearing Member if it is a bank or trust company chartered as such under the laws of the United States, or a State thereof, or is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction and participates in the Corporation through its U.S. branch or agency. A bank or trust company that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Bank Clearing Member.

(b) A Person shall be eligible to apply to become a Dealer Clearing Member if it is a Registered Securities Dealer and is not a bank or trust company. A Registered Securities Dealer that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Dealer Clearing Member.

(c) A Person shall be eligible to apply to become an Inter-Dealer Broker Clearing Member if it is an Inter-Dealer Broker. An Inter-Dealer Broker that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be an Inter-Dealer Broker Clearing Member.

(d) A Person shall be eligible to become an Unregistered Investment Pool Clearing Member if it is an Unregistered Investment Pool. An Unregistered Investment Pool that has been admitted into membership in the Clearing System pursuant to these rules and whose membership has not been terminated, shall be an Unregistered Investment Pool Clearing Member.

(e) A Person shall be eligible to apply to become a Government Securities Issuer Clearing Member if it is a Government Securities Issuer or a Government Sponsored Enterprise. A Government Securities Issuer or a Government Sponsored Enterprise that is admitted to membership in the Clearing System pursuant to these Rules and whose membership in the Clearing System has not been terminated, shall be a Government Securities Issuer Clearing Member.

(f) A Person shall be eligible to become an Insurance Company Clearing Member if it is a Insurance Company in good standing with its primary regulator. An Insurance Company that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be an Insurance Company Clearing Member.

(g) A Person shall be eligible to become a Registered Clearing Agency Member if it is a Registered Clearing Agency in good standing with its primary regulator. A Registered Clearing Agency that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Registered Clearing Agency Member.

(h) A Person shall be eligible to apply to become a Registered Investment Company Clearing Member if it is a Registered Investment Company. A Registered Investment Company that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Registered Investment Company Clearing Member.

(i) The Corporation shall make its services available to Persons in such other categories as the Corporation may from time to time determine, subject to approval of such categories and their minimum membership standards by the SEC.

Applicants in categories (a) through (f) above that are admitted into membership in the Clearing System shall be Tier One Members. Applicants in category (h) above that are admitted into membership in the Clearing System shall be Tier Two Members. With respect to applicants in categories (g) and (i), the Corporation shall make a determination as to whether such applicant shall be a Tier One or Tier Two Member.

If any Person in categories (a) through (i) above is a Foreign Person, then it shall be eligible to become a Clearing Member if the Corporation, in its sole discretion, has determined that such Person maintains a presence in the United States, either directly or through a suitable agent, that both has available individuals fluent in English who are knowledgeable in the Foreign Person's business and can assist the Corporation's representatives as necessary, and ensures that the Foreign Person will be able to meet its data submission, settlement, and other obligations to the Corporation as a Member in a timely manner. The Person applying to become a Foreign Member must represent and certify to the Corporation that it is in compliance with the financial reporting and responsibility standards of its home country and, if it is a regulated entity, that it is regulated in its home country by a financial regulatory authority in the areas of maintenance of relevant books and records, regular inspections and examinations, and minimum capital standards, and make such other representations as the Corporation deems necessary. The Corporation shall determine, in its sole discretion, which category of membership set forth above the Foreign Person shall be for purposes of these Rules. A Bank Clearing Member that participates in the Corporation through its U.S. branch or agency shall not be deemed a Foreign Member for purposes of the Corporation's Rules and procedures, unless otherwise stated by the Corporation.

Section 2 - Membership Qualifications and Standards for Clearing Members

The Board may approve an application to become a Clearing Member by a Person that is eligible to apply to become a Clearing Member pursuant to this Rule upon a determination that such applicant meets the following requirements:

(a) **Operational Capability** - The applicant must be able to satisfactorily communicate with the Corporation, fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy, and conform to any condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Members. The applicant agrees that it must fulfill, within the timeframes established by the Corporation, 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 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 applicant.

(b) Fees - The applicant agrees to make, and has sufficient financial ability to make, all anticipated fee payments required to be made to the Corporation that may be set forth in these Rules.

(c) Required Capital - If a regulated entity, the applicant represents and warrants to the Corporation that it is in compliance (as an applicant) with the capital requirements imposed by its Designated Examining Authority, Appropriate Regulatory Agency, or other examining authority or regulator, and any other Self-Regulatory Organizations to which it is subject by statute, regulation or agreement.

(d) Disqualification Criteria - The Corporation has received no substantial information which would reasonably and adversely reflect on the applicant or its Controlling Management to such an extent that the applicant should be denied access to the services of the Corporation. The Corporation shall determine whether any of the following criteria should be the basis for denial of the membership application:

(i) the applicant is subject to Statutory Disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934, or an order of similar effect issued by a Federal or State banking authority, or other examining authority or regulator, including a non-U.S. examining authority or regulator;

(ii) the applicant or its Controlling Management has been responsible for: (A) making a misstatement of a material fact or has omitted to state a material fact to the Corporation in connection with its application to become a Member or thereafter, or (B) fraudulent acts or a violation of the Securities Act of 1933, the Exchange Act, the Government Securities Act of 1986, the Investment Company Act, the Investment Advisers Act or any rule or regulation promulgated thereunder;

(iii) the applicant or its Controlling Management has been convicted within the ten years preceding the filing of the application or at any time thereafter of (A) any criminal offense involving the purchase, sale or delivery of any security, or bribery, or burglary, or conspiracy to commit any offense referred to in this subparagraph (iii), (B) the larceny, theft, robbery, embezzlement, extortion, fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, securities or other property, (C) any violation of Sections 1341, 1342 or 1343 of Title 18, United States Code, or (D) any other criminal offense involving breach of fiduciary obligation, or arising out of the conduct of business as a broker, dealer, investment company, adviser or underwriter, bank, trust company, fiduciary, insurance company or other financial institution;

(iv) the applicant or its Controlling Management has been permanently or temporarily enjoined or prohibited by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as, or as a Person associated with or as an affiliated Person or employee of, a broker, dealer,

investment company, advisor or underwriter, bank, trust company, fiduciary, insurance company, or other financial institution, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or delivery of any security, and the enforcement of such injunction or prohibition has not been stayed; or

(v) the applicant has been expelled or suspended from or had its participation terminated by a national securities association or exchange registered under the Exchange Act, a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act, or a corporation that engages in clearance and settlement activities or a securities depository, or has been barred or suspended from being associated with any member of such an exchange, association, organization, corporation, or securities depository.

In addition to items (a) through (d) above, the Corporation shall retain the right to deny membership to an applicant if the Corporation becomes aware of any factor or circumstance about the applicant or its Controlling Management which may impact the suitability of that particular applicant as a Member of the Corporation. Further, applicants are required to inform the Corporation as to any member of its Controlling Management that is or becomes subject to Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act).

(e) Financial Responsibility - The applicant shall:

(i) have sufficient financial ability to make anticipated required deposits to the Clearing Fund as provided for in Rule 4 and anticipated Cash Settlement amounts as provided for in Rule 11, and to meet all of its other obligations to the Corporation in a timely manner; and

(ii) satisfy the following minimum financial requirements:

(A) for applicants whose Financial Statements are prepared in accordance with U.S. generally accepted accounting principles:

(1) if the applicant is applying to become a Bank Clearing Member, it must have a level of equity capital as of the end of the month prior to the effective date of its membership of at least \$100 million, and its capital levels and ratios must meet the applicable minimum levels for such as required by its Appropriate Regulatory Agency (or, if the applicant's Appropriate Regulatory Agency does not specify any such minimum levels, such minimum levels as would be required if the Member were a member bank of the Federal Reserve System and the Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System);

(2) if the applicant is registered with the SEC pursuant to Section 15 or Section 15C of the Exchange Act and is applying to become a Dealer Clearing Member, it must have, as of the end of the calendar month

prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Net Capital of at least \$10 million;

(3) if the applicant is registered with the SEC pursuant to Section 15 or Section 15C of the Exchange Act and is applying to become an Inter-Dealer Broker Clearing Member, it must have, as of the end of the calendar month prior to the effective date of its membership, Excess Net Capital of at least \$10 million;

(4) if the applicant is applying to become an Unregistered Investment Pool Clearing Member, it must have an investment advisor domiciled in the United States. The Unregistered Investment Pool applicant must have at least \$250 million in Net Assets. An Unregistered Investment Pool that does not meet the \$250 million Net Asset requirement, but has Net Assets of at least \$100 million, shall be eligible for membership if the Unregistered Investment Pool's investment advisor advises an existing Member and has assets under management of at least \$1.5 billion. An Unregistered Investment Pool must have an investment advisor registered with the SEC.;

(5) if the applicant is applying to become a Government Securities Issuer Clearing Member, it must have at least \$100 million in equity capital;

(6) if the applicant is applying to become a Registered Investment Company Clearing Member, it must have minimum Net Assets of \$100 million.

(7) For all other applicants, sufficient net worth, liquid capital, regulatory capital, or Net Assets, as applicable to the particular type of entity as determined by the Corporation, and subject to approval of such minimum membership standards by the SEC.

If the applicant in sections (1) through (7) above is a Foreign Person that is applying to become a Foreign Clearing Member, it must satisfy the minimum financial requirements: (i) defined by reference to regulatory capital as defined by the applicant's home country regulator, or (ii) in the case of unregulated entities, as defined by the Corporation in its discretion, that are applicable to the Clearing System membership category that the Corporation determines, in its sole discretion, would be applicable to the Foreign Person if it were organized or established under the laws of the United States or a State or other political subdivision thereof, subject to subsections (B), (C) and (D) below if the entity's financial statements are not prepared in accordance with U.S. generally accepted accounting principles. For Unregistered Investment Pools, subsections (B), (C) and (D) shall apply to the following figures cited in subsection (A)(4) above: the \$250 million in Net Assets, the \$100 million in Net Assets.

(B) for applicants whose Financial Statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of 1985 (UK generally accepted accounting

principles), or Canadian generally accepted accounting principles, the minimum financial requirements shall be one and one-half times the applicable requirements set forth in subsection (A) above.

(C) for applicants whose Financial Statements are prepared in accordance with the generally accepted accounting principles of a European Union country other than the United Kingdom, the minimum financial requirements shall be five times the applicable requirements set forth in subsection (A) above.

(D) for applicants whose financial statements are prepared in accordance with any other type of generally accepted accounting principles, the minimum financial requirements shall be seven times the requirements set forth in subsection (A) above.

(f) Business History - The applicant must have an established, profitable business history of a minimum of six months or personnel with sufficient operational background and experience to ensure, in the judgment of the Board, the ability of the firm to conduct its business.

(g) In addition to the above, applicants that are Unregistered Investment Pools must obtain at least a “medium” rating resulting from a qualitative assessment performed by the Corporation whereby the Corporation will assess certain factors, such as management, capital, strategy and risk profile, internal controls, and any other factors deemed relevant by the Corporation. The Corporation shall perform the assessment of each factor at the level (e.g., at the Unregistered Investment Pool level, at the level of the Unregistered Investment Pool’s investment advisor or other service provider, or some combination thereof) at which the responsibility for such factor falls.

The foregoing financial responsibility standards are only minimum requirements, and the Board, based upon the level of the anticipated positions and obligations of the applicant, the anticipated risk associated with the volume and types of Transactions the applicant proposes to process through the Corporation, and the overall financial condition of the applicant, may impose greater standards. If an applicant does not itself satisfy the above minimum capital requirements, the Board may include for such purposes the capital of an Affiliate of the applicant, if the Affiliate has delivered to the Corporation a guaranty, satisfactory in form and substance to the Board, of the obligations of the applicant to the Corporation.

Section 3 – Application Documents

Each applicant to become a Clearing Member shall, as required by the Corporation from time to time, complete and deliver to the Corporation an Applicant Questionnaire in such form as may be prescribed by the Corporation. An applicant seeking membership in the Clearing System shall also deliver to the Corporation the financial reports, other reports, opinions and other information as the Corporation requires.

If the Corporation determines that a legal opinion, or update thereto, submitted by an applicant indicates that the Corporation could be subject to Legal Risk as defined in Rule 4 with

respect to such applicant, the Corporation shall have the right to take, and/or require the applicant to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the applicant to post additional Clearing Fund as set forth in Rule 4.

Section 4 – Evaluation of Applicant

An application to become any type of Clearing Member shall first be reviewed by the Corporation. The Corporation shall recommend approval or disapproval of the application to the Board. Except as otherwise provided in this Rule 2A, Board approval of an application for membership shall constitute approval only of the type of membership specifically applied for.

In evaluating a membership application, the Corporation may:

- (i) contact the applicant's Designated Examining Authority, Appropriate Regulatory Agency, primary regulatory authority, (the insurance regulator in the company's state of domicile in the case of an Insurance Company), or other examining authority or regulator, or any Self-Regulatory Organization of which the applicant is a Member and request from such authority or organization any records, reports, or other information that, in their judgment, may be relevant to the application;
- (ii) examine the books, records, and operational procedures of, and inspect the premises of, the applicant as they may be related to the business to be conducted through the Corporation; and
- (iii) take such other evidence or make such other inquiries as is necessary, including sworn or unsworn testimony, to ascertain relevant facts bearing upon the applicant's qualifications.

The Board shall approve an application to become a Clearing Member pursuant to this Rule only upon a determination that the applicant meets such standards of financial responsibility and operational capability as are set forth in this Rule.

Notwithstanding that an application to become a Clearing Member shall have been approved by the Board or the Corporation, as applicable, if a material change in condition of the applicant occurs which in the judgment of the Board or the Corporation could bring into question the applicant's ability to perform as a Member, and such material change becomes known to the Corporation prior to the applicant's commencing use of the Corporation's services, the Corporation shall have the right to stay commencement by the applicant of use of the Corporation's services until a reconsideration by the Board or the Corporation of the applicant's financial responsibility and operational capability can be completed. As a result of such reconsideration, the Board may determine to withdraw approval of an application to become a Member or condition the approval upon the furnishing of additional information or assurances.

Notwithstanding the provisions of this Rule, the Board or the Corporation may determine, after considering the facts and circumstances pertaining to an applicant, not to apply one or more of the qualifications or standards set forth in these Rules. If the Board determines that such qualification or standard shall not apply, it shall determine what, if any, limitation or restriction

shall be placed on such applicant. Limitations and restrictions shall bear a reasonable relationship to the qualification or standard not applied to such applicant and may include, but are not limited to, an increased Clearing Fund requirement or a limitation on the applicant's activities to be processed through the Corporation. Such determination shall only be made if the Board concludes that not applying such qualification or standard, and imposing such limitation or restriction, would not be against the best interests of the Corporation and its Members. In making such a determination, the Board may require the applicant to provide additional information or assurances. If the Board imposes a limitation or restriction pursuant to this provision, the Corporation shall promptly notify the SEC.

The Board may deny an application to become a Member upon the Corporation's determination that it does not have adequate personnel, space, data processing capacity or other operational capability at that time to perform its services for the applicant without impairing the ability of the Corporation to provide services for its existing Members, to assure the prompt, accurate and orderly processing and settlement of securities Transactions or to otherwise carry out its functions; provided, however, that any such applications which are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit.

Upon the Board's denial of an application to become a Member pursuant to this Rule, the Corporation shall (1) furnish the applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and shall notify the applicant of its right to request a hearing, such request to be filed by the applicant with the Corporation pursuant to Rule 28, "Hearing Procedures" and (2) notify the SEC and the applicant's Appropriate Regulatory Agency that the Board has denied the applicant's application for membership.

Section 5 - Member Agreement

Each applicant to become a Clearing Member shall sign and deliver to the Corporation a Member Agreement whereby the applicant shall agree:

- (a) to abide by the Rules of the Corporation and to be bound by all the provisions thereof;
- (b) to pay to the Corporation in a timely manner the compensation provided for by the Rules of the Corporation for services rendered and such costs and fines as may be imposed in accordance with such Rules of the Corporation for the failure to comply therewith;
- (c) to be bound by any amendment to the Rules of the Corporation with respect to any Transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation;
- (d) to continue to be bound by the Rules of the Corporation, notwithstanding that it may have terminated its membership, as to all matters and Transactions occurring while it was a Member;
- (e) to deliver to the Corporation or the settlement counterparty, as applicable, or receive from the Corporation or the settlement counterparty, as applicable, the securities

underlying all trades that have been reported by the Corporation and all monies related thereto, in accordance with the Rules of the Corporation, and pay or deliver to the Corporation in a timely manner all amounts due pursuant to Rule 4 with regard to its Required Fund Deposit and any loss or liability allocated to it;

(f) that the determination of the Board as to any questions arising with regard to any payment, charge, fee, deposit, or fine to which it may be subject shall be final and conclusive, except as may be otherwise provided in these Rules; and

(g) to any other terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members, including all agreements, opinions of counsel, and legal and other documentation required by the Corporation.

These Rules and the procedures adopted from time to time by the Corporation shall be deemed incorporated in each contract processed through the Corporation. To the extent that the terms contained in any other agreement between Members are inconsistent with the provisions of these Rules or the procedures, these Rules and the Corporation's procedures shall be controlling.

Section 6 – Confidentiality

Except as otherwise provided in Rule 22, "Release of Clearing Data," any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or Member.

RULE 3 - ONGOING MEMBERSHIP REQUIREMENTS

Section 1 – Requirements

The qualifications and standards set forth in Rule 2A shall be continuing membership requirements. In addition, each Member shall comply with the ongoing requirements set forth below.

Section 2 - Reports by Clearing Members

Each Clearing Member shall submit to the Corporation the reports and other information set forth below and such other reports and information as the Corporation from time to time may reasonably require. Unless specifically set forth below, the time periods prescribed by the Corporation are set forth in the form of notices posted at the Corporation's website and/or distributed by the Corporation from time to time. It shall be the Member's responsibility to retrieve all notices daily from the website.

(a) a copy of the Member's annual audited Financial Statements for such fiscal year, certified without qualification by the Member's independent certified public accountants and prepared in accordance with generally accepted accounting principles; and

(b) if the Member is a broker or dealer registered under Section 15 or Section 15C of the Exchange Act, (i) a copy of the Member's FOCUS Report or FOGS Report, as the case may be, submitted to its Designated Examining Authority, and (ii) any supplemental reports required to be filed with the SEC pursuant to SEC Rule 17a-11 or 17 C.F.R. Section 405.3;

(c) if the Member is a domestic bank or a trust company, a copy of the Member's CALL Report submitted to its Appropriate Regulatory Agency and, to the extent not contained within such CALL Reports (or to the extent that CALL Reports are not required to be filed), information containing each of the Member's capital levels and ratios, as such levels and ratios are required to be provided to the Member's Appropriate Regulatory Agency (or, if such applicant's Appropriate Regulatory Agency does not require such information, as would be required to be provided, if such Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System);

(d) if the Member is a broker, dealer or bank established or organized in the United Kingdom and subject to regulation by the United Kingdom's Financial Services Authority (or successor authority), a copy of its Financial Services Authority reports;

(e) if the Member is a Foreign Clearing Member other than one that is a broker, dealer or bank organized or established in the United Kingdom and regulated by the Financial Services Authority, financial information requested by the Corporation;

(f) if the Member is an Unregistered Investment Pool as defined in these Rules, a copy of the monthly certified statements of assets and liabilities on standard form signed by the Chief Financial Officer or equivalent of such Unregistered Investment Pool;

(g) if the Member is not within clauses (b) through (f), copies of the Member's unaudited financial information as specified by the Corporation for such quarter;

(h) for any Member which has satisfied the financial requirements imposed by the Corporation pursuant to these Rules by means of a guaranty of its obligations by an Affiliate, Financial Statements and/or the reports or information of its parent company meeting the requirements specified in subparagraphs (a) through (g) of this Section 2, as applicable.

Moreover, any Member that has provided to the SEC any notice required pursuant to paragraph (e) of the SEC's Rule 15c3-1 shall notify the Corporation of the provision of such notice, and shall furnish the Corporation with a copy of such notice, by the close of business on the day that it so provides such notice to the SEC.

With respect to subsections (a) and (g) above, the Corporation may accept, in its sole discretion, consolidated Financial Statements or financial information prepared at a parent level.

In addition to the above, Clearing Members must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a Member's capital levels or other financial requirements fall below prescribed levels. In addition, Members must submit to the Corporation, concurrently with their submission to the applicable regulator or similar authority, copies of such filings as determined by the Corporation from time to time, which Members are required to file pursuant to the Sarbanes-Oxley Act of 2002, and any amendments thereunder.

Moreover, Foreign Clearing Members who are regulated must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a Member does not comply with the financial reporting and responsibility standards set by its home country regulator. Foreign Clearing Members who are regulated must also notify the Corporation in writing within 2 business days of becoming subject to a disciplinary action by their home country regulator. All Foreign Clearing Members must submit, on an annual basis, within the timeframe required by guidelines issued by the Corporation, an updated opinion of outside counsel on home country law and, if applicable, other relevant non-domestic law, or a letter from their outside counsel indicating that there have been no material changes in home country law (and/or other applicable non-domestic law) since the date of issuance of the most recent opinion submitted to the Corporation.

At the request of the Corporation, if the Corporation is alerted to a change in circumstances or an issue of law that brings into question the reliability of a legal opinion submitted by a Foreign Clearing Member, such Member shall provide to the Corporation at the Corporation's request an update of the legal opinion and/or a written status report on the Corporation's rights under the relevant non-domestic law prior to the time at which an update of the legal opinion would be due pursuant to these Rules. The Foreign Clearing Member shall provide such update and/or status report in the format and within the timeframe requested by the Corporation.

If the Corporation determines that a legal opinion, or update thereto, submitted by a Member, indicates that the Corporation could be subject to Legal Risk (as defined in Rule 4) with respect to such Member, the Corporation shall have the right to take, and/or require the Member to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the Member to post additional Clearing Fund as set forth in Rule 4.

Notwithstanding anything to the contrary in this Rule, if a Member qualifies for more than one category of Clearing System membership, the Corporation, in its sole discretion, may require that such Member provide those reports and other financial or other information required to be provided to the Corporation by Members of any of those membership categories for which such Member qualifies.

All information provided to the Corporation shall be in English (and if translated into English, the translation must be a fair and accurate English translation).

A Member that fails to submit the above listed information within the timeframes required by guidelines issued by the Corporation from time to time and in the manner requested, shall:

- (i) be subject to a fine by the Corporation; and
- (ii) until the required information is submitted to the Corporation, have a Clearing Fund deposit equal to the greater of either the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or 125 percent of the normal calculation of its Required Fund Deposit.

Section 3 – Confidentiality

Except as otherwise provided in Rule 22, “Release of Clearing Data,” any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or Member.

Section 4 - Application of Membership Standards

Notwithstanding the provisions of this Rule, the Board may determine, after considering the facts and circumstances pertaining to a Member, not to apply one or more of the qualifications or standards set forth in these Rules. If the Board determines that such qualification or standard shall not apply, the Board shall determine what, if any, limitation or restriction shall be placed on such Member. Limitations and restrictions shall bear a reasonable relationship to the qualification or standard not applied to such Member and may include, but are not limited to, an increased Clearing Fund requirement or a limitation on the Member’s activities processed through the Corporation. Such determination shall only be made if the Board concludes that not applying such qualification or standard, and imposing such limitation or restriction, would not be against the best interests of the Corporation and its Members. In making such a determination, the Board may require the Member to provide additional information or assurances. If the Board imposes a limitation or restriction pursuant to this provision, the Corporation shall promptly notify the SEC.

Section 5 – Operational Testing Requirements

The Corporation may, from time to time, require Members 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 Member. The Corporation may assess a fine or terminate the membership of any Member that does not fulfill any such operational testing and related reporting requirements within the time frames established by the Corporation.

Section 6 - General Continuance Standards

A Member shall promptly inform the Corporation, both orally and in writing, if it no longer is in compliance with any of the relevant qualifications and standards for admission to membership set forth in Rule 2A and in this Rule, including whether it is subject to any of the criteria set forth in subsection (d) of Section 2 of Rule 2A. Notification must take place within two business days from the date on which the Member first learns of its non-compliance. The Corporation may assess a fine against any Member who fails to so notify the Corporation. In addition, a Member shall notify the Corporation within two business days of learning of an investigation or proceeding to which it is or is becoming subject that would cause the Member to fall out of compliance with any of the relevant qualifications and standards for membership set forth in Rule 2A and this Rule. Notwithstanding the previous sentence, the Member shall not be required to notify the Corporation if doing so would cause the Member to violate an applicable law, rule or regulation. If, with respect to any type of Member: (a) it fails to maintain the relevant standards and qualifications for admission to membership, including but not limited to minimum capital standards and operational testing and related reporting requirements imposed by the Corporation from time to time; (b) it violates any Rule of the Corporation or other agreement with the Corporation; (c) it fails to satisfy in a timely manner any obligation to the Corporation; (d) there is a Reportable Event relating to such Member; or (e) the Corporation otherwise deems it necessary or advisable, in order to protect the Corporation, its other Members, or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation, or to promote the prompt and accurate processing, clearance or settlement of securities Transactions, the Corporation will undertake appropriate action to determine the status of the Member and its continued eligibility. In addition, the Corporation may review the financial responsibility and operational capability of the Member to the extent provided in these Rules and otherwise require from the Member additional reporting of its financial or operational condition at such intervals and in such detail as the Corporation shall determine, and shall make a determination as to whether such Member should be placed on the Watch List by the Corporation consistent with the provisions of Section 11 of this Rule. The Corporation may also, in its sole discretion, if it believes it necessary to protect itself and its Members, require a Member to deliver to the Corporation a guaranty of an Affiliate of the Member, satisfactory in form and substance to the Corporation, of the obligations of the Member to the Corporation.

Furthermore, a Clearing Member must submit to the Corporation written notice of any Reportable Event at least 90 calendar days prior to the effective date of such Reportable Event unless the Member demonstrates that it could not have reasonably done so, and provided notice,

both orally and in writing, to FICC as soon as possible. The Corporation shall assess a fine against any Clearing Member who fails to so notify the Corporation.

In addition, if the Corporation has reason to believe that a Member may fail to comply with any of these Rules, it may require the Member to provide it, within such timeframe, in such detail, and pursuant to such manner as the Corporation shall determine, with assurances in writing of a credible nature that the Member shall not, in fact, violate any of these Rules. Notwithstanding the previous sentence, each Member, or any applicant to become such, shall furnish to the Corporation such adequate assurances of its financial responsibility and operational capability as the Corporation may at any time or from time to time deem necessary or advisable in order to protect the Corporation and its Members, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities Transactions. Upon the request of a Member or applicant, or otherwise, the Corporation may choose to confer with the Member or applicant before or after requiring it to furnish adequate assurances pursuant to this Rule.

Adequate assurances of financial responsibility or operational capability of a Member or applicant to become such, as may be required by the Corporation pursuant to these Rules, may include, but shall not be limited to, as appropriate under the context of the Member's use of the Corporation's services:

- (i) restrictions or modifications on the Member's use of any or all of the Corporation's services (whether generally, or with respect to certain Transactions);
- (ii) additional reporting by the Member of its financial or operational condition at such intervals and in such detail as the Corporation shall determine;
- (iii) increased Required Fund Deposits and/or a requirement to post its Required Fund Deposit in proportions of cash, Eligible Clearing Securities and Eligible Letters of Credit different from those permitted under Rule 4; or
- (iv) prohibitions on the Member from withdrawing Clearing Fund on deposit in excess of its Required Fund Deposit.

With respect to item (iii) above, such increased or modified Required Fund Deposits may, at the discretion of the Corporation, be required to be deposited by the Member with the Corporation on the same Business Day on which the Corporation requests additional assurances from such Member.

In the event that a Member fails to maintain the relevant requirements of any of these Rules, the Corporation may, pursuant to these Rules, either cease to act for the Member or terminate its membership, unless the Member requests that such action not be taken and the Corporation, in its sole discretion, determines that, depending upon the specific circumstances and the record of the Member, it is appropriate instead to establish for such Member a time period (the "Noncompliance Time Period"), the length of which shall be determined by the Corporation during which the Member must resume compliance with such requirements. In the event that the Member is unable to satisfy such requirements within the Noncompliance Time

Period, the Corporation may, pursuant to these Rules, either cease to act for the Member or terminate its membership. If the Corporation takes any action pursuant to this paragraph, it shall promptly file with its records and with the SEC a full report of such actions, and the reasons thereof.

Notwithstanding anything to the contrary in this Section, if the Corporation, in its sole discretion, determines that a Clearing Member's financial condition has significantly deteriorated during a Noncompliance Time Period, the Corporation immediately may, pursuant to these Rules, either cease to act for the Member or terminate its membership.

Section 7 - Specific Continuance Standards

In the event that Financial Statements or other information submitted pursuant to this Rule indicate that a Member has ceased to meet the requirements of these Rules, the Corporation, unless the Corporation has determined to cease to act for the Member pursuant to Rule 17, "Procedures for When the Corporation Ceases to Act," shall, for a period beginning on the day on which it fell below such level and continuing until the 90th calendar day after the later of the date on which it returned to compliance with such standard or the Corporation's discovery of the applicable violation, increase the Member's Required Fund Deposit to the greater of either the sum of the normal calculation of the Member's Required Fund Deposit plus \$1,000,000, or 125 percent of the normal calculation of the Required Fund Deposit.

For purposes of applying a premium to the Required Fund Deposit of a Member that falls below its minimum financial requirements as set forth in this section, the Corporation shall begin to assess such a premium on the date on which the Corporation becomes aware of the applicable violation.

