

EXHIBIT 5A



OCC RULES

Underlined text indicates new text proposed to be added by SR-OCC-2024-011 (Stock Loan Enhancements).

~~Strikethrough~~ text indicates existing text proposed to be deleted by SR-OCC-2024-011 (Stock Loan Enhancements).

[Bracketed] text describes actions to be performed upon regulatory approval of SR-OCC-2024-011.

THE OPTIONS CLEARING CORPORATION

RULES

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CHAPTER I
Definitions

RULE 101 – Definitions

A.

Anonymous Market Loan

(1) The term “Anonymous Market Loan” means any Loan Market Loan for which the identities of the Lending Clearing Member and Borrowing Clearing Member are not disclosed to each other.

Appointed Clearing Member

~~(4)~~(2) The term “Appointed Clearing Member” means a Clearing Member authorized to clear physically-settled equity options and stock futures or Market Loans that, in accordance with the provisions of Rule 901 or Rule 2207A, has been appointed by an Appointing Clearing Member to make settlement of obligations of the Appointing Clearing Member to deliver or receive underlying securities arising from the exercise or maturity of cleared securities or the initiation or termination of Market Loans.

Appointing Clearing Member

~~(2)~~(3) The term “Appointing Clearing Member” means a Clearing Member that, in accordance with the provisions of Rule 901 or Rule 2207A, has appointed an Appointed Clearing Member to make settlement of obligations of the Appointing Clearing Member to deliver or receive underlying securities arising from the exercise or maturity of cleared securities or the initiation or termination of Market Loans.

B.

Bank Account

(1) [No change.]

Borrowing Clearing Member^[1]

~~(4)~~(2) The term “Borrowing Clearing Member” means any ~~Hedge Clearing Member or Market Loan~~ Clearing Member that borrows Eligible Stock in a ~~Stock Loan~~ Hedge Loan or Market Loan, respectively.

[¹ [By-Law Article I, Sec. 1.B.(4) is deleted and relocated here with changes as marked.]

C.

* * *

Collateral

~~(1)~~(4)(i) Hedge Loan. The term “Collateral,” in respect of any Hedge Loan, means the amount in U.S. dollars deposited by a Borrowing Clearing Member with a Lending Clearing Member upon initiation of a ~~Stock Loan~~Hedge Loan as security for the obligations of the Borrowing Clearing Member in respect of the ~~Stock Loan~~Hedge Loan, as such amount may be adjusted from time to time through mark-to-market payments made by the Borrowing Clearing Member and the Lending Clearing Member pursuant to Rule ~~2204~~2209.^[2]

~~(1)~~(ii) Market Loan. The term “Collateral,” ~~means~~ means in respect of any Market Loan, means the amount in U.S. dollars a Borrowing Clearing Member is required to transfer to the Corporation’s account at the Depository, which the Corporation in turn instructs the Depository to transfer to the Lending Clearing Member, as security for the obligations of the Borrowing Clearing Member in respect of the Market Loan, as such amount may be adjusted from time to time through mark-to-market payments made by the Borrowing Clearing Member and the Lending Clearing Member pursuant to Rule ~~2204A~~2209A. ~~The Collateral requirement applicable to a Market Loan shall be the mark-to-market value of the Loaned Stock multiplied by a percentage (no less than 100%) specified by the relevant Loan Market.~~^[3]

D.

~~Reserved.~~**Depository**^[4]

(1) The term “Depository” means The Depository Trust Company.

Disclosed Market Loan

(2) The term “Disclosed Market Loan” means, as the context requires, either a Market Loan that is initiated (i) through a Loan Market and for which the identities of the Lending Clearing Member and Borrowing Clearing Member are disclosed to each other or (ii) directly between the Lending Clearing Member and Borrowing Clearing Member away from a Loan Market such that the identities of the Lending Clearing Member and Borrowing Clearing Member are disclosed to each other.

^[2] By-Law Article XXI, Sec. 1.C.(1) is deleted and relocated here with changes as marked.]

^[3] By-Law Article XXIA, Sec. 1.C.(1) is deleted and relocated here with changes as marked.]

^[4] By-Law Article XXI, Sec. 1.D.(1) is deleted and relocated here with changes as marked. The definition of “Depository” in Article XXIA, Sec. 1.M.(2) is also deleted and this definition applies to the use of the capitalized term “Depository” throughout the OCC Rules, including Chapters XXII and XXIIA.]

Dividend Equivalent Payment^[5]

~~(2)~~(3) The term “dividend equivalent payment” means, in respect of a Market Loan, a payment to be made by the Borrowing Clearing Member to the Lending Clearing Member to reflect any cash dividend or distribution made with respect to the Loaned Stock during the term of a Market Loan.

E.

(1) – (3) [No change.]

Eligible Stock

~~(3)~~(4) The term “Eligible Stock” means any security that is eligible for lending in the Stock Loan/Hedge Program and the Market Loan Program [under Rules 2201 and 2201A, respectively.](#)^[6]

(4) – (6) [Renumbered (5) – (7). Otherwise, no change.]

F. – G. [No change]

~~H. – L.~~**Hedge Loan**

(1) The term “Hedge Loan” means a matched pair of securities contracts for the loan of Eligible Stock made through the Stock Loan/Hedge Program, with one such securities contract being between the Lending Clearing Member and the Corporation as the borrower and the second such securities contract being between the Corporation as the lender and the Borrowing Clearing Member.^[7]

I. – K.

Reserved.

^[5] By-Law Article XXIA, Sec. 1.D.(2) is deleted and relocated here with changes as marked.]

^[6] This text replaces the first sentence of By-Law Article I, Sec. 1.E.(3) with changes as marked. The second sentence has been relocated to Rule 2201 and 2201A with changes as marked thereto.]

^[7] By-Law Article I, Sec. 1.H.(1) is deleted and relocated here with changes as marked.]

L.**Lending Clearing Member**^[8]

~~(2)~~(1) The term “Lending Clearing Member” means any Clearing Member that lends Eligible Stock in a ~~Stock Loan~~ Hedge Loan or Market Loan, respectively.

Loan Market^[9]

~~(5)~~(2) The term “Loan Market” means an electronic platform included in the Corporation’s Market Loan Program that supports securities lending and borrowing transactions by matching lenders and borrowers based on loan terms that each party is willing to accept.

Loaned Stock

~~(+)~~(3)(i) Hedge Loan. The term “Loaned Stock,” in respect of any Hedge Loan, means Eligible Stock transferred by a Lending Clearing Member to a Borrowing Clearing Member upon initiation of a ~~Stock Loan~~ Hedge Loan, and any securities issued in exchange for such securities by reason of a reorganization, recapitalization, merger, consolidation or other corporate action of the issuer, and non-cash distributions described in Rule ~~2206~~2211 in respect of all such securities.^[10]

~~(+)~~(ii) Market Loan. The term “Loaned Stock,” ~~means~~ in respect of any Market Loan, means Eligible Stock that is the subject of the Market Loan and any securities issued in exchange for such Eligible Stock by reason of a reorganization, recapitalization, merger, consolidation or other corporate action of the issuer, and any non-cash distributions described in Rule ~~2206A~~2211A in respect of the Loaned Stock.^[11]

M.**Mark-To-Market Payment**

~~(2)~~(1)(i) Hedge Loan. The term “mark-to-market payment,” ~~as used~~ in respect of any ~~Stock Loan~~ Hedge Loan, means a payment made by a Lending Clearing Member or Borrowing Clearing Member to the Corporation or by the Corporation to a Lending Clearing Member or Borrowing Clearing Member pursuant to Rule ~~2204~~2209.^[12]

~~(+)~~(ii) Market Loan. The term “mark-to-market payment,” ~~as used~~ in respect of any Market Loan, means a payment made by a Lending Clearing Member or Borrowing Clearing Member to

[⁸ By-Law Article I, Sec. 1.L.(2) is deleted and relocated here with changes as marked.]

[⁹ By-Law Article I, Sec. 1.L.(5) is deleted and relocated here with changes as marked.]

[¹⁰ By-Law Article XXI, Sec. 1.L.(1) is deleted and relocated here with changes as marked.]

[¹¹ By-Law Article XXIA, Sec. 1.L.(1) is deleted and relocated here with changes as marked.]

[¹² By-Law Article XXI, Sec. 1.M.(2) is deleted and relocated here with changes as marked.]

the Corporation or by the Corporation to a Lending Clearing Member or Borrowing Clearing Member pursuant to Rule ~~2204A~~2209A.^[13]

Market Loan^[14]

~~(3)~~(2) The term “Market Loan” means a loan of Eligible Stock that was effected through ~~a Loan Market~~ the Market Loan Program and accepted by the Corporation in accordance with the By-Laws and Rules.

Market Loan Program^[15]

~~(4)~~(3) The term “Market Loan Program” means the Corporation's program for processing and maintaining stock loan positions and stock borrow positions originated through a Loan Market or submitted directly to the Corporation under Rule 2202A and effecting required payments in respect of such positions, ~~all as further described in the By-Laws and Rules.~~

Marking Price^[16]

~~(4)~~(4) The term “marking price”, as used in respect of any Loaned Stock ~~shall have~~has the meaning given to it in Article I of the By-Laws.

Matched-Book Borrowing Clearing Member^[17]

~~(7)~~(5) The term “Matched-Book Borrowing Clearing Member” ~~shall mean~~means, with respect to any Matched-Book Positions, the Clearing Member that borrows Eligible Stock from a Clearing Member maintaining Matched-Book Positions in that Eligible Stock.

