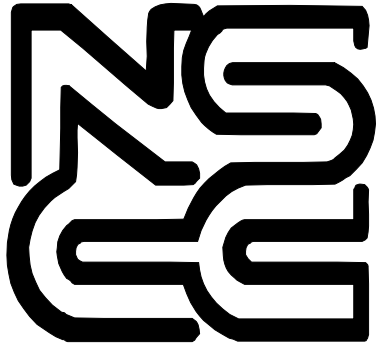


**EXHIBIT 5**

text indicates proposed additions.

text indicates proposed deletions.



**NATIONAL  
SECURITIES  
CLEARING  
CORPORATION**

**RULES & PROCEDURES**

NATIONAL SECURITIES CLEARING CORPORATION RULES

RULE 1. DEFINITIONS AND DESCRIPTIONS\*

**[Changes to this Rule, as amended by File No. SR-NSCC-2021-016, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]**

\* \* \*

*Business Day*

The term “Business Day” means any day on which the Corporation is open for business. However, on any Business Day that banks or transfer agencies in New York State are closed or a Qualified Securities Depository is closed, no deliveries of securities and no payments of money shall be made through the facilities of the Corporation.

**CET1 Capital**

**The term “CET1 Capital” means an entity’s common equity tier 1 capital, calculated in accordance with such entity’s regulatory and/or statutory requirements.**

\* \* \*

*Event Period*

The term “Event Period” has the meaning specified in Rule 4.

**Excess Net Capital**

**The term “Excess Net Capital” means a broker-dealer’s excess net capital, calculated in accordance with such broker-dealer’s regulatory and/or statutory requirements.**

\* \* \*

*RBC Ratio*

The term “RBC Ratio” means the ~~Risk-Based Capital~~ ratio of an ~~Insurance Company~~ **entity’s total adjusted capital to its risk-based capital**, calculated ~~pursuant to the law of the state of such Insurance Company’s state regulator~~ **in accordance with such entity’s regulatory and/or statutory requirements.**

\* \* \*

**Tier 1 RBC Ratio**

**The term “Tier 1 RBC Ratio” means the ratio of an entity’s tier 1 capital to its total-risk weighted assets, calculated in accordance with such entity’s regulatory and/or statutory requirements.**

*Voluntary Termination Notice*

The term “Voluntary Termination Notice” has the meaning specified in Rule 2B.

\* \* \*

*Watch List<sup>[1]</sup>*

The term “Watch List” means, at any time and from time to time, the list of Members whose credit ratings derived from the Credit Risk Rating Matrix are ~~5~~, 6 or 7, as well as Members and Limited Members that, based on the Corporation’s consideration of relevant factors, including those set forth in Section 4(d) of Rule 2B, are deemed by the Corporation to pose a heightened risk to the Corporation and its Members.

**Well Capitalized**

**The term “Well Capitalized” shall have the meaning given that term in the capital adequacy rules and regulations of the Federal Deposit Insurance Corporation.**

\* \* \*

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**[<sup>1</sup> The change to the defined term “Watch List” will not be subject to the 12-month implementation delay; rather, the change will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when this change is implemented, and this footnote will automatically be removed from this Rule.]**

RULE 2B. ONGOING MEMBERSHIP REQUIREMENTS AND MONITORING

**[Changes to this Rule, as amended by File No. SR-NSCC-2021-016, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when these changes are implemented, and this legend will automatically be removed from this Rule.]**

\* \* \*

SEC. 2. DATA TO BE FILED WITH THE CORPORATION

\* \* \*

B. Notification of Changes in Condition

\* \* \*

(e) Failure to notify the Corporation under this Section may be deemed to be a violation of the Corporation's Rules and therefore may be subject to sanctions. In addition, the Corporation may review the financial responsibility and operational capability of the Member to the extent provided in these Rules and Procedures 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, including, but not limited to, such information as the Corporation may request regarding the businesses and operations of the Member and its risk management practices with respect to services of the Corporation utilized by the Member for another Person or Persons, and shall make a determination as to whether such Member should be placed on the Watch List ~~and/or be subject to enhanced surveillance~~ by the Corporation consistent with the provisions of Section 4 of Rule 2B.

\* \* \*

SEC. 4. ONGOING MONITORING

(a) All Members and certain Limited Members will be monitored and reviewed by the Corporation on an ongoing and periodic basis, which may include monitoring of news and market developments and review of financial reports and other public information.

(b) (i) A Member that is (A) a U.S. bank or trust company that files the Consolidated Report of Condition and Income ("Call Report"), (B) a U.S. broker-dealer that files the Financial and Operational Combined Uniform Single Report ("FOCUS Report") or the equivalent with its regulator or (C) a non-U.S. bank or trust company that has audited financial data that is publicly available, will be assigned a credit rating by the Corporation in accordance

with the Credit Risk Rating Matrix. Such Member's credit rating will be reassessed each time the Member provides the Corporation with requested information pursuant to Section 2B(e) of Rule 2B, or as may be otherwise required under the Rules and Procedures (including this Rule 2B, Section 4).

- (ii) Because the factors used as part of the Credit Risk Rating Matrix may not identify all risks that a Member specified in paragraph (b)(i) of this Section 4 may present to the Corporation, the Corporation may, in its discretion, override such Member's credit rating derived from the Credit Risk Rating Matrix to downgrade the Member. This downgrading may result in the Member being placed on the Watch List, ~~and/or it may subject the Member to enhanced surveillance~~ based on relevant factors, including those set forth in paragraph (d) below. The Corporation may also take such additional actions with regard to the Member as are permitted by the Rules and Procedures.