If the Corporation takes any action pursuant to this Section, it shall promptly report such action, and the reasons thereof, to the Board, at its next regularly scheduled meeting, or sooner if deemed appropriate by the Corporation.

Notwithstanding the Corporation taking any action pursuant to this Section 7 the Corporation shall not be restricted from exercising its right at any time to cease to act for the Member pursuant to Rule 17, "Procedures for When the Corporation Ceases to Act".

Section 8 - Compliance with Rules, Procedures and Applicable Laws

Subject to the provisions of Rule 33, "Suspension of Rules in Emergency Circumstances", the use of the facilities of the Corporation by a Member shall constitute such Member's agreement with the Corporation and with all other Members to be bound by the provisions of, and by any action taken or order issued by the Corporation pursuant to, these Rules and any amendment thereto, and to such procedures as the Corporation may adopt from time to time. In addition, in connection with its use of the Corporation's services, a Member must comply with all applicable laws, including applicable laws relating to securities, taxation, and money laundering, as well as sanctions administered and enforced by the Office of Foreign Assets Control ("OFAC").

As part of their compliance with OFAC sanctions regulations, all Members agree not to conduct any transaction or activity through MBSD which it knows to violate sanctions administered and enforced by OFAC.

Members subject to the jurisdiction of the U.S., with the exception of EPN Only Members, are required to periodically confirm that the Member has implemented a risk-based program reasonably designed to comply with applicable OFAC sanctions regulations. Failure to do so in the manner and timeframes set forth by the Corporation from time to time will result in a fine.

Section 9- Books and Records

A Member's books and records, insofar as they relate to Transactions processed through the Corporation, shall be open to the inspection of the duly authorized representatives of the Corporation upon reasonable prior notice and during the Member's normal business hours. The Corporation shall be furnished with all such information about the Member's business and Transactions as it may require; provided that (i) the aforesaid rights of the Corporation shall be subject to any applicable laws or rules or regulations of regulatory bodies having jurisdiction over the Member which relate to the confidentiality of records, and (ii) if the Member ceases membership, the Corporation shall have no right to inspect the Member's books and records or to require information relating to Transactions wholly subsequent to the time when the Member ceases membership.

Section 10 – Accounts

The Corporation shall maintain, for each Clearing Member participating in the Clearing System, one or more Accounts and one or more Aggregates for the processing of eligible Transactions, as requested by the Clearing Member and approved by the Corporation.

Each Account maintained for a Clearing Member in the Clearing System will be identified as either a Dealer Account or a Broker Account. A Clearing Member acting as a Dealer may process Transactions in the Clearing System only through Dealer Accounts, and a Clearing Member acting as a Broker may process Transactions in the Clearing System only through Broker Accounts.

Each Account shall, unless the Corporation determines otherwise, be treated as if it were maintained for a separate Member. Without limiting the generality of the foregoing, a Member may be required to pay separate fees for the maintenance of each Account and the Member may be required to make separate deposits to the Clearing Fund for each Aggregated Account.

A Member having more than one Aggregated Account in the Clearing System may elect, subject to the Corporation's discretion, to have the Corporation net its total Required Fund Deposit requirements for each Aggregated Account or across all Aggregated Accounts.

A Member having one or more Accounts in the Clearing System may elect, in the manner specified by the Corporation from time to time, and subject to contra-side approval, to have the Corporation transfer one or more of its trades pursuant to procedures set forth by the Corporation from time to time (i) from one Member Account to another Account of the same Member; (ii)

from one Member Account to an Account of a different Member; (iii) from one trade type to another trade type within an Account; or (iv) from one Aggregated Account to another Aggregated Account of the same Member.

With respect to the maintenance of multiple Accounts as permitted by these Rules, the Corporation may, in its sole discretion, at any time and without prior notice to a Member (but being obligated to give notice to the Member as soon as possible thereafter) and whether or not the Member is in default of its obligations to the Corporation, apply margin deposits made by the Member pursuant to its obligations under one of its Accounts as necessary to ensure that the Member meets all of its obligations as to the Corporation under the additional Accounts, and otherwise exercise all rights to offset and net any obligations among any or all of the Accounts.

Section 11 - Watch List

(a) A Clearing Member that is a domestic bank, broker-dealer or Unregistered Investment Pool will be monitored and may be placed on the Watch List based on that Member's rating as determined by the Credit Risk Rating Matrix. Such Members may also be placed on the Watch List, at the Corporation's discretion, based on failure to comply with operational standards and requirements.

(b) All other categories of Clearing Members may be monitored for financial and/or operational factors as the Corporation deems necessary to protect the Corporation and its Members from undue risk. These Members will not be assigned a rating from the Credit Risk Rating Matrix; however, they may be included on the Watch List at the Corporation's discretion.

(c) The Corporation may require a Clearing Member that has been placed on the Watch List, to make and maintain a deposit to the Clearing Fund over and above the amount determined in accordance with Rule 4 (which additional deposit shall constitute a portion of the Clearing Member's Required Fund Deposit) or such higher amount as the Board may deem necessary for the protection of the Corporation or other Members, which higher amount may include, but is not limited to including, additional payments or deposits in any form to offset potential risk to the Corporation and its Members arising from activity submitted by such Member. The Corporation may also deny a Member's right to withdraw amounts the Member has in excess of its Required Fund Deposit.

(d) Placement on the Watch List shall result in a more thorough monitoring of the Member's financial and/or operational condition, as applicable, and activities by the Corporation. The Corporation may require Members placed on the Watch List to make more frequent financial disclosures, possibly including interim and/or pro forma reports.

(e) The Corporation shall have the right to place a Member with an Excess Capital Ratio of 0.5 or greater on the Watch List if the Corporation, in its sole discretion, deems such action necessary to protect itself and its Members. If such placement on the Watch List occurs, the Corporation will require the Clearing Member to provide it with assurances satisfactory to the Corporation that the Clearing Member is and shall continue to be able to fulfill its obligations to the Corporation, and may obtain from or exchange with any other Clearing Organization margin information as specified in Rule 22, "Release of Clearing Data."

(f) A Clearing Member shall be placed on the Watch List if the Corporation takes any action to seek additional assurances of financial responsibility or operational capability against such Member pursuant to Section 6 of this Rule.

A Clearing Member shall continue to be included on the Watch List until the condition(s) that resulted in its placement on the Watch List have improved to the point where the condition(s) are no longer present or a determination is made by the Corporation that close monitoring is no longer warranted.

Section 12 – Excess Capital Premium

If a Clearing Member maintains an Excess Capital Ratio greater than 1.0, then the Corporation may require the Clearing Member to make and maintain an additional deposit to the Clearing Fund in an amount equal to the product of its Excess Capital Differential multiplied by its Excess Capital Ratio. Any such additional deposit required by the Corporation shall be considered included as part of the Clearing Member's Required Fund Deposit.

The Corporation also will reserve the right to: (i) collect an amount less than the Excess Capital Premium (including no premium) based on specific circumstances and (ii) return all or a portion of the Excess Capital Premium (or such lesser amount) if it believes that the Clearing Member's risk profile does not require the maintenance of that amount.¹

Section 13 - Ceasing to Maintain an Account

A Clearing Member may cease to maintain any Account with the Corporation by providing the Corporation with 10 days written notice of such cessation; however, the Corporation, in its discretion, may accept such cessation within a shorter notice period. Such cessation will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to all Members announcing the Member's cessation and the effective date of the cessation of the Member's Account; provided, however, that no cessation of an Account shall be effective until the Member has made arrangements satisfactory to the Corporation for the payment of any unpaid Cash Settlement obligations with respect to such Account, and no cessation of an Account maintained for a Member shall be effective until the Member has made arrangements satisfactory to the Corporation for the handling of Transactions in such Account open at the time of such cessation. Upon its ceasing to maintain an Account, the Member shall be entitled to a refund of its deposits to the Clearing Fund applicable to such Account upon satisfaction of the conditions specified below.

Whenever a Member definitively ceases to be such or to maintain any Account or Aggregated Account, the amount of its deposits to the Clearing Fund or its deposits with respect to the Account or Aggregated Account that it will no longer maintain shall be returned to it, but not until all amounts chargeable against its deposits on account of Transactions made while it was a Member have been deducted and, in the case of a Member, all of its commitments in any

¹ FICC has identified the following guidelines, which are intended to be illustrative, but not limited, where the premium will not be imposed: management will look to see whether the premium results from unusual or non-recurring circumstances where management believes it would not be appropriate to assess the premium. Examples of such circumstances are a member's late submission of trade data for comparison that would otherwise reduce the margined position if timely submitted or an unexpected haircut or capital charge that does not fundamentally change its risk profile.

Account or Aggregated Account in the Clearing System which are open at the time it ceases to be a Member or to maintain such Account or Aggregated Account have been closed or, with the approval of the Corporation, another Member has been substituted on each such commitment. Notwithstanding anything else contained herein, the Corporation may retain an amount equal to any Cross-Guaranty Repayment Deposit of any Member until such time as the Corporation determines that such Member is no longer liable to the Corporation under Rule 32, "Cross Guaranty Agreements," to reimburse the Corporation for any Cross-Guaranty Repayment that the Corporation may be obligated to make under any relevant Cross-Guaranty.

Section 14 - Voluntary Termination

A Member may elect to terminate its membership in the Clearing System by providing the Corporation with 10 days written notice of such termination; however, the Corporation, in its discretion, may accept such termination within a shorter notice period. Such termination will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to Members announcing the Member's termination and the effective date of the termination of the Member (hereinafter the "Termination Date"). As of the Termination Date, a Clearing Member that terminates its membership in the Clearing System shall no longer be eligible to submit to the Corporation data on trades unless the Board determines otherwise in order to ensure an orderly liquidation of the Member's open obligations. A Member's voluntary termination of membership shall not affect its obligations to the Corporation, or the rights of the Corporation, with respect to Transactions submitted to the Corporation before the Termination Date. The return of the Member's Clearing Fund deposit shall be governed by Section 10 of Rule 4.

Section 15 - Indemnification

Clearing Members shall indemnify the Corporation against any loss, reasonable cost or expense, damage or liability arising out of the performance, non-performance or misperformance of such duties except to the extent that the Corporation's conduct violated the standard of care set forth in Rule 30, "Limitations of Liability". In the event that any loss, cost, expense, damage or liability with respect to which the Corporation is entitled to indemnification pursuant to this Section 15 is attributable to one or more identifiable Clearing Members, an assessment shall be made against such Clearing Members. In the event that any such loss, cost, expense, damage or liability cannot be attributed to one or more identifiable Clearing Members, an assessment shall be made against Clearing Members generally in proportion to their relative usage of the facilities of the Corporation (based on fees for services) during the period in which such loss, cost, expense, damage or liability was incurred. The assessment in the immediately preceding sentence shall be subject to Section 7(g) of Rule 4.

RULE 3A - CASH SETTLEMENT BANK MEMBERS

(a) Each Clearing Member shall be required to appoint a Cash Settling Bank to perform the Member's Cash Settlement obligations via the process set forth in Section 4 of Rule 11. A Member must at all times have a Cash Settling Bank validly appointed and acting on its behalf. The Member and the Cash Settling Bank shall execute an "Appointment of Cash Settling Bank and Cash Settling Bank Agreement".

(b) The following entities shall be eligible to become Cash Settling Bank Members and to act as Cash Settling Banks for Members:

(i) A bank or trust company that is a DTC Settling Bank may apply to become a Cash Settling Bank Member by signing the agreements described in subsection (d) below.

(ii) A Government Securities Division Funds-Only Settling Bank Member may apply to become a Cash Settling Bank Member by signing the agreements described in subsection (d) below.

(iii) A Member that is a bank, trust company or other entity that has direct access to a relevant FRB and the NSS may apply to become a Cash Settling Bank Member by signing the agreements described in subsection (d) below.

(iv) A bank or trust company that does not fall into (i) through (iii) and has direct access to a relevant FRB and the NSS may apply to become a Cash Settling Bank Member by submitting the requisite application, signing the agreements described in subsection (d) below and submitting such other information required by the Corporation. The Corporation shall approve an application to become a Cash Settling Bank Member pursuant to this subsection (iv) only upon a determination by the Corporation that the applicant meets the standards of financial responsibility and operational capability as the Corporation may require for this purpose as specified in important notices issued by the Corporation.

(c) On an ongoing basis:

(i) Cash Settling Bank Members approved as such pursuant to subsection (b)(i) above shall be required to maintain their status as a DTC Settling Bank or re-apply under subsections (b)(ii), (b)(iii) or (b)(iv).

(ii) Cash Settling Bank Members approved as such pursuant to subsection (b)(ii) above must maintain their status as a Government Securities Division Funds-Only Settling Bank Member or re-apply under subsections (b)(i), (b)(iii) or (b)(iv).

(iii) Cash Settling Bank Members approved as such pursuant to subsection (b)(iii) above must maintain their status as a Member or re-apply under subsections (b)(i), (b)(ii) or (b)(iv).

(iv) Cash Settling Bank Members approved as such pursuant to subsection (b)(iv) above must maintain the financial responsibility and operational capability standards as the Corporation may require pursuant to subsection (b)(iv) above. If required by the Corporation, such Cash Settling Bank Members shall submit the financial and other information (if applicable) specified by the Corporation in notices issued by the Corporation from time to time. Such information must be submitted within the timeframes specified in guidelines issued by the Corporation from time to time.

(d) Each applicant in subsections (b)(i) through (b)(iv) shall sign and deliver to the Corporation:

(i) a membership agreement whereby the bank or trust company shall agree to:

(1) abide by the Rules of the Corporation applicable to Cash Settling Bank Members and to be bound by all provisions thereof and that the Corporation shall have all the rights and remedies contemplated by the Rules; and

(2) be bound by any amendment to the Rules of the Corporation with respect to any transaction occurring subsequent to such time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation.

(ii) the “Appointment of Cash Settling Bank and Cash Settling Bank Agreement”; and

(iii) the agreement(s) authorizing the Corporation’s Settlement Agent to utilize NSS for cash settlement as the relevant FRB may require.

(e) Notwithstanding that an applicant qualifies under subsection (b) above, if a material change in condition of the applicant occurs which could bring into question the entity’s ability to perform as a Cash Settling Bank, and such material change becomes known to the Corporation prior to the applicant commencing as a Cash Settling Bank Member, the Corporation shall have the right to stay commencement of the applicant acting as a Cash Settling Bank until a reconsideration of the applicant’s financial responsibility and/or operational capability (if applicable) can be completed. As a result of such reconsideration, the Corporation may determine to withdraw approval or condition the approval upon the furnishing of additional information or assurances.

(f) Before denying an application to become a Cash Settling Bank Member pursuant to this Rule, the Corporation shall furnish the applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and shall notify the applicant of its right to request a hearing to determine whether the application should be denied, such request to be filed by the applicant pursuant to Rule 28, “Hearing Procedures” of these Rules within five days of the applicant’s receipt of such notice from the Corporation.

(g) A Cash Settling Bank shall not terminate its status as a Cash Settling Bank and shall not terminate its representation of a Member without having given 10 Business Days advance written notice thereof to the Corporation; however, the Corporation, in its discretion, may accept such termination within a shorter notice period. Such termination will not be effective until accepted by the Corporation. The affected Members must appoint new Cash Settling Banks prior to the termination.

(h) Based on its judgment that adequate cause exists to do so, the Corporation may at any time terminate an entity's membership status as a Cash Settling Bank Member and its right to act as a Cash Settling Bank.

(i) A Cash Settling Bank's books and records, insofar as they relate to the Corporation's cash settlement process, shall be open to the inspection of the duly authorized representatives of the Corporation upon reasonable prior notice and during the Cash Settling Bank's normal business hours.

(j) Each Cash Settling Bank shall comply in all material respects with all applicable laws, including applicable laws relating to securities, taxation and money laundering in connection with its acting as a Cash Settling Bank.

(k) Each Cash Settling Bank shall fulfill, within the timeframe established by the Corporation, any 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 test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation from time to time to ensure the continuing operational capability of the Cash Settling Bank.

(l) In addition to the applicable provisions of these Rules where Cash Settling Bank Members are mentioned, the following Rules and any relevant schedules cited therein shall apply to Cash Settling Bank Members in the same manner as they apply to Members: Rule 22, "Release of Clearing Data," Rule 24, "Signatures," Rule 27, "Rule Changes," Rule 28, "Hearing Procedures," Rule 29, "Governing Law and Captions," Rule 30, "Limitations of Liability," Rule 33, "Suspension of Rules in Emergency Circumstances," Rule 34, "Action by the Corporation," Rule 35, "Notices," Rule 36, "Interpretation of Terms," Rule 37, "Interpretation of Rules" and Rule 38 "Disciplinary Proceedings."

RULE 4—CLEARING FUND AND LOSS ALLOCATION

Section 1 - General

Each Clearing Member shall make, and maintain so long as such Member is a Clearing Member, a deposit to the Clearing Fund at no less than the minimum required level set forth in this Rule (the "Required Fund Deposit"). Deposits to the Clearing Fund shall be held by the Corporation or its designated agents to be applied as provided in this Rule. The timing of payment of the Required Fund Deposit shall be determined in accordance with the provisions of Section 8 of this Rule. The term "Transactions" as used in this Rule 4 includes Pool Receive Obligations, Pool Deliver Obligations, TBA Obligations and Specified Pool Trades.

If a Member's Required Fund Deposit is charged as a result of a Clearing Fund loss solely attributable to that Member such Member shall promptly replenish the deficit in its Required Fund Deposit.

Section 2 —Required Fund Deposit

- (a) Mark-to-Market -- Computation of profit or loss.

The Corporation shall separately compute profit or loss for each Transaction in each Account maintained by a Clearing Member as follows:

- (i) A Transaction other than an Option Contract shall be deemed to produce a profit or loss based on:

- (aa) the direction of the Transaction (i.e., based on whether the Transaction results in a Long Position or a Short Position for the Member); and
- (bb) the difference between the Transaction's Settlement Value and its System Value.

- (ii) An Option Contract shall be deemed to produce a profit or loss based on:

- (aa) the direction of the Option Contract (i.e., based on whether the Member bought or sold the Option Contract, resulting in a Long Position or a Short Position for the Member);
- (bb) the nature of the Option Contract (which can be either a Call Option Contract or a Put Option Contract);
- (cc) the difference between the Option Contract's Strike Price and the System Value of the underlying Eligible Security; and
- (dd) the expiration date of the Option Contract.

The net amount of profits and/or losses computed for each Clearing Member pursuant to this Section 2(a) of Rule 4 shall be reported in the Member's daily Open Commitment Report.

Notwithstanding anything to the contrary above, on any Business Day, any Mark-to-Market amount may be collected on an intra-day basis, with payment having to be made by the affected Member within one hour after the Corporation has provided such Member with notification that payment of such amount is due that same day (as long as notification is provided at least one hour prior to the close of the cash Fedwire operated by the Federal Reserve Bank of New York). Such intra-day Mark-to-Market amount shall be based upon certain parameter breaks defined by the Corporation from time to time, including changes to a Member's position size and composition and price changes on the constituent securities. Qualitative factors including, but not limited to, Watch List status and internal rating will also be considered in the application of intraday Mark-to-Market charges. Such intra-day payment(s) shall be made as instructed by the Corporation.

(b) Long Positions and Short Positions

For purposes of Section 2(a) of Rule 4 above, Members' Long Positions and Short Positions shall be determined as follows:

(i) In the case of a Transaction between Dealers not involving a Broker:

(aa) The Dealer listed on an Open Commitment Report as the purchaser of an Eligible Security or the purchaser of an Option Contract shall be deemed to have a Long Position; and

(bb) The Dealer listed on an Open Commitment Report as the seller of an Eligible Security or the seller (writer) of an Option Contract shall be deemed to have a Short Position.

(ii) In the case of a Transaction involving a Broker:

(aa) If the Transaction is Fully Compared:

(1) the Dealer listed on its Open Commitment Report as the purchaser of an Eligible Security shall be deemed to have a Long Position;

(2) the Dealer listed on its Open Commitment Report as the seller of an Eligible Security shall be deemed to have a Short Position; and

(3) the Broker shall be deemed to have neither a Long Position nor a Short Position.

(bb) If the Transaction has not compared:

(1) Neither of the Dealers nor the Broker shall be deemed to have a Long Position or a Short Position.

(cc) If the Transaction is Partially Compared:

(1) The Dealer with respect to which the Transaction has compared shall be deemed:

(i) to have a Long Position in any Eligible Security of which it is listed in its Open Commitment Report to be the purchaser; and

(ii) to have a Short Position in any Eligible Security of which it is listed in its Open Commitment report to be the seller;

(2) If the Dealer with respect to which the Transaction has not compared and has not submitted a DK of the Transaction as reflected on its Unmatched Margin Report

(i) the Dealer shall be deemed to have a Long Position as the purchaser of Eligible Securities or a Short Position as the seller of Eligible securities with respect to uncomparing Transactions;

(ii) the Broker shall be deemed to have neither a Long Position nor a Short Position.

(3) If the Dealer with respect to which the Transaction has not compared has submitted a DK of the Transaction as reflected on its Unmatched Margin Report:

(i) such Dealer shall be deemed to have neither a Long Position nor a Short Position; and

(ii) the Broker shall be deemed to have a Short Position or Long Position corresponding to the Long Position or Short Position of the Dealer with respect to which the Transaction has compared.

(c) Each Business Day, each Clearing Member shall be required to make a Required Fund Deposit to the Clearing Fund equal to the greater of: (i) the Minimum Charge, or (ii) the End of Day Charge; plus the sum of the following:

(i) the VaR Charge

plus

(ii) the Coverage Charge

plus

(iii) the amount of the Deterministic Risk Component

plus

(iv) a margin requirement differential which considers intra-day portfolio variations and potential for a late margin deficit satisfaction or for a failure to satisfy a margin deficit

plus

(v) an additional payment (“special charge”) from such Member as determined by the Corporation from time to time in view of market conditions and other financial and operational capabilities of the Member. The Corporation shall make any such determination based on such factors as the Corporation determines to be appropriate from time to time.

The Corporation shall have the discretion not to apply the VaR calculation(s) to net unsettled positions in classes of securities where volatility is less amenable to statistical analysis. In lieu of such calculations the component required with respect to such Transactions shall instead be determined based on a historic index volatility model.

The Corporation shall take into account the VaR confidence level applicable to the Member in calculating the VaR Charge. The assumptions used in the VaR model will be set forth in the Corporation’s procedures.

The Clearing Fund requirement of an Unregistered Investment Pool Clearing Member shall be no less than \$1 million and the targeted confidence level assumption used for calculating VaR Charge shall be set at a minimum of 99.5%, which is half a percentage higher than the target assumption of the Corporation. The targeted confidence level assumption used for calculating VaR Charge for non-Unregistered Investment Pools shall be set at a minimum of 99%.

Once applicable minimum Clearing Fund amounts have been applied, the Corporation shall apply any applicable additional payments, charges and premiums set forth in these Rules.

A Clearing Member’s Required Fund Deposit shall be reported daily, and payment shall be due by the time specified in the Corporation’s procedures; however, such payment shall not be due on a given day if: (a) the difference between the amount of a Member’s Required Fund Deposit as reported on that day and the amount then on deposit towards satisfaction thereof is less than both: (i) \$250,000, and (ii) 25 percent of the amount then on deposit from the Clearing Member; and (b) the Member is not on the Watch List.

The Corporation shall have the right to adjust any components of the calculation of a Member’s Required Fund Deposit as set forth in this Section 2. The Corporation shall apply Clearing Fund requirements to each Clearing Member within each membership type on a consistent and non-discriminatory basis.

(d) The lesser of \$5,000,000 or 10 percent of the Total Amount arrived at above, with a minimum of \$100,000, must, be made and maintained in cash, with the remaining portion of the Total Amount to be made and maintained in the form specified in Section 3 of this Rule.

(e) The initial Required Fund Deposit of each Clearing Member shall be set by the Corporation based upon the expected nature and level of such Member's activity.

(f) Notwithstanding anything to the contrary in this Rule, the Corporation may require a Clearing Member to make and maintain a higher Required Fund Deposit than the amount calculated as noted above, if the Corporation determines that such higher Required Fund Deposit is necessary to protect the Corporation and its Members from the risk (the "Legal Risk") that the Corporation, as a result of a law applicable to a Clearing Member's insolvency or bankruptcy, may be delayed or prohibited from: (i) accessing any portion of the Clearing Member's Required Fund Deposit, (ii) netting, closing out or liquidating Transactions, or setting off obligations, or taking any other action contemplated by these Rules or (iii) otherwise exercising its rights pursuant to these Rules.

(g) Notwithstanding anything to the contrary in this Rule, the Corporation may require a Clearing Member's Clearing Fund deposit to be in proportions of cash, Eligible Clearing Fund Securities and Eligible Letters of Credit that the Corporation determines to be necessary to protect itself and its Members from Legal Risk. In addition, the Corporation may take all necessary action to mitigate Legal Risk, including, but not limited to, requiring the Member to post additional Clearing Fund as set forth in this Section 2 of Rule 4.

Notwithstanding anything to the contrary in this Rule, on any Business Day, any VaR Charge may be collected on an intra-day basis, with payment having to be made by the affected Member within one hour after the Corporation has provided such Member with notification that payment of such amount is due that same day (as long as notification is provided at least one hour prior to the close of the cash Fedwire operated by the Federal Reserve Bank of New York). Such intra-day VaR Charge amount shall be based upon certain parameter breaks defined by the Corporation from time to time, including changes to a Member's position size and composition and price changes on the constituent securities. Qualitative factors including, but not limited to, Watch List status and internal rating will also be considered in the application of intraday VaR Charge. Such intra-day payment(s) shall be made as instructed by the Corporation.

Section 3 - Form of Deposit

Subject to the provisions of Section 2 of this Rule 4 governing the computation of a Member's Required Fund Deposit, and the limitations of this Section 3, Section 3a and Section 3b, a Clearing Member's deposits to the Clearing Fund may be in the form of:

(a) cash; and

(b) an open account indebtedness fully secured by Eligible Clearing Fund Securities.

The lesser of \$5,000,000 or 10 percent of the deposit made to the Clearing Fund must be made and maintained in cash. A minimum of 40 percent of the Member's Required Fund Deposit shall be made in the form of cash and/or Eligible Clearing Fund Treasury Securities.

Upon appropriate notice to the Corporation, pursuant to procedures that the Corporation establishes for such purpose, and subject to reasonable time constraints imposed by the Corporation based on its operational and administrative capacities, a Clearing Member may substitute and/or withdraw securities from pledge and deposit, provided that the Member has, effective immediately prior to the withdrawal, taken appropriate action to maintain its Required Fund Deposit. Notwithstanding the above sentence, the Corporation may decline to permit a substitution or withdrawal on a given Business Day later than one hour or less prior to the close of the securities FedWire on such Day. Any interest on securities deposited by a Clearing Member to secure a Clearing Fund open account indebtedness that is received by the Corporation shall be credited to the Member's cash deposits to the Clearing Fund, except in the event of a default by a Member in payment of any of its obligations to the Corporation, in which case the Corporation may first liquidate such securities and apply all or a portion thereof, including any interest thereon, as provided in Section 7 of this Rule.

Section 3a - Special Provisions Relating to Deposits of Cash

Cash deposits to the Clearing Fund shall be paid to the Corporation in immediately available funds. Cash contained in the Clearing Fund may be partially or wholly invested by the Corporation, in its sole discretion, for the account of the Clearing Fund in debt obligations of the U.S. Government or those U.S. Government Agencies and instrumentalities of the United States guaranteed by the U.S. Government subject to reverse repurchase agreements ("repo"). Clearing Fund cash may also be partially or wholly invested for its accounts in direct purchases of: (1) U.S. Treasury Bills, Bonds or Notes, (2) Certificates of Deposit or similar deposits of FDIC insured banks ("CDs"), or (3) 2a-7 Money Market Mutual Funds rated AAA- or better and to the extent not so invested shall be deposited by the Corporation in its name in a depository (commercial bank account) consistent with its Investment Policy. Investment income, if any, on cash deposits shall be paid to Members at such intervals, in such manner and in such amounts as the Corporation from time to time may determine.

Section 3b - Special Provisions Relating to Deposits of Eligible Clearing Fund Securities

(a) Any deposits of Eligible Clearing Fund Agency Securities or Eligible Clearing Fund Mortgage-Backed Securities, respectively, in excess of 25 percent of the Member's Required Fund Deposit will be subject to an additional haircut equal to twice the percentage as specified in the haircut schedule.

(b) No more than 20 percent of a Member's Required Fund Deposit may, be in the form of Eligible Clearing Fund Agency Securities that are of a single issuer and no Member may post as eligible collateral Eligible Clearing Fund Agency Securities of which it is the issuer.

(c) A Member may post as eligible collateral Eligible Clearing Fund Mortgage-Backed Securities of which it is the issuer, however such collateral will be subject to a premium haircut as specified in the haircut schedule.

Eligible Clearing Fund Securities that are used to secure an open account indebtedness must be pledged to the Corporation on such terms and conditions as it may require, and be delivered to either the Corporation or to a depository institution approved by the Corporation that shall hold the securities on the Corporation's behalf. The valuation of such Eligible Clearing Fund Securities shall be at current market value, which shall be determined by the Corporation not less frequently than on a daily basis. All Eligible Clearing Fund Securities shall be subject to a haircut set forth in these Rules. The Corporation has the right, in its discretion, to refuse to accept a particular type or types of Eligible Clearing Fund Security as Clearing Fund deposit.

