Rule 2A: Initial Participation Standards and Admission Process

2.1A Participant Qualification Overview. This Rule 2A provides, among other things, that the admission of a Participant is subject to an Applicant's demonstration that it meets certain standards of financial responsibility, operational capability and character at the time of its application and on an ongoing basis thereafter.

2.2A Admission Process. The Company will make its services, or certain of its services, available to partnerships, corporations or other organizations or entities that:

(a) apply to the Company for the use of services;

(b) meet the qualifications specified in the Rules, including this Rule 2A; and

(c) are approved by the Compliance and Risk Management Committee.

2.3A Types of Applicants Eligible to Become Participants. Subject to the other requirements under these Rules, a partnership, corporation or other organization or entity is eligible to become a Participant if it is:

(a) a broker-dealer registered under the Securities Exchange Act;

(b) a bank or trust company, including a trust company having limited power, which is organized under the laws of the United States or any state and is a member of the Federal Reserve System or is supervised and examined by state or federal authorities having supervision over banks;

(c) a clearing agency registered under the Securities Exchange Act;

(d) an Insurance Company or Insurance Entity; or

(e) an investment company registered under Section 8 of the Investment Company Act.

2.4A Application Documents and Information.

2.4.1A Each Applicant will, as required by the Company, complete and deliver to the Company an Applicant questionnaire in such form as prescribed by the Company and will provide such other reports, opinions, financial and other information as the Company may determine is appropriate in connection with the services that would be provided to the Applicant.

2.4.2A As part of an application, each Applicant (based on the services that would be provided to the Applicant) will complete and deliver to the Company an executed copy of the relevant tax form required by the IRS under FATCA.

2.4.3A Each Applicant must also fulfill, within the timeframes established by the Company, any operational testing requirements (the scope of such testing to be determined by the Company in its sole discretion) and related reporting requirements (such as reporting test results to the Company in a manner specified) that may be imposed by the Company to ensure the operational capability of the Applicant.

2.4.4A In evaluating an application, the Company will, in addition to reviewing the qualifications and standards set forth in this Rule 2A, review the Applicant questionnaire and any other information submitted by the Applicant to the Company and will have such authority to examine the financial responsibility and operational capability of any Applicant as set forth in Rule 2C.

2.4.5A Any Confidential Information furnished to the Company by the Applicant or by the Company to the Applicant will be held in confidence, and the Company or the Applicant, as applicable, will protect such information with the same degree of care that the Company or Applicant, as applicable, uses to protect its own information of like nature and, in any event, not less than a reasonable degree of care. The Company, the Applicant and their respective employees or agents will not communicate, distribute, rent, sell, retransmit, redistribute, disclose, release, share or re-license the Confidential Information to any third party without the authorization of the furnishing party. The Company or Applicant, as applicable, however, may disclose Confidential Information furnished by the other to third parties as required by law. The responsibilities under this provision will continue to apply to any Applicant after it is approved by the Company as a Participant.

2.5A General Qualifications for Admission Regarding Financial Responsibility, Operational Capability, Experience and Competence.

2.5.1A An Applicant must satisfy the following conditions to be admitted as a Participant:

(a) the Applicant is validly incorporated and in good standing under the laws of its jurisdiction of incorporation;

(b) the Applicant is regulated and subject to jurisdiction by FINRA, the SEC, the Federal Reserve or other applicable United States regulator;

(c) the Applicant has demonstrated that it (i) has sufficient financial ability to meet all of its anticipated obligations to the Company and the other Participants; (ii) is in compliance with the Applicant's regulatory capital requirements; and (iii) is not subject to voluntary or involuntary insolvency proceedings;

(d) the Applicant has demonstrated that it has adequate personnel with sufficient expertise capable of handling transactions through the services of the Company and adequate facilities, books and records, systems and procedures to fulfill its anticipated commitments to, and to meet the operational requirements of, the Company with necessary promptness and accuracy and to conform to any condition and requirement that the Company reasonably deems necessary;

(e) the Applicant has an appropriate risk management framework (i) commensurate with the Applicant's risk profile, net capital and business strategy; (ii) sufficient to preserve the integrity of the Company's systems and services; and (iii) reasonably designed to protect other Participants from risks associated with use of the Company's systems and services;