(c) Members other than those specified in paragraph (b)(i) of this Section 4 and Limited Members that are monitored and reviewed by the Corporation pursuant to paragraph (a) of this Section 4 will not be assigned a credit rating by the Credit Risk Rating Matrix but may be placed on the Watch List ~~and/or may be subject to enhanced surveillance~~ based on relevant factors, including those set forth in paragraph (d) below, as the Corporation deems necessary to protect the Corporation and its Members.

\* \* \*

(f) A Member or Limited Member ~~being subject to enhanced surveillance~~ ~~or~~ being placed on the Watch List shall result in a more thorough monitoring of the Member's or Limited Member's financial condition and/or operational capability, which could include, for example, on-site visits or additional due diligence information requests from the Corporation. In addition, the Corporation may require a Member or Limited Member placed on the Watch List ~~and/or subject to enhanced surveillance~~ to make more frequent financial disclosures, including, without limitation, interim and/or pro forma reports. Members and Limited Members that are ~~subject to enhanced surveillance on the Watch List~~ are also reported to the Corporation's management committees and regularly reviewed by a cross-functional team comprised of senior management of the Corporation. The Corporation may also take such additional actions with regard to any Member or Limited Member (including a Member or Limited Member placed on the Watch List ~~and/or subject to enhanced surveillance~~) as are permitted by the Rules and Procedures.

(g) Unless the context otherwise requires, the parent bank holding company of a Member that has ~~been admitted to membership~~ guaranteed the obligations of the Member in accordance with ~~section 1.B.2.(a)(ii) of~~ Addendum B, and any material banking subsidiary of such parent bank holding company, shall, for the purpose of

applying this Section 4, be treated as if it were also a Member, so that the Member, the parent bank holding company and any **affiliated** material banking subsidiary shall be required individually to meet the standards for a Member not on the Watch List, if the Member is not to be placed on the Watch List.

\* \* \*

## RULE 7. COMPARISON AND TRADE RECORDING OPERATION

(INCLUDING SPECIAL REPRESENTATIVE/INDEX RECEIPT AGENT)

**[Changes to this Rule, as amended by File No. SR-NSCC-2021-016, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when these changes are implemented, and this legend will automatically be removed from this Rule.]**

\* \* \*

### SEC. 4. Index Receipt Agent

(a) For the purposes of these Rules an Index Receipt Agent shall be a Member which has entered into an Index Receipt Authorization Agreement as required by the Corporation from time to time. **A Member desiring to become an Index Receipt Agent shall first submit an application to be reviewed by the Corporation.**

\* \* \*

## RULE 46. RESTRICTIONS ON ACCESS TO SERVICES

**[Changes to this Rule, as amended by File No. SR-NSCC-2021-016, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when these changes are implemented, and this legend will automatically be removed from this Rule.]**

SEC. 1. The Board of Directors may suspend a Member, Mutual Fund/Insurance Services Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Member, Fund Member, Data Services Only Member or AIP Member (each hereinafter referred to as a “participant” for purposes of this Rule 46) or prohibit or limit such participant’s access to services offered by the Corporation in the event that (a) the participant has

been and is expelled or suspended from any regulatory or self-regulatory organization, or (b) the participant is in default of any delivery of funds or securities to the Corporation, (c) the participant is in such financial or operating difficulty, that the Corporation determined, in its discretion, that such action is necessary for the protection of the Corporation, the participants, creditors, or investors; with respect to a bank or trust company Member or Mutual Fund/Insurance Services Member (and, ~~in the case of a bank Member electing entry under Section 1.B.2.(a)(ii) of Addendum B, its a~~ parent bank holding company of a Member that has guaranteed the obligations of the Member in accordance with Addendum B) such difficulty shall include but not be limited to impaired capital or the appointment by the primary Federal or State bank supervisor of a receiver to take control of the bank, (d) the Corporation has reasonable grounds to believe that such participant is subject to a Statutory Disqualification, (e) the Corporation determines that such participant does not meet the applicable qualifications for membership or limited access set forth in Rule 2A, Rule 2B and Addendum B, (f) such participant has failed to comply with any financial or operational requirement of the Corporation, or (g) in any circumstances in which, in the discretion of the Corporation, adequate cause exists to do so.

\* \* \*

#### ADDENDUM B

#### QUALIFICATIONS AND STANDARDS OF FINANCIAL RESPONSIBILITY, OPERATIONAL CAPABILITY AND BUSINESS HISTORY

[Changes to this Addendum, as amended by File No. SR-NSCC-2021-016, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

\* \* \*

Each applicant for membership in the Corporation shall meet the qualifications, financial responsibility, operational capability and business history requirements as applicable to its membership type. Following an applicant's admission to membership in the Corporation, it shall be required to continue meeting the qualifications, financial responsibility, operational capability and business history requirements as applicable to its membership type.

An applicant must demonstrate (i) that it has sufficient financial ability to meet all of its anticipated obligations to the Corporation and, (ii) if applicable to its membership type, that it has sufficient financial ability to make anticipated contributions to the Clearing Fund.

In addition to the above, ~~the applicant must satisfy~~ the following requirements apply:

## SEC. 1. MEMBERS

### A. Qualification

To qualify for membership, ~~a~~ **as a Member, an applicant or** Member shall be:

- (i) a Registered Broker-Dealer; or
- (ii) a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or is supervised and examined by state or federal authorities having supervision over banks; or
- (iii) a Registered Clearing Agency; or
- (iv) an Insurance Company or an Insurance Entity; or
- (v) an investment company registered under Section 8 of the Investment Company Act of 1940, as amended; or
- (vi) if it does not qualify under paragraphs (i) through (v) above, an entity that has demonstrated to the Board of Directors that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services.