Matched-Book Lending Clearing Member^[18]

~~(8)~~(6) The term “Matched-Book Lending Clearing Member” ~~shall mean~~means, with respect to any Matched-Book Positions, the Clearing Member that lends Eligible Stock to a Clearing Member maintaining Matched-Book Positions in that Eligible Stock.

[¹³ By-Law Article XXIA, Sec. 1.M.(1) is deleted and relocated here with changes as marked.]

[¹⁴ By-Law Article I, Sec. 1.M.(3) is deleted and relocated here with amendments as marked.]

[¹⁵ By-Law Article I, Sec. 1.M.(4) is deleted and relocated here with amendments as marked.]

[¹⁶ By-Law Article XXI, Sec. 1.M.(1) is deleted and relocated here with changes as marked. The definition of “Marking Price” in By-Law Article XXIA, Sec. 1.M.(2) is also deleted and this definition applies to the use of the term “Marking Price” throughout the OCC Rules, including Chapters XXII and XXIIA.]

[¹⁷ By-Law Article I, Sec. 1.M.(7) is deleted and relocated here with changes as marked.]

[¹⁸ By-Law Article I, Sec. 1.M.(8) is deleted and relocated here with changes as marked.]

Matched-Book Positions^[19]

~~(9)~~(7) The term “Matched-Book Positions” ~~shall mean~~means stock loan and stock borrow positions in which a single Clearing Member borrows Eligible Stock from a Matched-Book Lending Clearing Member and lends an equal or lesser amount of the same Eligible Stock to a Matched-Book Borrowing Clearing Member.

Minimum Corporate Contribution

[Renumbered (8). Otherwise, no change.]

N. – Q. [No change.]

R.**Rebate**^[20]

(1) The term “rebate,” ~~as used~~ in respect of any Market Loan, means a fee payable from the Lending Clearing Member to the Borrowing Clearing Member (or, if the rebate rate is negative, from the Borrowing Clearing Member to the Lending Clearing Member), expressed as a rate based on the amount of cash Collateral held by the Lending Clearing Member.

Recall^[21]

(2) The term “recall,” ~~as used~~ in respect of any Market Loan, means the process by which the Lending Clearing Member may initiate the termination of the Market Loan, or any portion thereof, by submitting a notice to the applicable Loan Market or the Corporation, as applicable, calling for the return of all or any portion of the Loaned Stock.

Regulatory Organization

[Renumbered (3). Otherwise, no change.]

Restricted Letter of Credit

[Renumbered (4). Otherwise, no change.]

Return^[22]

~~(3)~~(5) The term “return,” ~~as used~~ in respect of any Market Loan, means the process by which the Borrowing Clearing Member may initiate the termination of the Market Loan, or any portion

[¹⁹ By-Law Article I, Sec. 1.M.(9) is deleted and relocated here w w with changes as marked.]

[²⁰ By-Law Article XXIA, Sec. 1.R.(1) is deleted and relocated here with changes as marked.]

[²¹ By-Law Article XXIA, Sec. 1.R.(2) is deleted and relocated here with changes as marked.]

[²² By-Law Article XXIA, Sec. 1.R.(3) is deleted and relocated here with changes as marked.]

thereof, by submitting a notice to the Loan Market or the Corporation, as applicable, indicating its intention to return all or any portion of the Loaned Stock.

S.

Settlement Date

(1) The term “settlement date” in respect of the termination of ~~Stock Loans~~ Hedge Loan has the meaning set forth in Rule ~~2208~~2213.^[23]

Settlement Price

(2)(i) Hedge Loan. The term “settlement price,” in respect of a ~~Stock Loan~~Hedge Loan, means the amount of Collateral specified by the Lending Clearing Member in its instructions to initiate the ~~Stock Loan~~Hedge Loan as described in Rule 2202. The term “settlement price,” in respect of the termination by either a Lending Clearing Member or a Borrowing Clearing Member of a ~~Stock Loan~~Hedge Loan or portion thereof, means the amount of Collateral required to be returned by the Lending Clearing Member on the settlement date.^[24]

~~(1)~~(ii) Market Loan. The term “settlement price,” ~~as used~~ in respect of any Market Loan, means the amount of Collateral specified in the instructions submitted by the Corporation to the Depository to effect such Market Loan. The term “settlement price,” in respect of the termination of a Market Loan or portion thereof, means the amount of Collateral required to be returned by the Lending Clearing Member on the settlement date.^[25]

Settlement Time

[Renumbered (3). Otherwise, no change.]

Spot Month Series

[Renumbered (4). Otherwise, no change.]

Statutory Disqualification

[Renumbered (5). Otherwise, no change.]

Stock Borrow Position^[26]

~~(19)~~(6) The term “stock borrow position” means the position of a Borrowing Clearing Member in respect of a ~~Stock Loan~~ Hedge Loan or Market Loan.

[²³ By-Law Article XXI, Sec. 1.S.(1) is deleted and relocated here with changes as marked.]

[²⁴ By-Law Article XXI, Sec. 1.S.(2) is deleted and relocated here with changes as marked.]

[²⁵ By-Law Article XXIA, Sec. 1.S.(1) is deleted and relocated here with changes as marked.]

[²⁶ This definition replicates Article I, Sec. 1.S.(19) with changes as marked.]

Stock Loan ^[27]

~~(21)~~(7) The term “~~Stock Loan~~stock loan” means a loan of Eligible Stock submitted to OCC as either a “Hedge Loan” or a “Market Loan” ~~or both~~ as the context requires.

Stock Loan/Hedge Program ^[28]

~~(22)~~(8) The term “Stock Loan/Hedge Program” means the Corporation’s program for processing and monitoring ~~Stock~~ Hedge Loans and hedging stock loan positions and stock borrow positions against stock option positions, all as further described in the By-Laws and Rules.

Stock Loan Business Day ^[29]

~~(4)~~(9) The term “stock loan business day” means any day on which the Corporation and the Depository are open for business.

Stock Loan Position

~~(23)~~(10) The term “stock loan position” means the position of a Lending Clearing Member in respect of a ~~Stock Loan~~ Hedge Loan or Market Loan.^[30]

T. – Z. [No change]

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CHAPTER III Membership Standards

RULE 302 – Operational Capability

* * *

(f) *Stock Loan Programs.* ~~Clearing Members participating in the Corporation’s Stock Loan programs shall meet the following additional operational requirements:~~

(1) *Stock Loan/Hedge Program.* ~~Every~~ Until a Clearing Member has terminated all open stock borrow and loan positions from Hedge Loans, a Clearing Member participating in the Stock Loan/Hedge Program must:

~~(i)~~(A) be a member of the Depository ~~(as defined in Article XXI of the By-Laws)~~ or be a Canadian Clearing Member on behalf of which CDS maintains an identifiable sub-account in a

^[27] By-Law Article I, Sec. 1.S.(21) and relocated here with changes as marked.]

^[28] By-Law Article I, Sec. 1.S.(22) is deleted and relocated here with changes as marked.]

^[29] By-Law Article XXI, Sec. 1.S.(4) is deleted and relocated here without amendment. The definition of “Stock Loan Business Day” in Article XXIA, Sec. 1.S.(2) is also deleted and this definition applies to the use of the term “Stock Loan Business Day” throughout the OCC Rules, including Chapters XXII and XXIIA.]

^[30] This definition replicates Article I, Sec. 1.S.(23) with changes as marked.]

CDS account at the Depository, provided that CDS is a participant of the Depository eligible to perform the necessary functions on behalf of the Canadian Clearing Member during the period when such Canadian Clearing Member has in effect an appointment of CDS pursuant to the provisions set forth in ~~this Interpretation, Rule 2207(c);~~ and

~~(ii)(B)~~ execute such agreements and other documents as the Corporation may prescribe.

(2) *Market Loan Program.* ~~Every~~ Until the Clearing Member has terminated all open stock borrow and loan positions from Market Loans, every Clearing Member participating in the ~~Stock Loan/Hedge Program~~ Market Loan Program must:

~~(i)(A)~~ be a U.S. Clearing Member, Canadian Clearing Member, or Clearing Member from any other foreign country or jurisdiction approved by the Risk Committee;

~~(ii)(B)~~ to the extent the Clearing Member will initiate Market Loans through a Loan Market, be a subscriber to such Loan Market with full access to services provided by the Loan Market;

~~(iii)(C)~~ be a (i) member of the Depository that has provided the Depository with written authorization to honor instructions issued by the Corporation against such Clearing Member's account at the Depository; (ii) a Canadian Clearing Member on behalf of which CDS maintains an identifiable sub-account in a CDS account at the Depository, provided that CDS is a participant of the Depository eligible to perform the necessary functions on behalf of the Canadian Clearing Member during the period when such Canadian Clearing Member has in effect an appointment of CDS pursuant to the provisions set forth in Rule 2207A(c); or (iii) an Appointing Clearing Member that, in accordance with Rule 2207A(d), has appointed an Appointed Clearing Member to make settlement of obligations of the Appointing Clearing to deliver or receive Eligible Stock arising from the initiation or termination of Market Loans; and

~~(iv)(D)~~ execute such agreements and other documents as the Corporation may prescribe, including, as applicable, a separate designation ~~is required~~ for each Loan Market in which a Clearing Member participates. ~~A Market Loan Clearing Member must continue to comply with all conditions referred to in (i)–(iv) above until the Clearing Member has terminated all open stock borrow and loan positions resulting from Market Loans.~~

* * *

RULE 306A – Event-Based Reporting

(b) *Notice of Material Changes and Information Requests.* Each Clearing Member must give the Corporation written notice of any material changes specified in this Rule 306A(b).

