

**NATIONAL SECURITIES CLEARING CORPORATION
RULES & PROCEDURES**

TEXT OF PROPOSED RULE CHANGE

Bold and underlined text indicates proposed added language.

~~Bold and strikethrough text~~ indicates proposed deleted language.

~~Bold, strikethrough and shaded text~~ indicates proposed deleted language in connection with a separate proposal that has been approved by the SEC but not yet implemented (SR-NSCC-2022-015).

RULE 4. CLEARING FUND

[Changes to this Rule, as amended by File No. SR-NSCC-2023-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than [insert date 60 Business Days after the approval of SR-NSCC-2023-009], these changes will be implemented and this legend will be automatically removed from this Rule.]

SEC. 1. *Required Fund Deposits.* Each Member shall make and maintain on an ongoing basis a deposit to the Clearing Fund. The amount of each Member's required deposit shall be determined by the Corporation in accordance with Procedure XV and other applicable Rules and Procedures (the "Required Fund Deposit"). The minimum Required Fund Deposit, excluding Required SFT Deposit, for each Member shall be \$250,000. The Corporation may require any such Member to deposit additional amounts to the Clearing Fund pursuant to Rule 15. A Member may in its discretion maintain additional deposits at the Corporation, subject to any Procedures or other requirements the Corporation may establish for such excess amounts. For purposes of these Rules and Procedures, such additional deposits shall be deemed to be part of the Clearing Fund and the Member's Actual Deposit but shall not be deemed to be part of the Member's Required Fund Deposit.

The Corporation may permit Members to satisfy their Required Fund Deposit obligations through a combination of cash and open account indebtedness secured by Eligible Clearing Fund Securities, as further described in Procedure XV¹. The aggregate of cash deposited, the collateral value of pledged Eligible Clearing Fund Securities determined in accordance with ~~Section II.(A)~~**Section III** of Procedure XV, and the face amount of any Eligible Letters of Credit shall not at any time be less than the Member's Required Fund Deposit.

¹ In addition, the Corporation reserves the right to require participants to post a letter of credit in an instance where the Corporation, in its discretion, believes the participant presents legal risk. In such circumstances the Corporation may require part of a participant's deposit to be evidenced by an open account indebtedness supported by one or more irrevocable letters of credit with a maturity of no more than one year issued on behalf of the participant in favor of the Corporation (i) under which a bank, trust company or United States branch or agency of a foreign bank (hereinafter, an "Issuer"), in each case approved by the Corporation for such purpose, is obligated to honor drafts up to a specified amount drawn on it by the Corporation and (ii) the terms and conditions of which the Corporation determines are acceptable to the Corporation in its sole discretion (each such letter of credit, an "Eligible Letter of Credit"). Any amount drawn on any Eligible Letters of Credit shall be deposited into, and constitute an additional cash deposit to, the Clearing Fund and shall reduce the participant's open account indebtedness by a corresponding amount. Within ten (10) calendar days prior to the stated expiration date of any such Eligible Letter of Credit or within such time as the Corporation shall direct upon receipt by the Corporation of written notice from an approved bank of an earlier expiration date of any Eligible Letter of Credit supporting a participant's open account indebtedness, such participant shall make a substitution for the Eligible Letter of Credit, in accordance with the provisions of this Rule, in the amount required, effective upon or prior to the expiration of the Eligible Letter of Credit.

SEC. 9. *Excess Clearing Fund Deposits.* The Corporation shall determine with such frequency as it shall, from time to time to specify, whether the amount deposited by each Member to the Clearing Fund may be in excess of such Member's Required Fund Deposit. On any day that the Corporation has determined that an excess deposit exists with respect to any Member, the Corporation will, in the form and manner required by the Corporation, notify each such Member of such excess. Subject to the Corporation's rights under these Rules and Procedures to require additional amounts to be deposited by a Member, upon a Member's request, and in accordance with such procedures as the Corporation may set forth from time to time, the Corporation shall return to the Member such amount of its excess cash on deposit (subject to the minimum amount of cash required to be maintained in the Clearing Fund) and/or pledged Eligible Clearing Fund Securities (valued at their collateral value in accordance with ~~Section II.(A)Section III~~ of Procedure XV on the day of such withdrawal) as the Member requests. Notwithstanding the foregoing, the Corporation may, in its discretion, determine to withhold all or part of any excess deposit of a Member if such Member has been placed on the Watch List pursuant to these Rules and Procedures or if the Corporation determines that the Member's anticipated activities in the Corporation in the near future may reasonably be expected to be materially different than its activities of the recent past.