### B. Financial Responsibility

~~The applicant shall satisfy the following minimum financial requirements:~~

1. ~~Registered~~ **U.S.** Broker-Dealers:

**An applicant or Member that is a U.S. broker-dealer must have and maintain at all times minimum Excess Net Capital as follows:**



<u>Clearing Status</u>	<u>Value-at-Risk Tier ("VaR Tier")</u>	<u>Minimum Excess Net Capital</u>
<u>Self-Clearing</u>	<u>&lt;\$100,000</u>	<u>\$1 million Excess Net Capital</u>
	<u>\$100,000-\$500,000</u>	<u>\$2.5 million Excess Net Capital</u>
	<u>&gt;\$500,000</u>	<u>\$5 million Excess Net Capital</u>
<u>Clears for Others</u>	<u>&lt;\$100,000</u>	<u>\$2.5 million Excess Net Capital</u>
	<u>\$100,000-\$500,000</u>	<u>\$5 million Excess Net Capital</u>
	<u>&gt;\$500,000</u>	<u>\$10 million Excess Net Capital</u>

The VaR Tier in the table above is based on the daily volatility component of a Member's Net Unsettled Positions calculated as of the start of each Business Day pursuant to Procedure XV as part of the Member's daily Required Fund Deposit.

As part of the tiered approach, a Member's daily volatility component may exceed its then-current VaR Tier four times over a rolling 12-month period. Upon the fifth instance of the Member's daily volatility component exceeding its then-current VaR Tier, the Member will be moved to the next-greatest VaR Tier, unless the Member's daily volatility component also exceeded such next-greatest VaR Tier five times during the preceding 12-month period, in which case the Member will be moved to the greatest VaR Tier. Upon moving to a greater VaR Tier, a Member will then have 60 calendar days from the date of the move to meet the higher required minimum Excess Net Capital for such VaR Tier.

If a Member fails to meet its higher required minimum Excess Net Capital within 60 calendar days and maintain it for so long as such higher required minimum Excess Net Capital applies, the Corporation may take any and all action against the Member pursuant to these Rules and Procedures.

Upon moving to a greater VaR Tier, a Member will remain in that greater VaR Tier for no less than one continuous year from the date of the move before being eligible to move to a lesser VaR Tier. This does not in any way preclude a Member from moving to an even

greater VaR Tier (if any) in accordance with the requirements of this Section.

A Member will move to a lesser VaR Tier (if any) when (i) the Member has remained in its then-current VaR Tier for no less than one continuous year, (ii) the Member's daily volatility component did not exceed such lesser VaR Tier on five instances or more over the preceding 12-month period and (iii) if at any time the Member's daily volatility component did exceed such lesser VaR Tier on five instances or more over a rolling 12-month period, the Member has remained in its then-current VaR Tier for no less than one continuous year from the date of each such instance.

For example, if a Member's daily volatility component exceeds the lesser VaR Tier for the fifth time over a rolling 12-month period on February 1, 2021, then the Member will remain in its then-current VaR Tier until at least January 31, 2022. If the same Member's daily volatility component then exceeds the lesser VaR Tier for the sixth time over a rolling 12-month period on February 15, 2021, then the Member will remain in its then-current VaR Tier until at least February 14, 2022. This does not in any way preclude a Member from moving to an even greater VaR Tier (if any) in accordance with the requirements of this Section.

Newly admitted Members will be placed into the middle VaR Tier in the table above, unless the Corporation determines, based on information provided by or concerning the Member, that the Member's anticipated VaR Tier for its anticipated trading activity would be the greatest VaR Tier, in which case the Member will be placed into the greatest VaR Tier. Any such determination will be promptly communicated to, and discussed with, the Member. A newly admitted Member will remain in its initial VaR Tier until it moves to a different VaR Tier in accordance with the requirements of this Section.

~~have excess net capital over the minimum net capital requirement imposed by the SEC or such higher minimum capital requirement imposed by the brokers/ dealer's designated examining authority in the amount of (i) \$500,000, or (ii) \$100,000, if such applicant is a Municipal Securities Brokers' Brokers (as defined in Rule 15c3-1(a)(8) of the Exchange Act) or (iii) \$1,000,000 if such applicant clears for other broker/dealers; and~~

Notwithstanding the above requirements for a U.S. broker-dealer, if an applicant or Member is a Municipal Securities Brokers' Broker, it must have and maintain at all times minimum Excess Net Capital of \$100,000. Applicants or Members that are Municipal Securities Brokers'

Broker sponsored account applicants shall be in compliance with Rule 15c3-1(a)(8) of the Exchange Act.

2. ~~Bank or trust companies:~~ **U.S. Banks and Trust Companies:**

(a) ~~Banks~~ **an applicant or Member that is a U.S. bank or a U.S. trust company that is a bank must:**

(i) have **and maintain at all times** at least ~~\$50~~**500** million in ~~equity capital;~~<sup>1</sup> **CET1 Capital and be Well Capitalized at all times;** or

(ii) have furnished to the Corporation a guarantee<sup>21</sup> of its parent bank holding company respecting the payment of any and all obligations of the ~~bank~~ applicant **or Member**, and such parent bank holding company shall have ~~total consolidated capital~~ **and maintain at all times CET1 Capital** of at least ~~\$50~~**500** million **and be Well Capitalized at all times; or and**

(b) ~~Trust Companies: in the case of~~ **an applicant or Member that is** a **U.S.** trust company that is not a bank, but **that** is a member of the Federal Reserve System or is ~~an institution insured under the Federal Deposit Insurance Act supervised and examined by state or federal authorities having supervision over banks,~~ **must have and maintain at all times** consolidated capital of at least \$10 million and that is adequate in the judgment of the Corporation to the scope and character of the business conducted by such trust company.