Section 4 - Lien

As security for any and all obligations and liabilities of a Clearing Member to the Corporation, including without limitation, any obligation of a Cross-Guaranty Defaulting Member to reimburse the Corporation pursuant to Rule 32 or any obligation of a Cross-Guaranty Beneficiary Member to reimburse the Corporation pursuant to Rule 32, each such Member grants to the Corporation a first priority perfected security interest in all assets and property placed by a Member in the possession of the Corporation (or its agents acting on its behalf), including all securities and cash on deposit with the Corporation or its agents pursuant to these Rules. The Corporation shall be entitled to its rights as a pledgee under common law and as a secured party under Articles 8 and 9 of the New York Uniform Commercial Code with respect to such collateral.

Section 5 - Use of Deposits and Payments

The use of the Clearing Fund deposits and assets and property on which the Corporation has a lien shall be limited to satisfaction of losses or liabilities of the Corporation, including Cross-Guaranty Payments and Cross-Guaranty Repayments made by the Corporation pursuant to Cross-Guaranty Agreements, arising from the failure of a Defaulting Member to satisfy an obligation to the Corporation, the failure of a Cross-Guaranty Defaulting Member to satisfy an obligation to a Cross-Guaranty Counterparty, or otherwise incident to the clearance and settlement business of the Corporation with respect to losses and liabilities to meet unexpected or unusual requirements for funds that represent a small percentage of the Clearing Fund, and to provide the Corporation with a source of collateral both to meet its temporary financing needs (through an appropriate financing method determined by the Corporation in its sole discretion) for any financing that is obtained by the Corporation to hold securities pending settlement, to ensure the satisfaction of Members' settlement obligations and to meet unexpected or unusual requirements for funds that represent a small percentage of the Clearing Fund. If the Corporation pledges, hypothecates, encumbers, borrows, or applies any part of the Clearing Fund deposits, or other collateral that it has received from Members to satisfy, in whole or in part, any liability, obligation, or liquidity requirement, for more than 30 days, the Corporation, at the close of business on the thirtieth day (or on the first Business Day thereafter), shall consider the amount used to meet such financing as an actual loss to the Clearing Fund and immediately allocate such loss in accordance with Section 7 of this Rule. Whenever the Clearing Fund is charged for any

reason other than to satisfy a clearing loss attributable to a Member solely from that Member's Clearing Fund deposit, each Member will be provided the reasons for the charge.

If a loss or liability incurred by the Corporation is allocated to a Member pursuant to Section 7 of this Rule, a Member that is a Cross-Guaranty Defaulting Member incurs an obligation to reimburse the Corporation pursuant to Rule 32, or a Member that is a Cross-Guaranty Beneficiary Member incurs an obligation to reimburse the Corporation pursuant to Rule 32, the Corporation may apply the portion of the Member's deposit to the Clearing Fund necessary to satisfy such allocation obligation. In this regard, the Corporation may apply any cash, draw against any letters of credit, and liquidate any securities deposited by the Member, and may do any or all of the foregoing whether or not the Corporation has ceased to act for the Member.

Section 6 – [RESERVED FOR FUTURE USE]

Section 7 - Allocation of Loss or Liability Incurred by the Corporation

Any loss or liability incurred by the Corporation as the result of the failure of a Defaulting Member to fulfill its obligations to the Corporation shall be satisfied as set forth in this Section 7 of this Rule 4:

(a) First, by application of any Clearing Fund deposits, Cash Settlement Amounts, funds-only payment amounts, and any other collateral held by the Corporation securing such Member's obligations to the Corporation;

(b) Second, if the Defaulting Member is a Cross-Guaranty Defaulting Member, the Corporation shall apply any amounts available under a Cross-Guaranty Agreement either upon receipt or the time described in Rule 32;

(c) In the event there is any loss or liability incurred by the Corporation in respect of the Mortgage-Backed Securities Division remaining after application of paragraph (a) above (any such loss or liability, a "Remaining Loss"), the Corporation shall apply an amount of up to 25% of the existing retained earnings of the Corporation, or such higher amount as the Board of Directors shall determine. Notwithstanding the foregoing, to the extent that a loss or liability is determined by the Corporation to arise in connection with an Off-the-Market Transaction, it shall be allocated directly and entirely to the Member that submitted the data on the Off-the-Market Transaction to the Corporation;

(d) If there is any Remaining Loss after application of paragraph (c) above, the Corporation shall determine the amount of such loss that is attributable to Tier One Members.

To the extent there is a Remaining Loss attributable to Tier One Members, the Corporation shall assess the Required Fund Deposit maintained by each such Member an amount of up to \$50,000, in an equal basis per Tier One Member.

To the extent there is a Tier Two Remaining Loss, the Tier Two Remaining Loss shall be allocated to Tier Two Members based upon their trading activity with the Defaulting Member

that resulted in a loss. The Corporation shall assess such loss against the Tier Two Members ratably based upon their loss as a percentage of the entire amount of the Remaining Loss attributable to Tier Two Members. Tier Two Members with a bilateral liquidation profit will not be allocated any portion of the Remaining Loss attributable to Tier Two Remaining Loss.

(e) If there is any Remaining Loss attributable to Tier One Members after application of paragraph (d) above, it shall be allocated among Tier One Members, ratably, in accordance with the amount of each Tier One Member's respective Required Fund Deposit and based on the average daily level of such deposit over the prior twelve months (or such shorter period as may be available in the case of a Member which has not maintained a deposit over such time period) (such amount, the Member's "Average Required Clearing Fund Deposit").

(f) Any loss or liability incurred by the Corporation incident to its clearance and settlement business arising from the failure of a Clearing Member to pay to the Corporation an allocation made pursuant to the preceding subsections of this Section or arising other than from a Remaining Loss (hereinafter, an "Other Loss"), shall be allocated among Tier One Members, ratably, in accordance with the respective amounts of their Average Required Clearing Fund Deposits.

(g) The entire amount of the Required Fund Deposit of any Clearing Member at the time that the Corporation incurred an applicable Remaining Loss or Other Loss may be used to satisfy any amount allocated against a Member as a result of such Remaining Loss or Other Loss. If notification is provided to a Member that an allocation has been made against a Member pursuant to this Rule and that application of the Member's Required Fund Deposit is not sufficient to satisfy such obligation to make payment to the Corporation, the Member shall (i) deliver to the Corporation by the Close of Business on the next Business Day, or by the Close of Business on the Business Day of issuance of the notification if so determined by the Corporation, that amount which is necessary to eliminate any such deficiency, except that (ii) with regard to an allocation arising from any Remaining Loss allocated by the Corporation pursuant to subsection (e) of this Section 7 and any Other Loss, such Member may instead provide by the Close of Business on the Business Day on which such payment is due the Corporation written notice to the Corporation, pursuant to Section 13 of Rule 3, of its election to terminate its membership in the Corporation. If such Member elects to terminate its membership in the Corporation, its liability for an allocation arising from such Remaining Loss and Other Loss shall be limited to the amount of its Required Fund Deposit for the Business Day on which the notification of such allocation is provided to the Member. If such Member does not elect to terminate its membership in the Corporation as provided for above, it shall make such deposits to the Clearing Fund, by the Close of Business on the Business Day on which the Member is obligated to make the payment provided for above, as are necessary to satisfy its Required Fund Deposit as of such Business Day. If the Member shall fail to take the action stated in either (i) or (ii) above, the Corporation shall cease to act generally with regard to such Member pursuant to Rules 14 and 17, and may take disciplinary action against the Member pursuant to Rule 38.

A Member that elects to terminate its membership pursuant to alternative (ii) of the above paragraph in lieu of being liable to pay an additional assessment amount above its Required Fund Deposit shall not be eligible to re-apply to become a Clearing Member unless, prior to submitting such application, it makes the payment to the Corporation provided for in alternative (i) of the above paragraph, together with interest on that amount at the average of the Federal Funds Rate

plus one percent, calculated from the date on which the Remaining Loss or Other Loss was incurred by the Corporation until the date of such payment. If a Clearing Member elects to terminate its membership pursuant to alternative (ii) of the above paragraph, or if the Member fails to take any action, the Corporation will promptly make an additional assessment against the remaining Tier One to cover the amount not paid by the Clearing Member that made such election to terminate its membership.

(h) If a Remaining Loss or Other Loss occurs, the Corporation shall promptly notify each Member, and the SEC, of the amount involved and the reasons therefor. Any disciplinary action that the Corporation takes, or the voluntary or involuntary cessation of membership by a Clearing Member subsequent to the occurrence of the Remaining Loss or Other Loss, shall not, except as otherwise provided in this Rule, affect the obligations of the Clearing Member to the Corporation under this Rule or the procedures thereof, or affect any remedy to which the Corporation may be entitled. If a Remaining Loss or Other Loss charged to Members is afterward recovered by the Corporation in whole or in part, the net amount of the recovery shall be credited or paid to those Persons, other than a Defaulting Member or other Person who caused in whole or part such Loss, including the Corporation, against whom the loss was charged, in proportion to the amounts paid by them, whether or not they are still Members.

(i) For purposes of calculating the allocations in this Section 7 that are based upon a Member's Average Required Fund Deposit, a Clearing Member that is subject to an increased Required Fund Deposit pursuant to provisions of this Rule regarding special charges or such other premium applied pursuant to these Rules shall be deemed to have an Average Required Clearing Fund Deposit amount without such increases being taken into account.

Section 8 - Timing of Payment of Deposit

The initial Required Fund Deposit of a Clearing Member shall be required to be deposited into the Clearing Fund by the close of business on the Business Day immediately prior to the Business Day on which each such Person becomes a Clearing Member in accordance with the Corporation's procedures.

A Member must increase the amount of its Required Fund Deposit (by the deposit of cash, Eligible Securities, and/or Eligible Letters of Credit subject to the requirements of this Rule) by the Required Fund Deposit Deadline on any Business Day that such Clearing Member's actual deposit to the Clearing Fund is less than its Required Fund Deposit as set forth in the Report listing such subject to the conditions included in Section 3 of this Rule 4.

The Corporation retains the discretion to extend the Required Fund Deposit Deadline on any Business Day if there are operational or system difficulties that would reasonably prevent Members from satisfying Required Fund Deposit deficits by the time specified in the Corporation's procedures.

Notwithstanding the foregoing, the Corporation may require a Member or Members generally to deposit additional amounts to their Clearing Fund on an intraday basis if the Corporation believes such action is necessary in order to protect itself and its Members.

Section 9 - Return of Deposits and Payments

The Corporation shall determine with such frequency as it shall from time to time specify, whether the amount deposited by a Member in the Clearing Fund is in excess of its Required Fund Deposit (hereinafter, "Excess Clearing Fund Deposit"). On any day that the Corporation has determined that an Excess Clearing Fund Deposit exists with respect to any Member, the Corporation will, in the form and manner determined by the Corporation, notify each Member of such excess. Upon the request of a Member, in the form and manner determined by the Corporation, the Corporation shall cause to be returned to each such Member cash on deposit (in excess of the minimum amount of cash the Member is required to maintain in the Clearing Fund), and/or Eligible Clearing Fund Securities (valued at their current market value, including accrued interest as of the end of the Business Day prior to such withdrawal), in an aggregate amount equal to such excess or such lesser amount as the Member may request; provided, however, that, any return of excess will be done in such a way that the remaining Clearing Fund on deposit meets the requirements of this Rule. In addition, at the discretion of the Corporation, some or all of the Excess Clearing Fund Deposit may not be returned if the Member has an outstanding payment obligation to the Corporation, if the Corporation determines that the Member's anticipated Cash Settlement obligations, Pool Net Obligations or Transactions over the next 90 calendar days may reasonably be expected to be materially different than during the prior 90 calendar days, or if the Member is on the Watch List.

In addition, the return of an Excess Clearing Fund Deposit amount to any Member is subject to the following limitations: (1) such return of Excess Clearing Fund Deposit shall not be done in a manner that would cause the Member to violate any other Section of these Rules; and (2) Excess Clearing Fund Deposit shall not be returned to a Member to the extent that such return would reduce the amount of the Member's Cross-Guaranty Repayment Deposit to the Clearing Fund below the amount to be maintained by the Member pursuant to Rule 32, "Cross Guaranty Agreements."

Section 10 - Ceasing to be a Member

If a Clearing Member gives notice to the Corporation pursuant to these Rules of its election to terminate its membership in the Clearing System, the Member's deposits to the Clearing Fund shall be returned to it when the Corporation is satisfied that all of the Member's obligations arising under these Rules have been satisfied. However, the Corporation in its discretion may return Clearing Fund amounts to a Member notwithstanding any obligations such Member may have to the Corporation, provided such obligations are de minimis. Any obligation of a Member to the Corporation pursuant to this Rule that is unsatisfied at the time it ceases to be a Member shall not be affected by such cessation.

Notwithstanding the previous paragraph or anything else contained in these Rules, the Corporation may retain an amount equal to any Cross-Guaranty Repayment Deposit of any Member until such time as the Corporation determines that such Member is no longer liable to the Corporation under Rule 32, "Cross Guaranty Agreements" to reimburse the Corporation for any Cross-Guaranty that the Corporation may be obligated to make under any relevant Cross-Guaranty Agreement.

Section 11 - Corporation's Authority to Pledge and Assign

In furtherance of the rights of the Corporation pursuant to these Rules, the Corporation shall have full power and authority to pledge, repledge, hypothecate, transfer, create a security interest in, or assign any and all: (i) cash deposits, (ii) securities, repurchase agreements, deposits or other instruments in which cash deposits of Members are invested, and (iii) any securities or letters of credit pledged or deposited by any Member to secure an open account indebtedness to the Clearing Fund or otherwise to collateralize its obligations to the Corporation or in the possession of the Corporation, for the purpose of securing loans made to the Corporation or other obligations incurred by the Corporation, in each case incident to the clearance and settlement business of the Corporation. Such loans or obligations shall be on terms and conditions deemed necessary or advisable by the Corporation in its sole discretion, and may be in amounts greater, and extend for periods of time longer, than the obligations, if any, of any Member to the Corporation for which such property was pledged to or deposited with the Corporation. Notwithstanding the above, the Corporation shall remain obligated to each Member to return, and to allow substitution for or withdrawal of, cash, securities, and letters of credit pledged or deposited by a Member as Clearing Fund deposit or to secure an open account indebtedness to the Clearing Fund, or otherwise to collateralize such Member's obligations to the Corporation, under the circumstances and within the timeframes specified in these Rules.

Section 12 – Clearance and Settlement Business of the Corporation

For purposes of this Rule 4, references to the clearance and settlement business of the Corporation shall include its business as a Securities Intermediary.

RULE 5 – TRADE COMPARISON

Section 1 - General

Trade comparison, which consists of the reporting, validating, and matching by the Corporation of the long and short sides of a Transaction to ensure that the details of such trades are in agreement between the parties, is the first step in the clearance and settlement process for these Transactions.

Trade data may be entered via any means permitted by the Corporation, and must include such identifying detail as the Corporation may require. As trade data are submitted to the Corporation, the Corporation shall generate output indicating that such trade data: (1) is compared, (2) is uncomparing, and/or (3) has been deleted from the Trade Comparison system.

The Corporation shall guarantee the settlement of a Transaction the data on which were submitted for Trade Comparison at the time at which the comparison of such trade occurs pursuant to Section 11 of this Rule, as long as the trade meets the requirements of these Rules and was entered into in good faith. This guarantee shall no longer be in effect if the Transaction becomes uncomparing, is cancelled, or settles pursuant to these Rules.

Section 2 – General Responsibilities of Members in the Trade Comparison System

Trade data submitted to the Corporation by a Clearing Member shall be submitted in the form and manner, and in accordance with the time schedules, prescribed by, or pursuant to, these Rules or otherwise set forth by the Corporation from time to time.

The symbol corresponding to the name of a Clearing Member printed, stamped or written on any form, document or other item issued by it pursuant to this Rule shall be deemed to have been adopted by it as its signature and shall be valid and binding upon it in all respects as though it had manually affixed its signature to such form, document or other item.

Each Clearing Member shall promptly review each Report it receives from the Corporation pursuant to this Rule. Any errors, omissions, or similar problems noted by a Clearing Member with respect to a Report must be promptly reported to the Corporation.

Any Transactions the data on which are submitted to the Corporation by a Clearing Member pursuant to these Rules which are not netted and novated through the Pool Netting system pursuant to Rule 8 shall be settled directly between the Members.

Section 3 – Trade Submission Communication Methods

Trade data may be submitted to the Corporation using the Interactive Submission Method, the Multiple Batch Submission Method, or the Single Batch Submission Method.

Section 4 - Trade Input

The Corporation shall utilize a system of two-sided trade input under which it shall be the duty of both the selling and the purchasing Clearing Members to submit to the Corporation such information in such form and at such time concerning each Transaction in Eligible Securities, as the Corporation may specify from time to time. In the case of Transactions involving a Broker:

(a) trade input in the form required by the Corporation from time to time submitted by each Dealer on whose behalf the Broker is acting shall identify the Broker as the Dealer's Original Contra-Side Member and specify the contract price payable to or by the Dealer, net of commission; and

(b) trade input in the form required by the Corporation from time to time submitted by the Broker shall identify the Dealers on whose behalf the Broker is acting and specify the contract price, the commission payable to the Broker, the amount of the commission and the identity of the Dealer responsible for payment of the commission.

Each Clearing Member shall use its best efforts to insure that all trade input submitted to the Corporation is accurate in all respects. The Corporation shall have no responsibility for the inaccuracy of any information submitted by any Clearing Member to the Corporation or to any other Clearing Member or for the failure of any Clearing Member to timely submit any information required to be submitted to the Corporation or to any other Clearing Member.

Any Clearing Member which fails to submit to the Corporation trade input at the time, in the form, and containing the information required by the Corporation from time to time shall be subject to the imposition of the fee set forth in the Corporation's fee schedule.

Section 5 - Procedure for Trade Comparison

The Corporation shall determine, in the following manner, whether the information submitted pursuant to this Rule compares.

(a) For Transactions in Eligible Securities in any CUSIP Number between Dealers, trade input shall be deemed to be compared if both parties to the Transaction have submitted trade input that matches as required by the Corporation's procedures.

(b) For Transactions in Eligible Securities in any CUSIP Number involving a Broker acting on behalf of two Dealers, trade input for any Transaction shall be deemed to be:

(i) Fully Compared if the trade input submitted by the Broker matches the trade input submitted by each Dealer on whose behalf the Broker is acting ; and

(ii) Partially Compared if the trade input submitted by the Broker matches trade input submitted by one but not both of the Dealers on whose behalf the Broker is acting (s).

Section 6 – Match Modes

The following Net Position Match Mode shall govern the comparison of each Dealer's Transactions in Eligible Securities in a CUSIP number involving a Broker:

a) Net Position Match Mode in which trade input that matches in all other respects will be compared only if the aggregate Par Amount for one or more Transactions in Eligible Securities reported to have been sold or purchased by the Dealer equals the aggregate Par Amount for one or more Transactions reported by the Broker.

Notwithstanding the foregoing, the Corporation will first attempt to compare each Transaction using the exact mode, in which trade input that matches in all other respects will be compared if the Par Amount of Eligible Securities reported to have been sold or purchased by the Dealer for a particular transaction is identical to the Par Amount for a particular transaction reported by the Broker and will apply the Net Position Match Mode only to the extent necessary to effect a comparison.

Section 7 – Broker Give-Up Trades

Any Broker identified in any Fully Compared Transaction as the Original Contra-Side Member with respect to both selling and purchasing Dealers will be deleted from the records of the Corporation and the Dealers will be substituted (i.e., "given up") as the Original Contra-Side Members after a period elected by the Broker or prescribed by the Corporation from time to time, but in any event (a) in the case of SBO-Destined Trades, prior to TBA netting, and (b) in the case of Trade-for-Trade Transactions prior to the Contractual Settlement Date.

Section 8 - Binding Nature of Comparisons

Comparisons generated by the Corporation through the Trade Comparison system shall constitute the trade comparison for all trades in Eligible Securities for which Clearing Members have submitted data and which the Corporation has identified as Compared Trades. Each comparison generated by the Corporation as to any Compared Trade as reported by the RTTM Compare Report, the RTTM Purchase and Sale Report and the Purchase and Sale Report (to the extent information is not contained in the RTTM Purchase and Sale Report) shall each constitute the confirmation of the Transaction information contained therein and shall evidence a valid, binding and enforceable contract in respect of such Compared Trade. Any confirmations, comparison or other documentary evidence of any such Compared Trade, other than the comparison generated by the Corporation, shall not affect the existence or terms and conditions of such a valid, binding and enforceable contract in respect of such Compared Trade and the Corporation shall be entitled to rely upon such Reports for all purposes under the Rules.

In case of a Fully Compared or Partially Compared transaction involving a Broker, each Dealer as to which the Transaction has compared shall be bound by such contract. In the case of a Partially Compared Transaction involving a Broker, unless the Dealer as to which the Transaction has not compared submits a DK of the Transaction in accordance with these Rules, such Dealer shall be responsible for Clearing Fund deposits with respect to such Transaction and may be responsible for such Transaction in accordance with Section 2 of Rule 17 “Procedures For When the Corporation Ceases to Act.”

If trade input with respect to a Transaction in Eligible Securities involving a Broker has not compared or has Partially Compared, the Dealer(s) for which trade input has not compared will be furnished a Report noting such uncomparing or Partially Compared Transaction. The Dealer may then either affirm the Transaction or submit a DK of the Transaction as described in Section 9 of this Rule 4. Unless the Dealer receiving the Unmatched Margin Report submits a DK of such transaction in accordance with the Corporation’s procedures, the Total Required Fund Deposit shall be payable by the Dealer with respect to such Transaction pursuant to these Rules, the same as if such transaction had been listed in such Dealer's Open Commitment Report.

Section 9 – Cancellation and Modification of Trade Data by Members

If the Clearing Member determines that a transaction has not taken place, the Clearing Member shall (a) delete any trade input information previously submitted by it in error or (b) if the Clearing Member did not previously submit trade input information, submit a DK of such transaction. If the Clearing Member determines that the transaction has taken place, the Clearing Member shall affirm the transaction, correct trade input or settlement information previously submitted in error, or submit trade input information not previously submitted. If a transaction is compared, it will thereafter be reflected in a Report transmitted by the Corporation to the Clearing Member.

A Clearing Member that has submitted to the Corporation trade data that have not been compared may cancel or DK such data by providing appropriate instructions to the Corporation, pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose. Trade data that has been submitted against a Clearing Member that the Clearing Member affirms will be deemed compared.

Trade data submitted for Trade Comparison that have been compared may be cancelled from the Trade Comparison system upon receipt by the Corporation of appropriate instructions, submitted pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose, from both Clearing Members that submitted data on the trade.

Section 10 – Modification of Trade Data by the Corporation

The Corporation may unilaterally modify trade data submitted by Members if the Corporation becomes aware of any changes to the transaction which invalidate the original terms upon which it was submitted or compared.

Section 11 – Timing of Comparison

The comparison of trade data submitted to the Corporation for Trade Comparison shall be deemed to have occurred at the point in time at which the Corporation issues an output to the Clearing Members on both sides of the transaction indicating that such trade data have been compared.

Section 12 – Obligations

Trade data submitted for comparison through the Trade Comparison system will, once matched, constitute settlement obligations, between the buying and selling counterparties, with respect to Trade-for-Trade Transactions and Specified Pool Trades.

Settlement obligations with respect to trade data submitted for TBA trades that are SBO-destined trades shall be established at the time at which the Corporation has both completed its SBO-processing for the preparation of such Reports and has released such Reports to the Corporation's data output facility or facilities, unless the Corporation has notified such Clearing Member on such Business Day of a delay in the Corporation's making available such Reports or output to the Member.

RULE 6 – TBA NETTING

Section 1 – Netting

Each Clearing Member's SBO-Destined Trades in each Account in the TBA Netting system (other than SBO-Destined Trades that have been converted to Trade-for-Trade Transactions as provided in this Rule) shall be netted by CUSIP number on a monthly basis in the following manner:

(a) The Corporation shall offset purchase and sale Transactions between the Member and the Original Contra-Side Member to such Transactions (SBO Netted Positions).

(b) To the extent that any purchase or sale Transactions cannot be offset as described in subsection (a) above, the Corporation shall offset purchase and sale Transactions among the Clearing Member and any of its Original Contra-Side Members (SBO Net-Out Positions).

(c) To the extent that any purchase or sale Transactions cannot be offset as described in subsections (a) and (b) above (SBO Net Open Positions), the Corporation shall assign the Clearing Member one or more SBO Trades offsetting such SBO Net Open Positions. To the maximum extent practicable, the SBO Trades shall be SBOO Trades between the Clearing Member and one or more of its Original Contra-Side Members. Any remaining SBO Trades shall be SBON Trades between the Clearing Member and one or more other Members who are non-Original Contra-Side Members.

The Settlement Price of an SBOO Trade shall be the Firm CUSIP Average Price (FCAP), representing the average purchase or sale contract price of the Member's SBO-Destined Trades with the Original Contra-Side Member in the TBA CUSIP as determined in accordance with this Rule 6. The Settlement Price of an SBON Trade shall be the CUSIP Average Price (CAP), representing the average contract price as computed by the Corporation of all SBO-Destined Trades in the TBA CUSIP that have been netted to produce the SBON Trade.

Prior to netting as described in this Rule, any SBO-Destined Trade that remains Partially Compared shall be converted to a Trade-for-Trade Transaction.

Section 2 - Receipt of TBA Netting Output

On each Business Day, Reports shall be deemed to have been made available by the Corporation to a Clearing Member at the time at which the Corporation has both completed its processing for the preparation of such Reports and has released such Reports to the Corporation's data output facility or facilities, unless the Corporation has notified such Clearing Member on such Business Day of a delay in the Corporation's making available such Reports or output to the Member.

The inability of a Clearing Member, because of automation problems that it incurs or for any other reason, to receive a Report that has been made available to it by the Corporation shall not excuse or otherwise affect such Clearing Member's obligations pursuant to these Rules. A

Clearing Member shall be obligated to accept Reports from the Corporation in the format and within the timeframes specified in guidelines issued by the Corporation from time to time.

Section 3 - Responsibility for Third Party Actions

No improper or unauthorized action, or failure to act, of a third party acting on behalf of a Clearing Member (including, but not limited to, a service bureau) shall excuse or otherwise affect such Clearing Member's obligations pursuant to this Rule.

Section 4 - Obligation to Inform the Corporation

Each Clearing Member shall be obligated to inform the Corporation of the following:

(a) difficulty in providing, or inability to provide, data input to the Corporation, or difficulty in receiving, or inability to receive, Reports from the Corporation, in the manner, or within the timeframes, that such Member ordinarily inputs or receives such information;

(b) the receipt by such Clearing Member from the Corporation of a Report that it believes contains erroneous information, omits material information, or has any other type of problem; and,

(c) potential difficulty in satisfying, or inability to satisfy, in a timely manner any of its obligations with respect to the delivery or receipt of securities, or the payment of monies, that arise pursuant to these Rules.

The Clearing Member shall inform the Corporation promptly after the occurrence of any event specified above.

Section 5 – Obligation to Submit

Each Clearing Member must submit to the Corporation for processing through the Corporation transactions with other Clearing Members in all securities that are netting-eligible pursuant to these Rules and such procedures as the Corporation may establish from time to time and as thereafter specified in an Important Notice to the Clearing Members.

RULE 7: POOL COMPARISON

Section 1 – Pool Comparison

The Pool Comparison system is a system for comparing pools that have been allocated in satisfaction of open TBA Obligations. Clearing Members allocating pools to satisfy open TBA Obligations recorded in the Clearing System are required to submit pool details to the Corporation in order for such pools to be processed through the Pool Netting system pursuant to Rule 8.

In order for the Corporation to process data for Pool Comparison, the Corporation must receive data from the long and short sides of the allocated pool submission in the format and within the timeframes specified in guidelines issued by the Corporation from time to time. For a Pool Comparison to be generated by the Corporation, there must be an exact match of all required match data submitted by each contra-party as required by the Corporation's procedures. Notwithstanding the previous sentence, if the price submitted by the settlement counterparties matches within the tolerance of decimal places specified by the Corporation in its procedures, but does not match beyond such decimal place, the Corporation shall apply the Settlement Price.

Items identified as uncomparing by the Corporation reflect pool data submitted by a Clearing Member for which the counterparty Clearing Member either did not submit data or did not submit data which matched in all respects, except as otherwise provided in these Rules. Comparison requested (advisory) data represents trades submitted by a Clearing Member against its counterparty.

Section 2 – Cancellation and Modification of Data by Clearing Members

A Clearing Member that has submitted to the Corporation data for Pool Comparison that have not been compared may modify, cancel or DK such data by providing appropriate instructions to the Corporation, pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose. Pool data submitted against a Clearing Member that is affirmed by the Clearing Member will be deemed compared.

Data submitted for Pool Comparison that have been compared may be cancelled from the Pool Comparison system, by either the selling or buying Original Contra-Side Member, upon receipt by the Corporation of appropriate instructions, submitted pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose.

RULE 8- POOL NETTING SYSTEM

Section 1– General

Pool Netting is a system for aggregating and matching offsetting allocated pools submitted by Clearing Members to satisfy: (i) settlement obligations associated with Trade-for-Trade Transactions and (ii) settlement obligations resulting from the TBA Netting system.