(f) the Applicant meets the Company's onboarding requirements, including an ability to demonstrate an adequate anti-money laundering program, KYC standards and monitoring of client activities;

(g) the Company has received no substantial information that would reasonably and adversely reflect on the Applicant to such extent that access of the Applicant to the Company's services should be denied; and

(h) the Applicant has executed a Participant Agreement, whereby such Applicant will agree, among other things:

> (i) that the only services or systems the Participant may use are those permitted by the Company;
>
> (ii) that the Rules are a part of the terms and conditions of every contract or transaction that the Participant submits to the Company;
>
> (iii) not to submit, clear or settle through the Company any contract or transaction unless the Rules are part of the terms and conditions of such contract or transaction;
>
> (iv) that it has reviewed the Rules;
>
> (v) to abide by the Rules and be bound by all of the provisions thereof, and that the Company will have all of the rights and remedies contemplated thereunder;
>
> (vi) that notwithstanding that a Participant may cease to be a Participant, it will continue to be bound by the Rules as to all matters and transactions that occurred while it was a Participant;
>
> (vii) to be bound by any amendment to the Rules 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; provided, however, that no such amendment will affect the Participant's right to cease to be a Participant unless before such amendment becomes effective, the Participant is given an opportunity to give written notice to the Company of the Participant's election that the Company will cease to act for the Participant;

(viii) not to submit or confirm any transaction, charge, request, instruction or transmission through the services of the Company, nor to otherwise use the services of the Company, in contravention of any law;

(ix) to pay the Company the compensation provided for under the Rules for services rendered to the Participant;

(x) that its books and records will at all times be open to the inspection of duly authorized representatives of the Company, and that the Company will be furnished with all such information in respect of the Participant's business and transactions as it may require, provided that if the Participant ceases to be a Participant, the Company will have no right to inspect the Participant's books and records or to require information related to transactions wholly subsequent to the time when the Participant ceases to be such; and

(xi) that to the extent the Participant authorizes an agent to receive from and/or transmit to the Company data or payments, the Participant will be solely responsible for the acts of such agent as if it were receiving and/or transmitting such data itself, and that the failure of such agent to perform will not excuse the Participant from a violation of the Rules.

2.5.2A The Company may deny admission to any Applicant or cease to act for any Participant when such Applicant or Participant, or its Controlling Management, has a record that reflects:

(a) the Applicant is subject to any Statutory Disqualification, or an order of similar effect issued by a federal or state banking authority, or other examining authority or regulator;

(b) the Applicant or its Controlling Management is responsible for:

(i) making a misstatement of a material fact or omitting a material fact to the Company in connection with its application to become a Participant or thereafter; or

(ii) fraudulent acts or a violation of federal or state law;

(c) the Applicant or its Controlling Management has been convicted within the last ten (10) years preceding the filing of the application, or at any time thereafter, of:

(i) any criminal offense involving the purchase, sale or delivery of any security, or bribery, burglary or conspiracy to commit any offense referred to in this subparagraph (c);

(ii) the larceny, theft, robbery, embezzlement, extortion, fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, securities or other property;

(iii) any violation of Sections 1341, 1342 or 1343 of Title 18 of the U.S. Code; or

(iv) 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;

(d) 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

(e) the Applicant has been expelled or suspended from or had its participation terminated by an SRO, or has been barred or suspended from being associated with any member of such an SRO.

2.6A Financial Responsibility. An Applicant must satisfy the following minimum financial requirements:

(a) Any Applicant that is a registered broker-dealer as specified in Rule 2.3A(a) must maintain a minimum amount of not less than five hundred thousand dollars ($500,000) in excess net capital over the greater of:

(i) the minimum capital requirement imposed on it pursuant to Rule 15c3-1 under the Securities Exchange Act;

(ii) such higher minimum capital requirement imposed by the designated examining authority of the registered broker-dealer; or

(iii) one million dollars ($1,000,000) if such Applicant clears for other broker-dealers.