* * *

(2) Each Clearing Member must give the Corporation prompt written notice of material operational or financial changes, including:

* * *

(L) If a Canadian Clearing Member participating in the Stock Loan/Hedge Program [or Market Loan Program](#) knows or reasonably expects that CDS will cease, or if CDS has ceased, to act on behalf of the Canadian Clearing Member with respect to effecting delivery orders for stock loan and stock borrow transactions.

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CHAPTER VI Margins

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RULE 601 – Margin Requirements

[No change]

* * *

... Interpretations and Policies:

.01 – .04 [No change]

.05 To the extent that stock loan positions and stock borrow positions established in an account pursuant to the Stock Loan/Hedge Program (provided for in ~~Article XXI of the By-Laws and Chapter XXII of the Rules~~) or the Market Loan Program (provided for in ~~Article XXIA of the By-Laws and Chapter XXIIA of the Rules~~) have Collateral set at a percentage greater than 100% of the market value of the Loaned Stock, an additional margin charge equal to the excess Collateral shall be applied to the account of the Lending Clearing Member, and a margin credit equal to the excess Collateral shall be applied to the account of the Borrowing Clearing Member. This margin charge/credit shall be an addition to, or a reduction of, the margin requirement otherwise determined for the accounts of the Lending Clearing Members and Borrowing Clearing Members in accordance with this Rule 601. For purposes of calculating their net capital requirements in accordance with Rule 15c3-1 promulgated under the Securities Exchange Act of 1934, as amended, Lending Clearing Members and Borrowing Clearing Members shall not be required to treat such additional margin, any portion of the Collateral or any portion of the Loaned Stock as an “unsecured receivable” requiring a deduction from net capital.

.06 – .08 [No change]

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CHAPTER X Clearing Fund Contributions

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RULE 1006 – Purpose and Use of Clearing Fund

(h) Making Good of Charges to the Clearing Fund. . . .

(C) Termination During Cooling-Off Period. After the expiration of the cooling-off period, a Clearing Member will not be liable for replenishment of the Clearing Fund as required by paragraph (A) of this Rule 1006(h) or assessments as contemplated by paragraph (B) of this Rule 1006(h), if (i) not later than the last day of the cooling-off period the Clearing Member submits a Voluntary Termination Notice to the Corporation, (ii) after giving such notice no opening purchase transaction or opening writing transaction is submitted for clearance through any of the Clearing Member's accounts and (if the Clearing Member is a [Market Loan Borrowing](#) Clearing Member or a [Hedge Lending](#) Clearing Member) no Stock Loan is initiated through any of the Clearing Member's accounts after the giving of such notice, and (iii) the Clearing Member closes out or transfers all of its open positions with the Corporation, in each case not later than the last day of the cooling off period. A Clearing Member that so terminates its status as a Clearing Member will be ineligible to be readmitted to such membership unless the Clearing Member agrees to such reimbursement of the persons who were Clearing Members at the time of such termination as the Board of Directors deems fair and equitable in the circumstances. In the event a Clearing Member notifies the Corporation of its intent to terminate its status as a Clearing Member in accordance this Rule, and such Clearing Member's computed contribution is less than its minimum required contribution, then the Clearing Member must also make good 100% of the amount equal to its minimum required contribution less its computed contribution to the Clearing Fund.

* * *

RULE 1011 – Voluntary Payments

(a) Where, after the default of a Clearing Member, the Corporation determines that, notwithstanding the availability of any resources remaining under Rules 707, 1001, 1104 through 1107, ~~2210 and 2211~~[5 through 2217, and 2217A through 2219A](#), the Corporation may not have sufficient resources to satisfy its obligations and liabilities as a result of such default, the Corporation will issue a notice (a “**Voluntary Payment Notice**”) inviting all non-defaulting Clearing Members to make a payment to the Clearing Fund in addition to amounts required under Rule 1001 (a “Voluntary Payment”) to make up for the relevant shortfall. Terms for Voluntary Payments shall be set forth in the Voluntary Payment Notice and shall include, without limitation, the following:

(i) no Clearing Member shall be obliged to make a Voluntary Payment;

(ii) no Voluntary Payment may be withdrawn once made; and

(iii) the Corporation shall have full discretion whether or not to accept a particular Voluntary Payment.

(b) [No change]

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CHAPTER XI Suspension of a Clearing Member

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RULE 1104 – Creation of Liquidating Settlement Account

(a) Upon the suspension of a Clearing Member, the Corporation shall promptly liquidate, in the most orderly manner practicable, including, but not limited to, a private auction, all margins deposited with the Corporation by such Clearing Member in all accounts (excluding securities held in a specific deposit or escrow deposit) and all of such Clearing Member's contributions to the Clearing Fund; provided, however, that (i) cash derived from margin deposited in respect of segregated futures accounts (including any segregated futures professional account) shall not be commingled with any other cash, and may be applied only to the obligations of such segregated futures accounts, and (ii) if the issuer of a letter of credit deposited by such Clearing Member pursuant to Rule 604(c) shall agree in writing to extend the irrevocability of its commitment thereunder in a manner satisfactory to the Corporation, the Corporation may, in lieu of demanding immediate payment of the face amount of such letter of credit, but reserving its right thereto, demand only such amounts as it may from time to time deem necessary to meet anticipated disbursements from the Liquidating Settlement Accounts provided for below. These and all other funds of the suspended Clearing Member subject to the control of the Corporation, except proceeds of segregated long positions, funds disposed of pursuant to Rules 1105 through 1107, and funds held in or payable to a segregated futures account, shall be placed by the Corporation in a special account, to be known as the Liquidating Settlement Account, in the name of the suspended Clearing Member, for the purposes hereinafter specified. Funds held in or payable to segregated futures accounts, and only such funds, shall be placed by the Corporation in a separate special account, to be known as the Segregated Liquidating Settlement Account, in the name of the suspended Clearing Member, for the purposes herein specified. Funds obtained from the issuer of a letter of credit shall be disbursed only after all other funds contained in the Liquidating Settlement Account, with the exception of funds derived from the suspended Clearing Member's contributions to the Clearing Fund, have been exhausted, or in the case of a letter of credit indicating on its face that it is being deposited to serve as margin for a segregated futures account, only after all other funds contained in the Segregated Futures Liquidating Settlement Account, have been exhausted. In the event the sum of (i) the proceeds from any restricted letter of credit held in a restricted lien account, (ii) the proceeds from the closing out of positions and securities in a restricted lien account over which the Corporation has a restricted lien as provided in Article VI, Section 3 of the By-Laws, (iii) the proceeds from the closing out of exercised option contracts, matured futures and expired BOUNDS in such restricted lien

account, and (iv) the proceeds from the liquidation of securities held as margin in such restricted lien account should exceed the amount withdrawn by the Corporation from the Liquidating Settlement Account pursuant to Rules 1105 through 1107 and Rules ~~224015~~ and ~~22416A~~ in respect of transactions or positions in such restricted lien account, the excess shall be remitted by the Corporation to the suspended Clearing Member or its representative for distribution to the persons entitled thereto in accordance with applicable law. In the event the sum of (i) the proceeds from any restricted letter of credit held in segregated futures accounts, (ii) any variation payments received from closing out long or short positions in futures in segregated futures accounts, and (iii) the proceeds from the closing out of matured futures and long futures options and commodity options positions in segregated futures accounts should exceed the amount withdrawn by the Corporation from the Segregated Liquidating Settlement Account pursuant to Rules 1105 through 1107 in respect of transactions or positions in all segregated futures accounts, the excess shall be remitted by the Corporation to the suspended Clearing Member or its representative for distribution to the persons entitled thereto in accordance with applicable law. Notwithstanding the foregoing provisions of this rule, margin and all other funds of a suspended Clearing Member in respect of sets of X-M accounts (other than such Clearing Member's contributions to the Clearing Fund) shall be subject to Rule 707 and the applicable Participating CCO Agreement and not to this Rule.

(b) – (f) [No change]

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. . . Interpretations and Policies:

.01 [No change]

.02 (a) For purposes of this Rule 1104 and Rules 1106, 1107, ~~224015~~ and ~~22416A~~, in order to minimize the execution and liquidity risks associated with (i) liquidating a suspended Clearing Member's margins deposited with the Corporation and Clearing Fund contributions (collectively referred to in this Interpretation and Policy as "Collateral"), (ii) closing out such Clearing Member's open positions in cleared contracts and stock loans (collectively referred to in this Interpretation and Policy as "Open Positions") and (iii) closing out exercised or matured cleared contracts to which such Clearing Member was a party either as the exercising Clearing Member or as the assigned Clearing Member (collectively referred to in this Interpretation and Policy as "Exercised/Matured Contracts"), the Corporation may elect to use one or more private auctions to liquidate all or any part of such Collateral, Open Positions and/or Exercised/Matured Contracts, as determined by the Board of Directors, the Executive Chairman, Chief Executive Officer, or Chief Operating Officer of the Corporation. As used in this interpretation, the term "private auction" means an auction open to bidders invited by the Corporation pursuant to this interpretation and with respect to which bidders submit confidential bids. If such determination is made by the Executive Chairman, Chief Executive Officer, or Chief Operating Officer of the Corporation, the Board of Directors shall be notified as soon as practicable of the determination. The option to elect a private auction process is discretionary; the Corporation may use other procedures as provided for or permitted in the By-Laws and Rules to liquidate a suspended Clearing Member's Collateral, Open Positions and/or Exercised/Matured Contracts if the Corporation decides that circumstances warrant. The Corporation shall provide prompt notice to

the Risk Committee (or other committee of the Board of Directors to which the auction oversight function is delegated) whenever a private auction is expected to be conducted.