Each Business Day, the Corporation will calculate and report to each Clearing Member each Pool Net Settlement Position of such Member. With respect to each such Pool Net Settlement Position, the Corporation will report to the Member the extent to which the Member is obligated to deliver Eligible Securities to the Corporation and/or to receive Eligible Securities from the Corporation in accordance with each such Pool Net Settlement Position.

Section 2 – Eligibility for Pool Netting

A pool is eligible for Pool Netting if it meets all of the following requirements:

- (a) the pool has been compared by the Corporation pursuant to Rule 7;
- (b) the pool is assigned to a TBA Obligation generated pursuant to these Rules; and
- (c) the pool meets the criteria set forth in the Corporation’s procedures for inclusion in Pool Netting.

Notwithstanding the foregoing, the Corporation may, in its sole discretion, exclude any pools from the Pool Netting system by Clearing Member or by pool. Pools not meeting the eligibility requirements for Pool Netting are required to be settled bilaterally with the settlement counterparties and are subject to the requirements of Rule 10 with respect to Notification of Settlement.

Section 3 – Calculation of Pool Net Settlement Positions

On each Business Day, for each Eligible Security in the Pool Netting system, the Corporation will establish a Pool Net Settlement Position for eligible pools of a Clearing Member with the same Delivery Date and Contractual Settlement Date, comparing the aggregate Par Amount of each long obligation in an Eligible Security by the Clearing Member (hereinafter, the “Long Total”) and each short obligation in an Eligible Security by the Clearing Member (hereinafter, the “Short Total”). If the Long Total exceeds the Short Total, the resulting difference will constitute the Pool Net Long Position. If the Short Total exceeds the Long Total, the resulting difference will constitute the Pool Net Short Position. All Pool Net Settlement Positions shall be reported by CUSIP Number by the Corporation in a Report issued and made available each Business Day to each Clearing Member.

Section 4—Allocation of Pool Deliver and Pool Receive Obligations

On each Business Day, the Corporation will establish Pool Deliver Obligations and Pool Receive Obligations as necessary to accomplish the settlement of Pool Net Settlement Positions. Pool Deliver Obligations and Pool Receive Obligations shall be allocated by the Corporation on an equitable basis to Clearing Members with corresponding Pool Receive Obligations and Pool Deliver Obligations that involve Eligible Securities with the same CUSIP Number. A single Pool Net Settlement Position may result in the establishment of more than one Pool Deliver Obligation or Pool Receive Obligation in an Eligible Security. Each Pool Deliver Obligation and each Pool Receive Obligation of a Clearing Member shall be listed in the Report that will be issued on each Business Day to each Clearing Member.

Section 5 – Substitutions

With regard to any Pool Deliver Obligation, a Clearing Member may substitute the underlying pool that comprises such Pool Net Settlement Position by providing appropriate instructions to the Corporation, pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose. Members with a Pool Receive Obligation that has been substituted are required to accept the substituted pools from the Corporation in accordance with the Corporation's procedures.

Section 6 – Novation of Obligations

Pool Net Settlement Positions and resultant Pool Deliver Obligations and Pool Receive Obligations of a Clearing Member, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a correction of compared data made pursuant to these Rules, shall be fixed at the time the Report of such Positions and Obligations is made available by the Corporation to the Member. At that time, all deliver, receive and related payment obligations between Clearing Members that were created by compared pools that comprise a Pool Net Settlement Position or Positions are terminated and replaced by the Pool Deliver Obligations, Pool Receive Obligations and related payment obligations for such Members that are listed in the Report. The associated TBA Obligations of netted pools will be terminated and replaced with Pool Deliver Obligations, Pool Receive Obligations or cash obligations as established by the Corporation in the applicable Report.

RULE 9 – POOL SETTLEMENT WITH THE CORPORATION

Section 1 – General

On each Business Day, each Pool Deliver Obligation and Pool Receive Obligation shall be settled at the Settlement Value reported on such Business Day for such obligation. Pool Deliver Obligations of a Clearing Member generated by the Pool Netting system must be satisfied by delivery of the appropriate Eligible Securities from a clearing bank or banks designated by the Clearing Member for such purpose to a clearing bank or banks designated by the Corporation for such purpose. Pool Receive Obligations of a Member must be satisfied by receipt of the appropriate Eligible Securities by a clearing bank or banks designated by the Clearing Member for such purpose from a clearing bank or banks designated by the Corporation for such purpose.

All deliveries of Eligible Securities in satisfaction of Pool Deliver Obligations, and all receipts of Eligible Securities in satisfaction of Pool Receive Obligations, must be made against simultaneous payment or receipt in Federal funds at the Settlement Value for each such Obligation for the Business Day of such delivery or receipt.

All deliveries of Eligible Securities in satisfaction of Pool Deliver Obligations shall be identified by standard industry delivery codes indicating a new origination delivery. Reversal codes shall not be used to identify any delivery of securities to the Corporation without the express prior permission of the Corporation.

Pool settlements shall occur pursuant to the timeframes and settlement cycles established by the Corporation.

Section 2 - Designation of Clearing Banks

The Corporation shall notify each Person, no later than ten Business Days prior to its becoming a Clearing Member, of the clearing bank or banks that the Corporation will use to deliver Eligible Securities to Clearing Members and to receive Eligible Securities from Clearing Members, and of the types of Eligible Securities that each such clearing bank will so deliver and receive. Thereafter, the Corporation shall notify each Clearing Member of any change in the Corporation's designation of the clearing bank or banks that will act on the Corporation's behalf, or in the product that any such clearing bank is designated to deliver or to receive, no later than ten Business Days prior to the effective date of such change.

A Person must notify the Corporation, in such manner as the Corporation may prescribe, no later than ten Business Days prior to its becoming a Clearing Member, of the clearing bank or banks that it has designated to act on its behalf, pursuant to this Rule, in the delivery of Eligible Securities to the Corporation and in the receipt of Eligible Securities from the Corporation. Each Clearing Member must notify the Corporation of any change in such designation, no later than ten Business Days prior to the effective date of such change. Such designation is subject to the Corporation's determination, in its reasonable judgment, that such clearing bank (a) has and will maintain access to FedWire, (b) has and will maintain the operational capability to interact

satisfactorily with the clearing banks that act on behalf of the Corporation, and (c) has agreed to act on behalf of such Clearing Member in accordance with this Rule.

Section 3 - Instructions to Clearing Banks

On each Business Day, the Corporation shall make available to each Clearing Member a Report that provides information that the Corporation deems sufficient to enable such Clearing Member to be able to settle its Pool Net Settlement Positions on such Business Day. Each such Clearing Member, based on the information provided in such Report, shall promptly provide appropriate instructions to its clearing bank or banks to deliver to the Corporation on that Business Day as provided in these Rules, and/or to receive from the Corporation on that Business Day as provided in these Rules, on behalf of the Clearing Member, Eligible Securities of specified types and amounts, against payment or receipt at the appropriate Settlement Value, exactly as set forth in such Report.

Section 4 - Partial Deliveries

In its sole discretion, the Corporation may accept a delivery from a Clearing Member with a Pool Net Short Position of only a portion of the Eligible Securities that comprise such Pool Net Short Position. The Corporation will do so only upon obtaining the consent of a Clearing Member or Members with a Pool Net Long Position or Positions comprised of Eligible Securities with the same CUSIP number to a receipt by the Clearing Member or Members from the Corporation of a like amount of such securities. If a partial delivery of Eligible Securities by a Clearing Member is accepted by the Corporation, the remaining securities that were not delivered to the Corporation will constitute a Fail.

Section 5 - Financing Costs

If a Clearing Member with a Pool Net Short Position delivers Eligible Securities to the Corporation and the Corporation is unable to redeliver such securities on the same Business Day to a Clearing Member or Members with Pool Net Long Positions in such securities and, as a result, the Corporation incurs costs, expenses, or charges related to financing such securities (hereinafter, the "financing costs"), the Clearing Members that had settlement obligations in the applicable Eligible Securities (applied at the issuer level and not the CUSIP level) shall be obligated to pay, or to reimburse the Corporation, for such financing costs. Such payment or reimbursement of financing costs shall be allocated by the Corporation pro rata, based on the value of the settlement obligations in those Securities of each such Clearing Member as provided in the procedures. Notwithstanding the above, if the Corporation, in its sole discretion, determines that a Clearing Member has, without good cause, caused the Corporation to incur financing costs, the Corporation shall notify the Clearing Member of such determination, and such Clearing Member (hereinafter, the "Late Delivering Member") shall be obligated to pay for, or to reimburse the Corporation for, the entire amount of any financing costs incurred by the Corporation on or after the date of such notification as the result of a delivery of Eligible Securities made by the Late Delivering Member to the Corporation pursuant to this Rule, until the Board determines that such is no longer appropriate. A Late Delivering Member also may be subject to fine by the Corporation, if the Corporation determines that such is appropriate in order to promote an orderly settlement process.

Notwithstanding the above, if the Corporation, as the result of a violation by a Clearing Member of the Rules, is obligated to obtain overnight financing for securities, the Clearing Member shall be obligated to pay for, or to reimburse the Corporation for, the entire amount of any financing cost incurred by the Corporation.

Section 6 - Obligation to Receive Securities

If the Corporation has, in accordance with this Rule, delivered Eligible Securities to a Clearing Member with a Pool Net Long Position, such Clearing Member shall be obligated to accept delivery of all such securities at the Settlement Value for the Pool Receive Obligation or Pool Receive Obligations that comprise such Position. If such Clearing Member fails to do so (hereinafter, the "Non-Receiving Member"), it shall be obligated to pay, or to reimburse the Corporation for, all costs, expenses, and charges incurred by the Corporation as the result thereof, and it may be subject to a fine by the Corporation if the Corporation, in its sole discretion, determines that such failure to accept securities was done without good cause.

The Corporation may, but shall have no obligation to, accept receipt, and otherwise shall return, Eligible Securities delivered to it that either are securities that have not been designated by Report to be delivered to the Corporation on such Business Day (hereinafter, the "Exception Securities") or are securities (hereinafter, the "Mispriced Securities") that have been delivered to it at other than the appropriate Settlement Value for the Pool Deliver Obligation or Pool Deliver Obligations composed by such Eligible Securities. If a Clearing Member makes such a delivery to the Corporation (hereinafter, an "Exception Delivery"), such Member shall pay, or reimburse the Corporation, for any costs, expenses, and charges incurred by the Corporation as the result of such Exception Delivery, and such Clearing Member may be subject to fine by the Corporation if the Corporation, in its sole discretion, determines that the Clearing Member (hereinafter, the "Exception Delivering Member") has, on a frequent basis without good cause, made Exception Deliveries to the Corporation.

If the Corporation accepts an Exception Delivery of Exception Securities, the Exception Delivering Member shall be deemed to have loaned such Exception Securities to the Corporation, and such Exception Securities shall constitute a Pool Net Long Position of such Member. The Corporation shall, as soon as practicable, redeliver to such Member a like amount of Eligible Securities with the same CUSIP number, with such redelivery to be made at the Settlement Value of the Pool Receive Obligation or Pool Receive Obligations composed by such Eligible Securities as of the Business Day on which the Exception Delivery was made. If the Corporation accepts an Exception Delivery of Mispriced Securities, an appropriate Clearance Difference Amount adjustment shall be made, pursuant to Rule 11, between the Corporation and the Member that made such Exception Delivery. Until redelivery of such Exception Securities, the Corporation shall have all of the incidents of ownership of the Exception Securities, including both the right to transfer such Exception Securities and the right to pledge, repledge, assign or create a security interest in such Exception Securities to secure financing obtained by the Corporation to receive or carry such Exception Securities or for any other purpose.

Section 7 - Obligation to Facilitate Financing

If the Corporation deems it appropriate, in its sole discretion, in order to obtain financing necessary for the provision of the securities settlement services contemplated by these Rules,

including, without limitation, fail financing of securities positions arising out of the delivery by Clearing Members to the Corporation of Eligible Securities, the Corporation may: (i) create, and each Clearing Member shall not take any action to adversely affect the creation of, such security interests in Eligible Securities in favor of any entity or entities, including any depository institution, from which the Corporation, in its sole discretion, deems it necessary or desirable to obtain and maintain such financing and/or (ii) enter into repurchase Transactions involving Eligible Securities with any Clearing Member or clearing bank, and each Clearing Member shall not take any action to adversely affect such repurchase Transactions. Any such financing obtained by the Corporation may be on terms and conditions deemed necessary or advisable by the Corporation in its sole discretion. Any such security interests or repurchase transaction obligations created by the Corporation in or with respect to any Eligible Securities may be to obtain an amount greater, and may extend for a period of time longer, than the obligation of any Clearing Member to the Corporation relating to such Eligible Securities. Notwithstanding the above, the Corporation shall remain obligated to make delivery to Clearing Members of Eligible Securities under the circumstances and within the timeframes specified in these Rules.

Section 8 - Relationship with Clearing Banks

No improper or unauthorized action, or failure to act, by a clearing bank acting on behalf of a Clearing Member shall excuse or otherwise affect the obligations of a Clearing Member to the Corporation pursuant to these Rules.

Section 9 - Definition of "Good Cause"

As used in this Rule, "good cause" means a causal event or occurrence that the Corporation, in its sole discretion, determines to have been beyond the reasonable control of a Clearing Member; depending upon the specific circumstances, this may include an extended failure of FedWire or the inability of a clearing bank acting on behalf of a Clearing Member or the Corporation to gain access to FedWire.

RULE 10 - NOTIFICATION OF SETTLEMENT

Section 1 – Settlement Obligations

Except as the selling and purchasing Clearing Members in a Trade-for-Trade Transaction may otherwise agree, pools that are not eligible for processing through the Pool Netting system will settle bilaterally with their original allocation counterparty at the Settlement Price established by the Corporation.

For purposes of complying with procedures for notifications, settlements and reclamations specified in the SIFMA Guidelines, the delivering and receiving Clearing Members shall be deemed Dealers.

Section 2 - Notification of Settlement.

Upon clearance of a Specified Pool Trade or an SBO Trade or a Trade-for Trade Transaction not novated by the Corporation pursuant to Rule 8 above, and within the timeframes established by the Corporation from time to time, each of the delivering and the receiving Clearing Members shall promptly submit to the Corporation, in the manner specified in the procedures, a Notification of Settlement of the Eligible Securities delivered or received by the Clearing Member.

If the Corporation receives a Notification of Settlement with respect to an SBO Trade or a Trade-for-Trade Transaction from both the delivering and the receiving Member and the information submitted by the Members compares within dollar tolerances determined by the Corporation from time to time, either with respect to the entire SBO Trade or Trade-for-Trade Transaction, or a portion thereof, the Corporation shall reflect clearance of such SBO Trade or Trade-for-Trade Transaction (or portion thereof) in each Member's Purchase and Sale Report. The SBO Trade or Trade-for-Trade Transaction (or portion thereof with respect to which information compares) will subsequently be deleted from the delivering and the receiving Member's respective Open Commitment Reports.

If the Corporation receives a Notification of Settlement with respect to an SBO Trade or a Trade-for-Trade Transaction from both the delivering and the receiving Members but the information submitted by the Members does not compare within dollar tolerances determined by the Corporation pursuant to these Rules or compares only in part, or if only one Member submits a Notification of Settlement, the Corporation shall so indicate in the applicable report distributed to each Member. Until such time as the Member submitting incorrect information submits a correction, or, if only one Member submitted a Notification of Settlement, the information is deleted by that Member or the other Member submits a Notification of Settlement with information that compares, the SBO Trade or the Trade-for-Trade Transaction (or portion thereof with respect to which information does not compare) will continue to be reflected on each Member's Open Commitment Report and will remain subject to Required Fund Deposit requirements as computed pursuant to these Rules.

With respect to Specified Pool Trades:

If (i) the Corporation receives a Notification of Settlement from both parties to the transaction that compares in full or (ii) both parties submit a cancellation of the transaction, the Corporation shall reflect clearance of such Specified Pool Trade in each Member's Purchase and Sale Report and delete the transaction from the parties' respective Open Commitment Reports.

If the Corporation receives a Notification of Settlement from both parties to a Specified Pool Trade but the information submitted by the Members does not compare or if only one Member submits a Notification of Settlement, the Corporation shall so indicate in each Member's Transaction Summary Report. Until such time as Notifications of Settlement compare as to the entire amount of the Specified Pool Trade, the outstanding portion of such transaction will continue to be reflected on each Member's Open Commitment Report and will remain subject to Required Fund Deposit requirements as computed pursuant to these Rules.

RULE 11 – CASH SETTLEMENT

Section 1 – SBO Market Differential

On the established date in the settlement cycle for each Eligible Security, the Corporation will determine whether any Aggregated Account in the Clearing System has a net positive or negative SBO Market Differential. Any net negative SBO Market Differential will be charged against the Member's Cash Balance for such Aggregated Account on the Contractual Settlement Date, and any net positive SBO Market Differential will be credited to the Member's Cash Balance for such Aggregated Account on the Contractual Settlement Date. The SBO Market Differential is calculated as follows:

- (a) for each of its SBO Netted Positions, the difference (positive or negative) between the FCAPs for its purchases and the FCAPs for its sales; plus or minus
- (b) for each of its SBO Net-Out Positions, the difference (positive or negative) between the FCAPs for its purchases and the FCAPs for its sales; plus or minus
- (c) for each of its SBO Net Open Positions that is offset by an SBON Trade, the difference (positive or negative) between the Member's FCAP for its purchase or sale transaction with the Original Contra-Side Member and the CAP for its SBON Trade.

Section 2 – Net Pool Transaction Adjustment Payment

The Corporation shall compute a Pool Transaction Adjustment Payment for each trade that is eligible for the Pool Netting process as follows.

The Pool Transaction Adjustment Payment shall be an amount equal to the difference between the Pool Net Price that was established during the allocated pool's Pool Netting process and the compared pools Settlement Price, multiplied by the contractual quantity.

The sum of all Pool Transaction Adjustment Payments that have been calculated for a Member during a given Pool Netting process will constitute such Member's Net Pool Transaction Adjustment Payment, which can be positive or negative. On the first Business Day that follows the calculation of a Member's Net Pool Transaction Adjustment Payment, any negative Net Pool Transaction Adjustment Payment will be charged against the Member's Cash Balance for such Aggregated Account and any positive Net Pool Transaction Adjustment Payment will be credited to the Member's Cash Balance for such Aggregated Account.

Section 3 - Computation of Cash Balance for Each Account

Each Business Day, the Corporation shall compute a Cash Balance for each applicable Account, which for Clearing Members shall be a net positive or negative amount equal to:

- (a) the positive or negative amount of any SBO Market Differential computed for such Account pursuant to Section 1 of this Rule; plus or minus
- (b) the positive or negative amount of any Net Pool Transaction Adjustment Payment amount; plus or minus
- (c) the positive or negative amount of any Principal and Interest payments required as a result of the clearance of Deliver and Receive Obligations which are not eligible for processing through FedWire (Fail Tracking/Interim Accounting) Securities Service Automated Claims Adjustment Process (ACAP); plus
- (d) in the case of a Broker, any commissions that the Corporation, at such intervals as are prescribed by the Corporation from time to time, determines are due the Broker as a result of Transactions effected by the Broker on behalf of purchasing and selling Dealers; or minus
- (e) in the case of a Dealer effecting Transactions through a Broker, any commissions that the Corporation, at such intervals as are prescribed by the Corporation from time to time, determines are due the Broker with respect to such Transactions; minus
- (f) if applicable, the amount of any charges for services rendered with respect to such Account pursuant to Rule 18; minus
- (g) the amount of any fines, billing fees, charges for financing costs or interest imposed by the Corporation or other charges for services rendered by the Corporation, with respect to such Account pursuant to these Rules; or plus
- (h) if applicable, the amount of interest payable by the Corporation with respect to such Account pursuant to Section 1 and Section 6 of this Rule; plus or minus
- (i) the positive or negative value of any Clearance Difference Amount.

Section 4 - Netting of Cash Balances for Aggregated Accounts.

Each Business Day, the Corporation shall net the positive or negative Cash Balance for each Account in an Aggregated Account to produce a single Cash Settlement amount for such Aggregated Account.

Section 5 - Cash Settlement

At such time and in such manner as is specified by the Corporation from time to time, any Member with a net negative Cash Balance for any Aggregated Account shall pay to the Corporation the amount of such negative Cash Balance, and the Corporation shall pay to any Member with a positive Cash Balance for any Aggregated Account the amount of such positive Cash Balance. The payments referred to in the previous sentence shall be done through the Cash Settling Banks pursuant to the following process:

(a) At such time and in such manner as specified by the Corporation from time to time, the Corporation shall make available to each Member and to the Cash Settling Bank Member acting on behalf of the Member a Report stating the Cash Settlement amount that is either to be paid from such Member to the Corporation on the scheduled due date for the payment of debits or to be collected by such Member on the scheduled due date for the payment of credits. The Cash Settling Bank Member shall also receive the Cash Settlement amounts of all of the Members for which it is acting, its Total Debit Cash Balance Figure and its Total Credit Cash Balance Figure.

(b) By the deadline established by the Corporation as announced in notices issued by the Corporation, the Cash Settling Banks, without exception, must acknowledge to the Corporation via the designated terminal system their Total Debit Cash Balance Figures and Total Credit Cash Balance Figures and (1) their intention to settle with the Corporation such Figures by the applicable deadlines, or (2) their refusal to settle for one or more particular Members. Notwithstanding the foregoing, a Cash Settling Bank that is a Member and settles solely for its own account may opt to not acknowledge its Cash Settlement amount.

(c) If the Cash Settling Bank sends refusal messages which result in a revised Total Debit Cash Balance Figure and/or Total Credit Cash Balance Figure, it must send a message to the Corporation immediately after the refusal message acknowledging the new amount(s) and its intention to settle the new Total Debit Cash Balance Figure and/or Total Credit Cash Balance Figure by the payment deadline.

(d) A Cash Settling Bank that cannot send an acknowledgement or refusal message to the Corporation due to an operational issue may telephone its instructions to the Corporation's Operations area to the number specified in the Corporation's notices.

(e) A refusal to settle by the Cash Settling Bank for a particular Member is a refusal to settle all accounts of the Member for which the Cash Settling Bank is acting. The Cash Settling Bank cannot refuse to settle only some of the accounts of the Member if the Member has multiple accounts at the Corporation for which the Cash Settling Bank is acting.

(f) If the Cash Settling Bank does not acknowledge, or sends a refusal regarding, the Member's Cash Settlement amount that is a debit or if the Bank acknowledges the amount but then does not settle the payment, the Member shall remain obligated, pursuant to the Rules, to pay such Cash Settlement amount by the payment deadline and shall do so by causing such payment to be made to the depository institution designated by the Corporation from time to time to receive such payment.

(g) A Cash Settling Bank with a Total Debit Cash Balance Figure that has sent an acknowledgement to the Corporation must settle such amount pursuant to the process set forth herein by the payment deadline established by the Corporation on the Corporation's time schedules posted on its website.

(h) DTC provides the Corporation with services with respect to the Corporation's Cash Settlement process as described herein and in accordance with the Rules. DTC will act as Settlement Agent (as that term is used in the relevant FRB's Operating Circular 12 and in these Rules) for the Corporation and for the Corporation's Cash Settling Banks with respect to the FRB's NSS, as the means of effecting Cash Settlement.

(i) Cash Settling Banks must settle their Total Debit Cash Balance Figures and their Total Credit Cash Balance Figures via the FRB's NSS. The Settlement Agent will send a pre-advice to each Cash Settling Bank, notifying it that the Settlement Agent is about to send its NSS transmission to the FRB. NSS will allow the Corporation's Settlement Agent to instruct the relevant FRB to debit or credit, as applicable, the Cash Settling Bank's account at the FRB by the requisite amount.

(j) If a Cash Settling Bank is experiencing extenuating circumstances and, as a result, needs to opt out of NSS for one Business Day, the Cash Settling Bank must notify the Corporation's Operations area prior to the acknowledgement deadline. The Member shall remain obligated, pursuant to the Rules, to pay its Cash Settlement amount that is a debit by the payment deadline and shall do so by causing such payment to be made to the depository institution designated by the Corporation from time to time to receive such payment.

(k) If the Cash Settling Bank's account at the FRB has insufficient funds, DTC will receive notification from the FRB that the account was not debited. The affected Member(s) must then promptly wire the requisite funds to the depository institution designated by the Corporation for this purpose by the payment deadline.

(l) In the event a Cash Settling Bank fails to settle in the manner and at the time prescribed by the Corporation, due to insolvency or other cause, each Member represented by that Cash Settling Bank shall be obligated to the Corporation for its Cash Settlement amount and such payment must be made by the payment deadline; however, if the Corporation has made payment to the failed Cash Settling Bank the Corporation shall have no obligation to any Member for a Cash Settlement amount that is a credit.

(m) Members must remain at all times in compliance with the Rules, notwithstanding any circumstances related to their Cash Settling Bank or NSS. A Member must at all times be prepared to wire payment to the depository institution designated by the Corporation for this purpose if the Member's Cash Settlement amount is not satisfied via the NSS process. If the Corporation does not receive a Member's Cash Settlement amount that is a debit by the payment deadline, the Member shall be subject to the applicable fine and any other disciplinary consequences under these Rules.

(n) Each Cash Settling Bank shall monitor its FRB account to ensure accuracy of debits and credits made through the NSS process.

(o) Under FRB Operating Circular No. 12, FICC's Settlement Agent has certain processing responsibilities in allocating an indemnity claim made by an FRB as a result of processing the Corporation's cash settlement via NSS. The Corporation shall apportion the entirety of such liability to the Member or Members for whom the Cash Settling Bank to which the indemnity claim relates was acting. Such liability for each applicable Member shall be in proportion to the amount of such Members' Cash Settlement amounts on the Business Day in question. If for any reason such allocation is not sufficient to fully satisfy the FRB indemnity claim, then the remaining loss shall be allocated among all Members in proportion to their relative usage of the facilities of the Corporation (based on fees for services) during the period in which loss was incurred.

(p) No improper or unauthorized action, or failure to act, by a Cash Settling Bank or on behalf of a Member shall excuse or otherwise affect such Member's obligations to the Corporation pursuant to this Rule.

Section 6 – Failure to Pay

If a Member fails to pay when due its Cash Settlement obligation with respect to any Account or Aggregated Account, the Corporation shall:

(a) impose a fine in such amount as the Corporation may determine, plus interest at a rate determined from time to time by the Corporation; and

(b) charge the amount of the unpaid Cash Settlement obligation against the Member's deposits to the Clearing Fund or to any Account or Aggregated Account of the Member.

RULE 12 FAILS CHARGE

The Corporation will apply the fails charge described herein to transactions in Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

The fails charge applies to failing Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. If a Clearing Member does not satisfy a pool delivery obligation to the Corporation of Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae on a particular Business Day, the Corporation shall apply a debit charge on the funds amount associated with the Clearing Member's failed position (the "fails charge"). If a Clearing Member fails to receive a pool delivery obligation from the Corporation of Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae on a particular Business Day, the Corporation shall credit the Clearing Member in the amount of the fails charge.

The fails charge shall be the product of the (i) funds associated with a failed position and (ii) the greater of (a) 0 percent or (b) 2 percent per annum minus the fed funds target rate that is effective at 5 p.m. EST on the preceding business day. The fails charge accrues each calendar day. However, the fails charge will not apply (i) if delivery occurs on either of the two Business Days following the contractual Settlement Date or (ii) to TBA and pool level round robins (i.e., a circular series of transactions between multiple parties where there is no ultimate long and short position to be settled) if each affected Clearing Member in the round robin provides the Corporation with the required information to resolve the trade.

If fails accrue at a particular fails charge and the fails charge changes, the existing fails will keep the original accrual and new fails will be subject to the new rate. When there is a substitution of the underlying pool, fails charges will be calculated pursuant to the above formula using (in the formula) the fed funds target rate for each day of the substitution period beginning on the contractual Settlement Date.

In the event that the Corporation is the failing party because (i) the Corporation received Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae too near the close of Fedwire for redelivery or for any other reason or (ii) the Corporation received a substitution of a pool deliver obligation of Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae too near the specified cut-off time in the SIFMA 48-Hour Rule for same day redelivery of securities or for any other reason, the fails charge will be distributed pro rata to the Clearing Members based upon usage of the Mortgage-Backed Securities Division's services.

Each business day, the Corporation shall provide reports reflecting fails charge amounts to Clearing Members and will generate a consolidated monthly report at month end for those Eligible Securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae that were settled during the month. Clearing Members with a net debit (i.e., the fails charge amounts owed by the Clearing Member exceed the fails charge amounts it is owed) shall be required to pay such net amount in respect of those delivery obligations that have settled the previous month and which are reflected in the previous month's consolidated month end report by the Class "B" payable date (as established by SIFMA Guidelines) of the month following settlement in conjunction with other cash movements. The fails charge funds received by the Corporation will then be used to pay members with fail net credits.

The Corporation shall not guaranty fails charge proceeds in the event of a default (i.e., if the defaulting Clearing Member does not pay its fails charge, Clearing Members due to receive fails charge proceeds will have those proceeds reduced pro-rata by the defaulting Clearing Member's unpaid amount).

The Board shall have the right, in its sole discretion, to revoke application of the charge if industry events or practices warrant such revocation.