3. **Non-U.S. Broker-Dealers and Banks:**<sup>2</sup>

**(a) an applicant or Member that is a non-U.S. broker-dealer must have and maintain at all times at least \$25 million in equity capital; and**

**(b) an applicant or Member that is a non-U.S. bank (including a U.S. branch or agency) must:**

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<sup>1</sup> ~~For the purpose of the membership standards and surveillance status rules applicable to banks," equity capital" is defined as defined on the Consolidated Report of Condition and Income ("Call Report").~~

<sup>21</sup> See also Rule 2B, Section 4 (Ongoing Monitoring).

<sup>2</sup> **See also Addendum O (Admission of Non-U.S. Entities as Members).**

(i) (A) have and maintain at all times at least \$500 million in CET1 Capital, (B) comply at all times with the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any domestic systemically important bank (D-SIB) or global systemically important bank (G-SIB) buffer, if applicable) and capital ratios required by its home country regulator, or, if greater, with such minimum capital requirements or capital ratios standards promulgated by the Basel Committee on Banking Supervision, (C) provide an attestation for itself, its parent bank and its parent bank holding company (as applicable) detailing the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by their home country regulator, (D) provide, no less than annually and upon request by the Corporation, an attestation for the Member, its parent bank and its parent bank holding company (as applicable) detailing the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by their home country regulator and (E) notify the Corporation: (1) within two Business Days of any of their capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) or capital ratios falling below any minimum required by their home country regulator; and (2) within 15 calendar days of any such minimum capital requirement or capital ratio changing; or

(ii) (A) have furnished to the Corporation a guarantee<sup>3</sup> of its parent bank holding company respecting the payment of any and all obligations of the applicant or Member, (B) such parent bank holding company shall have and maintain at all times CET1 Capital of at least \$500 million and comply at all times with the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by its home country regulator, or, if greater, with such minimum capital requirements or capital ratios standards promulgated by the Basel Committee on Banking Supervision, (C) provide an

attestation for itself, its parent bank and its parent bank holding company (as applicable) detailing the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by their home country regulator, (D) provide, no less than annually and upon request by the Corporation, an attestation for the Member, its parent bank and its parent bank holding company (as applicable) detailing the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by their home country regulator and (E) notify the Corporation: (1) within two Business Days of any of their capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) or capital ratios falling below any minimum required by their home country regulator; and (2) within 15 calendar days of any such minimum capital requirement or capital ratio changing.

**4. Securities Exchanges:**

An applicant or Member that is (i) a national securities exchange registered under the Exchange Act and/or (ii) a non-U.S. securities exchange or multilateral trading facility, must have and maintain at all times at least \$100 million in equity capital.

**5. Index Receipt Agents:**

An applicant or Member that is a broker-dealer that is acting as an Index Receipt Agent must have and maintain at all times minimum Excess Net Capital of \$100 million.

**6. Others:**

~~be required to satisfy such minimum standards of financial responsibility as determined by the Corporation~~

For an applicant or Member that is not otherwise addressed in this Section 1.B, (i) such applicant or Member must maintain compliance with its home country regulator's minimum financial requirements at all times and (ii) the Corporation may, based on

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<sup>3</sup> See also Rule 2B, Section 4 (Ongoing Monitoring).

**information provided by or concerning an applicant or Member, also assign minimum financial requirements to such applicant or Member based on how closely it resembles another membership type and its risk profile. Any such assigned minimum financial requirements will be promptly communicated to, and discussed with, the applicant or Member.**

**Notwithstanding anything to the contrary in this Section 1.B, an applicant or Member must maintain compliance with its home country regulator's minimum financial requirements at all times.**

C. Operational Capability<sup>34</sup>

An applicant **or Member** shall be qualified for membership if it is able to satisfactorily communicate with the Corporation and fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy and to conform to any condition and requirement that the Corporation reasonably deems necessary for its protection.

D. Business History

An applicant **or Member** must have an established business history of a minimum of six months or personnel with sufficient operational background and experience to ensure the ability of the firm to conduct such a business.

SEC. 2. MUTUAL FUND/INSURANCE SERVICES MEMBERS

A. Qualification

To qualify for membership, **a as a Mutual Fund/Insurance Services Member, an applicant or** Mutual Fund/Insurance Services Member shall be:

- (i) a Registered Broker-Dealer; or
- (ii) a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or is supervised and examined by state or federal authorities having supervision over banks; or
- (iii) a Registered Clearing Agency; or
- (iv) an Insurance Company or an Insurance Entity; or

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<sup>34</sup> An applicant **or Member** must have the operational capability for membership or have an agreement, concerning the provision of operational support services to such applicant **or Member**, with an entity acceptable to the Corporation and which may not be replaced without prior approval by the Corporation.

- (v) an investment company registered under Section 8 of the Investment Company Act of 1940, as amended; or
- (vi) if it does not qualify under paragraphs (i) through (v) above, an entity that has demonstrated to the Board of Directors that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services.

B. Financial Responsibility

~~The applicant shall satisfy the following minimum financial requirements:~~

1. Registered Broker-Dealers:

~~have \$50,000 in excess net capital over the minimum net capital requirement imposed by the SEC or such higher minimum capital requirement imposed by the broker-dealer's designated examining authority~~

An applicant or Mutual Fund/Insurance Services Member that is a Registered Broker-Dealer must have and maintain at all times minimum Excess Net Capital of \$50,000.

2. U.S. Banks and ~~trust companies~~ Trust Companies:

~~have a Tier 1 Risk Based Capital ("RBC") ratio of 6% or greater or, with respect to trust companies which do~~

An applicant or Mutual Fund/Insurance Services Member that is a U.S. bank or trust company must have at all times a Tier 1 RBC Ratio equal to or greater than the Tier 1 RBC Ratio that would be required for such Mutual Fund/Insurance Services Member to be Well Capitalized.