(b) – (g) [No change]

.03 [No change]

.04 For the avoidance of doubt, for purposes of this Chapter XI of the Rules, when mark-to-market payments are owed with respect to stock loan (borrow) positions maintained in a Clearing Member's customers' account, proceeds of margin and unsegregated long positions, and all other amounts credited to the Liquidating Settlement Account in respect of the customers' account, may be used to satisfy the mark-to-market obligations arising from the stock loan and ~~(borrow)~~ positions in such customers' account, ~~notwithstanding that such mark-to-market payments may settle in another account as provided for in Rules 2201(a) and 2201A(a).~~

* * *

RULE 1111 – Voluntary Tear-Ups and Partial Tear-Ups

(a)(i) The Corporation may notify Clearing Members and provide an opportunity for Clearing Members to voluntarily agree to have positions of a Clearing Member or, with the consent of customers of such Clearing Member, to agree to have each such customer's position, extinguished by the Corporation (a "**Voluntary Tear-Up**") at any time following the suspension or default of a Clearing Member and after the Corporation has attempted one or more auctions pursuant to Rule 1104 or Rule 1106, and after the Corporation has determined that, notwithstanding the availability of any resources remaining under Rules 707, 1001, 1011, 1104 through 1107, ~~2210 and 2211~~ 2215 through 2217, and 2217A through 2219A, the Corporation may not have sufficient resources to satisfy its obligations and liabilities as a result of such default. The Corporation will issue a notice (a "**Voluntary Tear-Up Notice**") informing all non-defaulting Clearing Members of the opportunity to participate in a Voluntary Tear-Up. Terms for Voluntary Tear-Ups shall be set forth in the Voluntary Tear-Up Notice and shall include, without limitation, the following:

(x) no Clearing Member, or customers of a Clearing Member, shall be obliged to participate in a Voluntary Tear-Up; and

(y) the Corporation shall have full discretion whether or not to accept a particular Voluntary Tear-Up offer.

(ii) If the Corporation successfully recovers from a suspended or defaulted Clearing Member (or from the estate of a suspended or defaulted Clearing Member) and the amount of such recovery exceeds the amount the Corporation received in voluntary payments, the Corporation shall compensate from such remaining amounts of the recovery the non-defaulting Clearing Members and non-defaulting customers that voluntarily extinguished open positions in the amount of losses, costs or fees directly resulting from the Voluntary Tear-Up, but only after the Corporation has fully compensated non-defaulting Clearing Members that made voluntary payments in the

amount of such voluntary payments and only to the extent that such losses, costs and fees can reasonably be determined by the Corporation. If the remaining amount of any such recovery is less than the amount of losses, costs and fees incurred by non-defaulting Clearing Members and non-defaulting customers participated in the Voluntary Tear-Up, then each such non-defaulting Clearing Member and non-defaulting customer shall be compensated pro rata according to the relative size of its incurred losses, costs and fees from the Voluntary Tear-Ups.

(b) If Clearing Member or customer positions of a defaulted Clearing Member remain open (“**Remaining Open Positions**”) after the Corporation has attempted one or more auctions pursuant to Rule 1104 or Rule 1106 and after the Corporation has accounted for any positions voluntarily extinguished in accordance with subparagraph (a), and the Corporation determines that, notwithstanding the availability of any resources remaining under Rules 707, 1001, 1009, 1104 through 1107, 2210 and 2215 through 2217, and 2217A through 2219A, the Corporation may not have sufficient resources to satisfy its obligations and liabilities as a result of such default, the Board of Directors of the Corporation may elect to extinguish (i) the Remaining Open Positions, and/or (ii) any related open positions deemed necessary to mitigate further disruptions to the markets affected by the Remaining Open Positions (“**Related Open Positions**”), through a partial tear-up process (“**Partial Tear-Up**”). The Corporation will notify the staff of the SEC and the CFTC of a determination that Partial Tear-Up will apply.

(c) – (h) [No change]

* * *

CHAPTER XXII Stock Loan/Hedge Program

Introduction

The Rules in this Chapter are applicable only to the Stock Loan/Hedge Program. In addition, the Rules in Chapters I through XII are also applicable to the Stock Loan/Hedge Program, in some cases supplemented by one or more Rules in this Chapter, except for Rules that have been replaced in respect of the Stock Loan/Hedge Program by one or more Rules in this Chapter and except where the context otherwise requires. Whenever a Rule in this Chapter supplements or, for purposes of this Chapter, replaces one or more of the By-Laws or Rules in Chapters I through XII, that fact is indicated in brackets following the Rule in this Chapter.

Rule 2201 – Eligible Stock^[31]

(a) *Eligibility.* A security shall be eligible for lending in the Stock Loan/Hedge Program ~~and the Market Loan Program~~ if and only if:

^[31] The second and third sentence of By-Law Article I, Sec. 1.E.(3) with respect to Hedge Loans are relocated here with changes as marked.]

- (1) the security is an equity security that the Depository has determined is eligible for deposit at the Depository,
- (2) the Corporation has not determined to terminate all outstanding ~~Hedge Loans~~~~Stock Loans~~ ~~and/or Market Loans~~ in respect of such security pursuant to the By-Laws,
- (3) the security is a “covered security” within the meaning of Section 18(b)(1) of the Securities Act of 1933, and
- (4) in the case of securities which are neither underlying securities nor fund shares that have as their reference index an index that underlies any cleared contract, the security is trading at a market price of at least \$3 per share, as determined by the Corporation.

(b) Waiver by the Corporation. The Corporation may waive the requirement in paragraph (a)(4) of this Rule at its discretion upon a determination that other factors, including trading volume, the number of shareholders, the number of outstanding shares, and current bid/ask spreads warrant such result. However, should the market price for a security for which the Corporation has not waived the requirement ~~(4)~~ fall below \$3, no new ~~Hedge Loan~~~~Stock Loan or Market Loan~~ transactions may be submitted for clearance, but existing positions may be maintained.

RULE 2202 – Initiation of ~~Stock~~Hedge Loans

(a) Initiation. A stock loan which is intended for inclusion in the Stock Loan/Hedge Program shall be initiated by an instruction from a ~~Hedge~~-Clearing Member to the Depository, in a form specified by the Depository and approved by the Corporation, to transfer a specified number of shares of a specified Eligible Stock from the account of such ~~Hedge~~-Clearing Member to the account of a specified second ~~Hedge~~-Clearing Member against the transfer of a specified settlement price from the account of the second ~~Hedge~~-Clearing Member to the account of the first ~~Hedge~~-Clearing Member. In order to identify such transfers as constituting a stock loan transaction intended for inclusion in the Stock Loan/Hedge Program, the instruction shall use the appropriate “reason code,” as provided by the Depository. Any stock loan so initiated shall be complete as between the ~~Hedge~~-Clearing Members when the Depository has made final entries on its books reflecting transfers made in accordance with such instruction.

(b) Acceptance.

(1) Upon receipt of information reported to the Corporation from the Depository showing a completed stock loan, the Corporation shall (subject to Rule 22~~40~~15(a)) accept such stock loan as a ~~Stock~~Hedge Loan, unless the Corporation determines that a stock loan is not in accordance with the By-Laws and Rules or that one or both account numbers are invalid for ~~Stock~~Hedge Loans, or that the information provided by the Depository contains unresolved errors or omissions, in which case the Corporation shall reject such stock loan.

(2) Upon the Corporation’s acceptance of a stock loan, the following shall automatically occur:

~~(i)~~(A) the stock loan contract negotiated between the ~~lending Hedge~~Lending Clearing Member and the ~~borrowing Hedge~~Borrowing Clearing Member that initiated the ~~Stoek~~Hedge Loan shall be extinguished and replaced in its entirety by ~~(1)~~ a congruent contract between the ~~lending Hedge~~Lending Clearing Member, as stock lender, and the Corporation, as stock borrower, and ~~(2)~~(i) an identical congruent contract between the Corporation, as stock lender, and the ~~borrowing Hedge~~Borrowing Clearing Member, as stock borrower;

~~(ii)~~(B) such pair of contracts shall constitute the ~~Stoek~~Hedge Loan;

~~(iii)~~(C) the initial deliveries of Loaned Stock against the settlement price in respect of each such contract shall be deemed to have been made;

~~(iv)~~(D) the ~~lending Hedge~~Lending Clearing Member shall be the Lending Clearing Member and the ~~borrowing Hedge~~Borrowing Clearing Member shall be the Borrowing Clearing Member in respect of such ~~Stoek~~Hedge Loan for all purposes of the Rules; and

~~(v)~~(E) the terms of the original stock loan (other than terms that establish congruence) and the representations, warranties and covenants made by each of the parties to the original stock loan under the Master Securities Loan Agreement or any other agreements with respect to the original stock loan shall ~~(1)~~A to the extent that they are inconsistent with the By-Laws and Rules of the Corporation, be eliminated from the pair of congruent contracts constituting the ~~Stoek~~Hedge Loan and replaced by applicable By-Laws and Rules of the Corporation, and ~~(2)~~B to the extent that they are not inconsistent with the By-Laws and Rules of the Corporation, remain in effect as between such parties to the original stock loan, but shall not impose any additional obligations on the Corporation.