RULE 13 – PROVISIONS REGARDING THE EXPIRATION OR EXERCISE OF OPTIONS

On the expiration or exercise date of any Option Contract as reported to the Corporation as required by these Rules, both the selling and the purchasing Members shall submit a cancellation of the Option Contract to the Corporation and, in the case of exercise, unless both parties to the Option Contract otherwise agree, submit trade input with respect to the purchase or sale of the Eligible Securities subject to such Option Contract in accordance with the provisions of these Rules. Until both Members submit a cancellation, the Corporation shall continue to show the Option Contract on the Members' Open Commitment Reports and shall continue to require Required Fund Deposits with respect thereto as provided in Rule 4, "Clearing Fund and Loss Allocation."

RULE 14 - RESTRICTIONS ON ACCESS TO SERVICES

Section 1 - Cause for Action by the Corporation

Based upon the judgment of the Board that adequate cause exists to do so, or as otherwise provided for in Rule 3, the Corporation may, at any time, upon providing notice to the Member, suspend a Member from any service provided by the Corporation either with respect to a particular Transaction or Transactions or with respect to Transactions generally, or prohibit or limit such Member with respect to access to services offered by the Corporation in the event that:

- (a) the Member has been and is expelled or suspended from any regulatory or self-regulatory organization;
- (b) the Member is in default of any delivery of funds or securities to the Corporation;
- (c) the Member is in such financial or operating difficulty that the Corporation has determined, in its discretion, that such action is necessary for the protection of the Corporation, its participants, creditors, or investors;
- (d) the Member has failed to perform any of its obligations to the Corporation arising under these Rules or under the Corporation's procedures or has materially violated any Rule or procedure of, or any agreement with, the Corporation;
- (e) the Member has failed to make to the Corporation, on a timely basis, any required payment, or deposit or delivery provided for in these Rules or in the Corporation's procedures, including any fee, fine other charge, and a delivery of securities;
- (f) the Board has determined that the Member is no longer in compliance with any provision of (i) the admission standards provided in Rule 2A that would be applicable to it if it were an applicant for membership, including consideration of the disqualification criteria contained in Rule 2A, or (ii) the continuance standards provided in Rule 3 applicable to it, including any operational testing and related reporting requirements and including consideration of the disqualification criteria contained in Rule 2A;
- (g) the Board has reasonable grounds to believe that the Member, or its Controlling Management has been responsible for fraudulent or dishonest conduct or breach of fiduciary duty or has made a material misstatement or omitted to state a material fact in any statement to the Corporation or to any officer or employee of the Corporation in connection with its application to become a Member, or thereafter, in connection with any transaction processed or service furnished by the Corporation;
- (h) such Member has failed to comply with any financial or operational requirement of the Corporation

- (i) the Board has reasonable grounds to believe that the Member is in or is approaching significant financial or operational difficulty or otherwise will be unable to meet its obligations to the Corporation;
- (j) the Corporation has reasonable grounds to believe that such Member is subject to a Statutory Disqualification; or
- (k) the Board otherwise has reasonable grounds to believe that such suspension, prohibition or limitation is necessary either for the protection of the Corporation or any of the other Members or to facilitate the orderly and continuous performance of the Corporation's services.

The Board may determine that adequate cause for suspension, prohibition or limitation does not exist, either unconditionally or on an appropriate temporary or other conditional basis, if the Board determines that any standard specified in this Section, as applied to a Member or, its Controlling Management is unduly or disproportionately severe or that the conduct of such Member or its Controlling Management has been such as not to make it against the interests of the Corporation, other Members, or the public for the Corporation to continue to act for such Member.

Section 2 – Restriction on Access or Suspension

Before the Corporation suspends a Member with respect to a particular Transaction or Transactions or prohibits or limits such Member's access to services offered by the Corporation pursuant to this Rule, the Corporation shall notify such Member as soon as practicable that it has taken such action, and such notice shall set forth the specific grounds under consideration upon which any suspension, prohibition or limitation of access may be based and shall contain notice to the Member of its right to request a hearing, pursuant to Rule 28, "Hearing Procedures." Any such hearing requested pursuant to Rule 28 shall be held as promptly as possible after such statement is furnished. If the Corporation takes any action pursuant to this Section, it shall notify the SEC as soon as practicable.

Section 3 – Summary Suspension

Notwithstanding Section 2 of this Rule, the Board may summarily suspend a Member with respect to a particular transaction(s) or Transactions generally or summarily prohibit or a limit a Member's access to services offered by the Corporation in the event that the Member meets one or more of the criteria in (a), (b) or (c) of Section 1 of this Rule and the Corporation determines, in its discretion, that such action is necessary for the protection of the Corporation or its members.

In the event that any Member has been summarily suspended, the Corporation may cease to act for such Member in accordance with Rule 17, except as otherwise provided by these Rules. Any summary action which may be taken by the Board pursuant to this Section may instead be taken by one or more designees of the Board in the event that a quorum of the Board is unable to meet, provided that any summary action taken by one or more designees must be confirmed by the Board within 3 business days.

Any Member that has been summarily suspended or whose access has been summarily prohibited or limited pursuant to this Section shall be promptly furnished a written statement of the grounds for the decision and shall be notified of its right to request a hearing pursuant to Rule 28, except that the request for a hearing must be in writing and filed within 2 business days of receipt from the Corporation of such statement. Any such hearing requested pursuant to Rule 28 shall be held as promptly as possible after the Corporation has taken summary action against the Member pursuant to this Rule.

Section 4 - Action by the Corporation

Any action taken by the Corporation pursuant to this Rule may include, but shall not be limited to, any one or more of the following actions:

- (a) ceasing to act for the Member pursuant to Rule 17;
- (b) limiting or excluding the Member's participation in one or more Transactions or services which are available to the Member.

Section 5 - Rights and Remedies

After the Corporation has taken action pursuant to this Rule with respect to a Member with respect to either a particular Transaction or Transactions generally, the Corporation shall nevertheless have the same rights and remedies in respect of any monies or securities due from such Member, or any liability incurred as the result of such Member's action, or on behalf of such Member, as though the Corporation had not taken such action.

Section 6 - Report of Actions

A written report of any actions taken by the Corporation pursuant to this Rule, and the reasons therefore, shall be promptly made and filed with the SEC and with the Corporation's records.

RULE 15 – WIND-DOWN OF A MEMBER

When a Member notifies the Corporation that it intends to wind down its activities, the Corporation may, in its sole discretion, in order to protect itself and its participants, determine that such Member is a “Wind-Down Member”. In that event and, without limiting any other rights of the Corporation under these Rules and the Corporation’s procedures, the Corporation may impose conditions on, or take actions with respect to, the Wind-Down Member as provided below.

As soon as practicable after the Corporation determines that a Member is a Wind-Down Member, the Corporation shall notify the Wind-Down Member, all other Members and the SEC of such determination.

The Corporation may, in its discretion, impose conditions on, or take actions with respect to, the Wind-Down Member as appropriate to mitigate risk the Corporation perceives may be presented by the Wind-Down Member, including but not limited to, the following:

- (i) Permitting the Wind-Down Member to submit to the Corporation only transactions that serve to support the wind-down;
- (ii) Permitting the Wind-Down Member to continue use of one or more of the Corporation’s services, notwithstanding that it may not meet some or all of the financial or operational requirements for continuance as a Member;
- (iii) Restricting or modifying the Wind-Down Member’s use of any or all of the Corporation’s services (whether generally, or with respect to certain Transactions);
- (iv) Requiring additional assurances of the financial responsibility or operational capability of the Wind-Down Member through, for example, submission of a guaranty of the Wind-Down Member’s obligations to the Corporation by an entity acceptable to the Corporation and/or additional reporting by the Wind-Down Member;
- (v) Agreeing to complete one or more trades to which the Wind-Down Member is a party prior to the time the Corporation’s guaranty otherwise would become effective pursuant to these Rules;
- (vi) Requiring the Wind-Down Member to post increased Clearing Fund deposits and/or to post its Clearing Fund deposit in proportions of cash, Eligible Securities and Eligible Letters of Credit different from those permitted under Rule 4;
- (vii) Prohibiting the Wind-Down Member from withdrawing Clearing Fund on deposit in excess of its Total Required Fund Deposit; or
- (viii) Calculating the Total Required Fund Deposit of the Wind-Down Member in a manner different from that provided in Rule 4, in order to more appropriately reflect the

risk presented by the Wind-Down Member to the Corporation, such as, for example, not applying certain components of the calculation; or

(ix) Liquidating by buying-in or selling-out, as applicable, any open positions of the Wind-Down Member, for the benefit of such Wind-Down Member with any profit or loss resulting therefrom being debited or credited, as applicable, to the settlement account of the Wind-Down Member.

If the Corporation takes, or mandates, any action pursuant to this Rule, the Corporation shall, as soon as practicable thereafter, notify the SEC and such other Members as it deems proper due to the nature of such action, and shall inform Members as to whether the Corporation shall relieve Members from the loss allocation obligations of Section 7 of Rule 4 with respect to Transactions that Members enter into with the Wind-Down Member.

Notwithstanding the foregoing, the Corporation shall not be restricted from exercising any of its rights in these Rules or in any agreements between itself and the Member at any time, including the Corporation's right at any time to cease to act for the Wind-Down Member pursuant to these Rules.

RULE 16 - INSOLVENCY OF A MEMBER

Section 1 - Obligation to Inform of Insolvency

A Member that (a) fails to perform any of its material contracts, obligations or agreements, (b) determines that it will be unable to perform any of its material contracts, obligations or agreements or (c) is insolvent, shall immediately notify the Corporation orally and in writing of such. Until a Member has so notified the Corporation, the Member, by submitting to the Corporation trade data with regard to Transactions to which such Member is a party, shall be deemed to represent and warrant that it is able to perform, and has not failed to perform, its material contracts and obligations, and is not insolvent.

Section 2 - Determination of Insolvency

A Member shall be treated by the Corporation in all respects as insolvent:

- (i) upon receipt of the notice specified in Section 1 of this Rule, provided, however, that a Member may not be treated as insolvent in the event such Member (without being deemed to have admitted its liability thereunder) provides or posts a bond, indemnity, or guaranty from a third party that the Board, in its sole discretion, deems satisfactory to ensure the performance of the Member's obligations;
- (ii) in the event that the Member is determined to be insolvent by the Board, or by any Designated Examining Authority, Appropriate Regulatory Agency, or other examining authority or regulator with jurisdiction over such Member or any Self-Regulatory Organization or other self-regulatory organization that such Member is a member of;
- (iii) if the Member is a member of the Securities Investor Protection Corporation, in the event that a court of competent jurisdiction finds that the Member meets any one of the conditions set forth in clauses (A), (B), (C), or (D) of Section 5(b)(1) of the Securities Investor Protection Act of 1970;
- (iv) in the event of the entry or the making of a decree or order by a court, regulator or other supervisory authority of competent jurisdiction (A) adjudging the Member as bankrupt or insolvent, (B) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of the Member under the Bankruptcy Code or any other applicable Federal, State or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law, (C) appointing a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator (or other

similar official) for the Member or for any substantial part of its property, (D) ordering the winding up or liquidation of its affairs, or (E) consenting to the institution by the Member of proceedings to be adjudicated as a bankrupt or insolvent; or

(v) in the event of the filing by the Member of a petition, or any case or proceeding, seeking reorganization or relief under the Bankruptcy Code or any other applicable Federal, State or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law, or the consent by the Member to the filing of any such petition, case or proceeding or to the appointment of a receiver, custodian, liquidator, assignee, trustee, sequestrator or other similar official for the Member or for any substantial part of its property, or the making by the Member of an assignment for the benefit of its creditors, or the admission by the Member in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Member in furtherance of any such action.

Section 3 – Notification of Insolvency

The Corporation shall, as soon as practicable after the Time of Insolvency, notify the SEC and each Member of the treatment of a Member as an insolvent Member. Such notice shall state whether the Corporation has ceased to act for the Member, the Time of Insolvency and in at least general terms, the actions that will be taken by the Corporation to resolve all outstanding obligations and other pending matters involving the insolvent Member and the Corporation.

As used in this Rule, the phrase "Time of Insolvency" shall mean the time, as determined by the Corporation to its reasonable satisfaction, that any event specified in Section 2 of this Rule has occurred.

Section 4 – Ceasing to Act for the Member

Except as otherwise may be determined by the Board in any particular case, the Corporation shall, as soon as practicable after the Time of Insolvency, cease to act for the insolvent Member, as detailed in Rule 17, "Procedures for When the Corporation Ceases to Act."

RULE 17 – PROCEDURES FOR WHEN THE CORPORATION CEASES TO ACT

Section 1 – Notification

When the Corporation has ceased to act for a Member, it shall provide Members with notice stating the Corporation's decision to cease to act for the Member. The Corporation may provide in such notice or a subsequent notice the steps to be taken as well as how Transactions shall be affected.

If the Corporation has ceased to act for the Member because it has deemed the Member to be legally insolvent, the Corporation shall establish the Time of Insolvency as stated in Rule 16. If the Corporation has ceased to act for the Member for reasons other than legal insolvency, the Corporation shall establish the "Cut-Off Time". As used in this Rule, the phrase "Cut-Off Time" shall mean the time that is specified in advance by the Corporation in a notice to Members to be the time at which the Corporation is deemed to have ceased to act for the Member.

Section 2 – Action by the Corporation – Close-Out Procedure

Except as otherwise may be determined by the Board in any particular case, the Corporation shall, as soon as practicable after the Time of Insolvency or the Cut-Off Time, as applicable, cease to act for the Member, as detailed below:

(a) Notwithstanding anything to the contrary in these Rules from and after the Time of Insolvency or the Cut-Off Time, as applicable, trades to which the Member is a party the data on which have been submitted to the Corporation that have not been deemed Fully Compared or Partially Compared upon receipt by the Corporation pursuant to these Rules or that have not been reported by the Corporation to Members as Fully Compared or Partially Compared, shall not be part of the close out process described in this Section 2, unless otherwise determined by the Corporation in order to promote an orderly settlement.

(b) Not later than the time specified by the Corporation in its procedures or in an Important Notice, all Clearing Members that have open settlement obligations pursuant to these Rules with the Defaulting Member as settlement counterparty shall be required to submit Notifications of Settlement with respect to such obligations that have in fact been settled but for which the Corporation has not yet been provided with Notifications of Settlement. Except for loss allocations against Members in accordance with Section 7 of Rule 4, a Member that follows the foregoing procedures shall not have any liability to the Corporation with respect to such settlement obligations.

(c) In the event that the Member's counterparty to any transaction is a Broker, the following shall apply:

(i) If the transaction is Fully Compared, the Dealers on whose behalf the Broker was acting shall be substituted for such Broker.

(ii) If the transaction is Partially Compared:

(A) the Dealer with respect to which the transaction has compared shall be responsible for the transaction;

(B) if the Dealer with respect to which the transaction has not compared has not submitted a DK of the transaction as reflected on its Unmatched Margin Report, such Dealer shall likewise be responsible for the transaction; and

(C) if the Dealer with respect to which the transaction has not compared has submitted a DK of the transaction as reflected on its Unmatched Margin Report, the Broker shall be treated for all purposes as a principal in such transaction in accordance with these Rules.

(d) All long and short settlement obligations of the Member, with the exception of those obligations associated with Option Contracts, outstanding at the Time of Insolvency or the Cut-Off Time, as applicable that have been reported by the Corporation to Members pursuant to these Rules shall be assumed by the Corporation and closed out by (i) for each Eligible Security with a distinct CUSIP Number, establishing a final net settlement obligation (hereinafter, the "Final Net Settlement Obligation") that shall be equal to the net of all outstanding deliver and receive obligations of the Member in each Security, and (ii) buying, borrowing, or reversing in or selling, lending or repoing out the Securities deliverable by or to such insolvent Member, and/or borrowing or lending monies, in order to close out the Final Net Settlement Obligations established for each Security. Pool Net Deliver and Receive Obligations may be disposed of based upon the generic terms of the underlying TBA transaction from which the obligation was created.

(e) With respect to the disposition of Option Contracts, those that are deemed by the Corporation to be "out of the money" will be canceled; those deemed by the Corporation to be "in the money" shall be settled in cash based upon the difference between the last System Price at the Time of Insolvency/Cut-off Time and the Strike Price.

(f) Specified Pool Trades may be disposed of as if they did not contain a specified pool
(i.e., the Trade will be disposed of based on its generic trade terms such as agency, product, coupon rate and maturity).

This close-out procedure shall be completed as promptly as practicable after the Corporation has given notice pursuant to Section 1 of this Rule of the Corporation's determination to cease to act, unless the Board determines that the immediate close out of Obligations in a security may be disadvantageous to the Corporation or may promote a disorderly market in that security, in which case the Corporation may suspend the operation of this close-out provision until such later time as is determined by the Board, except that the Board may not suspend the operation of such close-out procedure for a period longer than 30 calendar days without the approval of such by the SEC. If, in the aggregate, the close-out of all of the Final Net Settlement Obligations established for a Member results in the Corporation incurring

any loss or liability, such loss or liability shall be allocated as provided in Rule 4. If, in the aggregate, the close-out of all of the Final Net Settlement Obligations established for a Member results in a profit to the Corporation (after the Corporation has fulfilled its obligations under any Cross-Guarantee Agreements), such profit shall be credited to the Member, or to a duly-appointed legal representative of the Member.

(g) Notwithstanding anything to the contrary elsewhere in these Rules, data on a transaction that is submitted to the Corporation by a Member (hereinafter, the “Solvent Member”) shall be deemed to be a Compared Trade (to the extent not already deemed compared by the Corporation pursuant to these Rules), based solely on the receipt of such data and without the need to match that data with data submitted by another Member, under the following circumstances:

- (1) The data submitted by the Solvent Member indicate that the counterparty on the transaction is a Member that, subsequent to the execution of the transaction, the Corporation has determined to cease to act for (hereinafter, the “Insolvent Member”);
- (2) The Solvent Member has submitted, in a timely manner, all of the Transactions eligible for processing through the Clearing System entered into by it;
- (3) If the Corporation had announced to its Members that it would cease to act for the Insolvent Member as of a specified date and time, the Transaction was executed before such specified deadline;
- (4) The Transaction is not an Off-the-Market Transaction; and
- (5) The Corporation has made a determination that the Transaction was entered into by the Solvent Member in good faith and not primarily in order to take advantage of the Insolvent Member’s financial condition.

Subsequent to the close-out of a Member’s Positions, the Corporation shall in accordance with these Rules, ensure the settlement of all obligations that would have arisen had the Corporation not ceased to act, in accordance with the terms of the Transactions that comprise such obligations, subject to the provisions of this Section 2.

If the Corporation takes any action pursuant to this Section, it shall promptly notify the SEC.

Section 2a. Capped Contingency Liquidity Facility

(a) In order to finance the Corporation’s obligations in respect of certain Pool Deliver Obligations in accordance with paragraph (b) below, the September 1996 Securities Industry and Financial Markets Association Master Repurchase Agreement (without the referenced annexes, other than in the case of any Clearing Member that is a registered investment company, Annex VII) is hereby incorporated by reference in the Rules as a master repurchase agreement between

the Corporation, as Seller, and each Clearing Member, as Buyer (the “CCLF MRA”); *provided* that, notwithstanding anything else set forth in the CCLF MRA: (i) Transactions (as defined in the CCLF MRA) shall only be initiated by the Corporation in accordance with this Rule, (ii) all Transactions shall be terminable only by demand of the Corporation and in accordance with this Rule, (iii) all Securities (as defined in the CCLF MRA) shall be transferred in accordance with procedures set forth by the Corporation in its sole discretion, (iv) any and all notices, statements, demands or other communications under the CCLF MRA shall be given by a party to the other in accordance with the notice provisions set forth in the Rules, (v) so long as the Clearing Member is a Member of the Corporation, the CCLF MRA may only be terminated by the Corporation, (vi) Section 19(a) of the CCLF MRA shall be amended by adding at the end thereof before the period “, and this Agreement and each Transaction is of a type set forth in Section 5390(c)(8)(D) of Title 12 of the United States Code, as amended” and (vii) Section 19(b) of the CCLF MRA shall be amended by adding at the end thereof before the period “, and a right to terminate, liquidate or accelerate as described in Section 5390(c)(8)(A) and (C) of Title 12 of the United States Code, as amended”.

(b) Once the Corporation has ceased to act for a Clearing Member pursuant to Rule 17 and determined, in its sole discretion, that the procedures below are necessary to address certain of the Corporation’s liquidity needs, the Corporation may declare a Capped Contingency Liquidity Facility Event (a “CCLF Event”). Upon the Corporation’s declaration of a CCLF Event, the following shall occur:

(i) The Corporation shall issue an Important Notice to all Clearing Members informing them of the CCLF Event with respect to the Defaulting Member and advising Clearing Members to review their most recent funding liquidity reports to determine their respective maximum funding obligations;

(ii) The Corporation shall determine (x) which Clearing Members had Pool Deliver Obligations to the Corporation that were destined for the Defaulting Member (each such Clearing Member, an “Affected Member”) and (y) the obligations of the Corporation to such Affected Member in respect of which the Corporation needs financing (such Affected Member’s “Financing Amount”);

(iii) The Corporation shall notify each Affected Member of the amount and description of the Eligible Securities to which the Corporation’s Financing Amount relates (such Affected Member’s “Financed Securities”) and whether such Affected Member is to deliver any such Financed Securities to the Corporation;

(iv) The Corporation shall initiate repurchase transactions under the terms and conditions of the CCLF MRA with each Affected Member having a purchase price equal to such Affected Member’s Financing Amount, but in no event in excess of such Affected Member’s Defined Capped Liquidity Amount (each such repurchase transaction, a “Transaction” (as defined in the CCLF MRA));

(v) If an Affected Member’s Financing Amount would exceed its Defined Capped Liquidity Amount (such Affected Member’s remaining amount, its “Remaining Financing Amount”), the Corporation will seek to fund such Affected

Member's Remaining Financing Amount through the Corporation's Clearing Fund cash deposits. In the event that the Corporation's Clearing Fund cash deposits are not sufficient to cover the Remaining Financing Amount, the Corporation will advise (A) all other Affected Members whose Financing Amount is less than their Defined Capped Liquidity Amount, and (B) all other Clearing Members that have not otherwise entered into repurchase transactions with the Corporation in connection with CCLF Events exceeding their Defined Capped Liquidity Amount, except in each case, for Clearing Members referenced in subsection (c)(ii) below, of the existence and amount of such Remaining Financing Amount. The Corporation shall initiate Transactions under the terms and conditions of the CCLF MRA with each Clearing Member described in subclauses (A) and (B) above with a purchase price equal to all or a portion of the Remaining Financing Amount, but in no event in excess of such Clearing Member's Defined Capped Liquidity Amount (after taking account all Transactions in connection with any and all existing CCLF Events). The Corporation shall allocate the Remaining Financing Amount and initiate Transactions among the Clearing Members described in subclauses (A) and (B) above in accordance with such procedures as the Corporation in its sole discretion shall determine and which shall be designed to mitigate any disruption caused by the declaration of the CCLF Event;

(vi) Each Transaction initiated by the Corporation pursuant to paragraphs (iv) and (v) of this Rule shall remain open until such time that the Corporation has entered into an agreement for the liquidation of the Financed Securities (a "Liquidating Trade"); and

(vii) Upon the Corporation's execution of the Liquidating Trade, the Corporation shall notify each Clearing Member party to a Transaction initiated by the Corporation pursuant to paragraphs (iv) and (v) of this Rule of the Corporation's termination of such Transaction and shall instruct each such Clearing Member to deliver the related securities to the Corporation in order to complete settlement on the contractual settlement date of the Liquidating Trade.

All Delivery Obligations in respect of Financed Securities shall be deemed satisfied by operation of this Rule and settlement of any original transaction between the Corporation and any Affected Member shall be final notwithstanding that the Financed Securities are not required to be delivered to the Corporation in connection with such original transaction by the Affected Member who is a buyer in a repurchase transaction (such delivery being netted against delivery to the buyer under the CCLF MRA).

(c) For purposes of this Section, "Defined Capped Liquidity Amount" is the maximum amount that a Clearing Member shall be required to fund during a CCLF Event. The Defined Capped Liquidity Amount will be established as follows:

(i) For those Clearing Members that are eligible for and that have established borrowing privileges at the Federal Reserve Discount Window or for those Clearing Members who have an affiliate that is eligible for and has established borrowing

privileges at the Federal Reserve Discount Window, the Corporation will conduct a study every six (6) months, or such other time period that the Corporation shall determine from time to time as specified in Important Notices to its Members, to determine each Clearing Member's largest liquidity requirement for the applicable time period based on a Clearing Member's sell positions versus other Clearing Members at the family level on a bilateral net basis within a TBA CUSIP. Based on the overall study, the Corporation will define an adjustable percentage as determined by the Corporation from time to time as specified in Important Notices to its Members and multiply that percentage amount against the maximum amount to establish each Clearing Member's Defined Capped Liquidity Amount; and

(ii) For those Clearing Members that are ineligible for or have not established borrowing privileges at the Federal Reserve Discount Window and do not have an affiliate that is eligible for or has established borrowing privileges at the Federal Reserve Discount Window, the Corporation will conduct a study every month, or such other time period that the Corporation shall determine from time to time as specified in Important Notices to its Members, to determine each Clearing Member's largest liquidity requirement for the applicable time period based on a Clearing Member's sell positions versus other Clearing Members at the family level on a bilateral net basis within a TBA CUSIP. The Clearing Member's largest liquidity requirement for the past month, adjusted in each case of a CCLF Event to be no greater than the actual Pool Delivery Obligation to the Defaulted Member, will represent the Clearing Member's Defined Capped Liquidity Amount. Clearing Members in this category will not be required to finance any Remaining Financing Amount as described in subsection (b)(v) above.

Section 3 - Report of Actions

A written report of the actions taken by the Corporation pursuant to this Rule, and the reasons therefore, shall be promptly made and filed with the SEC and with the Corporation's records.

RULE 17A – CORPORATION DEFAULT

(a) If a "Corporation Default" occurs pursuant to subsection (b) below, all Transactions which have been subject to Novation pursuant to these Rules but have not yet settled and any rights and obligations of the parties thereto shall be immediately terminated and the Board shall determine a single net amount owed by or to each Member with respect to such Transactions by applying the close out and application procedures in Section 2 of Rule 17 and Section 7 of Rule 4 (interpreted in all such cases as if each Member were a Defaulting Member) taking into account the other provisions in these Rules relating to loss allocation, including in the event that any Member is a Defaulting Member. For purposes of this Rule 17A and notwithstanding any other provision to the contrary, Novation is deemed to occur and Pool Deliver Obligations and Pool Receive Obligations established with respect to all Transactions at the time at which the data submitted in respect of such Transactions is compared and constitutes a Compared Trade. The Board shall notify each Member of the net amount so determined and Members who have been notified that they owe an amount to the Corporation shall pay that amount on or prior to the date specified by the Board, subject to any applicable setoff rights. Members who have a net claim against the Corporation shall be entitled to payment thereof along with other Members' and any other creditors' claims pursuant to the underlying contracts with respect thereto, these Rules and applicable law. Nothing herein shall limit the rights of the Corporation upon a Member default (including following a Corporation Default) including under any Cross-Guaranty Agreement with the Government Securities Division or any other Cross-Guaranty Counterparty.

(b) The following events shall constitute a Corporation Default:

(i) Failure by the Corporation to make, when due, any undisputed payment or delivery to a Member required to be made by it under these Rules and such failure is not remedied within 90 days after notice of such failure is given to the Corporation by the affected Member; *provided* that this clause (i) shall not apply to (A) obligations of the Corporation to Wind-Down Members, Defaulting Members or Members for whom the Corporation has otherwise ceased to act pursuant to Rule 17, (B) any payment or delivery which the Corporation satisfies by alternate means as provided in these Rules, (C) any obligation of the Corporation that is not a payment or delivery obligation of the Mortgage-Backed Securities Division to a Member under these Rules, (D) any payment or delivery the deadline of which has been suspended pursuant to Rule 33, until such time as the suspension is no longer in effect and failure of the Corporation with respect thereto remains unremedied for 90 days following notice of failure to pay or deliver on the later due date determined pursuant to the suspension; or (E) any payment or delivery required to be made to a Member where such payment or delivery is not made solely as a result of an operational technological or administrative error or impediment and the Corporation possesses sufficient funds or assets to satisfy such payment or delivery obligation; or

(ii) The Corporation (A) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (B) institutes a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency

law or other similar law affecting creditors' rights, or presents a petition for its winding-up or liquidation; (C) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation and, in each case, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation and the judgment or order with respect thereto remains unstayed for a period of at least 90 days from the issue thereof; or (D) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets, provided that in the case that such appointment is not sought by the Corporation, if such appointment remains unstayed for a period of at least 90 days from the issue thereof.