Notwithstanding the preceding sentence, an applicant or Mutual Fund/Insurance Services Member that is a U.S. trust company that **does** not calculate a Tier 1 RBC ratio, **Ratio must** have **at all times** at least \$2 million in equity capital.

3. Insurance Companies:

~~have a Risk Based Capital ("An applicant or Mutual Fund/Insurance Services Member that is an Insurance Company must have an~~ RBC") Ratio, as derived from annual statutory financial statements filed by it with its supervisory or regulatory entity (or, between filings of such annual statutory financial statements, an RBC Ratio derived in a similar manner from then-current financial data), of 250% or greater.

4. Others ~~shall~~:

**For an applicant or Mutual Fund/Insurance Services Member that is not otherwise addressed in this Section 2.B, it will** be required to satisfy such minimum standards of financial responsibility as determined by the Corporation. **Any such assigned minimum standards of financial responsibility will be promptly communicated to, and discussed with, the applicant or Mutual Fund/Insurance Services Member.**

**Notwithstanding anything to the contrary in this Section 2.B, an applicant or Mutual Fund/Insurance Services Member must maintain compliance with its home country regulator's minimum financial requirements at all times.**

C. Operational Capability<sup>45</sup>

An applicant **or Mutual Fund/Insurance Services Member** shall be qualified for membership if it is able to satisfactorily communicate with the Corporation and fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy and to conform to any condition and requirement that the Corporation reasonably deems necessary for its protection.

D. Business History

An applicant **or Mutual Fund/Insurance Services Member** must have an established business history of a minimum of six months or personnel with sufficient operational background and experience to ensure the ability of the firm to conduct such a business.

SEC. 3. FUND MEMBERS

A. Qualification

To qualify for membership, ~~a~~ **as a Fund Member, an applicant or** Fund Member shall be:

- (i) a principal underwriter as defined in Section 2(a)(29) of the Investment Company Act of 1940, as amended, or a co-distributor, sub-distributor, or is otherwise authorized to process transactions through the Corporation's Mutual Fund Services, and is a Registered Broker-Dealer; or

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<sup>45</sup> An applicant **or Mutual Fund/Insurance Services Member** must have the operational capability for membership or have an agreement, concerning the provision of operational support services to such applicant **or Mutual Fund/Insurance Services Member**, with an entity acceptable to the Corporation and which may not be replaced without prior approval by the Corporation.



- (ii) an investment company registered under Section 8 of the Investment Company Act of 1940, as amended; or
- (iii) an investment adviser as defined in Section 202(a)(11) of the Investment Advisers Act of 1940, as amended; or
- (iv) an Insurance Company; or
- (v) a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or is supervised and examined by state or federal authorities having supervision over banks; or
- (vi) if it does not qualify under paragraphs (i) through (v) above, it is an entity that has demonstrated to the Board of Directors that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services.

#### B. Financial Responsibility

~~The applicant shall satisfy the following minimum financial requirements:~~

1. Registered Broker-Dealers:

~~have \$50,000 in excess net capital over the minimum net capital requirement imposed by the SEC or such higher requirement imposed by the broker-dealer's designated examining authority.~~

An applicant or Fund Member that is a Registered Broker-Dealer must have and maintain at all times minimum Excess Net Capital of \$50,000.

2. U.S. Banks or trust companies and Trust Companies:

An applicant or Fund Member that is a U.S. bank or trust company must have at all times a Tier 1 Risk Based Capital ("RBC") ratio of 6% RBC Ratio equal to or greater or, with respect to than the Tier 1 RBC Ratio that would be required for such Fund Member to be Well Capitalized.

Notwithstanding the preceding sentence, an applicant or Fund Member that is a U.S. trust companies company that does not calculate a Tier 1 RBC ratio, Ratio must have at all times at least \$2 million in equity capital.

3. Investment Companies:

**have An applicant or Fund Member that is an investment company must have and maintain at all times** a minimum of \$100,000 in assets under management.

4. Investment Advisers:

**have An applicant or Fund Member that is an investment adviser must have and maintain at all times** a minimum of \$25,000,000 in assets under management and \$100,000 in total net worth.<sup>[2]</sup>

5. Insurance Companies:

~~have a Risk Based Capital~~ **An applicant or Fund Member that is an Insurance Company must have an RBC** Ratio (“RBC”), as derived from annual statutory financial statements filed by it with its supervisory or regulatory entity (or, between filings of such annual statutory financial statements, an RBC Ratio derived in a similar manner from then-current financial data), of 250% or greater.

6. Others ~~shall~~:

**For an applicant or Fund Member that is not otherwise addressed in this Section 3.B, it will** be required to satisfy such minimum standards of financial responsibility as determined by the Corporation. **Any such assigned minimum standards of financial responsibility will be promptly communicated to, and discussed with, the applicant or Fund Member.**

**Notwithstanding anything to the contrary in this Section 3.B, an applicant or Fund Member must maintain compliance with its home country regulator’s minimum financial requirements at all times.**

C. Operational Capability<sup>56</sup>

An applicant **or Fund Member** shall be qualified for membership if it is able to satisfactorily communicate with the Corporation and fulfill anticipated commitments to

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<sup>[2]</sup> Pursuant to Rule Filing SR-NSCC-2021-010, which has been proposed by NSCC but not yet approved by the SEC, NSCC has proposed to add a new defined term of Net Worth and use such defined term in lieu of “net worth” in Section 3.B.4 of Addendum B. The use of the proposed defined term is not shown here as SR-NSCC-2021-010 has not yet been approved by the SEC.]

<sup>56</sup> An applicant **or Fund Member** must have the operational capability for membership or have an agreement, concerning the provision of operational support services to such applicant **or Fund Member**, with an entity acceptable to the Corporation and which may not be replaced without prior approval by the Corporation.

and meet the operational requirements of the Corporation with necessary promptness and accuracy and to conform to any condition and requirement that the Corporation reasonably deems necessary for its protection.