RULE 56. SECURITIES FINANCING TRANSACTION CLEARING SERVICE

[Changes to this Rule, as amended by File No. SR-NSCC-2023-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than [Insert date 60 Business Days after the approval of SR-NSCC-2023-009], these changes will be implemented and this legend will be automatically removed from this Rule.]

SEC. 12. Clearing Fund Obligations.

(c) The Corporation shall calculate the amount of each such SFT Member's required deposit for SFT Positions, subject to a \$250,000 minimum (excluding the minimum contribution to the Clearing Fund as required by Procedure XV, Section II.(A)), by applying the Clearing Fund formula for CNS Transactions in Sections I.(A)(1)(a),² (b),

² ~~For the purpose of applying Section I.(A)(1)(a)(i) of Procedure XV (Value-at-Risk (VaR) charge), the volatility of an SFT Member's SFT Positions shall be the sum of (a) the highest resultant value between Section I.(A)(1)(a)(i). (Core Parametric Estimation) and Section I.(A)(1)(a)(i)III. (Margin Floor) and (b) the resultant value of Section I.(A)(1)(a)(i)II. (Gap Risk Measure).~~

(c), (e), (f), (g)³ of Procedure XV, as well as the additional Clearing Fund formula in Section I.(B)(5) (Intraday Mark-to-Market Charge) and (6) (Intraday Volatility Charge) of Procedure XV, except as noted otherwise, in the same manner as such sections apply to CNS Transactions submitted to the Corporation for regular way settlement, plus, with respect to any Non-Returned SFT, an additional charge that is calculated by (x) multiplying the Current Market Price of the SFT Securities that are the subject of such Non-Returned SFTs by the number of such SFT Securities that are the subject of the SFT and (y) multiplying such product by (i) 5% for SFT Members rated 1 through 4 on the Credit Risk Rating Matrix, (ii) 10% for SFT Members rated 5 or 6 on the Credit Risk Rating Matrix, or (iii) 20% for SFT Members rated 7 on the Credit Risk Rating Matrix shall be applied to each SFT Member that is a party thereto (collectively, the "Required SFT Deposit"); provided, however, notwithstanding anything to the contrary, (x) a minimum of 40% of an SFT Member's Required SFT Deposit shall be made in the form of cash and/or Eligible Clearing Fund Treasury Securities and (y) the lesser of \$5,000,000 or 10% of an SFT Member's Required SFT Deposit, with a minimum of \$250,000, must be made and maintained in cash; provided, further, the additional Clearing Fund formula in Sections I.(B)(1) (Additional Deposits for Members on the Watch List),³ (2) (Excess Capital Premium),³ (3) (Backtesting Charge),³ **and** (4) (Bank Holiday Charge) **of Procedure XV, as well as the** Minimum Clearing Fund and Additional Deposit Requirements in Sections II.(A)**1(a) – (b)**, II.(B), II.(C), and II.(D); **as well as Section III (Collateral Value of Eligible Clearing Fund Securities)** of Procedure XV, shall apply to SFT Members in the same manner as such sections apply to Members.

³ For the purpose of applying Section I.(A)(1)(g) of Procedure XV (Margin Liquidity Adjustment (MLA) charge), SFT Positions shall be aggregated with Net Unsettled Positions, as defined in Rule 1, in the same asset group or subgroup; provided, however, in the event such aggregation results in a reduction of the aggregate positions in the relevant asset group or subgroup, the Corporation shall apply the greater of (a) the sum of MLA charges separately calculated for SFT Positions and Net Unsettled Positions in the asset group or subgroup and (b) the MLA charge calculated from aggregating the SFT Positions and the Net Unsettled Positions in the asset group or subgroup.

PROCEDURE XV. CLEARING FUND FORMULA AND OTHER MATTERS¹

[Changes to this Procedure, as amended by File No. SR-NSCC-2023-009, are available at www.dtcc.com/legal/sec-rule-filings. These changes have been approved by the SEC but have not yet been implemented. By no later than [insert date 60 Business Days after the approval of SR-NSCC-2023-009], these changes will be implemented and this legend will automatically be removed from this Procedure.]