(c) Interpretation in Relation to the Federal Deposit Insurance Corporation Act of 1991:

The Corporation and the Clearing Members intend that these Rules be interpreted in relation to certain terms (identified below) that are defined in the Federal Deposit Insurance Corporation Act of 1991 ("FDICIA"), as amended, as follows:

The Mortgage-Backed Securities Division of the Corporation is a "clearing organization";

Any obligation of a Clearing Member or the Corporation to make any payments to the other is a "covered clearing obligation" and a "covered contractual payment obligation";

An entitlement of a Clearing Member or the Corporation to receive a payment from the other is a "covered contractual payment entitlement";

The Corporation and each Member is a "member" of the "clearing organization";

The amount by which the covered contractual payment entitlements of a Clearing Member or the Corporation exceed the covered contractual payment obligations of such Member or the Corporation after netting pursuant to Rule 17 or this Rule 17A is its "net entitlement";

The amount by which the covered contractual payment obligations of a Clearing Member or the Corporation exceed the covered contractual payment entitlements of such Member or the Corporation after netting under a netting pursuant to Rule 17 or this Rule 17A is its "net obligation"; and

These Rules, together with all other agreements between the Corporation and a Clearing Member, are a "netting contract", the margin, Clearing Fund and other provisions of these Rules granting an interest in any funds or property of a member to the Corporation constitute a "security agreement or arrangement or other credit enhancement" relating to such netting contract and the close-out process in Rule 17 or this Rule 17A constitutes the "terminat[ion],

liquidat[ion], accelerat[ion], and nett[ing]” of obligations.

RULE 18 - CHARGES FOR SERVICES RENDERED

Section 1

Members shall pay such fees and charges to the Corporation as shall be specified by the Corporation and approved by the Board of Directors on a reasonable and non-discriminatory basis.

Section 2

A Member may be charged for any unusual expenses caused directly or indirectly by such Member, including but without limitation, the cost of producing records pursuant to a court order or other legal process in any litigation or other legal proceeding to which such Member is a party or in which such records relating to such Member are so required to be produced, whether such production is required at the instance of such Member, or of any other party other than the Corporation.

RULE 19 - BILLS RENDERED

Pursuant to such timeframes that the Corporation shall set forth from time to time, the Corporation will render bills to Members which may reflect adjustments to prior bills, for charges on account of the actual business of a prior month, and for fines imposed during any month. Unless otherwise permitted by the Corporation, for each Member, payment of such bill is due upon its receipt, and each Member shall be obligated to pay the amount of the bill in accordance with timeframes set forth by the Corporation as a part of satisfying its Cash Settlement obligation.

RULE 20 - ADMISSION TO PREMISES OF THE CORPORATION, POWERS OF ATTORNEY, ETC.

No person will be permitted to enter the premises of the Corporation as the representative of any Member unless he has first been approved by the Corporation and has been issued such credentials as the Corporation may from time to time prescribe and such credentials have not been canceled or revoked. Such credentials must be shown on demand, and may limit the portions of the premises to which access is permitted thereunder. Any credentials issued pursuant to this Rule may be revoked at any time by the Corporation in its discretion, and prompt notice of such revocation shall be given to the employer of the person whose credentials have been so revoked.

Any Member shall, if any person in its employ to whom any credentials have been issued pursuant to this Rule or to whom a power of attorney or other authorization has been given to act for it in connection with the work of the Corporation shall for any reason cease to be so employed, give to the Corporation immediate notice in writing of such termination of employment and if any such power of attorney or other authorization is otherwise revoked or canceled, shall likewise give to the Corporation immediate notice in writing of such revocation or cancellation. All credentials issued pursuant to this Rule shall be immediately surrendered to the Corporation upon their revocation by the Corporation or by the employer or upon the termination of the employment of the holder thereof.

Unless revoked by the Corporation, all credentials, authorizations, and powers of attorney issued pursuant to this Rule or in connection with the work of the Corporation shall remain in full force and effect until the Corporation shall have received written notice of the revocation thereof or of the termination of the holder's employment.

RULE 21 - FORMS

In connection with any Transactions or matters handled through, with or by the Corporation under or pursuant to the Rules, such forms of lists, notices and other documents shall be used as the Corporation may from time to time prescribe, and additions to, changes in and elimination of any such forms may be made by the Corporation at any time in its discretion. In addition, any information required to be delivered to the Corporation by use of any such forms may be delivered by the use of any media as shall be prescribed by the Corporation from time to time.

RULE 22 - RELEASE OF CLEARING DATA

(a) Absent valid legal process or as provided elsewhere in this Rule, the Corporation will only release Clearing Data relating to Transactions of a particular Member to: (i) such Member, (ii) the Securities and Exchange Commission, or the FRB for market surveillance purposes.

(b) The Corporation, in its sole discretion, may release Clearing Data relating to Transactions of Members to regulatory organizations and self-regulatory organizations, as defined in the Securities Exchange Act of 1934, as amended, or other comparable Federal or State statutes, as well as to Clearing Organizations affiliated with or designated by contract markets trading specific futures products under the oversight of the Commodity Futures Trading Commission. Provided, however, that nothing in this Rule shall prevent the Corporation from releasing Clearing Data to others, provided that such data shall be in a form as to prevent the disclosure, whether patently or in easily discernible format, of proprietary and/or confidential financial, operational or trading data of a particular Member or inappropriately arranged groups of Members.

(c) With respect to the foregoing, the release of any Clearing Data shall be conditioned upon either (i) a written request, or (ii) the execution of a written agreement with the Corporation, whichever is appropriate in the Corporation's discretion and the Corporation, in its discretion, shall establish the conditions under which such data shall be released and the fees, if any, to be paid for such data.

(d) The term "Clearing Data" shall mean, for the purposes of this Rule, transaction data which is received by the Corporation in the clearance and/or settlement processes of the Corporation, or such data, reports or summaries thereof, which may be produced as a result of processing such transaction data.

(e) The foregoing notwithstanding, this Rule is not intended to, nor shall it be deemed to be in contravention, or a limitation, of the Corporation's obligations, as a self-regulatory organization, to cooperate and share data with other regulatory and self-regulatory organizations for regulatory purposes.

(f) Notwithstanding anything to the contrary in this Rule, the Corporation may release Clearing Data to The Securities Industry and Financial Markets Association in connection with its collection fees on behalf of The Securities Industry and Financial Markets Association pursuant to these Rules, provided that the Corporation: (1) provides Clearing Data only to the extent necessary to facilitate the collection of fees on behalf of The Securities Industry and Financial Markets Association, and (2) obtains, in a form and manner required by the Corporation, the agreement of The Securities Industry and Financial Markets Association to maintain the confidentiality of any Clearing Data provided by the Corporation to it.

RULE 23 - LISTS TO BE MAINTAINED

The Corporation shall maintain a list of all Members, which list shall be made available to a Member upon request.

RULE 24 - SIGNATURES

The Corporation may, at its option, in lieu of relying on an original signature, rely on a signature as if it were (and the signature shall be considered and have the same effect as) a valid and binding original signature in the following circumstances: if such signature is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, xeroxing, electronic mail, electronic data interchange, telegram, or telex).

RULE 25 - INSURANCE

The Corporation shall use its best efforts to maintain, or arrange for the maintenance by the Corporation of such insurance, including fidelity bonds, in such amounts and having such coverage regarding the business of the Corporation, as the Board shall deem appropriate. The insurance policies or contracts pursuant to which such insurance is provided shall be open to the inspection of the Members at the offices of the Corporation during regular business hours on Business Days. If the Corporation shall materially reduce the amount or coverage of any such insurance or the persons providing such insurance shall notify the Corporation of a material reduction in the amount of coverage thereof, the Corporation shall promptly notify each Member and the SEC thereof stating the effective date of such reduction.

RULE 26 - FINANCIAL REPORTS AND INTERNAL ACCOUNTING CONTROL REPORTS

Section 1 – Financial Reports

As soon as practicable after the end of each calendar year, the Corporation shall provide to Members financial statements of the Corporation² audited and covered by a report prepared by independent public accountants for such calendar year. The Corporation shall undertake to provide such financial statements and report to Members within 60 days following the close of the Corporation's fiscal year. The Corporation's financial statements will be prepared in accordance with Generally Accepted Accounting Principles and will include the following:

- (a) balance of the Clearing Fund and the breakdown of the Clearing Fund balance between the various forms of contributions to the Clearing Fund (i.e., cash and secured open account indebtedness);
- (b) types and amounts of investments made of the cash balance;
- (c) the amount, if any, charged to the Clearing Fund during the year in excess of a defaulting Member's Clearing Fund contribution; and
- (d) any other charge to the Clearing Fund during the year not directly related and chargeable to a specific participant's Fund contribution.

The Corporation shall also provide to Members unaudited financial statements of the Corporation within 30 days following the close of the Corporation's fiscal quarter for each of the first three calendar quarters of each calendar year. Unaudited financial statements for the Corporation's fourth quarter of each calendar year will be provided to Members within 60 days following the close of the Corporation's fiscal year. Quarterly financial statements will at the minimum consist of:

- (a) a statement of financial position as of the end of the most recent fiscal quarter and as of the end of the corresponding period of the preceding fiscal year;
- (b) a statement of cash flows for the period between the end of the last fiscal year and the end of the most recent fiscal quarter and for the corresponding period of the preceding fiscal year; and
- (c) a statement of results of operations, which may be condensed, for the most recent fiscal quarter and for the period between the end of the last fiscal year and the end of the most recent fiscal quarter and for the corresponding periods of the preceding fiscal year.

²The Corporation's financial statements will be unconsolidated with any other entity, including DTCC.

Section 2 - Internal Accounting Control Reports

A study and evaluation of the Corporation's system of internal accounting control with respect to the safeguarding of participants' assets, prompt and accurate clearance and settlement of securities transactions, and the reliability of related records shall be conducted annually by independent public accountants. Such study and evaluation shall be conducted in accordance with the standards established by the American Institute of Certified Public Accountants and shall be made available to all Members within a reasonable time upon receipt from the Corporation's independent accountants.

RULE 27 - RULE CHANGES

The Corporation shall promptly notify all Members of any proposal it has made to change, revise, add or repeal any Rule, and of the text or a brief description of the proposed Rule and its purpose and effect. Members may submit to the Corporation for its consideration their comments with respect to any such proposal and such comments shall be filed with the Corporation's records and copies thereof delivered to the SEC.

RULE 28 - HEARING PROCEDURES

Section 1 - General

An Interested Person may, when permitted by these Rules, request a hearing pursuant to Section 2 or Section 3 of this rule, as applicable, 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 a written request for a hearing setting forth (a) the action or proposed action of the Corporation with respect to which the hearing is requested and (b) the name of the representative of the Interested Person who may be contacted with respect to the hearing. Within seven Business Days after the Interested Person files such written request with the Corporation, or two Business Days in the case of action taken against the Interested Person pursuant to Rule 14, "Restrictions on Access to Services," or Rule 17, "Procedures for When the Corporation Ceases to Act," 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 five Business Days prior to the hearing (unless the parties agree to waive the five Business Day requirement).

If the Corporation has assessed a fine against a Member, and an Interested Person desires to dispute the fine and complies with the requirements described above regarding filing a written request for a hearing and a written statement, the Corporation shall automatically conduct a review of the disputed fine. The Corporation may examine the written statement submitted by the Interested Person and/or arrange a meeting with the Interested Person to discuss the disputed fine. If the Corporation determines to waive the fine, it shall inform the Board of its determination and its reasons thereof. The Board may, in its discretion, determine to reinstate any fine waived by the Corporation. If the Corporation determines not to waive the fine as a result of the review process, the Interested Person shall be entitled to a hearing before a panel of the relevant committee of the Board pursuant to Section 2 or Section 3 of this Rule. The Corporation shall advise the Interested Person of the result of the review process.

Section 2 - Minor Rule Violations

A hearing requested in connection with a violation of the Rules of the Corporation for which a fine may be assessed against the Interested Person in an amount not to exceed \$5,000 (a "Minor Rule Violation"), shall be held before a panel of three officers of the Corporation (a "Minor Violation Panel"). The members of the Minor Violation Panel shall select one of their numbers to be the chairman, and the chairman shall be the person in charge of the conduct of the hearing. At the hearing, an officer of the Corporation shall present the case against the Interested Person. The Interested Person shall have an opportunity to be heard and may be represented by counsel. A record shall be kept of the hearing and the costs associated with the hearing may, in the discretion of the Corporation, be charged in whole or in part to the Interested Person if the decision is adverse to the Interested Person. The Minor Violation Panel shall provide the Interested Person with a written statement of its decision no later than 10 business days after the conclusion of the hearing. If the decision of the Minor Violation Panel is adverse to the Interested Person, the Interested Person may request a further hearing under Section 3 of this Rule by filing a written request with the Secretary of the Corporation within five Business Days of receipt of such written statement. The Corporation shall notify the Interested Person of the date, time and place of the hearing at least five business days prior to the hearing. The failure of the Interested Person to submit the written request within the required time period shall be deemed an election to waive the right to any further hearing.

A Minor Rule Violation as defined in this Rule shall be deemed a minor rule violation within the meaning of Rule 19d-1(c)(2) under the Securities Exchange Act of 1934, as amended (the "Act"), and this Rule shall be deemed a "plan" within the meaning thereof. The action imposed by the Corporation shall not be considered "final" for purposes of paragraph (c) (1) of Rule 19d - 1 of the Act in any instance in which the fine is in an amount that does not exceed \$2,500, imposed against an Interested Person that is not a Member, and with respect to which the Interested Person does not seek an adjudication pursuant to Section 3 of this Rule 28.

Section 3 - Hearings

A hearing on any matter not covered by Section 2 of this Rule, or a further hearing requested pursuant to Section 2 shall be before a panel (hereinafter the "Board Panel") of three individuals drawn from members of the Board of Directors or their designees. The members of the Panel shall be selected by the Chairman of the Board.

Notwithstanding the above, the Panel shall not include any individual representing the Interested Person against which the proposed action is to be taken, nor any person who had responsibility for the action or proposed action of the Corporation as to which the hearing relates.

At the hearing, the Interested Person shall be afforded an opportunity to be heard and may be represented by counsel if the Interested Person has so elected pursuant to Section 1 of this Rule. A record shall be kept of the hearing, and the cost associated with the hearing may, in the discretion of the Panel, be charged in whole or in part to the Interested Person in the event that the decision at the hearing is adverse to the Interested Person.

Section 4 - Hearing Procedure

The Panel shall advise the Interested Person of its decision and the specific grounds upon which the decision is based, within ten Business Days after the conclusion of the hearing. If the decision of the Panel shall have been to impose a disciplinary sanction on the Interested Person in accordance with Rule 38 or to affirm any action previously taken against the Interested Person pursuant to Rule 14 or Rule 17, a notice of decision setting forth (a) any act or practice in which the Interested Person has been found to have engaged, or which the Interested Person has been found to have omitted, (b) the specific provision(s) of the Rules of the Corporation or of the Member's agreements with the Corporation which any such act or practice or omission to act has been deemed to violate, and (c) the sanction imposed and the reasons thereof shall be furnished to the Interested Person. A copy of the Panel's notice of decision shall also be furnished to the Chairman of the Board.

Section 5 - Reversal or Modification of Panel Decisions

Decisions of the Panel are final, but the Board of Directors may in its discretion modify any sanction or reverse any decision of the Panel that is adverse to the Interested Person.

The reversal or modification by the Board of Directors of any action previously taken against the Interested Person pursuant to these Rules shall not invalidate the acts of the Corporation or its officers or directors taken prior to such reversal or modification.

Section 6 - Finality of Corporation Action

Any action or proposed action of the Corporation as to which an Interested Person has the right to request a hearing shall be deemed final and effective (a) when the Interested Person stipulates to the taking of such action by the Corporation, (b) upon the expiration of the applicable time period provided in these Rules for the filing of a written request for a hearing or a written statement pursuant to Section 1 of this Rule, or (c) if a hearing has been held pursuant to Section 3 of this Rule, when the Corporation gives notice to the Interested Person of the Panel's decision.

Section 7 - Alternative Procedures

The Corporation may at any time establish procedures for a hearing not otherwise provided for by these Rules with respect to any action or proposed action of the Corporation.

RULE 29 – GOVERNING LAW AND CAPTIONS

Section 1 – Governing Law

The Rules, and the rights and obligations under the Rules, shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and performed therein.

Section 2 - Captions

Captions to any Rules are for information and guidance only, are not part of any Rule and are to be given no consideration in applying or construing any Rules.

RULE 30 - LIMITATIONS OF LIABILITY

Section 1 – Reliance of the Corporation upon Instructions Containing Errors

The Corporation may accept or rely upon any information or instruction given to the Corporation by a Member including wire transmission, physical delivery or delivery by other means of information or instructions recorded on magnetic tape or other media or of facsimile copies of information or instructions, in a form acceptable to the Corporation and in accordance with the Rules, which reasonably is understood by the Corporation to have been delivered to the Corporation by the Member.

The Corporation may accept and rely upon any information or instruction given to the Corporation by a Member, or a Designee on behalf of the Member (each hereinafter referred to as the "Agent"), including wire transmission, physical delivery or delivery by other means of information or instructions, in a form acceptable to the Corporation and in accordance with the Rules, which reasonably is understood by the Corporation to have been delivered to the Corporation by the Agent, and the Corporation shall be entitled to act pursuant to any such information or instruction as though such information or instruction had been received from the Member for which the Agent is acting.

Any Member delivering information or instructions as provided above, or on whose behalf an Agent shall deliver information or instructions as provided above, even though they may be inaccurate or not authentic, shall indemnify the Corporation, and any of its employees, officers, directors, shareholders, agents, Members, who may sustain any loss, liability or expense as a result of (a) any act done in reliance upon the authenticity of any information or instruction received by the Corporation, (b) the inaccuracy of the information contained therein or (c) effecting Transactions in reliance upon such information or instruction, against any such loss, liability or expense.

Notwithstanding the foregoing, the Corporation will not act upon any such information or instruction purporting to have been given by a Member or an Agent commencing no later than one Business Day after the Corporation receives written notice from the Member that the Corporation shall not accept such information or instructions until no later than one Business Day after the Member shall withdraw such notice.

Section 2 – Limitation on Liability of the Corporation for the Obligations of Affiliated Entities

(a) Notwithstanding any affiliation between the Corporation and any other entity, including another clearing agency, except as otherwise expressly provided by written agreement between the Corporation and such other entity:

- (i) the Corporation shall not be liable for any obligations of such other entity nor shall any fund or any other assets of the Corporation be available to such other entity (or any person claiming through such other entity) for

any purpose, and no Member shall assert against the Corporation any claim based upon any obligations of any other entity to such Member; and

- (ii) such other entity shall not be liable for any obligations of the Corporation nor shall any fund or any other assets of such other entity be available to the Corporation (or any person claiming through the Corporation) for any purpose, and no Member shall assert against such other entity any claim based upon any obligations of the Corporation to such Member.

(b) Notwithstanding the Corporation being the owner of both the Mortgage-Backed Securities Division and the Government Securities Division,

- (i) the Mortgage-Backed Securities Division shall not be liable for any obligations of the Government Securities Division nor shall the Clearing Fund or other assets of the Mortgage-Backed Securities Division be available to the Government Securities Division or any Government Securities Division Member for any purpose (except as provided in Rule 32, “Cross-Guaranty Agreements”) and no Government Securities Division Member shall assert against the Mortgage-Backed Securities Division any claim based upon any obligations of the Government Securities Division to such Government Securities Division Member; and
- (ii) the Government Securities Division shall not be liable for any obligations of the Mortgage-Backed Securities Division nor shall the Clearing Fund or other assets of the Government Securities Division be available to the Mortgage-Backed Securities Division or any Mortgage-Backed Securities Division Member for any purpose (except as provided in Rule 32, “Cross-Guaranty Agreements”), and no Mortgage-Backed Securities Division Member shall assert against the Government Securities Division any claim based upon the obligations of the Mortgage-Backed Securities Division to such Mortgage-Backed Securities Division Member.

Section 3 – Limitation on Liability of the Corporation

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, 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 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; and

(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.

Section 4 – No Right To Set Off

No Member shall be entitled to set off against any liability to the Corporation any liability that the Corporation may have to such Member pursuant to this Rule.

RULE 31 - GENERAL PROVISIONS

Section 1

Every Member shall designate a representative of the Member authorized in the name of the Member to sign all instruments, to correct errors and to perform such other duties as may be required under these Rules and to transact all business requisite in connection with the operations of the Corporation which representative shall be capable of taking such action in a manner consistent with the daily time schedules and other requirements established by or pursuant to these Rules. If the representative of the Member is not a general partner in the Member's Corporation or is not an officer of the Member's corporation, such representative shall, in the case of a firm, be authorized to act by written power of attorney, or in the case of a corporation, by resolution by the board of directors of such corporation. Such power of attorney or resolution, as the case may be, shall be in such form approved by the corporation.

Members shall file with the Corporation the signatures of the members of their firms or the officers of their corporations and of the representatives of such firms or corporations who are authorized to sign checks, agreements, receipts, orders and other papers necessary for conducting business with the Corporation together with the powers of attorney or other instruments giving such authority.

Each Member shall be allotted a number which must appear on the face of all forms used by it in connection with the operations of the Corporation.

Section 2

A Member may appoint one or more persons as its agent(s) with respect to all contracts or Transactions compared through or by the Corporation and all matters relating thereto, provided that such appointment has been consented to by the Corporation and is evidenced by such appointments, authorizations, certifications and other agreements in such form as may be required by the Corporation.

Section 3

The Corporation may, in its discretion, require Members to provide appropriate staff in their offices during specified hours on non-Business Days when such is deemed necessary by the Corporation to insure the integrity of its systems and/or for the protection of the Corporation.

RULE 32 - CROSS GUARANTY AGREEMENTS

Section 1 – Authority

The Corporation may, from time to time, enter into one or more Cross-Guaranty Agreements.

In determining its available net resources pursuant to a Cross-Guaranty Agreement, the Corporation shall first offset the available net resources of the Government Securities Division and the Mortgage-Backed Securities Division.

Section 2 – Cross-Guaranty Defaulting Member Obligations

In addition to a Member's other obligations to the Corporation under these Rules, a Cross-Guaranty Defaulting Member on account of which the Corporation has made a Cross-Guaranty Payment shall be obligated to the Corporation for the amount of such Cross-Guaranty Payment less the amount of any Cross-Guaranty Repayment received by the Corporation in respect thereof.

Section 3 - Application of Cross-Guaranty Payments

The Corporation shall, in its sole discretion, either:

(a) apply any Cross-Guaranty Payment received by the Corporation on account of a Cross-Guaranty Defaulting Member: (1) to the unpaid obligations of such Cross-Guaranty Defaulting Member to the Corporation and (2) to reduce the assessments made or that otherwise would be made against other Members (each, a "Cross-Guaranty Beneficiary Member") pursuant to Section 7 of Rule 4; or

(b) retain any Cross-Guaranty Payment received by the Corporation and not apply such Cross-Guaranty Payment to reduce any assessments against other Members pursuant to Section 7 of Rule 4 until the Corporation determines that the Corporation is no longer liable for any Cross-Guaranty Repayment, at which point the Cross-Guaranty Payment shall be treated as an amount that has been recovered pursuant to Section 7(i) of Rule 4.

Section 4 - Cross-Guaranty Repayment Deposits

Unless and to the extent the Corporation otherwise determines, (a) in addition to the other deposits to the Clearing Fund, a Cross-Guaranty Beneficiary Member shall be required to make a deposit to the Clearing Fund (a "Cross-Guaranty Repayment Deposit") in an amount equal to the amount of the reduction in the assessment made or that otherwise would have been made against such Cross-Guaranty Beneficiary Member if the Corporation had not received a Cross-Guaranty Payment on account of a Cross-Guaranty Defaulting Member and (b) such Cross-Guaranty Repayment Deposit shall be maintained by such Cross-Guaranty Beneficiary Member for so long as the Corporation determines that the Corporation may be liable for a Cross-Guaranty

Repayment and that such Cross-Guaranty Beneficiary Member may therefore be liable to the Corporation pursuant to Section 5 of this Rule.

In the event that the Corporation is required to make a Cross-Guaranty Repayment and it does not have a sufficient amount of Cross-Guaranty Repayment Deposits to cover the liability, the Corporation shall treat the shortfall as an “Other Loss” pursuant to Section 7 of Rule 4.

Section 5 - Cross-Guaranty Beneficiary Member Obligations

Unless and to the extent the Corporation otherwise determines, (a) if the Corporation makes a Cross-Guaranty Repayment in respect of any Cross-Guaranty Payment, the appropriate Cross-Guaranty Beneficiary Members shall be obligated to reimburse the Corporation for such Cross-Guaranty Repayment pro rata their Cross-Guaranty Repayment Deposits up to the full amount of such Cross-Guaranty Repayment Deposits, and (b) the Corporation shall be entitled to apply the deposits of such Cross-Guaranty Beneficiary Members to the Clearing Fund in satisfaction of such obligation to reimburse the Corporation.

RULE 33 - SUSPENSION OF RULES IN EMERGENCY CIRCUMSTANCES

The time fixed by these Rules, the procedures or any regulations issued by the Corporation for the doing of any act or acts may be extended or the doing of any act or acts required by these Rules, the procedures or any regulations issued by the Corporation may be waived or any provision of these Rules, the procedures or any regulations issued by the Corporation may be suspended by the Board of Directors or by any Officer of the Corporation having a rank of Managing Director or higher whenever, in its or his judgment, (i) an emergency exists and (ii) such extension, waiver or suspension is necessary for the Corporation to continue to facilitate the prompt and accurate clearance and settlement of securities transactions and to provide its services in a safe and sound manner.

The Corporation shall notify the SEC within two (2) hours of its determination to extend, waive or suspend the rules, procedures or regulation issued by the Corporation (but no later than 1 hour before the close of the Federal Reserve Banks' Fedwire Funds Service if such determination related to the extension of time for settlement and is made on a settlement day). A written report of any such extension, waiver or suspension stating the pertinent facts, the identity of the person or persons who authorized such extension, waiver or suspension, the nature of the emergency, and the reason such extension, waiver or suspension was deemed necessary for the Corporation to continue to facilitate the prompt and accurate clearance and settlement of securities transactions and to provide its services in a safe and sound manner, shall be submitted as soon as practicable (but no later than 3 calendar days after implementation of the extension, waiver or suspension) to the Commission, shall be retained in the Corporation's records and shall be available for inspection by any Member during regular business hours on business days.

Any such extension, waiver or suspension may continue in effect after the event or events giving rise thereto for no more than 30 calendar days after the date thereof unless the Corporation shall have submitted a proposed rule change with the Securities and Exchange Commission seeking approval of such extension, waiver or suspension during the 30-day period, in which case the extension, waiver, or suspension may continue in effect until the Securities and Exchange Commission approves or disapproves the proposed rule change filed by the Corporation. Notwithstanding the foregoing, in no event shall the extension, waiver or suspension continue in effect if after the Corporation notifies the Securities and Exchange Commission of such action, the Securities and Exchange Commission staff notifies the Corporation in writing that it objects to such extension, waiver or suspension.

RULE 34 - ACTION BY THE CORPORATION

Where action by the Board of Directors is required by these Rules, the Corporation may act, to the fullest extent permitted by law, by the Chairman of the Board, the President or Managing Director or Vice President or by such other Person or Persons, whether or not employed by the Corporation, as may be designated by the Board of Directors from time to time.

RULE 35 - NOTICES

Section 1 - Notice to an Interested Person

Any notice pursuant to these Rules from the Corporation to an Interested Person shall be sufficiently served on such Interested Person if the notice is in writing, and is mailed to the Interested Person's office address, is sent via electronic mail to the Interested Person's electronic mail address or is transmitted by facsimile machine to a facsimile machine located either in the Interested Person's office or elsewhere as designated by such Interested Person. Any notice to an Interested Person, if mailed, shall be deemed to have been given when deposited in the United States Postal Service, with postage thereon prepaid, directed to the Interested Person at its office address, and if sent via electronic mail, shall be deemed given when routed to the electronic mail address of the Interested Person. Any notice to an Interested Person, if transmitted by facsimile machine as provided above, shall be deemed to have been given when such transmission is verified on the facsimile machine of the Corporation as having been transmitted.

Notwithstanding anything in these Rules to the contrary, the Corporation may distribute notices to all Interested Persons by posting such notices on the Corporation's website. The Corporation shall deem a notice delivered once such notice is successfully posted to the website.

Section 2 - Notice to the Corporation

Any notice from an Interested Person to the Corporation shall be sufficiently served on the Corporation if the notice is in writing and is delivered, mailed, or transmitted by facsimile machine to the Corporation at its principal place of business, Attention: Secretary, or such other place as the Corporation designates. Any such notice to the Corporation shall be deemed to have been given when received.

Section 3 - Notice by the Corporation of Certain Actions

Any notice required to be given by the Corporation pursuant to Rule 14, Rule 16, or Rule 38, shall set forth the specific grounds under consideration upon which any action taken by the Corporation pursuant to such Rule or Rules may be based and shall contain notice to the Member of its right to request a hearing, such request to be filed by such Member with the Corporation pursuant to Rule 28.

RULE 36 - INTERPRETATION OF TERMS

Notwithstanding the use of words such as "collateral", "purchase", "secure", and "sell", and other words derived from those words, which reflect terminology commonly used in the market for transactions of the kind processed by the Corporation under these Rules, the use of such words in these Rules, or in agreements entered into by the Corporation with Members pursuant to these Rules, shall not be deemed to affect the intent of the Members as to their characterization of such transactions in agreements entered into by the Members with one another or with third parties in respect of such transactions.

RULE 37 - INTERPRETATION OF RULES

The Board of Directors of the Corporation or any Committee thereof or their designee(s) shall have the authority to interpret the Rules of the Corporation. Interpretations of the Board of Directors or any Committee thereof or their designee(s) shall be final and conclusive.