D. Business History

An applicant **or Fund Member** must have an established business history of a minimum of six months or personnel with sufficient operational background and experience to ensure the ability of the firm to conduct such a business.

E. Other Considerations:

In addition to the above, the following shall apply:

**Applicants or** Fund Members –

- (i) if an Insurance Company, be in good standing in those states in which it is licensed as an insurance company and in its state of organization.

SEC. 4. INSURANCE CARRIER/RETIREMENT SERVICES MEMBERS

A. Qualification

To qualify for membership **as an Insurance Carrier/Retirement Services Member**, an **applicant or** Insurance Carrier/Retirement Services Member shall be:

- (i) an Insurance Company.

B. Financial Responsibility

~~The applicant shall satisfy the following minimum financial requirements:~~

~~have a Risk Based Capital~~

**An applicant or Insurance Carrier/Retirement Services Member must have an RBC Ratio (“RBC”),** as derived from annual statutory financial statements filed by it with its supervisory or regulatory entity (or, between filings of such annual statutory financial statements, an RBC Ratio derived in a similar manner from then-current financial data), of 250% or greater.

C. Operational Capability<sup>6Z</sup>

An applicant **or Insurance Carrier/Retirement Services Member** shall be qualified for membership if it is able to satisfactorily communicate with the Corporation

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<sup>6Z</sup> An applicant **or Insurance Carrier/Retirement Services Member** must have the operational capability for membership or have an agreement, concerning the provision of operational support services to such applicant **or Insurance Carrier/Retirement Services Member**, with an entity

and fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy and to conform to any condition and requirement that the Corporation reasonably deems necessary for its protection.

D. Business History

An applicant ~~to become an~~ or Insurance Carrier/Retirement Services Member must have an established business history of a minimum of six months or personnel with sufficient operational background and experience to ensure the ability of the firm to conduct such a business.

E. Other Considerations:

In addition to the above, the following shall apply:

**Applicants or** Insurance Carrier/Retirement Services Members –

shall be in good standing in those states in which it is licensed as an insurance carrier and in its state of organization.

SEC. 5. MUNICIPAL COMPARISON ONLY MEMBERS

A. Qualification

To qualify for membership, ~~a~~ **as a Municipal Comparison Only Member, an applicant or** Municipal Comparison Only Member shall be:

- (i) a Registered Broker-Dealer; or
- (ii) a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or is supervised and examined by state or federal authorities having supervision over banks; or
- (iii) a Registered Clearing Agency; or
- (iv) an Insurance Company or an Insurance Entity; or
- (v) an investment company registered under Section 8 of the Investment Company Act of 1940, as amended; or
- (vi) if it does not qualify under paragraphs (i) through (v) above, an entity that has demonstrated to the Board of Directors that its

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acceptable to the Corporation and which may not be replaced without prior approval by the Corporation.

business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services.

#### B. Financial Responsibility

The Corporation shall approve an application to become a Municipal Comparison Only Member only upon a determination by the Corporation that the applicant meets the standards of financial responsibility as the Corporation may promulgate. **Any such assigned minimum standards of financial responsibility will be promptly communicated to, and discussed with, the applicant or Municipal Comparison Only Member.**

### SEC. 6. DATA SERVICES ONLY MEMBERS

#### A. Qualification

To qualify for membership, **a as a Data Services Only Member, an applicant or Data Services Only Member** shall be:

- (i) a Registered Broker-Dealer; or
- (ii) a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or is supervised and examined by state or federal authorities having supervision over banks; or
- (iii) a Registered Clearing Agency; or
- (iv) an Insurance Company or an Insurance Entity; or
- (v) an investment company registered under Section 8 of the Investment Company Act of 1940, as amended; or
- (vi) a principal underwriter as defined in Section 2(a)(29) of the Investment Company Act of 1940, as amended, or a co-distributor, sub-distributor, or is otherwise authorized to process mutual fund transactions; or
- (vii) an investment adviser as defined in Section 202(a)(11) of the Investment Advisers Act of 1940, as amended; or
- (viii) an organization or entity that acts as a third-party administrator on behalf of a retirement or other benefit plan; or
- (ix) an investment manager to a managed account or similar program or agent acting on behalf of such an investment manager; or

- (x) an organization or entity that acts as a routing platform that manages transactions on behalf of its customers; or
- (xi) if it does not qualify under paragraphs (i) through (x) above, an entity that has demonstrated to the Board of Directors that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services.

B. Financial Responsibility

The Corporation shall approve an application to become a Data Services Only Member only upon a determination by the Corporation that the applicant meets the standards of financial responsibility as the Corporation may promulgate. **Any such assigned minimum standards of financial responsibility will be promptly communicated to, and discussed with, the applicant or Data Services Only Member.**

SEC. 7. SETTLING BANK ONLY MEMBERS

A. Qualification

To qualify for membership, ~~a as a Settling Bank Only Member, an applicant or~~ Settling Bank Only Member shall be a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or has direct access to the Federal Reserve System.

B. Financial Responsibility

~~The Corporation shall approve an application to become a Settling Bank Only Member only upon a determination by the Corporation that the applicant meets the standards of financial responsibility as the Corporation may promulgate~~

**An applicant or Settling Bank Only Member that, in accordance with such entity's regulatory and/or statutory requirements, calculates a Tier 1 RBC Ratio must have at all times a Tier 1 RBC Ratio equal to or greater than the Tier 1 RBC Ratio that would be required for such Settling Bank Only Member to be Well Capitalized.**

C. Operational Capability

The Corporation shall approve an application to become a Settling Bank Only Member only upon a determination by the Corporation that the applicant meets the standards of operational capability as the Corporation may promulgate.

