

NATIONAL FINANCIAL SERVICES LLC

VIA ELECTRONIC MAIL

March 19, 2013

Raymond J. Esposito
Director, Sr. Relationship Manager
Equity Clearance Services
Depository Trust & Clearing Corporation
55 Water Street, 25th Floor
New York, NY 10041

Dear Ray,

On behalf of National Financial Services LLC (NFS), I am following up on discussions we have had over the past several weeks with regards to National Securities Clearing Corporation's (NSCC) proposed implementation of the Supplemental Liquidity Deposit (SLD) requirement.

NFS respects and appreciates the need for NSCC as a central counterparty to have sufficient financial resources at its disposal to withstand a default by any member participant. The proposed SLD concept should help NSCC achieve that goal.

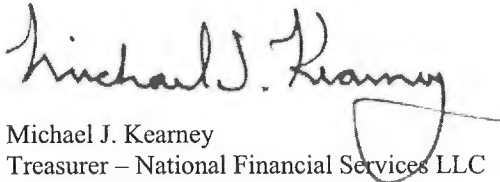
However, we are concerned that the SLD, as currently drafted, would create an inequitable result between member participants based solely on their bank affiliate status—or not. During our call last week, NSCC acknowledged that the proposed SLD would benefit those members who were affiliated with a bank—as opposed to those members who were not. That is because those member participants with bank affiliates (bank members) could meet the proposed SLD requirements much more effectively from a liquidity perspective through the provision of a credit commitment from their affiliated bank. Non-bank member participants (who do not have a bank-affiliation) would not be afforded the same funding option and would potentially need to make large cash deposits sourced from their own capital.

NFS respectfully requests that the SLD requirement be implemented in a manner that is bank-affiliate blind and where its requirements can be met through the use of any one of the following methods:

1. a bank affiliate member bank committed facility;
2. a bilateral third party bank committed facility;
3. a comprehensive committed credit facility that would cover total membership requirements for all members wishing to participate (primarily nonbank affiliated members). Such an “umbrella” credit facility would be syndicated amongst the NSCC bank group, bank members with bank affiliates, and third party banks. The NSCC and member bank affiliates would be indemnified by nonbank affiliated members for third party borrowings and expenses incurred by nonbank members on a pro rata basis; or,
4. Cash, US Treasuries and/or a Letter of Credit.

Only through providing this flexibility would the SLD be implemented in the most equitable manner for its entire membership. We welcome the opportunity to continue this discussion with you. I can be reached on (401) 292-3944. Thank you.

Sincerely,



Michael J. Kearney
Treasurer – National Financial Services LLC

cc: Thomas Granelli, DTCC
Jon Hunt, NFS Treasury
Michael Tietz, NFS Treasury