RULE 38 - DISCIPLINARY PROCEEDINGS

Section 1 - General

The Corporation may discipline any Member for a violation of any provision of the Rules of the Corporation or such Member's agreements with the Corporation, for any error, delay or other conduct that constitutes an abuse or misuse of the Corporation's processes or otherwise is detrimental to the operations of the Corporation, or for not providing adequate facilities for such Member's business with the Corporation, by termination of membership, ceasing to act for the Member, other limitation of or restriction on activities, functions and operations, fine, censure or any other fitting sanction.

Section 2 - Role of the Board

The Board of Directors shall be responsible for overseeing the process of addressing rules violations and other detrimental conduct. Management of the Corporation shall be responsible for presenting to the Board actions of a Member or Members that, in their opinion, constitute a rules violation or detrimental conduct, for the Board's determination as to what, if any, disciplinary action is appropriate. Any such presentation shall be made as soon as practicable after the action deemed by management to constitute a rules violation or detrimental conduct has occurred.

The imposition of any disciplinary action involving ceasing to act or termination of membership shall require Board approval.

Section 3 - Major and Minor Offenses

If the Board determines that a Member has committed a rules violation or an act of detrimental conduct, it shall classify the act as either major or minor in nature. Major offenses generally shall require a finding of either misconduct involving the funds or securities settlement obligations of a Member pursuant to these Rules or a deliberate act of fraud or misconduct of a Member. In addition, repeated offenses by a Member of a minor nature may cause the Member to be deemed to have committed a major offense.

A Member committing a major offense may be subject to disciplinary action up to and including termination of its membership. At a minimum, after a determination has been made by the Board that a major offense has been committed by a Member, a letter shall be sent by the Corporation to the Member informing it of its commission of offense and requiring that a written explanation be provided to the Corporation as to why the offense occurred and the actions taken and/or to be taken by the Member to ensure that the offense will not reoccur. Representatives of the Member may be required to appear before the Board to provide such explanation.

A Member committing a minor offense shall be subject to a fine or other disciplinary action, except for ceasing to act or termination of membership. Moreover, after a determination

has been made by the Board that a minor offense has been committed by a Member, a letter shall be sent to the Member informing it of its commission of the offense.

Section 4 - Notification to a Member

Before imposing any disciplinary sanction on a Member pursuant to this Rule, the Corporation shall notify such Member of the type of disciplinary sanction being imposed, the reasons for the imposition of the disciplinary sanction (which shall include a description of the action of the Member deemed to constitute a rules violation or detrimental conduct), the effective date of such action, and its right to a hearing to contest the imposition of the action. The Corporation may, in its discretion, take any disciplinary action authorized by these Rules against a Member immediately upon providing the notification to the Member required in this Section. Upon the Corporation's decision to take such action, the Corporation shall notify the SEC and the Member's Appropriate Regulatory Agency.

RULE 39 – DTCC SHAREHOLDERS AGREEMENT

Section 1 – Certain Definitions

For purposes of this Rule 39:

“DTCC” means The Depository Trust & Clearing Corporation, the holder of all of the capital stock of the Corporation.

“Shareholders Agreement” means the Shareholders Agreement of DTCC, dated as of November 4, 1999, as heretofore or hereafter amended and restated.

“Common Shares” has the meaning given to such term in the Shareholders Agreement.

“Mandatory Purchaser Participant” has the meaning given to such term in the Shareholders Agreement.

“Voluntary Purchaser Participant” has the meaning given to such term in the Shareholders Agreement.

Section 2- Clearing Members³

As a condition to its use of the services and facilities of the Mortgage-Backed Securities Division of the Corporation, a Clearing Member other than a non-U.S. based central securities depository shall be required to purchase and own Common Shares in accordance with the terms of the Shareholders Agreement and be a party to the Shareholders Agreement. For purposes of the Shareholders Agreement, a Clearing Member other than a non-U.S. based central securities depository shall be a Mandatory Purchaser Participant.

Section 3 - Certain Other Matters

The Corporation shall execute and deliver the Shareholders Agreement as attorney in fact for a Member that purchases Common Shares pursuant to Section 2 of this Rule if such Member is not already a party to the Shareholders Agreement. In addition, the Corporation may on behalf of DTCC pursuant to the Shareholders Agreement, without duplication of payment, (A) debit a Member for any amount payable by the Member to DTCC for Common Shares purchased by the Member and (B) credit a Member for any amount payable by DTCC to the Member for Common Shares sold by the Member.

³ This Section 2 of Rule 38 will not become effective until approved by a majority of holders of DTCC Common Shares.

Mortgage-Backed Securities Division
Schedule of Haircuts for Eligible Clearing Fund Securities

Security Type	Remaining Maturity	Haircut
1. Treasury		
Bills, Notes, Bonds, TIPS	Zero to 1 year	2.0%
	1 year to 2 years	2.0%
	2 years to 5 years	3.0%
	5 years to 10 years	4.0%
	10 years to 15 years	6.0%
	15 years or greater	6.0%
	Zero Coupon	Zero to 1 year
1 year to 2 years		5.0%
2 years to 5 years		5.0%
5 years to 10 years		12.0%
10 years to 15 years		12.0%
15 years or greater		12.0%
2. Agency*		
Notes, Bonds	Zero to 1 year	7.0%
	1 year to 2 years	7.0 %
	2 years to 5 years	7.0%
	5 years to 10 years	7.0%
	10 years to 15 years	10%
	15 years or greater	10%
Zero Coupon	Zero to 1 year	7.0%
	1 year to 2 years	7.0%
	2 years to 5 years	7.0%
	5 years to 10 years	18.0%
	10 years to 15 years	18.0%
	15 years or greater	18.0%
3. MBS Pass-Throughs*		
	Ginnie Mae	7.0%
	Fannie Mae/Freddie Mac	7.0%
4. Self-issued MBS**		
		14% (or 21% if 25% concentration limit is exceeded).

* Any deposits of Eligible Clearing Fund Agency Securities or Eligible Clearing Fund Mortgage-Backed Securities in excess of 25 percent of a Clearing Member's required Clearing

Fund deposit will be subject to a haircut that is twice the amount of the percentage noted in the haircut schedule. Eligibility requirements will be announced by the Corporation from time to time.

** A Clearing Member may deposit Eligible Clearing Fund Mortgage-Backed Securities of which it is the issuer, however such securities will be subject to a premium haircut. This haircut shall be 14% as an initial matter. If a Clearing Member also exceeds the 25% concentration limit, the haircut shall be 21%.

**FICC MORTGAGE-BACKED SECURITIES DIVISION
SCHEDULE OF CHARGES BROKER ACCOUNT GROUP**

I. FEES

Important Note: It is the MBSD's policy to retain only those revenues necessary to fund current costs, enhancements and on-going development work for the benefit of its members and appropriate retained earnings as directed by the FICC Board of Directors.

As such, the FICC Board may determine to apply periodic discounts or surcharges to certain MBSD fees consistent with the financial performance of the MBSD.

Account Maintenance

Primary/Secondary Account	\$ 50/Mo./each
Option Account	\$ 50/Mo./each

Aggregate Maintenance

Single Aggregate	No Charge
Each Additional Aggregate	\$ 35/Mo./each

Communication Fees

Failure to migrate from legacy networks to SMART and/or SFTI	Cost*
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*The entire cost of supporting the legacy network connections will be allocated among remaining users pro rata.

Trade Processing⁴

Give-up Trade Creates	\$.20/side
Unmatched Trade Deletes	\$ 1.00/side
Trade Cancels	\$ 1.00/side
Change Terms	\$ 1.00/side
DK and Modify	No Charge

Processing Fees

4 Trades which are matched and canceled within the same processing pass are exempt from Trade Processing fees.

Trade Input Non-Compliance \$500/month/Account

Surcharge for Submission Method (Effective April 1, 2006)

At the end of a month, and with respect to each Participant account, a Participant that submits any trade data to the Corporation during that month using a single batch or multi-batch method shall be subject to a surcharge as follows:

- (a) Single batch submitters shall be subject to a 50 percent surcharge (with a minimum of \$500) on their post discount trade recording fees as recorded on their monthly bill, and
- (b) Multi-batch submitters shall be subject to a 20 percent surcharge (with a minimum of \$500) on their post discount trade recording fees as recorded on their monthly bill.

The MBSD will reserve the right to waive the surcharges for a particular Participant if it determines that the Participant's classification as a single or multi-batch user in a particular month is due to a non-recurring system or operational problem. Surcharge revenues will be paid through to individual interactive messaging and terminal service submitters pro rata, based upon such submitters' ratio of trade recording fees to system-wide trade recording fees.

Broker Commission Collection/Audit Trail No Charge

In addition to the above, FICC may also bill Participants for, and include on the Participants' billing statements, fees and charges which may be imposed on such Participants by third parties such as: (a) other subsidiaries of The Depository Trust & Clearing Corporation; (b) self-regulatory organizations and other securities industry organizations or entities of which such Participant is a member, where such third party has represented to FICC that it has an agreement with the Participant allowing the Participant's payment of such fees and charges; and (c) other organizations and entities which provide services or equipment to Participants which are integral to services provided by FICC. Any amounts so collected will be remitted to the entity imposing such fee or charge.

Such fees and charges may include those of companies that identify themselves as being an affiliate of the Participant. Participants should check their billing statements, which shall reflect all such charges, and report any problems to FICC immediately.

II. FINES

Late Satisfaction of Participants Fund Margin Deficit*

Deficiency Amount	First Occasion	Second Occasion	Third Occasion	Fourth Occasion
Up to \$100M	**	\$100	\$200	\$500
Greater than \$100M to \$900 M	**	300	600	1,500
Greater than \$900 M to \$1.7 MM	**	600	1,200	3,000
Greater than \$1.7 MM to \$2.5MM	**	900	1,800	4,500
Greater than \$2.5 MM	**	1,000	2,000	5,000

* Overnight failures are also subject to interest charges.

Notes:

M=one thousand

MM= one million

** First occasions result in a warning letter issued to the Member.

The number of occasions is determined over a moving three-month period beginning with the first occasion.

If the number of occasions within the rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the amount of the fine.

A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount. If a member is late for more than one hour and it is the member's fourth occasion, the Corporation shall obtain the concurrence of the Board of Directors as to the amount of the fine.

Late Payment of Cash Obligation Item

Amount	First Occasion	Second Occasion	Third Occasion	Fourth Occasion
\$1 to \$100M	\$100	\$200	\$ 500	\$1,000
Greater than \$100M to \$900M	300	600	1,500	3,000
Greater than \$ 900M to \$1.7 MM	600	1,200	3,000	6,000
Greater than \$1.7 MM to \$2.5MM	900	1,800	4,500	9,000
Greater than \$2.5 MM	1,000	2,000	5,000	10,000

M=one thousand

MM= one million

- (1) Each instance of a late payment of a cash obligation item is deemed to be a separate occasion. Such latenesses are combined, regardless of type, to determine the number of occasions.
- (2) The number of occasions is determined over a moving three-month period beginning with the 1st occasion.
- (3) If the number of occasions within the rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount.
- (4) A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount. If a member is late for more than one hour and it is the member's fourth occasion, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount.

Failure to Timely Provide Financial and Related Information

Request For Information*	<u>First Occasion</u>	<u>Second Occasion</u>	<u>Third Occasion</u>	<u>Fourth Occasion</u>
Reports /Information **	\$300	\$600	\$1,500	***

* Fines to be levied for offenses within a moving twelve-month period beginning with the first occasion.

** For purposes of this Fine Schedule, Reports/Information shall mean the financial and regulatory information required to be submitted to the Corporation pursuant to the Rules, Procedures, Important Notices or notices on the Corporation’s website.

*** Fourth or more occasion fines will be determined by the Corporation with the concurrence of the Board of Directors.

If the Member’s late submission applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

Business Continuity Testing for Top Tier Firms – Fines for Failure to Test

Fine for failure to complete annual testing requirement: \$10,000
 Fine for failure to complete testing for two successive years: \$20,000

General Continuance Standards-Fine for Failure to Notify of Falling out of Compliance

Fine for failure to notify \$1,000

If the Member’s failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a

participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

Reportable Events-Fine for Failure of Timely Notification

Fine for failure to timely notify \$5,000

If the Member’s failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies.

Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

Failure to Confirm OFAC Program

Fine Name	Amount(s)
Failure to confirm OFAC Program	\$5,000.00

**FICC MORTGAGE-BACKED SECURITIES DIVISION
SCHEDULE OF CHARGES DEALER ACCOUNT GROUP**

I. FEES

Important Note: It is the MBSD's policy to retain only those revenues necessary to fund current costs, enhancements and on-going development work for the benefit of its members and appropriate retained earnings as directed by the FICC Board of Directors.

As such, the FICC Board may determine to apply periodic discounts or surcharges to certain MBSD fees consistent with the financial performance of the MBSD.

Account Maintenance

Primary/Secondary Account	\$ 350/Mo./each
Investment Manager Accounts ¹	
1 Account	\$ 350/Mo./each
2 or 3 Accounts	\$ 185/Mo./each
4 through 7 Accounts	\$ 150/Mo./each
8 through 10 Accounts	\$ 130/Mo./each
Greater than 10 Accounts	\$ 120/Mo./each
Option Account	\$ 50/Mo./each
Trade Assignment Account	\$ 50/Mo./each

Aggregate Maintenance

Single Aggregate	No Charge
Each Additional Aggregate	\$ 35/Mo./each

Communication Fees

Failure to migrate from legacy networks to SMART and/or SFTI	Cost*
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*The entire cost of supporting the legacy network connections will be allocated among remaining users pro rata.

1 The Account Maintenance fee for a Participant that uses a common investment manager to process trades with the MBSD is based on the total number of Accounts maintained by Participants with an investment manager.

Trade Processing³

SBO Destined Trades

Par Value Millions/Mo.

Trade Creates	01-2,500	\$1.68/MM
	2,501-5,000	\$1.54/MM
	5,001-7,500	\$1.39/MM
	7,501-10,000	\$1.30/MM
	10,001-12,500	\$1.15/MM
	12,501& over	\$0.99/MM

Unmatched Trade Deletes	\$1.00/side
Trade Cancels	\$4.00/side
Trade Netting Converts	\$1.00/side
DK and Modify	No Charge

Trade-for-Trade (Including Specified Pool Trades)

Trade Creates	\$0.50
Unmatched Trade Deletes	\$1.00/side
Trade Cancels	\$4.00/side
DK and Modify	No Charge

Option Trades

Trade Creates	\$2.25
Unmatched Trade Deletes	\$1.00/side
Trade Cancels	\$4.00/side
DK and Modify	No Charge

³ Trades which are matched and canceled within the same processing pass are exempt from Trade Processing fees.

Pool Netting Fees

Matched Pool Instruct (per side)	\$0.20
CDR Pool Instruct Fee	\$0.20
Cancel of Matched Pool Instruct	\$0.40
Pool Obligation	\$0.50
Post Net Subs	\$0.20
Clearance of Pool vs. FICC	\$1.25

Financing Charges Associated with Pool Netting:

For each other Pool Netting Member, a pass-through charge calculated on a percentage of the total of all such costs incurred by the Corporation, allocated by agency product, which percentage is calculated as follows:

$$\frac{\text{Total dollar value of deliver and receive obligations of such Pool Netting Member in such agency product}}{\text{Total dollar value of deliver and receive obligations of all Pool Netting Members in such agency product}}$$

Notwithstanding the above, if, after providing to a Pool Netting Member appropriate notice and opportunity to be heard, the Corporation determines that such Pool Netting Member has, on a recurring basis and without good cause, caused the Corporation to incur financing costs, such Member will be obligated to pay for the entire amount of any financing costs incurred by the Corporation as the result of deliveries by such Member to the Corporation.

Processing Fees

Trade Input Non-Compliance	\$500/month/Account
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Notification of Settlement

SBO Trades	
NOS Creates	No Charge
NOS Deletes	\$1.00/side
NOS DK and Modify	No Charge
Trade-for-Trade	
NOS Creates	No Charge
NOS Deletes	\$1.00/side
NOS DK and Modify	No Charge
Processing Fees	
Delinquent DK's	\$25/day
Delinquent Deletes, Affirms, Matches	\$25/day

Surcharge for Submission Method (Effective April 1, 2006)

At the end of a month, and with respect to each Participant account, a Participant that submits any trade data to the Corporation during that month using a single batch or multi-batch method shall be subject to a surcharge as follows:

- (a) Single batch submitters shall be subject to a 50 percent surcharge (with a minimum of \$500) on their post discount trade recording fees as recorded on their monthly bill, and
- (b) Multi-batch submitters shall be subject to a 20 percent surcharge (with a minimum of \$500) on their post discount trade recording fees as recorded on their monthly bill.

The MBSD will reserve the right to waive the surcharges for a particular Participant if it determines that the Participant's classification as a single or multi-batch user in a particular month is due to a non-recurring system or operational problem. Surcharge revenues will be paid through to individual interactive messaging and terminal service submitters pro rata, based upon such submitters' ratio of trade recording fees to system-wide trade recording fees.

Broker Commission Collection/Audit Trail No Charge

In addition to the above, FICC may also bill Participants for, and include on the Participants' billing statements, fees and charges which may be imposed on such Participants by third parties such as: (a) other subsidiaries of The Depository Trust & Clearing Corporation; (b) self-regulatory organizations and other securities industry organizations or entities of which such Participant is a member, where such third party has represented to FICC that it has an agreement with the Participant allowing the Participant's payment of such fees and charges; and (c) other

organizations and entities which provide services or equipment to Participants which are integral to services provided by FICC. Any amounts so collected will be remitted to the entity imposing such fee or charge.

Such fees and charges may include those of companies that identify themselves as being an affiliate of the Participant. Participants should check their billing statements, which shall reflect all such charges, and report any problems to FICC immediately.

II. FINES

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Failure to Timely Provide Financial and Related Information

Request For Information*	<u>First Occasion</u>	<u>Second Occasion</u>	<u>Third Occasion</u>	<u>Fourth Occasion</u>
Reports /Information **	\$300	\$600	\$1,500	***

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Business Continuity Testing for Top Tier Firms – Fines for Failure to Test

Fine for failure to complete annual testing requirement:	\$10,000
Fine for failure to complete testing for two successive years:	\$20,000

General Continuance Standards-Fine for Failure to Notify of Falling out of Compliance

Fine for failure to notify	\$1,000
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If the Member's failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

Reportable Events-Fine for Failure of Timely Notification

Fine for failure to timely notify \$5,000

If the Member's failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

Failure to Confirm OFAC Program

Fine Name	Amount(s)
Failure to confirm OFAC Program	\$5,000.00

Dated: 4/8/2008

FIXED INCOME CLEARING CORPORATION
MORTGAGE-BACKED SECURITIES DIVISION
EPN RULES

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ARTICLE I DEFINITIONS AND GENERAL PROVISIONS

Rule 1 Definitions

Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these EPN Rules, have the meanings herein specified.

Account

The term "Account" means an account in a designated location in the Corporation's electronic communication system for the EPN Service, maintained by the Corporation on behalf of an EPN User pursuant to Section 1 of Rule 1 of Article VII.

Board of Directors

The term "Board of Directors" means the Board of Directors of the Fixed Income Clearing Corporation.

Business Day

The term "Business Day" means any day on which the Corporation is open for business.

By-Laws

The term "By-Laws" means the By-Laws of the Corporation as they may be amended from time to time.

Comparison and Clearing System

The term "Comparison and Clearing System" means the Corporation's system for comparing trade input, margining and comparing clearance information with respect to certain transactions between Participants.

Corporation

The term "Corporation" means Fixed Income Clearing Corporation, a New York corporation, and the owner of Mortgage-Backed Securities Division. Whenever any action is permitted or required by these EPN Rules to be taken by the Corporation, reference to the Corporation shall mean the officers and senior management employees of the Corporation acting under authority conferred upon them by the By-Laws and the Board of Directors.

EPN Eligible Security

The term "EPN Eligible Security" means a security which the Corporation has determined to be eligible for the Corporation's EPN Service, pursuant to Rule 2 of this Article VI.

EPN Procedures

The term "EPN Procedures" means EPN Procedures of the Corporation adopted pursuant to Rule 11 of Article X.

EPN Rules

The term "EPN Rules" means these rules of the Corporation relating to the EPN Service, located in Articles VI, VII, VIII, IX and X of the Rules, as amended from time to time.

EPN User

The term "EPN User" means any person qualified pursuant to these EPN Rules to participate in the EPN Service.

EPN User Agreement

The term "EPN User Agreement" means the agreement between the Corporation and an EPN User specified in Section 3 of Rule 1 of Article VIII.

EPN User Profile

The term "EPN User Profile" means information submitted to the Corporation by an applicant on the form specified in the Corporation's EPN Procedures.

EPN Service

The term "EPN Service" means the Corporation's electronic pool notification service that enables EPN Users to electronically communicate pool information, via Messages, to other EPN Users, as described in the Corporation's EPN Rules and EPN Procedures.

FHLMC

The term "FHLMC" means the Federal Home Loan Mortgage Corporation, a corporate instrumentality of the United States of America.

FNMA

The term "FNMA" means Fannie Mae.

GNMA

The term "GNMA" means the Government National Mortgage Association, a corporate instrumentality of the U.S. Department of Housing and Urban Development.

Government Securities Division

The term "Government Securities Division" means the division of the Fixed Income Clearing Corporation that provides services related to government securities.

Government Securities Division Member

The term "Government Securities Division Member" means a member who utilizes the services of the Government Securities Division.

Interested Person

The term "Interested Person" means a Participant, an EPN User or an applicant for membership, in the EPN Service, Comparison Only System or the Comparison and Clearing System.

Membership and Risk Management Committee

The term "Membership and Risk Management Committee" means the Membership and Risk Management Committee established by the Board of Directors of the Corporation.

Messages

The term "Messages" means all electronic messages sent or received, as detailed in the EPN Procedures.

Message Detail Report

The term "Message Detail Report" means the report furnished by the Corporation pursuant to Section 2 of Rule 2 of Article VII, reflecting the details of all Messages during the current Business Day.

Message Summary Report

The term "Message Summary Report" means the report furnished by the Corporation pursuant to Section 3 of Rule 2 of Article VII, which provides summary information for all Messages during the current Business Day.

Mortgage-Backed Securities

The term "Mortgage-Backed Securities" means all participation interests in pools of mortgage loans issued or guaranteed by instrumentalities of the United States Government, including, without limitation, pass-through and modified pass-through certificates guaranteed by GNMA, Mortgage Participation Certificates and Guaranteed Mortgage Certificates issued by FHLMC and pass-through certificates issued by FNMA.

Mortgage-Backed Securities Division

The term "Mortgage-Backed Securities Division" means the division of the Fixed Income Clearing Corporation that provides services related to mortgage-backed securities.

Operations and Planning Committee

The term "Operations and Planning Committee" means the Fixed Income Operations and Planning Committee established by the Board of Directors of The Depository Trust & Clearing Corporation.

Par Amount

The term "Par Amount" means the face value (original principal amount) of a Security.

Participant

The term "Participant" means any person qualified pursuant to the Corporation's EPN Rules to participate in the Comparison and Clearing System.

Securities

The term "Securities" means Mortgage-Backed Securities and any other securities designated by the Corporation as EPN Eligible Securities.

SIFMA Guidelines

The term "SIFMA Guidelines" means the guidelines for good delivery of Mortgage-Backed Securities as promulgated from time to time by the Securities Industry and Financial Markets Association.

Rule 2. EPN Eligible Securities

The Corporation shall, from time to time, consistent with its operational capabilities and regulatory requirements, determine which Mortgage-Backed Securities and other Securities are eligible for services provided by the Corporation in the EPN Service. The existence at any time of provisions in these EPN Rules relating to Messages in particular Securities does not itself constitute a designation of such Securities as EPN Eligible Securities, and until such designation is made no Messages between EPN Users involving such Securities shall be subject to these EPN Rules. Should the Corporation discontinue the eligibility of Messages in any Security, the Corporation shall give notice thereof to all EPN Users, and from and after the effective date specified in the notice, the Corporation shall cease to render services with respect to Messages in such Security. A determination of ineligibility hereunder with respect to Messages in any Security shall be subject to appeal under Rule 7 of Article X by any EPN User. A security of an issuer that is listed on the Office of Foreign Assets Control (“OFAC”) list of specially designated nationals distributed by the U.S. Department of the Treasury, or of an issuer that is incorporated in a country that is on the OFAC list of countries shall not be an “Eligible Security”.

ARTICLE II MESSAGES PROCESSED BY THE CORPORATION

Rule 1. Accounts

Sec. 1. Maintenance of Accounts

Sec. 2. Limitations

Notwithstanding anything to the contrary herein, the Corporation may specify in the EPN Procedures that certain Messages between EPN Users are not eligible for the EPN Service or portions thereof and may in its discretion decline to act with respect to any Message or class of Messages determined by the Corporation.

Rule 2. Reports

Sec. 1. Availability of Reports.

The Corporation shall process data available to the Corporation as of the close of each Business Day and shall make available for each Account maintained by an EPN User, the Reports outlined below. Such reports shall be available at a time specified in the EPN Procedures.

Sec. 2. Message Detail Report

Based on information available to the Corporation, the Message Detail Report shall list the contents of each Message as described in the EPN Procedures.

Sec. 3. Message Summary Report

Based on information available to the Corporation, the Message Summary Report shall list the contents of each Message as described in the EPN Procedures.

Sec. 4. Confirmation

The Message Detail Report shall constitute the sole confirmation of Messages between EPN Users to be processed by the Corporation. As the sole confirmation, the Message Detail Report shall evidence a valid, binding and enforceable contract, and the Corporation shall be entitled to rely on the Message Detail Report for all purposes under these EPN Rules.

Sec. 5. Good Delivery; Time Stamps

Each EPN Message shall be time stamped with one or more time stamps, one of which will be a good delivery time stamp, as described in the EPN Procedures. The application of the good delivery time stamp shall be valid, binding and enforceable as a determination of good delivery.

Sec. 6. Use of Information

The Corporation shall have the right to use Message information, sent or received by that EPN User, to assist the Corporation in its operation of the Comparison and Clearing System or EPN Service or for other purposes as the Corporation may determine from time to time.

ARTICLE III EPN USERS

Rule 1. Requirements Applicable to EPN Users

Sec. 1. Applicants Eligible to Become EPN Users

The Corporation shall provide services to those organizations, entities or persons who apply to the Corporation to become an EPN User, who qualify as an EPN User under these EPN Rules and whose EPN User Profiles are approved by the Corporation.

Sec. 2. Approval of Applicants

The Corporation shall approve an EPN User Profile, submitted by an applicant, to become an EPN User if the applicant:

- (a) has sufficient financial ability to meet its obligations to the Corporation; and
- (b) the applicant has affirmatively shown that it has the ability to satisfactorily communicate with the Corporation, fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy, and conform to any condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Participants. The applicant agrees that it must fulfill, within the timeframes established by the Corporation, 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 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 applicant.

The Corporation may waive any standard as to any applicant, either unconditionally or on an appropriate temporary or other conditional basis, if the Corporation determines that said standard, as applied to such applicant, is unduly or disproportionately severe or that the conduct of said applicant has been such that it would not be against the best interests of the Corporation, its EPN Users and the public to waive said standard.

Notwithstanding the foregoing, the Corporation may decline to offer the EPN Service to any applicant upon a determination by the Corporation that the Corporation does not have adequate personnel, space, data processing capacity or other operational capabilities at that time to furnish service to an additional EPN User without impairing the ability of the Corporation to provide services for its then EPN Users, or otherwise to carry out its functions; provided, however, that applicants who are declined pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit in the order in which such applicants applied to the Corporation, and provided, further, that the Corporation shall use its best efforts to expand its capabilities to permit approval of the applicant so denied.

Sec. 3. Agreements of EPN Users

An applicant whose EPN User Profile, submitted for the purpose of becoming an EPN User, has been approved by the Corporation shall sign and deliver to the Corporation an EPN User Agreement whereby it agrees, in addition to such other things as the Corporation may specify:

(a) that the only service or system offered by the Corporation that it will utilize as an EPN User is the EPN Service;

(b) that, except to the extent waived by the Corporation, the applicant shall abide by the EPN Rules and EPN Procedures of the Corporation and shall be bound by all the provisions thereof, the applicant acknowledging that the Corporation shall have all of the rights and remedies contemplated by the EPN Rules and EPN Procedures of the Corporation;

(c) that, except to the extent waived by the Corporation, the EPN Rules and EPN Procedures of the Corporation shall be a part of the terms and conditions of every contract or Message which the applicant, while an EPN User, may make or have with the Corporation and of every contract or Message into which the applicant, while an EPN User, may enter which relates to the EPN Service;

(d) that, upon becoming an EPN User, the applicant shall utilize the EPN Service for all Messages relating to EPN Eligible Securities, except for those Messages which the Corporation specifically exempts in the EPN Procedures and those Messages which both parties agree not to send through the EPN Service.

(e) that the applicant shall pay to the Corporation (i) the compensation specified in the fee schedules of the Corporation for services rendered to the applicant while an EPN User, (ii) such fines as may be imposed in accordance with the EPN Rules and EPN Procedures of the Corporation for the failure of the applicant, while an EPN User, to comply therewith, and (iii) such other amounts as may become payable to the Corporation by the applicant, while an EPN User, under the EPN Rules and EPN Procedures of the Corporation; and

(f) that the applicant shall be bound by any amendment to the EPN Rules or EPN Procedures of the Corporation with respect to any Message occurring subsequent to the time such amendment takes effect as fully as though such amendment were a part of the EPN Rules and EPN Procedures of the Corporation at the time application is made; provided, however, that no such amendment shall affect the applicant's right to cease to be an EPN User.