## SEC. 8. THIRD PARTY ADMINISTRATOR MEMBERS

### A. Qualification

To qualify for membership, ~~a~~ **as a Third Party Administrator Member, an applicant or** Third Party Administrator Member shall be an entity that demonstrates 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. Operational Capability<sup>78</sup>

An applicant **or Third Party Administrator Member** shall be qualified for membership if it is able to satisfactorily communicate with the Corporation and fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy and to conform to any condition and requirement that the Corporation reasonably deems necessary for its protection.

### C. Business History

An applicant **or Third Party Administrator Member** must have an established business history of a minimum of six months or personnel with sufficient operational background and experience to ensure the ability of the firm to conduct such a business.

## SEC. 9. INVESTMENT MANAGER/AGENT MEMBERS

### A. Qualification

To qualify for membership **as an Investment Manager/Agent Member,** an **applicant or** Investment Manager/Agent Member shall be an entity that is or acts on behalf of one or more Investment Managers to a managed account or similar program.

### B. Operational Capability<sup>89</sup>

An applicant **or Investment Manager/Agent Member** shall be qualified for membership if it is able to satisfactorily communicate with the Corporation and fulfill anticipated commitments to and meet the operational requirements of the Corporation

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<sup>78</sup> An applicant **or Third Party Administrator Member** must have the operational capability for membership or have an agreement, concerning the provision of operational support services to such applicant **or Third Party Administrator Member**, with an entity acceptable to the Corporation and which may not be replaced without prior approval by the Corporation.

<sup>89</sup> An applicant **or Investment Manager/Agent Member** must have the operational capability for membership or have an agreement, concerning the provision of operational support services to such applicant **or Investment Manager/Agent Member**, with an entity acceptable to the Corporation and which may not be replaced without prior approval by the Corporation.

with necessary promptness and accuracy and to conform to any condition and requirement that the Corporation reasonably deems necessary for its protection.

### C. Business History

An applicant **or Investment Manager/Agent Member** must have an established business history of a minimum of six months or personnel with sufficient operational background and experience to ensure the ability of the firm to conduct such a business.

## SEC. 10. AIP MEMBERS

### A. Qualification

To qualify for membership **as an AIP Member**, an **applicant or** AIP Member shall be:

- (i) a Registered Broker-Dealer;
- (ii) a broker/dealer organized or established under the laws of a country other than the United States that is subject to the oversight of, and regulated by, the appropriate financial services regulator in its home jurisdiction;
- (iii) a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or is supervised and examined by State or Federal authorities having supervision over banks;
- (iv) a bank organized or established under the laws of a country other than the United States that is subject to the oversight of, and regulated by, the appropriate financial services regulator in its home jurisdiction;
- (v) an investment company registered under section 8 of the Investment Company Act of 1940, as amended;
- (vi) an issuer (structured as a fund or other pooled investment vehicle) that is exempt from the definition of investment company under the Investment Company Act of 1940, as amended;
- (vii) an investment adviser as defined under the Investment Advisers Act of 1940, as amended ("Advisers Act"), regardless of whether such investment adviser is registered pursuant to the Advisers Act or is exempt from registration thereunder;
- (viii) a commodity pool operator or a commodity trading advisor as defined in the Commodity Exchange Act, as amended, regardless of whether such commodity pool operator or commodity trading advisor is registered pursuant to Commodity Exchange Act or is exempt from registration thereunder;
- (ix) an Insurance Company;



(x) an insurance company organized or established under the laws of a country other than the United States that is subject to the oversight of, and regulated by, the appropriate insurance regulator in its home jurisdiction; or

(xi) with respect to an AIP Manufacturer (as defined in Rule 53), an entity engaged under contract to provide administrative services with respect to one or more Eligible AIP Products (as defined in Rule 53), including but not limited to, fund administrators.

#### B. Operational Capability<sup>910</sup>

An applicant **or AIP Member** shall be qualified for membership if it is able to satisfactorily communicate with the Corporation and fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy and to conform to any condition and requirement that the Corporation reasonably deems necessary for its protection.

#### C. Business History

An applicant **or AIP Member** must have an established business history of a minimum of six months or personnel with sufficient operational background and experience to ensure the ability of the firm to conduct such a business.

### SEC. 11. AIP SETTLING BANK ONLY MEMBERS

#### A. Qualification

To qualify for membership, An AIP Settling Bank Only Member shall be a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or has direct access to the Federal Reserve System.

#### B. Financial Responsibility

The Corporation shall approve an application to become an AIP Settling Bank Only Member only upon a determination by the Corporation that the applicant meets the standards of financial responsibility as the Corporation may promulgate.

#### C. Operational Capability

The Corporation shall approve an application to become a Settling Bank Only Member only upon a determination by the Corporation that the applicant meets the standards of operational capability as the Corporation may promulgate.

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<sup>910</sup> An applicant **or AIP Member** must have the operational capability for membership or have an agreement, concerning the provision of operational support services to such applicant **or AIP Member**, with an entity acceptable to the Corporation and which may not be replaced without prior approval by the Corporation.

## SEC. 12. THIRD PARTY PROVIDER MEMBERS

### A. Qualification

To qualify for membership, ~~a~~ **as a Third Party Provider Member, an applicant** **or** Third Party Provider Member shall demonstrate 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. Operational Capability<sup>711</sup>

An applicant **or Third Party Provider Member** shall be qualified for membership if it is able to satisfactorily communicate with the Corporation and fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy and to conform to any condition and requirement that the Corporation reasonably deems necessary for its protection.

### C. Business History

An applicant **or Third Party Provider Member** must have an established business history of a minimum of six months or personnel with sufficient operational background and experience to ensure the ability of the firm to conduct such a business.