~~(3)~~A stock loan contract which is rejected by the Corporation shall remain effective as between the initiating ~~Hedge~~Clearing Members but shall have no further effect as regards the Corporation. For purposes of the foregoing, a replacement stock loan contract shall be “congruent” to the stock loan contract replaced if and only if the contracts agree with respect to the identity of the Eligible Stock that is to be lent, the number of shares that are to be lent and the settlement price.

(c) *Use of Collateral.* Subject only to the provisions of paragraph (e) of this Rule and such obligations in respect of the Collateral as the Lending Clearing Member may have by agreement with the person for whose account the Loaned Stock is held, the Lending Clearing Member may use or invest the Collateral as it may deem fit at its own risk and for its own account and shall retain any income and profits therefrom and bear all losses therefrom. The sole obligation of the Lending Clearing Member in respect of the Collateral shall be to act as agent for the Corporation in repaying an amount equal to the Collateral (as adjusted from time to time by mark-to-market payments made pursuant to Rule 220~~4~~9) to the Borrowing Clearing Member, or in otherwise disposing of the Collateral in such other manner as the Corporation may direct in the event that the Borrowing Clearing Member has been suspended pursuant to Chapter XI of the ~~f~~Rules, if and when the ~~Stoek~~Hedge Loan is terminated as provided in the Rules.

(d) Use of Loaned Stock. Until such time as a ~~Stock~~Hedge Loan is terminated as provided in the Rules, the Borrowing Clearing Member shall have all incidents of ownership of the Loaned Stock, including without limitation the right to transfer the Loaned Stock to others; ~~provided, however, that (1) the Borrowing Clearing Member shall be obligated to make mark-to-market payments to the Corporation and receive mark-to-market payments from the Corporation with respect to the Loaned Stock as provided in Rule 2204; and (2) the Borrowing Clearing Member shall be obligated with respect to all dividends and distributions pertaining to the Loaned Stock as set forth in Rule 2206.~~

(e) Covenants of Clearing Members. Each lending of Loaned Stock by a Lending Clearing Member, and each borrowing of Loaned Stock by a Borrowing Clearing Member, shall constitute a representation and covenant by the Clearing Member to the Corporation that its participation in such lending or borrowing is in compliance, and will comply, with all applicable laws and regulations, including without limitation Rule 15c3-3 and all other applicable rules and regulations of the Securities and Exchange Commission, any applicable provisions of Regulation T of the Board of Governors of the Federal Reserve System, and the rules of the Financial Industry Regulatory Authority and any other regulatory or self-regulatory organization to which the Clearing Member is subject.

(f) Prohibited Transactions. ~~Hedge~~ Clearing Members shall be prohibited from initiating stock loans intended for inclusion in the Stock Loan/Hedge Program that involve the lending of any Eligible Stock issued by such ~~Hedge~~ Clearing Member or any Member Affiliate of such ~~Hedge~~ Clearing Member.

~~... Interpretations and Policies:~~

~~.01 The Corporation makes available to each Hedge Clearing Member, during a business day, updated position information that reflects current stock loan and borrow activity, including new positions, transfers of positions, reclaim notifications, and returns.~~

RULE 2203 – Role of the Corporation^[32]

~~SECTION 2.~~ (a) In General. Commencing at the time at which the Corporation accepts a ~~Stock Loan~~Hedge Loan as described in Rule 2202, the role of the Corporation in respect of the ~~Stock Loan~~Hedge Loan shall be that of a principal, and the Corporation shall have the position of borrower to the Lending Clearing Member and lender to the Borrowing Clearing Member.

(b) Rights and Obligations as Against the Corporation. ~~Without limiting the generality of the foregoing (i) the rights of the two Clearing Members that are parties to a Stock Loan to receive mark-to-market payments, and their obligations to make mark-to-market payments~~ Rights and obligations of Clearing Members that are parties to a Hedge Loan that shall be as against the Corporation, and not as against each other; include:

^[32] By-Law Article XXI, Sec. 2 is deleted and relocated here with changes as marked.]

(1) the right to receive mark-to-market payments, and the obligation to make mark-to-market payments; and

~~(ii)~~ (2) in the event of a termination of a ~~Stock Loan~~Hedge Loan in accordance with the Rules (with the exception of a termination by offset as provided in Rule ~~2208(e)~~2213(d) or Rule ~~2212~~2217), the right of the Lending Clearing Member to receive the Loaned Stock and the obligation of the Lending Clearing Member to pay the settlement price, and the obligation of the Borrowing Clearing Member to deliver the Loaned Stock and the right of the Borrowing Clearing Member to receive the settlement price ~~shall be as against the Corporation. In addition to the foregoing:~~

(c) Position Netting. (1) ~~stock~~Stock loan positions of a Clearing Member established as a result of ~~Stock Loans~~Hedge Loans relating to the same Eligible Stock in which the Clearing Member is the Lending Clearing Member ~~shall be aggregated for position reporting purposes, but shall~~ will not be netted against any stock borrow position which the Clearing Member may be carrying relating to the same Eligible Stock for any purpose other than (i) as described in Rule 601 with respect to determining the Clearing Member's margin obligations to the Corporation and (ii) as may be permitted pursuant to the Rules with respect to suspended Clearing Members or the voluntary termination by offset and re-matching of Matched-Book Positions in accordance with Rule ~~2208(e)~~2213(d). ~~;~~ and

(2) ~~stock~~Stock borrow positions of a Clearing Member established as the result of ~~Stock Loans~~Hedge Loans relating to the same Eligible Stock in which the Clearing Member is the Borrowing Clearing Member ~~shall be aggregated for position reporting purposes, but shall~~ will not be netted against any stock loan position which the Clearing Member may be carrying relating to the same Eligible Stock for any purpose other than (i) as described in Rule 601 with respect to determining the Clearing Member's margin obligations to the Corporation and (ii) as may be permitted pursuant to the Rules with respect to suspended Clearing Members or the voluntary termination by offset and re-matching of Matched-Book Positions in accordance with Rule ~~2208(e)~~2213(d).

~~(b)~~ (d) Stock Loan and Stock Borrow Positions.

(1) Each Hedge Loan will be maintained on the books and records of the Corporation as a unique matched pair of contracts with one such contract being between the Lending Clearing Member and the Corporation as borrower and the second such contract being between the Corporation as Lender and the Borrowing Clearing Member.

(2) Upon acceptance of a ~~Stock Loan~~Hedge Loan, the Corporation shall in connection with each unique pair of contracts:

(A) create a stock loan position in the account designated by the Lending Clearing Member, identifying the Eligible Stock that is the subject of the ~~Stock Loan~~Hedge Loan, the number of shares loaned, the amount of Collateral received from the Borrowing Clearing Member and the identity of the Borrowing Clearing Member, and such other terms that the Corporation receives from the Clearing Members; and

~~(B) shall~~ create a stock borrow position in the account designated by the Borrowing Clearing Member, identifying the Eligible Stock that is the subject of the Stock Loan Hedge Loan, the number of shares borrowed, the amount of Collateral delivered to the Lending Clearing Member, ~~and~~ the identity of the Lending Clearing Member and such other terms that the Corporation receives from the Clearing Members. ~~The Corporation shall identify stock loan and stock borrow positions resulting from Hedge Loans separately from positions resulting from Market Loans.~~

~~(e)~~ [relocated to Rule 2213(e) with changes as marked thereto]

~~... Interpretations and Policies:~~

~~.01~~ [relocated to Rule 2214(e) with changes as marked thereto]

Rule 2204 – Agreements of the Borrowing Clearing Member^[33]

~~SECTION 3.~~~~(a)~~ Agreements. The Clearing Member that is the Borrowing Clearing Member in respect of a Stock Loan Hedge Loan agrees with the Corporation that:

~~(a)~~~~(1)~~ upon the acceptance of the Hedge Loan by the Corporation, the resulting stock borrow position of the Borrowing Clearing Member shall be created and subsequently maintained in accordance with ~~Section 2 of this Article XXI~~Rule 2203(d) and Rule 2206;

~~(b)~~~~(2)~~ so long as such stock borrow position is thereafter maintained, the Borrowing Clearing Member shall make all required margin deposits with the Corporation in accordance with Rule ~~2203~~2208 and all required mark-to-market payments to the Corporation in accordance with Rule ~~2204~~2209; and

~~(e)~~~~(3)~~ with the exception of a termination by offset as provided in Rule ~~2208~~~~(e)~~2213(d) or Rule ~~2212~~2217, in the event that the Lending Clearing Member, the Borrowing Clearing Member or the Corporation terminates the Stock Loan Hedge Loan, the Borrowing Clearing Member shall deliver the Loaned Stock, against payment of the settlement price, in accordance with the By-Laws and the Rules.

(b) Conflicting Records. In the event of a conflict between the records of the Corporation and any records generated by the Borrowing Clearing Member regarding a Stock Loan Hedge Loan and resulting stock borrow positions, the records generated by the Corporation will prevail and the Borrowing Clearing Member shall remain liable for all obligations associated with such stock borrow positions maintained on the records of the Corporation.

^[33] By-Law Article XXI, Sec. 3 is deleted and relocated here with changes as marked.]