Notwithstanding Section 3(d) of this Rule 1, in the event of an EPN system disruption and an extension of the cut-off times for communicating pool allocation information pursuant to SIFMA

Guidelines, EPN Users will be relieved of their obligation to process Messages through the EPN Service until the beginning of the next Business Day after the EPN system has been recovered.

Sec. 4. Supplemental Agreements of EPN Users

The Corporation may in its discretion request any EPN User, any class of EPN Users, or all EPN Users generally, to enter into nondiscriminatory supplementary agreements relating to special services performed by the Corporation or special arrangements between the Corporation and such EPN Users, and the execution and delivery of such agreements by any EPN User shall be a condition precedent to the performance of such services or the effectiveness of such arrangements.

Sec. 5. EPN Users Bound by EPN Rules, EPN Procedures and Applicable Laws

Subject to the provisions of Rule 12 of Article X, the use of the facilities of the Corporation by a EPN User shall constitute such EPN User's agreement with the Corporation and with all other EPN Users to be bound by the provisions of, and by any action taken or order issued by the Corporation pursuant to, these EPN Rules and any amendment thereto, and to such EPN Procedures as the Corporation from time to time may adopt. In addition, in connection with their use of the Corporation's services, an EPN User must comply with all applicable laws, including applicable laws relating to securities, taxation, and money laundering.

Sec. 6. EPN Rules and EPN Procedures Incorporated in EPN User Messages

These EPN Rules and the EPN Procedures adopted from time to time by the Corporation shall be deemed incorporated in each Message that occurs through the EPN Service. To the extent that the terms contained in any other agreement between EPN Users are inconsistent with the provisions of these EPN Rules or the EPN Procedures, these EPN Rules and the EPN Procedures shall be controlling.

Sec. 7. Indemnification

EPN Users shall indemnify the Corporation against any loss, reasonable cost or expense, damage or liability arising out of the performance, non-performance or misperformance of the Corporation's duties except to the extent that the Corporation's conduct violated the standard of care set forth in Section 1 of Rule 6 of Article X. In the event that any loss, cost, expense, damage or liability with respect to which the Corporation is entitled to indemnification pursuant to this Section 7 is attributable to one or more identifiable EPN Users, an assessment shall be made against such EPN User(s). In the event that any such loss, cost, expense, damage or liability cannot be attributed to one or more identifiable EPN Users, an assessment shall be made against EPN Users generally in proportion to their relative usage of the facilities of the Corporation (based on fees for services) during the period in which such loss, cost, expense, damage or liability was incurred.

Sec. 8. Confidentiality.

Any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or EPN User.

Rule 2. Ceasing to Maintain an Account Voluntary Withdrawal of an EPN User

Sec 1. Ceasing to Maintain an Account

A EPN User may cease to maintain an Account with the Corporation by providing the Corporation with 10 days written notice of such cessation; however the Corporation, in its discretion, may accept such cessation within a shorter notice period. Such cessation will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to EPN Users announcing the EPN Users cessation and the effective date of the cessation of the EPN User's Account; provided, however, that no cessation of an Account shall be effective until the EPN User has made arrangements satisfactory to the Corporation for the payment of any unpaid obligations with respect to such Account, and no cessation of an Account maintained for an EPN User shall be effective until the EPN User has made arrangements satisfactory to the Corporation for the handling of Messages for unprocessed transactions in Eligible Securities at the time of such cessation.

Sec. 2. Voluntary Withdrawal of an EPN User

An EPN User may withdraw as an EPN User by providing the Corporation with 10 days written notice of such withdrawal; however the Corporation, in its discretion, may accept such withdrawal within a shorter notice period. Such withdrawal will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to all EPN Users announcing the EPN User's withdrawal and the effective date of the withdrawal of the EPN User; provided, however, that no withdrawal of an EPN User shall be effective until the EPN User has made arrangements satisfactory to the Corporation for the payment of all of its unpaid obligations, and no withdrawal of an EPN User shall be effective until the EPN User has made arrangements satisfactory to the Corporation for the handling of Messages for all unprocessed transactions in Eligible Securities at the time of such withdrawal.

Rule 3. When the Corporation Declines to Act for an EPN User

Sec. 1. Ceasing to Act for an EPN User

The Corporation may at any time cease to act for an EPN User with respect to any Account or set of Accounts, a particular Message or Messages generally, in the event that (a) the EPN User has failed to perform its obligations to the Corporation or other EPN Users under these EPN Rules or the EPN Procedures, (b) the Corporation has determined that the EPN User no longer meets all of the qualifications of Sections 1, 2 and 3 of Rule 1 of this Article VIII, (c) the Corporation has reasonable grounds to believe that the EPN User has been responsible for any fraudulent or dishonest conduct, or has made a material misstatement or omitted to state a material fact in any statement to any officer or employee of the Corporation in connection with any transaction processed or service furnished by the Corporation, (d) the EPN User has materially violated any of these EPN Rules or the EPN Procedures or any agreement with the Corporation, (e) the Corporation has reasonable grounds to believe that the EPN User is in or is approaching financial difficulty or will otherwise be unable to meet its obligations to the Corporation or other EPN Users, (f) the EPN User is also a Participant in the Corporation and the Corporation has ceased to act for that Participant; or (g) the Corporation has reasonable grounds to believe that such ceasing to act is necessary for the protection of investors or other EPN Users or to facilitate the orderly and continuous performance of the Corporation's services.

Sec. 2. Notice to EPN Users

When the Corporation has determined to cease to act for an EPN User with respect to any Account or set of Accounts, a particular Message or Messages generally, it shall notify all EPN Users of the date as of which it will cease to act and of the action to be taken by it with respect to such EPN User's Messages.

Rule 4. Admission to Premises of Corporation; Powers of Attorney

No person shall be permitted to enter the premises of the Corporation as the representative of any EPN User unless he has first been approved by the Corporation and has been issued such credentials as the Corporation may from time to time prescribe and such credentials have not been canceled or revoked. Such credentials must be shown on demand, and may limit the portions of the premises to which access is permitted therewith. Any credentials issued pursuant to this Rule may be revoked at any time by the Corporation in its discretion, and prompt notice of such revocation shall be given to the employer of the person whose credentials have been so revoked.

Each EPN User shall, if any person in its employ to whom any credentials have been issued pursuant to this Rule or to whom a power of attorney or other authorization has been given to act for it in connection with the work of the Corporation for any reason ceases to be so employed, give to the Corporation prompt notice in writing of such termination of employment and, if any such power of attorney or other authorization is otherwise revoked or canceled, shall likewise give to the Corporation prompt notice in writing of such revocation or cancellation. All credentials issued pursuant to this Rule shall be immediately surrendered to the Corporation upon their revocation by the Corporation or by the employer, or upon the termination of the employment of the holder thereof.

Unless revoked by the Corporation, all credentials, authorizations, and powers of attorney issued pursuant to this Rule 4 or in connection with the work of the Corporation shall remain in full force and effect until the Corporation shall have received written notice of the revocation thereof or of the termination of the holder's employment.

Rule 5. Use of the EPN Service

All EPN Users will use the EPN Service for EPN Eligible Securities in such manner as set forth in the EPN Procedures. This shall be accomplished by providing, for each Message, the pricing and other descriptive information, in the manner, and by the cut-off times, specified in the EPN Procedures. The EPN User that receives a Message may respond to such Message in the manner, and by the cut-off time, specified in the EPN Procedures.

Unless otherwise mutually agreed upon by both parties, all Messages processed through the EPN Service shall conform to SIFMA Guidelines.

Each EPN User shall use its best efforts to ensure that all information submitted into the EPN Service is accurate in all respects. The Corporation shall have no responsibility for the inaccuracy of any information submitted by an EPN User to the Corporation, to the EPN Service, or to any other EPN User or for the failure of any EPN User to timely submit any information required to be submitted to the Corporation or to any other EPN User.

ARTICLE IV RESERVED
ARTICLE V MISCELLANEOUS

Rule 1. Action by the Corporation

Except where action by the Board of Directors, or any committee of the Board, is specifically required by the By-Laws or these EPN Rules, the Corporation may act by its President, any Managing Director or any Vice President or by such person as may be designated from time to time by the Board of Directors.

Rule 2. Charges for Services Rendered

Sec. 1. Schedule of Charges

The Board of Directors shall adopt, and may from time to time amend, a nondiscriminatory schedule of charges for services rendered by the Corporation to EPN Users.

Sec. 2. Charges for Unusual Expenses

An EPN User may be charged for any unusual expenses caused directly or indirectly by such EPN User, including, but without limitation, the cost of producing records pursuant to court order or other legal process in any litigation or other legal proceeding, whether or not such EPN User is a party to such litigation or proceeding.

Sec. 3. Billing

The Corporation shall bill each EPN User on a monthly basis for charges for the preceding month.

Rule 3. Fines and Other Sanctions

The Corporation may impose a fine on an EPN User for a violation of the EPN Rules or EPN Procedures of the Corporation or any order pursuant thereto or any agreement between the Corporation and the EPN User; for errors, delays or other conduct embarrassing the operations of the Corporation; or for not providing adequate facilities for its Messages with the Corporation or timely meeting its financial obligations to the Corporation. Fines imposed upon EPN Users for similar conduct occurring with similar frequency shall be uniform.

In addition, the Corporation shall have the right to suspend, expel, limit the activities, functions and operations of, censure or impose any other sanctions the Corporation may deem appropriate upon any EPN User for any such offense.

Rule 4. Communications

Sec. 1. Communications

Each EPN User maintaining an Account shall be required to maintain such data processing and communications equipment as the Corporation may specify in the EPN Procedures to effect the processing of Messages through the facilities of the Corporation and the receipt of reports, notices and other communications relating to such transactions prepared by the Corporation. The form of all reports (including the reports specified in these EPN Rules and any additional reports furnished by the Corporation), notices and other communications shall be prescribed from time to time by the Corporation.

Sec. 2. Errors and Discrepancies in Reports

Each EPN User shall have the duty to review each report provided by the Corporation pursuant to these EPN Rules for errors and discrepancies. Upon discovery of any error or discrepancy, EPN Users shall be responsible for reporting such error or discrepancy to the Corporation. Failure by an EPN User promptly to inform the Corporation, in such form and in such manner as the Corporation may prescribe, of any error or discrepancy shall constitute a waiver of the EPN User's rights against the Corporation to have the error or discrepancy corrected or to make a claim in the future as a result of such error or discrepancy.

Rule 5. Financial Reports

As soon as practicable after the end of each calendar year, the Corporation shall provide to EPN Users financial statements of the Corporation audited and covered by a report prepared by independent public accountants for such calendar year. The Corporation shall undertake to provide such financial statements and report to EPN Users within 60 days following the close of the Corporation's fiscal year.

The Corporation shall also provide to EPN Users unaudited financial statements of the Corporation within 30 days following the close of the Corporation's fiscal quarter for each of the first three calendar quarters of each calendar year.

Rule 6. Limitation on Liability of the Corporation; Fidelity Bond

Sec. 1. Limitation on Liability

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 EPN Users and Participants, 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 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; and

(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.

Sec. 2. No Right of Set Off

No EPN User shall be entitled to set off against any liability to the Corporation any liability that the Corporation may have to such EPN User under the provisions of Section 1 of this Rule 6.

Sec. 3. Fidelity Bond

The Corporation shall maintain fidelity bond coverage in an amount of not less than \$10,000,000 insuring the Corporation against any losses which it may sustain as a result of, among other things, the dishonest or fraudulent act of employees, or the dishonesty or fraud of others.

Rule 7. Hearings

Sec. 1. Requests for a Hearing.

An 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, a written request for a hearing setting forth (a) the action or proposed action of the Corporation with respect to which the hearing is requested and (b) the name of the representative of the Interested Person who may be contacted with respect to the hearing. Within seven Business Days after the Interested Person files such written request with the Corporation, or two Business Days in the case of action taken against the Interested Person involving a denial of membership application, or ceasing to act for an EPN User, 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 five Business Days prior to the hearing.

If the Corporation has assessed a fine against an Interested Person and such Interested Person desires to dispute the fine and complies with the requirements described above regarding filing a written request for a hearing and a written statement, the Corporation shall automatically conduct a review of the disputed fine. The Corporation may examine the written statement submitted by the Interested Person and/or arrange a meeting with the Interested Person to discuss the disputed fine. If the Corporation determines to waive the fine, it shall inform the Board of Directors or an authorized committee thereof of its determination and its reasons thereof. The Board may, in its discretion, determine to reinstate any fine waived by the Corporation. If the Corporation determines not to waive the fine as a result of the review process, the Interested Person shall be entitled to a hearing pursuant to this Rule. The Corporation shall advise the Interested Person of the result of the review process.

Sec. 2. Minor Rule Violations.

A hearing requested in connection with a violation of the Rules of the Corporation for which a fine may be assessed against the Interested Person in an amount not to exceed \$5,000 (a "Minor Rule Violation"), shall be held before a panel of three officers of the Corporation (a "Minor Violation Panel"). The members of the Minor Violation Panel shall select one of their numbers to be the chairman, and the chairman shall be the person in charge of the conduct of the hearing. At the hearing, an officer of the Corporation shall present the case against the Interested Person. The Interested Person shall have an opportunity to be heard and may be represented by counsel.

A record shall be kept of the hearing and the costs associated with the hearing may, in the discretion of the Corporation, be charged in whole or in part to the Interested Person if the decision is adverse to the Interested Person. The Minor Violation Panel shall provide the Interested Person with a written statement of its decision no later than 10 business days after the conclusion of the hearing. If the decision of the Minor Violation Panel is adverse to the Interested Person, the Interested Person may request a further hearing under Section 3 of this Rule by filing a written request with the Secretary of the Corporation within five business days of receipt of such written statement. The Corporation shall notify the Interested Person of the date, time and place of the hearing at least five business days prior to the hearing. The failure of the Interested Person to submit the written request within the required time period shall be deemed an election to waive the right to any further hearing. A Minor Rule Violation as defined in this Rule shall be deemed a minor rule violation within the meaning of Rule 19d-1(c)(2) under the Securities Exchange Act of 1934, as amended (the "Act"), and this Rule shall be deemed a "plan" within the meaning thereof. The action imposed by the Corporation shall not be considered "final" for purposes of paragraph (c) (1) of Rule 19d -1 of the Act if the fine does not exceed \$2,500, and the Interested Person does not seek an adjudication pursuant to Section 4 of this Rule 7.

Sec. 3. Hearings.

A hearing requested in connection with any matter which is not deemed a "minor rule violation" as defined in Section 3 of this Rule, and any hearing requested in connection with an appeal of the decision of the Minor Violation Panel, shall be before a panel (hereinafter the "Panel") of three individuals drawn from members of the Board of Directors, or their designees. The members of the Panel shall be selected by the Chairman of the Board.

Notwithstanding the above, the Panel shall not include any individual representing the Interested Person against which the proposed action is to be taken nor any person who had responsibility for the action or proposed action of the Corporation as to which the hearing relates.

At the hearing, the Interested Person shall be afforded an opportunity to be heard and may be represented by counsel if the Interested Person has so elected pursuant to Section 1 of this Rule. A record shall be kept of the hearing, and the cost associated with the hearing may, in the discretion of the Panel, be charged in whole or in part to the Interested Person in the event that the decision at the hearing is adverse to the Interested Person.

Sec. 4. Hearing Procedure

The Panel shall advise the Interested Person of its decision and the specific grounds upon which the decision is based, within ten Business Days after the conclusion of the hearing. If the decision of the Panel shall have been to impose a disciplinary sanction on the Interested Person in accordance with these Rules, or to affirm any action taken by the Corporation with respect to a

denial of a membership application or ceasing to act for an EPN User, a notice of decision setting forth (a) any act or practice in which the Interested Person has been found to have engaged, or which the Interested Person has been found to have omitted, (b) the specific provision(s) of the Rules of the Corporation or of the EPN User's agreements with the Corporation which any such act or practice or omission to act has been deemed to violate, and (c) the sanction imposed and the reasons thereof shall be furnished to the Interested Person. A copy of the Panel's notice of decision shall also be furnished to the Chairman of the Board.

Sec. 5. Reversal or Modification of Panel Decisions

Decisions of the Panel are final, but the Board of Directors may in its discretion modify any sanction or reverse any decision of the Panel that is adverse to the Interested Person. The reversal or modification by the Board of Directors of any action previously taken against the Interested Person pursuant to these Rules shall not invalidate the acts of the Corporation or its officers or directors taken prior to such reversal or modification.

Sec. 6. Finality of Corporation Action

Any action or proposed action of the Corporation as to which an Interested Person has the right to request a hearing shall be deemed final and effective (a) when the Interested Person stipulates to the taking of such action by the Corporation, (b) upon the expiration of the applicable time period provided in these Rules for the filing of a written request for a hearing or a written statement pursuant to Section 1 of this Rule, or (c) if a hearing has been held pursuant to this Rule, when the Corporation gives notice to the Interested Person of the Panel's decision.

Sec. 7. Alternative Procedures

The Corporation may at any time establish procedures for a hearing not otherwise provided for by these Rules with respect to any action or proposed action of the Corporation.

SEC. 6. FINALITY OF COPORATION ACTION

Rule 1. RESERVED FOR FUTURE USE

Rule 2. Governing Law and Captions

Sec. 1. The interpretation, construction and operation of these EPN Rules and the respective rights and obligations of the Corporation and EPN Users shall be determined under the laws of New York applicable to contracts executed and performed therein.

Sec. 2. Captions to any Rules are for information and guidance only, are not part of any Rule and are to be given no consideration in applying or construing any Rules.

Rule 3. Amendment of EPN Rules

The Corporation shall promptly notify all EPN Users and registered clearing agencies of any proposal it has made to change, revise, add or repeal any Rule, and of the text or a brief description of the proposed Rule and its purpose and effect. All EPN Users and registered clearing agencies may submit to the Corporation for its consideration their comments with respect to any such proposal, and such comments shall be filed with the Corporation's records and copies thereof delivered to the Securities and Exchange Commission.

Rule 4. EPN Procedures

The Corporation from time to time shall adopt and distribute to EPN Users EPN Procedures with respect to matters specifically addressed in these EPN Rules and such other matters as the Corporation deems necessary or desirable in connection with the provision of services hereunder. Each EPN User shall be bound by such EPN Procedures and any amendment thereto in the same manner as it is bound by the provisions of these EPN Rules. EPN Users shall be given prompt notice in writing of any amendment to the EPN Procedures. In the event that, in the Corporation's reasonable judgment, any such amendment may materially increase the risks to EPN Users in the Corporation, the Corporation shall notify EPN Users of such amendment in writing at least 15 days prior to its effectiveness.

Rule 5. Waivers, Etc.

The time fixed by these Rules, the Procedures or any regulations issued by the Corporation for the doing of any act or acts may be extended or the doing of any act or acts required by these Rules, the Procedures or any regulations issued by the Corporation may be waived or any provision of these Rules, the Procedures or any regulations issued by the Corporation may be suspended by the Board of Directors or by any Officer of the Corporation having a rank of Vice President or higher whenever, in its or his judgment, such extension, waiver or suspension is necessary or expedient.

A written report of any such extension, waiver or suspension (other than an extension of time of less than eight hours), stating the pertinent facts, the identity of the person or persons who authorized such extension, waiver or suspension and the reason such extension, waiver or

suspension was deemed necessary or expedient, shall be promptly made and filed with the Corporation's records and shall be available for inspection by any EPN User during regular business hours on business days. Any such extension or waiver may continue in effect after the event or events giving rise thereto but shall not continue in effect for more than 60 calendar days after the date thereof unless it shall be approved by the Board of Directors within such period of 60 calendar days.

Rule 6. Offices of the Corporation

Reports shall be available to, and business with the Corporation shall be transacted by, EPN Users at the Corporation's offices in New York, New York and also at such other locations as the Corporation from time to time may designate. Each EPN User shall make arrangement satisfactory to the Corporation for receipt of reports and the transaction of other business with the Corporation at one or more of such locations.

Rule 7. Limitations of Liability

(a) Notwithstanding any affiliation between the Corporation and any other entity, including another clearing agency, except as otherwise expressly provided by written agreement between the Corporation and such other entity:

(i) the Corporation shall not be liable for any obligations of such other entity nor shall any fund or any other assets of the Corporation be available to such other entity (or any person claiming through such other entity) for any purpose, and no Participant or EPN User shall assert against the Corporation any claim based upon any obligations of any other entity to such Participant or EPN User; and

(ii) such other entity shall not be liable for any obligations of the Corporation nor shall any fund or any other assets of such other entity be available to the Corporation (or any person claiming through the Corporation) for any purpose, and no Participant or EPN User shall assert against such other entity any claim based upon any obligations of the Corporation to such Participant or EPN User.

(b) Notwithstanding the Corporation being the owner of both the Mortgage-Backed Securities Division and the Government Securities Division,

(i) the Mortgage-Backed Securities Division shall not be liable for any obligations of the Government Securities Division nor shall any fund or other assets of the Mortgage-Backed Securities Division be available to the Government Securities Division or any Government Securities Division Member for any purpose, and no Government Securities Division Member shall assert against the Mortgage-Backed Securities Division any claim based upon any obligations of the Government Securities Division to such Government Securities Division Member; and

(ii) the Government Securities Division shall not be liable for any obligations of the Mortgage-Backed Securities Division nor shall the clearing fund or other assets of the Government Securities Division be available to the Mortgage-Backed Securities Division or any

Participant or EPN User for any purpose, and no Participant or EPN User shall assert against the Government Securities Division any claim based upon the obligations of the Mortgage-Backed Securities Division to such Participant or EPN User.

(c) the Corporation may impose fines or other sanctions on a Participant or an EPN User for a violation of this Rule 14 in accordance with Rule 3 of this Article X.

Rule 8. Signatures

The Corporation may, at its option, in lieu of relying on an original signature, rely on a signature as if it were (and the signature shall be considered and have the same effect as) a valid and binding original signature in the following circumstances:

If such signature is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, xeroxing, electronic mail, electronic data interchange, telegram, or telex).

Rule 9. Notices

Any notice pursuant to these Rules from the Corporation to an Interested Person shall be sufficiently served on such Interested Person if the notice is in writing, and is mailed to the Interested Person's office address, is sent via electronic mail to the Interested Person's electronic mail address or is transmitted by facsimile machine to a facsimile machine located either in the Interested Person's office or elsewhere as designated by such Interested Person. Any notice to an Interested Person, if mailed, shall be deemed to have been given when deposited in the United States Postal Service, with postage thereon prepaid, directed to the Interested Person at its office address, and if sent via electronic mail, shall be deemed given when routed to the electronic mail address of the Interested Person. Any notice to an Interested Person, if transmitted by facsimile machine as provided above, shall be deemed to have been given when such transmission is verified on the facsimile machine of the Corporation as having been transmitted.

Notwithstanding anything in these Rules to the contrary, the Corporation may distribute notices to all Interested Persons by posting such notices on the Corporation's website. The Corporation shall deem a notice delivered once such notice is successfully posted to the website.

Rule 10. Forms

In connection with any transactions or matters handled through, with or by the Corporation under or pursuant to the Rules, such forms of lists, notices and other documents shall be used as the Corporation may from time to time prescribe, and additions to, changes in and elimination of any such forms may be made by the Corporation at any time in its discretion. In addition, any information required to be delivered to the Corporation by use of any such forms may be delivered by the use of any media, as shall be prescribed in the Procedures or by the Corporation from time to time.

Rule 11. Release of Processing Data

(a) Absent valid legal process or as provided in this Rule, the Corporation will only release Processing Data relating to a particular EPN User to such EPN User.

(b) The Corporation, in its sole discretion, may release Processing Data relating to EPN Users to regulatory organizations and self-regulatory organizations, as defined in the Securities Exchange Act of 1934, as amended, or other comparable Federal or State statutes, as well as to clearing organizations affiliated with or designated by contract markets trading specific futures products under the oversight of the Commodity Futures Trading Commission. Provided, however, that nothing in this Rule shall prevent the Corporation from releasing Processing Data to others, provided that such data shall be in a form as to prevent the disclosure, whether patently or in easily discernible format, of proprietary and/or confidential financial, operational or trading data of a particular EPN User or inappropriately arranged groups of EPN Users .

(c) With respect to the foregoing, the release of any Processing Data shall be conditioned upon either (i) a written request, or (ii) the execution of a written agreement with the Corporation, whichever is appropriate in the Corporation's discretion and the Corporation, in its discretion, shall establish the conditions under which such data shall be released and the fees, if any, to be paid for such data.

(d) The term "Processing Data" shall mean, for the purposes of this Rule, messages, transmissions and other data which is received by the Corporation in the processing of MBS allocation and pool information communications between EPN Users or such data, reports or summaries thereof, which may be produced as a result of processing such data.

(e) The foregoing notwithstanding, this Rule is not intended to, nor shall it be deemed to be in contravention, or a limitation, of the Corporation's obligations, as a self-regulatory organization, to cooperate and share data with other regulatory and self-regulatory organizations for regulatory purposes.

Rule 12. Lists to be Maintained

The Corporation shall maintain a list of all EPN Users, which list shall be made available to an EPN User upon request.

Rule 13. Distribution Facilities

If deemed necessary, the Corporation will establish distribution facilities which may, subject to such regulations as the Corporation may from time to time prescribe, be used by EPN User for the distribution of papers, documents and other material incidental to the ordinary course of business.

The Corporation assumes no responsibility whatever for the form or content of any papers, documents or other material (other than items prepared by it) placed in the boxes in its distribution facilities assigned to each EPN User or otherwise handled by the Corporation; nor does the Corporation assume any responsibility for any improper or unauthorized removal from

such boxes or from the Corporation's facilities of any such papers, documents or other material, including items prepared by the Corporation.

Each EPN User shall send an authorized representative to the Corporation's distribution facilities at frequent intervals to pick up documents or material made available to the EPN User by the Corporation.

The Corporation's distribution facilities will remain open on Business Days during the hours specified by the Corporation.

FICC
MORTGAGE-BACKED SECURITIES DIVISION (“MBSD”)
EPN SCHEDULE OF CHARGES

ACCOUNT MAINTENANCE FEES

Direct Account: \$250.00/month (per account)

COMMUNICATION FEES

Failure to migrate from legacy networks to SMART and/or SFTI. Cost*

*The entire cost of supporting the legacy network connections will be allocated among remaining users pro rata.

MESSAGE PROCESSING FEES

ON Send: \$.15/million Current Face (Opening of Business to 1:00 p.m.)
\$.75/million Current Face (1:00 p.m. to 2:00 p.m.)
\$1.50/million Current Face (2:00 p.m. to 3:00 p.m.)
\$1.25/million Current Face (3:00 p.m. to Close of Business)

ON Receive: \$.40/million Current Face (Opening of Business to 1:00 p.m.)
\$.20/million Current Face (1:00 p.m. to 2:00 p.m.)
\$.20/million Current Face (2:00 p.m. to 3:00 p.m.)
No Charge (3:00 p.m. to Close of Business)

DK Send or Receive: No Charge

Cancel Send or Receive: No Charge

Retransmission Request: No Charge

Pool Substitution Cancel/Correct

Cancel/Correct Send: \$0.15/million Current Face (Open of Business up to 11:00 a.m.)
\$0.75/million Current Face (11:00 a.m. up to 12:00 p.m.)
\$1.50/million Current Face (12:00 p.m. up to 12:15 p.m.)
\$0.15/million Current Face (12:15 p.m. to End of Day)

Cancel/Correct Receive: No Charge

Cancel/Correct DK Send or Receive: No Charge

Cancel/Correct Retransmission Request: No Charge

ADDITIONAL FEES FOR LATE PAYMENT OF EPN BILLS

Payable Cash Obligation	1st Occurrence *	2nd Occurrence	3rd Occurrence	4th Occurrence
\$50.00 - \$100,000.00	\$50.00	\$100.00	\$250.00	\$500.00

* The number of occurrences are calculated based on a rolling 90-day basis, with any one day on which a late payment is made counted as a separate occurrence, even if such participant incurred a late fee on the prior day. A Participant who fails to timely satisfy its Cash Obligations on more than four occasions within a rolling 90-day period will be subject to additional late fees for each such occurrence in an amount equal to the fee for the fourth occurrence up to twice the fee for the fourth occurrence determined at FICC's discretion depending on the magnitude and history of the Participant's late payments. FICC reserves the discretion to waive or reduce late fees when a particular occurrence is not deemed to be the fault of the Participant or the Participant has provided FICC with evidence that it is taking appropriate corrective action to prevent reoccurrence.

THIRD PARTY FEES AND CHARGES

FICC may also bill EPN Users for, and include on the EPN Users' billing statements, fees and charges which may be imposed on such EPN Users by third parties such as: (a) other subsidiaries of The Depository Trust Corporation; (b) self-regulatory organizations and other securities industry organizations or entities of which such EPN User is a member, where such third party has represented to the Corporation that it has an agreement with the EPN User allowing the EPN User's payment of such fees and charges; and (c) other organizations and entities which provide services or equipment to EPN Users which are integral to services provided by FICC. Any amounts so collected will be remitted to the entity imposing such fee or charge.

Such fees and charges may include those of companies that identify themselves as being an affiliate of the EPN User. EPN Users should check their billing statements, which shall reflect all such charges, and report any problems to FICC immediately.