(b) Any Applicant that is a bank or trust company as specified in Rule 2.3A(b) must meet the following requirements, as applicable:

(i) Banks:

(A) maintain a minimum amount of equity capital in the amount of fifty million dollars ($50,000,000) based on the definition of "equity capital" provided in the form and instructions of the Call Report; or

(B) have furnished to the Company a guarantee of its parent bank holding company respecting the payment of any and all obligations of the bank Applicant, and such parent bank holding company must have total consolidated capital of at least fifty million dollars ($50,000,000).

(ii) Trust Companies: in the case of a trust company that is not a bank, but is a member of the Federal Reserve System or is an institution insured under the Federal Deposit Insurance Act, have consolidated capital of at least ten million dollars ($10,000,000) and that is adequate in the judgment of the Company to the scope and character of the business conducted by such trust company.

(c) Any Applicant that is a registered clearing agency as specified in Rule 2.3A(c) must meet those financial responsibility requirements applicable to it under the Securities Exchange Act.

(d) Any applicant that is an Insurance Company, Insurance Entity, or investment company registered under Section 8 of the Investment Company Act must meet such minimum standards of financial responsibility as determined by the Company pursuant to its Rules.

2.7A Operational Capability. An Applicant will be qualified for participation if it is able to satisfactorily communicate with the Company and fulfill anticipated commitments to, and meet the operational requirements of, the Company with necessary promptness and accuracy, and to conform to any condition and requirement that the Company reasonably deems necessary for its protection.

An Applicant will be qualified for participation if it is a DTC participant that maintains a DTC Account that is eligible for book-entry services to facilitate movement of Eligible Securities to and from the Company's DTC Account and establishes and maintains one (1) or more accounts at a Settling Bank to facilitate the rights and responsibilities associated with its participation in the Company.

2.8A Business History. An Applicant must have an established business history of a minimum of six (6) months, or personnel with sufficient operational background and experience to ensure the ability of the Applicant to conduct such a business.

2.9A Review of Applications and Approvals and Denials of Admission.

2.9.1A The Compliance and Risk Management Committee will review and approve or disapprove applications for participation. The Compliance and Risk Management Committee, or its designated delegates or agents, may examine the books and papers of any Applicant, take such evidence as they may deem necessary or employ such other means as may be deemed desirable or appropriate to ascertain relevant facts bearing on the Applicant's qualifications. Subject to Rule 2.9.3A, the Compliance and Risk Management Committee will approve applications only upon a determination that the Applicant meets the initial participation requirements in this Rule 2A in connection with the services to be provided, including the standards of financial, operational capability and character specified herein.

2.9.2A Notwithstanding that a Participant application has been approved, if a material change in the condition of the Applicant occurs that could bring into question the Applicant's ability to perform, and such material change becomes known to the Company prior to the Applicant commencing use of the services, the Company will have the right to stay commencement of use of the services by the Applicant until a reconsideration of the Applicant's financial condition, operational capability and character can be completed. As a result of such reconsideration, the Company may determine to withdraw approval or condition the approval upon the furnishing of additional information or assurances.

2.9.3A If the Company determines that the Applicant fails to meet one (1) or more of the initial participation requirements in this Rule 2A but, in the opinion of the Board of Directors, any one (1) or more of such standards as applied to the Applicant is unduly or disproportionately severe, or the conduct of the Applicant has been such as not to make it against the interests of the Company, its Participants, creditors or investors to approve such application, the Board may approve the application either unconditionally or on a temporary or other conditional basis. When approving an application on a conditional or temporary basis, the Company may obtain additional assurances from the Applicant as provided for in Rule 2C.

2.9.4A The Board of Directors will be informed of all applications for participation no later than its next regularly scheduled meeting.

2.10A <u>Denial of Admission.</u>

2.10.1A Before denying admission to an Applicant, the Compliance and Risk Management Committee will furnish the Applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and will notify the Applicant of its right to request a hearing to determine whether the application should be denied. Any such request by the Applicant will be filed with the Company pursuant to Rule 10.

2.10.2A The Company has the right to deny admission to an Applicant if the Company becomes aware of any factor or circumstance about the Applicant or its Controlling Management, which may impact the financial or operational ability, including the ability to meet Settlement Obligations to other Participants and to meet margin requirements to the Company, of that particular Applicant as a Participant. Further, Applicants are required to inform the Company as to any member of its Controlling Management that is, or becomes, subject to a Statutory Disqualification.