Rule 2205 – Agreements of the Lending Clearing Member^[34]

SECTION 4. (a) Agreements. The Clearing Member that is the Lending Clearing Member in respect of a Stock Loan Hedge Loan agrees with the Corporation that:

(a)(1) upon the acceptance of the Stock Loan Hedge Loan by the Corporation, the resulting stock loan position of the Lending Clearing Member shall be created and subsequently maintained in accordance with ~~Section 2 of this Article XXI~~ Rule 2203(d) and Rule 2206;

(b)(2) so long as such stock loan position is thereafter maintained, the Lending Clearing Member shall make all required margin deposits with the Corporation in accordance with Rule ~~2203~~ 2208 and all required mark-to-market payments to the Corporation in accordance with Rule ~~2204~~ 2209; and

(e)(3) with the exception of a termination by offset as provided in Rule ~~2208(e)~~ 2213(d) or Rule ~~2212~~ 2217, in the event that the Borrowing Clearing Member, the Lending Clearing Member or the Corporation terminates the Stock Loan Hedge Loan, the Lending Clearing Member shall pay the settlement price, against delivery of the Loaned Stock, in accordance with the By-Laws and the Rules.

(b) Conflicting Records. In the event of a conflict between the records of the Corporation and any records generated by the Lending Clearing Member regarding a Stock Loan Hedge Loan and resulting stock loan positions, the records generated by the Corporation will prevail and the Lending Clearing Member shall remain liable for all obligations associated with such stock loan positions maintained on the records of the Corporation.

Rule 2206 – Maintaining Stock Loan and Stock Borrow Positions in Accounts^[35]

SECTION 5. (a) Maintenance in Accounts. Notwithstanding the provisions of Section 3 of Article VI of the By-Laws, stock loan positions and stock borrow positions resulting from Stock Loan Hedge Loan may be maintained in any of a ~~Hedge~~-Clearing Member's accounts with the Corporation except those excluded by Rule 2206(d). For the purposes of Section 3 of Article VI of the By-Laws, stock loan positions resulting from Stock Loans Hedge Loans shall be deemed to be “securities” and stock borrow positions resulting from Stock Loans Hedge Loans shall be deemed to be “funds,” and the authority of the Corporation to close out “positions” in any account shall include the authority to close out such stock loan positions and stock borrow positions.

(b) Transfer Among Accounts. At any time on any business day prior to the deadline specified by the Corporation, an eligible Clearing Member may transfer ~~all or any portion of~~ an existing stock loan or stock borrow position (including positions resulting from that day’s activity) with respect

[³⁴ By-Law Article XXI, Sec. 4 is deleted and relocated here with changes as marked.]

[³⁵ By-Law Article XXI, Sec. 5 is deleted and relocated here with changes as marked.]

to a Hedge Loan among its accounts by submitting an appropriate transfer instruction to the Corporation that designates the accounts and/or sub-accounts from and to which the positions shall be transferred; provided, that any such transfer will result in the transfer of all shares related to the relevant stock loan position and stock borrow position. ~~If a Clearing Member's request for transfer exceeds the number of stock loan or stock borrow shares available in the account from which the shares will be transferred, then the transfer instruction will be rejected.~~^[36]

(c) Satisfying Return Instructions. (1) Returns of shares will be reflected in the Clearing Member's ~~account or sub-account designated on a delivery order submitted by the Depository default account.~~ ~~If there are insufficient shares in the designated account to fulfill the return instruction, or if there is no account designated in the Depository delivery order, the excess shares to be returned shall will be taken from the Clearing Member's default account.~~ If there are insufficient shares in the default account to fulfill the return instruction, the remaining shares will be rejected and the return instruction will be void to that extent.^[37]

(2) The Corporation will record any return of shares in the relevant account or sub-account of the Borrowing Clearing Member by decreasing the number of shares borrowed in a contract that then reflects the oldest Hedge Loan between the Borrowing Clearing Member and the Lending Clearing Member for the Eligible Stock on the books and records of the Corporation. If a return would close out the oldest Hedge Loan, or any subsequent Hedge Loan in accordance with this Rule, the Corporation will decrease the number of shares borrowed in a contract that then reflects the next oldest Hedge Loan.

~~... Interpretations and Policies:~~

~~.01~~ (d) Ineligible Accounts. Until such time as the Corporation determines that appropriate regulatory approvals have been obtained, a ~~Hedge~~ Clearing Member is not permitted to allocate stock loan or stock borrow positions resulting from ~~Stock Loans~~ Hedge Loans to any proprietary X-M account, non-proprietary X-M account, internal non-proprietary cross-margining account or segregated futures account.

~~[Section 5 of this Article~~ Rule 2206 supplements Section 3 of Article VI of the By-Laws.]

RULE 2207~~1~~ – Instructions to the Corporation

(a) Standing Instructions.

(1) In respect of stock loan and stock borrow transactions which are intended for inclusion in the Stock Loan/Hedge Program and stock loan and stock borrow positions resulting from such transactions, a ~~Hedge~~ Clearing Member shall provide standing instructions to the Corporation

^[36] Interpretation and Policy (“I&P”) .01 to current Rule 2201 is deleted and relocated here with changes as marked.]

^[37] I&P .02 to current Rule 2201 is deleted and relocated here with changes as marked.]

with respect to matters identified by the Corporation from time to time, including but not limited to:

~~(i)~~(A) the account number of each account with the Depository in which stock loan and stock borrow transactions are to be effected;

~~(ii)~~(B) the default account with the Corporation, which may be any of the ~~Hedge~~-Clearing Member's accounts or sub-accounts thereof that are not ineligible under ~~Article XXI, Section 5, Interpretation .01 of the By-Laws~~Rule 2206(d), to which new stock loan positions and stock borrow positions are to be allocated in the absence of executable instructions of the Clearing Member to allocate the positions to a different account; and

~~(C) (iii) the account with the Corporation (which may be the Clearing Member's firm account or its combined Market Makers' account) from and to which mark-to-market payments are to be made, and (iv) the Collateral requirement that will be applicable to the stock loan positions of the Hedge-Clearing Member (expressed as a percentage of the mark-to-market value of the Eligible Stocks that are the subject of the stock loan positions, which percentage may be set at 100% or 102%).~~

(2) The Corporation may also permit a ~~Hedge~~-Clearing Member to provide standing instructions with respect to other aspects of the Clearing Member's participation in the Stock Loan/Hedge Program.

(3) A ~~Hedge~~-Clearing Member may revise its standing instructions, subject to the Corporation's notice requirements as in effect from time to time.

(b) Specific Instructions. A ~~Hedge~~-Clearing Member may give the Corporation specific instructions from time to time which are contrary to its standing instructions with respect to the account (or sub-account thereof) to which a particular stock loan or stock borrow position (either a new position or an existing position which the ~~Hedge~~-Clearing Member wishes to transfer to a different account) is to be allocated. With respect to a new position, in the absence of such specific instructions, or if the specific instruction is invalid for any reason, the position will be allocated to the ~~Hedge~~-Clearing Member's default account.

(c) Appointment of CDS as Agent.

(1) A Canadian Clearing Member on behalf of which CDS maintains an identifiable sub-account in a CDS account at the Depository may appoint, in such manner as the Corporation will from time to time prescribe, CDS to act on its behalf with respect to effecting delivery orders for stock loan and stock borrow transactions in the accounts of such Clearing Member through the Depository. An appointment pursuant to this paragraph will become effective as of the second business day following the day on which the Corporation receives written notice of the appointment from the Clearing Member, or such later date as may be specified by the Clearing Member, and (unless the Corporation terminates the appointment at an earlier time) will remain effective until the close of business on the thirtieth calendar day after the Corporation receives, from either the Clearing Member or CDS, written notice of revocation of the appointment, and

remains effective thereafter, with respect to each obligation of the Clearing Member to close out open stock loan and borrow positions directed to CDS prior to the effective date of the revocation, until the close out of all such positions is completed. If, for any reason, CDS ceases to act on behalf of the Clearing Member with respect to effecting delivery orders for stock loan and stock borrow transactions, the Corporation may require the Clearing Member to close out open stock loan and borrow positions through buy-in and sell-out procedures, or any other procedures provided in the By-Laws or Rules, as necessary.

~~(d)~~(2) During the effectiveness of an appointment pursuant to paragraph (c)(1) above, the Clearing Member remains responsible to the Corporation with respect to its stock loan and borrow positions, regardless of any non-performance or failure by CDS, and the Corporation may treat any failure by CDS to complete delivery or payment required to close out an open stock loan or borrow position as a default by such Clearing Member and the Corporation may thereby exercise all remedies that the Corporation has under its By-Laws and Rules against a defaulting Clearing Member and the collateral deposited by the Clearing Member.

~~...~~ ***Interpretations and Policies:***

~~.01~~ [Relocated to Rule 2206(b) with changes marked thereto.]

~~.02~~ [Relocated to Rule 2206(c)(1) with changes marked thereto.]

RULE 22083 – Margin Deposited with the Corporation

Each ~~Hedge~~ Clearing Member shall be required to maintain margin with the Corporation in respect of its stock loan positions and stock borrow positions resulting from Hedge Loans. The amount of margin assets required to be deposited shall be as determined pursuant to Rule 601.

RULE 22094 – Mark-to-Market Payments

(a) *In General.* In order to adjust the amount of the Collateral securing a ~~Stock~~Hedge Loan for changes in the market value of the Eligible Stock that is the subject of the ~~Stock~~Hedge Loan, Borrowing and Lending Clearing Members shall be required to make mark-to-market payments to the Corporation, and the Corporation shall be required to make mark-to-market payments to such Clearing Members, on each business day with respect to each ~~Stock~~Hedge Loan until such Hedge Loan has been repaid by the Borrowing Clearing Member in accordance with the Rules. Any mark-to-market payment shall be made in the account in which the Hedge Loan is held. No mark-to-market payment shall be required in respect of any stock loan or stock borrow position on and after the business day following the day on which such position was extinguished.