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<sup>711</sup> An applicant **or Third Party Provider Member** must have the operational capability for membership or have an agreement, concerning the provision of operational support services to such applicant, with an entity acceptable to the Corporation and which may not be replaced without prior approval by the Corporation.

## ADDENDUM O

### ADMISSION OF NON-U.S. ENTITIES AS ~~DIRECT NSCC~~ MEMBERS<sup>1</sup>

**[Changes to this Addendum, as amended by File No. SR-NSCC-2021-016, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Addendum.]**

#### ~~Admission of Non-U.S. Entities~~<sup>1</sup>

Policy Statement on the Admission of Non-U.S. Entities as ~~Direct Clearing Corporation~~ Members, Mutual Fund/Insurance Services Members, Fund Members or Insurance Carrier/Retirement Services Members: The policy permits entities that are organized in a country other than the United States and that are not otherwise subject to U.S. federal or state regulation (“non-U.S. entities”) to be eligible to become ~~direct NSCC~~ Members, Mutual Fund/Insurance Services Members, Fund Members or Insurance Carrier/Retirement Services Members. Under the policy, NSCC will require that the non-U.S. entity execute the standard NSCC membership agreement and enter into an additional series of undertakings and agreements and provide additional certifications and other assurances that are designed to address jurisdictional and certain tax concerns, and to assure that NSCC is provided with audited financial information that is acceptable to NSCC.

Certain of these criteria may be waived where inappropriate to a particular applicant or class of applicants (e.g., a foreign government, international or national central securities depositories).

Requirements in addition to standard requirements for U.S. entities:

- Undertakings and Agreements –

At a minimum such non-U.S. entity would have to agree to:

- (a) in respect of any action brought by NSCC to enforce the entity’s obligations under the membership agreement:
  - (i) irrevocably waive all immunity from NSCC’s attachment of the entity’s own assets in the U.S.;
  - (ii) irrevocably submit to the jurisdiction of a court in the U.S.;

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<sup>1</sup> ~~This policy statement excludes non-U.S. entities that are insurance companies.~~

<sup>4</sup> ~~This policy statement excludes non-U.S. entities that are insurance companies.~~

- (iii) irrevocably waive any objection to the laying of venue in a court in the U.S.; and
  - (iv) state that any judgment obtained against the foreign entity by NSCC may be enforced in the courts of any jurisdiction where the foreign entity or its property may be located, and that the foreign entity will irrevocably submit to the jurisdiction of each such court.
- (b) designate a person in New York as its agent to receive service of process;
- (c) provide to NSCC, for financial monitoring purposes, audited financial statements prepared in accordance with either U.S. generally accepted accounting principles or other generally accepted accounting principles that are satisfactory to NSCC. **In order to address the risk presented by the acceptance of financial statements prepared in non-U.S. GAAP, the existing minimum financial requirements for non-U.S. GAAP standards will each have a specific premium applied as follows:**
  - ~~(i) for financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), the Companies Act of 1985 (“UK GAAP”), or Canadian GAAP – a premium of 1 ½ times the existing requirement;~~
  - ~~(ii) for financial statements prepared in accordance with a European Union (“EU”) country GAAP other than UK GAAP – a premium of 5 times the existing requirement; and~~
  - ~~(iii) for financial statements prepared in accordance with any other type of GAAP a premium of 7 times the existing requirement.~~
- (d) provide all financial reports or other information requested by NSCC in English, with monetary amounts stated in U.S. dollar equivalents indicating the conversion rate and date used.
- (e) not conduct any transaction or activity through NSCC if the non-U.S. entity is not FATCA Compliant and/or is not a Section 1446(f) Withholding Agent, as applicable, unless such requirement has been explicitly waived in writing by NSCC with respect to the specific non-U.S. entity, provided, however, that no such waiver will be issued if it shall cause NSCC to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property.
- (f) indemnify NSCC for any loss, liability or expense sustained by NSCC as a result of the non-U.S. entity failing to be FATCA Compliant or a Section 1446(f) Withholding Agent.

- FATCA Compliance, Section 1446(f) Withholding, and Tax Certification – The non-U.S. entity must be at all times FATCA Compliant and, beginning on the Section 1446(f) Withholding Compliance Date, be a Section 1446(f) Withholding Agent, if applicable, and must certify and periodically recertify to NSCC that it is FATCA Compliant and/or a Section 1446(f) Withholding Agent, as applicable, by providing to NSCC a Tax Certification, unless such requirements have been explicitly waived in writing by NSCC, provided, however, that no such waiver will be issued if it shall cause NSCC to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property.
- Foreign Legal Opinion – obtain an opinion of reputable foreign counsel satisfactory to NSCC providing, among other things, that the agreements described above may be enforced against the foreign entity in the courts of its home country or other jurisdictions where the entity or its property may be found.<sup>2</sup>
- Regulatory Status of Foreign Entity
  - (a) The non-U.S. entity would have to be subject to regulation in its home country and its home country regulator must have entered into a Bilateral Information Sharing Arrangement or Memoranda of Understanding with the SEC regarding the sharing or exchange of information.
  - (b) The non-U.S. entity must be in compliance with the financial reporting and responsibility standards of its home country regulator.
- Anti-Money Laundering (“AML”) Review – The non-U.S. entity must provide sufficient information to NSCC in order to evaluate AML risk, including whether the non-U.S. entity is subject to comparable AML requirements (to those imposed in the U.S.) in its home country jurisdiction.

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<sup>2</sup> NSCC reserves the right to require the entity to deposit additional amounts to the Clearing Fund and to post an Eligible Letter of Credit in an instance where NSCC, in its sole discretion, believes the entity presents legal risk.