I.(B) Additional Clearing Fund Formula

(1) Additional Deposits for Members on the Watch List

Any Member ~~or Limited Member~~ who is placed on the Watch List shall be required to make such additional Clearing Fund deposits as determined by the Corporation on the same day as requested by the Corporation within such timeframe as required by the Corporation from time to time.

II. Minimum Clearing Fund and Additional Deposit Requirements

(A) Each Member of the Corporation shall be required to contribute a minimum of \$250,000 (the “minimum contribution”), excluding Required SFT Deposit. The first 40% (but no less than \$250,000) of a Member’s Required Fund Deposit (excluding Required SFT Deposit) must be in cash and the remaining amount, may be evidenced by open account indebtedness secured by the pledge of Eligible Clearing Fund Securities, which shall be valued, for collateral purposes, as set forth in a haircut schedule (described in subsection 1. below)~~subsection III below. A Mutual Fund/Insurance Services Member’s entire deposit is required to be in cash.~~

1. Special Provisions Related to Eligible Clearing Fund Securities:

All Eligible Clearing Fund Securities pledged to secure Clearing Fund deposits shall, for collateral valuation purposes, be subject to a haircut and may be subject to a concentration limit. The Corporation shall determine the applicable haircuts and any concentration limits from time to time in accordance with its internal policy and governance process, based on factors determined to be relevant by the Corporation, which may include, for example, backtesting results and the Corporation’s assessment of market conditions, in order to set appropriately conservative haircuts and/or concentration limits for the Eligible Clearing Fund Securities and minimize backtesting deficiency occurrences. The

¹ All calculations shall be performed daily or, if the Corporation deems it appropriate, on a more frequent basis.

haircuts and any concentration limits prescribed by the Corporation shall be set forth in a haircut schedule that is published on the Corporation's website. It shall be the Member's responsibility to retrieve the haircut schedule. The Corporation will provide Members with at a minimum one Business Day's advance notice of any change in the haircut schedule.

- ~~(a) Any deposits of Eligible Clearing Fund Agency Securities⁷ or Eligible Clearing Fund Mortgage-Backed Securities⁸, 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 proposed haircut schedule detailed in subsection III below, and~~**
- ~~(b) No more than 20 percent of a Member's Required Fund Deposit secured by pledged Eligible Agency Securities may be of a single issuer.~~**

(B) All Clearing Fund requirements and other deposit requirements shall be made by Members ~~and Mutual Fund/Insurance Services Members~~, within one hour of demand unless otherwise determined by the Corporation; provided, however, that to the extent the Member ~~and Mutual Fund/Insurance Services Member~~ is meeting such obligation with a (1) deposit of cash, such deposit shall be made by Federal Funds wire transfer and be received no later than fifteen minutes prior to the close of the Federal Funds wire, and (2) delivery of eligible securities, such delivery shall be received within the deadlines established by DTC. At the discretion of the Corporation, cash deposits may be included as part of the Member's ~~or Mutual Fund/Insurance Services Member's~~, daily settlement obligation.

(C) Additional Clearing Fund deposits shall not be requested unless they exceed such threshold as determined by the Corporation from time to time; provided that the affected Member ~~or Limited Member~~ is not on the Watch List.

(D) Where the amount of a Member's ~~and Mutual Fund/Insurance Services Member's~~ deficiency is in excess of \$1,000 but less than \$5,000, the Corporation may require payment in multiples of \$1,000. Where the amount of the deficiency is in excess of \$5,000, the Corporation may require payment in multiples of \$5,000.

⁷ ~~A Member that is an Agency may not pledge Eligible Clearing Fund Agency Securities of which it is the issuer.~~

⁸ ~~With regard to a Member that pledges Eligible Clearing Fund Mortgage-Backed Securities of which it is the issuer, such securities will be subject to a premium haircut, as set forth in subsection III below.~~

III. Collateral Value of Eligible Clearing Fund Securities

(A) Eligible Clearing Fund Securities pledged to secure Clearing Fund deposits shall, for collateral valuation purposes, be haircut as follows, or as otherwise determined by the Corporation from time to time based on factors determined to be relevant by the Corporation from time to time:

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. Mortgage-Backed Security

Pass-Throughs*	Ginnie Mae	7.0%
	Fannie Mae/Freddie Mac	7.0%
Self-issued**		14% (or 21% if 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 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 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%.