(b) *Mark-to-Market Payment Amount.* The amount of any mark-to-market payment to be made on any business day will be the amount necessary to cause the amount of Collateral to be equal to the Collateral requirement applicable to a Hedge Loan. The Collateral requirement applicable to a Hedge Loan will be the mark-to-market value of the Loaned Stock, as determined by the Corporation, multiplied by a percentage (either 100% or 102%) as specified in Rule 2207(a).

~~shall represent the increase or decrease, as applicable, in the value of the stock loan position and stock borrow position relating to such Stock Loan. The increase or decrease in value of a stock borrow position shall be deemed to be equal to: (i) in the case of a stock borrow position that was established on the preceding business day, the result of subtracting the marking price on such day from the settlement price; and (ii) in the case of any other stock borrow position, the result of subtracting the marking price on the preceding business day from the marking price on the second preceding business day. The increase or decrease in value of a stock loan position shall be deemed to be equal to: (1) in the case of a stock loan position that was established on the preceding business day, the result of subtracting the settlement price from the marking price on such day; and (2) in the case of any other stock loan position, the result of subtracting the marking price on the second preceding business day from the marking price on the preceding business day. No mark-to-market payment shall be required in respect of any stock loan or stock borrow position on and after the business day following the day on which such position was extinguished.~~

~~(bc) Netting; Debits. On each business day, the Corporation shall net the mark-to-market payments, if any, owed by and to each Hedge-Clearing Member in respect of its stock loan and borrow positions resulting from StockHedge Loans. At or before the settlement time on each business day, each Hedge-Clearing Member shall be obligated to pay to the Corporation any net mark-to-market payment amount owed to the Corporation in respect of such positions carried in the Clearing Member's accounts, and the Corporation shall be authorized to withdraw from the Clearing Member's bank account established in respect of the account identified by the Clearing Member as its account from and to which mark-to-market payments are to be made an amount equal to such net amount, provided that the Corporation may, but shall not be required to, offset against any such net amount any credit balance which may be due from the Corporation in the same account.~~

~~(ed) Netting; Credits. Subject to Rule 505, at or before the settlement time on each business day, the Corporation shall be obligated to deposit in the designated bank account of each Hedge-Clearing Member (provided the Clearing Member has deposited all margin required to be deposited pursuant to Chapter VI of the Rules and has deposited the full amount of any net daily premium due to the Corporation under Rule 502) any net mark-to-market payment amount owed by the Corporation to the Hedge-Clearing Member on such day in respect of its stock loan and stock borrow positions resulting from StockHedge Loans. From and after such time, full settlement shall be deemed to have been made in respect of mark-to-market payments for such day, and the Corporation shall have no further obligation in respect thereof.~~

RULE 221005 – Daily Reports

Prior to such time on each business day as the Corporation may from time to time establish, the Corporation shall make available to each Hedge-Clearing Member one or more reports listing all stock loan positions and stock borrow positions resulting from StockHedge Loans carried by the Clearing Member, including new positions, transfers of positions, reclaim notifications, and returns. A Hedge-Clearing Member must have adequate policies and procedures in place to perform a reconciliation of its stock loan position balances between the records of the Hedge-Clearing Member and any report or reports provided by the Corporation at least once per stock

loan business day and resolve any discrepancies based on such report(s) for a given stock loan business day by 9:30 A.M. Central Time on the following stock loan business day.

RULE 221106 – Dividends and Distributions

(a) *Right to Receive Dividends and Distributions; Payment Thereof.* The Lending Clearing Member shall be entitled to receive all dividends and distributions made on or in respect of Loaned Stock the record dates for which are during the term of the **StockHedge** Loan of such Loaned Stock, to the full extent it would have been so entitled if the **StockHedge** Loan had not been made, and the Borrowing Clearing Member shall be obligated to pay or deliver all such dividends and distributions. Such dividends and distributions shall include, but not be limited to: (i) all property, (ii) all cash dividends and distributions, (iii) all stock dividends, (iv) all securities received as a result of split-ups of the Loaned Stock and distributions in respect thereof, (v) all rights to purchase additional securities, and any cash or other considerations paid or provided by the issuer of such security in exchange for any vote, consent or the taking of any similar action in respect of such security (regardless whether the record date for such vote, consent or other action falls during the term of the **StockHedge** Loan). Each cash dividend or distribution shall be paid by the Borrowing Clearing Member directly to the Lending Clearing Member promptly following the payment date of such cash dividend or distribution. Non-cash dividends and distributions received by the Borrowing Clearing Member shall be added to the Loaned Stock, shall be considered such for all purposes, and shall be delivered to the Corporation by the Borrowing Clearing Member and by the Corporation to the Lending Clearing Member upon any termination of the **StockHedge** Loan.

(b) *Failure to Pay Dividends or Distributions; Resolution Thereof.* If a Borrowing Clearing Member fails to pay a cash dividend or distribution in respect of Loaned Stock to the Lending Clearing Member promptly following the payment date for such cash dividend or distribution, the Lending Clearing Member may so notify the Corporation. Following its confirmation that a cash dividend or distribution was in fact made in respect of the Loaned Stock, the Corporation shall withdraw the amount of the cash dividend or distribution from the Borrowing Clearing Member's bank account established in respect of the account in which the stock borrow position resulting from the **StockHedge** Loan is maintained and pay such amount to the Lending Clearing Member.

RULE 221207 – Indemnification by Borrowing Clearing Member

The Borrowing Clearing Member in respect of a **StockHedge** Loan agrees to indemnify, defend, hold and save harmless the Corporation and the Lending Clearing Member from any claims, actions, demands, or lawsuits of any kind whatsoever arising in any way out of any use that the Borrowing Clearing Member makes of the Loaned Stock.

RULE 221308 – ~~Settlement Date~~ Termination of Hedge Loans(a) Termination by Clearing Member.

(1) Initiating a Termination. The termination of a ~~Stock~~Hedge Loan, or any portion thereof, may be initiated by either:

(i) ~~A~~ the Borrowing Clearing Member by giving the Depository instructions (including the appropriate “reason code”) to transfer a specified quantity of the Loaned Stock to the specified account of the Lending Clearing Member at the Depository, against payment of the settlement price in respect thereof (which shall be specified in such instructions) by the Lending Clearing Member to the specified account of the Borrowing Clearing Member at the Depository; or

(ii) ~~B~~ the Lending Clearing Member, by giving an irrevocable notice to the Borrowing Clearing Member, in such manner as the Corporation may specify from time to time and prior to a time established by the Corporation from time to time, that the Lending Clearing Member is terminating the ~~Stock~~Hedge Loan, or a portion thereof, and specifying in such notice the number of shares of the Loaned Stock in respect of which the Lending Clearing Member is terminating the ~~Stock~~Hedge Loan (the quantity of the Loaned Stock that the Borrowing Clearing Member wishes to return or that the Lending Clearing Member wishes to recall shall be referred to herein as the “Specified Quantity”).

(2) Settlement Date. The settlement date for any such termination shall be the earlier of: (1) the date on which the Borrowing Clearing Member initiates the termination or (2) the date that is one stock loan business day after the date on which the Lending Clearing Member initiates the termination. The fact that a Lending Clearing Member has initiated the termination of a ~~Stock~~Hedge Loan, or a portion thereof, shall not preclude the Borrowing Clearing Member from terminating such ~~Stock~~Hedge Loan, or a portion thereof, before the date that would otherwise have been the settlement date.

(b) Instructions to Depository.

(1) If the Lending Clearing Member initiated the termination of a ~~Stock~~Hedge Loan, or a portion thereof, then on the settlement date the Borrowing Clearing Member shall, prior to a time established by the Corporation from time to time, give the Depository instructions (including the appropriate “reason code”) to transfer a quantity of the Loaned Stock equal to or greater than the Specified Quantity, but not greater than the total amount of the Loaned Stock then in the Lending Clearing Member’s stock loan position with respect to the Borrowing Clearing Member, to the appropriate account of the Lending Clearing Member at the Depository, against payment of the settlement price in respect thereof (which shall be specified in such instructions) by the Lending Clearing Member to the specified account of the Borrowing Clearing Member at the Depository.

(e) ~~2~~ Notwithstanding that the Lending Clearing Member or the Borrowing Clearing Member initiated the termination of a ~~Stock~~Hedge Loan, the actions of the Borrowing Clearing Member on the settlement date to cause the Depository to transfer the Loaned Stock to the account of the Lending Clearing Member and the settlement price to the account of the borrowing Clearing

Member shall be undertaken as the Corporation's agent, and the Corporation shall have the authority to instruct the Borrowing Clearing Member to proceed in another manner in the event that the Lending Clearing Member has been suspended pursuant to Chapter XI of the Rules.

~~(d)~~ Mark-to-Market Payments Pending Termination. Notwithstanding that the Lending Clearing Member or the Borrowing Clearing Member has initiated the termination of a ~~Stock~~Hedge Loan, the Lending Clearing Member and the Borrowing Clearing Member shall continue to make and receive daily mark-to-market payments in accordance with Rule 22049, and to deposit margin with the Corporation in accordance with Rule 22038, up to and including the date on which settlement of the termination of the ~~Stock~~Hedge Loan is actually accomplished.

~~(e)~~ Termination by Offset and Re-Matching of Matched-Book Positions.

(1) Notwithstanding any other provision of the By-Laws or Rules, and subject to such requirements and limitations described in this Rule 220813, a ~~Hedge~~-Clearing Member may submit a written request to the Corporation to effect one or more position adjustments to terminate by offset all or some of its Matched Book Positions with respect to Hedge Loans if the following conditions are met:

~~(i)~~(A) the requesting ~~Hedge~~-Clearing Member, its Matched-Book Lending Clearing Member, and its Matched Book Borrowing Clearing Member have furnished to the Corporation their written agreement to ~~(A)~~(i) the termination by offset of such Matched-Book Positions maintained in the requesting ~~Hedge~~-Clearing Member's account and ~~(B)~~(ii) the Corporation's re-matching the stock borrow position for the same number of shares in the same Eligible Stock maintained in a designated account of the Matched-Book Borrowing Clearing Member against the stock loan position for the same number of shares in the same Eligible Stock maintained in a designated account of the Matched-Book Lending Clearing Member;

~~(ii)~~(B) The written agreement furnished by the requesting ~~Hedge~~-Clearing Member, the Matched-Book Borrowing Clearing Member, and the Matched-Book Lending Clearing Member must be in a form satisfactory to the Corporation in its sole discretion; and

~~(iii)~~(C) The written request to terminate by offset and to re-match stock loan and borrow positions may be for less than the total number of shares of the Eligible Stock that is the subject of the stock loan and borrow positions maintained, as applicable, by the requesting ~~Hedge~~ Clearing Member, the Matched-Book Borrowing Clearing Member, and Matched-Book Lending Clearing Member, but must be for an equal number of shares.

(2) In the event the Corporation, in its sole discretion, approves the requested termination by offset and re-matching of positions, the requesting ~~Hedge~~-Clearing Member, the Matched-Book Borrowing Clearing Member, and the Matched-Book Lending Clearing Member are not required to issue instructions to the Depository in accordance with Rules 2202(a) and 220813(a) to terminate such stock loan and stock borrow positions maintained in the Stock Loan/Hedge Program or to initiate new stock loan transactions for inclusion in the Stock Loan/Hedge Program.

(3) From and after the time the Corporation has completed the requested position adjustments to terminate by offset and re-match the Matched-Book Positions maintained in the requesting ~~Hedge~~-Clearing Member's account as set forth in Rule 220914(hd), the requesting ~~Hedge~~ Clearing Member shall have no further obligation under the By-Laws and Rules with respect to such positions.

(4) From and after the time the Corporation has completed the termination by offset and re-matching as set forth in Rule 220914(hd), the Borrowing Clearing Member with re-matched stock borrow positions remains obligated as a Borrowing Clearing Member and the Lending Clearing Member with re-matched stock loan positions remains obligated as a Lending Clearing Member with respect to the re-matched positions as specified in the By-Laws and Rules applicable to the Stock Loan/Hedge Program.

(5) Upon notification that the Corporation has completed the termination by offset and re-matching of stock loan and borrow positions as set forth in Rule 220914(hd), the requesting ~~Hedge~~-Clearing Member and the Borrowing Clearing Member and Lending Clearing Member with re-matched stock loan and borrow positions shall make any necessary bookkeeping entries at the Depository necessitated by the termination by offset and re-matching.

(e) Termination by the Corporation.

(1) The Corporation may at any time terminate the outstanding ~~Stock Hedge~~ Loans relating to one or more particular Eligible Stocks upon a determination by the Corporation, in its sole discretion, that such action is warranted by reason of the lack of substantial volume in such ~~Stock Hedge~~ Loans, the impending termination of business on the part of the Corporation, the inability of the Corporation from time to time to maintain in effect satisfactory arrangements with the Depository, or other circumstances in which the Corporation in its sole discretion determines that such action is necessary or appropriate for the protection of the Corporation, its Clearing Members or the public. The Corporation may effect a termination pursuant to this paragraph ~~(e)~~ by giving written notice thereof to all affected Clearing Members specifying the date on which such termination is to become effective, which date shall be a stock loan business day at least one stock loan business day after the date of such notice.^[38]

(2) Upon approval by the Chief Executive Officer or Chief Operating Officer and notice to Clearing Members, the Corporation may cease to accept the initiation of new Hedge Loans. The determination will be made based upon factors including, but not limited to, the number of participants that are able to conduct business under the Market Loan Program, the amount of transactions flowing through the Market Loan Program, the proportion of loan balances between the two Stock Loan/Hedge Program and the Market Loan Program, and feedback from members about when they expect to be ready to migrate fully to the Market Loan Program. Following the date the Corporation ceases to accept new Hedge Loans, Clearing Members may maintain existing Hedge Loans until returned or recalled.

^[38] By-Law Article XXI, Sec. 2(c) is deleted and relocated here with changes as marked.]

RULE 221409 – Settlement

(a) Termination of Hedge Loans; When Complete. Termination of a StockHedge Loan, or a portion thereof, shall be complete when:

(1)(A) the Depository has made final entries on its books showing the transfer to the Lending Clearing Member's account of the amount of Loaned Stock specified in the Borrowing Clearing Member's transfer instructions and the transfer of the settlement price in respect thereof to the Borrowing Clearing Member's account and the Corporation has been effectively notified of such entries; or

(B) the Lending Clearing Member and the Borrowing Clearing Member have certified to the Corporation in such manner as the Corporation shall from time to time prescribe that the StockHedge Loan (or designated portion thereof) has been terminated between the Clearing Members and any transfer of the settlement price has occurred between the Clearing Members; and

(2) the records of the Corporation reflect the termination of such StockHedge Loan. From and after the time when termination of a StockHedge Loan, or a portion thereof, is complete in accordance with this Rule, the Corporation shall be discharged from its obligations as borrower to the Lending Clearing Member and lender to the Borrowing Clearing Member, and the Corporation shall have no further obligation in respect of the terminated StockHedge Loan, or such portion.

(b) Buy-In.

(1) If the Lending Clearing Member initiates the termination of a StockHedge Loan and the Lending Clearing Member does not receive the Specified Quantity in its designated account with the Depository on the settlement date at or before such time (the "Settlement Time") as may be specified by the Corporation from time to time, the Borrowing Clearing Member shall nevertheless be entitled to receive from the Lending Clearing Member the settlement price in respect of the number of shares (if any) of the Loaned Stock actually transferred by the Borrowing Clearing Member to the Lending Clearing Member, and the termination of the StockHedge Loan shall be complete ~~at the time thereafter~~when:

(A) ~~when~~ the Borrowing Clearing Member has caused the quantity of the Loaned Stock necessary to complete the return of the Specified Quantity (the "Delinquent Quantity") to be transferred to the Lending Clearing Member's designated account at the Depository, and the Lending Clearing Member has caused the settlement price in respect of the Delinquent Quantity to be transferred to the account of the Borrowing Clearing Member at the Depository; or

(B) ~~when~~ the Lending Clearing Member has executed such buy-in prior to actually receiving the Delinquent Quantity in its designated account at the Depository from the Borrowing Clearing Member.

(2) The Lending Clearing Member may execute a buy-in of the Delinquent Quantity pursuant to this paragraph at any time after the Settlement Time on the settlement date, provided that the Lending Clearing Member has not actually received the Delinquent Quantity in its designated account with the Depository from the Borrowing Clearing Member prior to executing the buy-in.

(3) After execution of a buy-in, the Lending Clearing Member shall immediately give written notice to the Corporation and the Borrowing Clearing Member of such buy-in, including the quantity of the Loaned Stock purchased (which shall not be greater than, and should ordinarily be equal to, the Delinquent Quantity) and the price paid (including any transactional costs, fees or interest incurred in connection with such buy-in, the “Buy-In Costs”). Such notice shall be in a form specified by the Corporation from time to time. The Lending Clearing Member shall execute the buy-in in a commercially reasonable manner and must be prepared to defend the timing of the buy-in and the Buy-In Costs. Any objections by the Borrowing Clearing Member with respect to the timeliness of the buy-in and the reasonableness of the Buy-In Costs shall be matters to be resolved as between the Lending Clearing Member and the Borrowing Clearing Member, and the Corporation shall have no responsibility in respect thereof.

(e4) If a buy-in has been completed by a Lending Clearing Member pursuant to paragraph (b), the Corporation shall (i) determine the difference between the amount of Collateral held by the Lending Clearing Member in respect of the bought-in Loaned Stock and the Buy-In Costs, (ii) pay such amount to or collect such amount from, as applicable, the account of the Lending Clearing Member in which the stock loan position was carried, and (iii) collect such amount from or pay such amount to, as applicable, the account of the Borrowing Clearing Member in which the stock borrow position was carried. Such collection and payment having been made, the stock loan position of the Lending Clearing Member and the stock borrow position of the Borrowing Clearing Member in respect of the bought-in Loaned Stock shall be extinguished, and the Corporation shall have no further obligation in respect thereof.

(d5) Notwithstanding the preceding provisions of this Rule, if the Lending Clearing Member is unable to complete the buy-in or if, for any reason, effecting a buy-in is not permitted, the Corporation, in its discretion and upon notice to the Lending Clearing Member, may fix a cash settlement value for the quantity of the Loaned Stock not returned to the Lending Clearing Member. The value fixed by the Corporation shall be final and not subject to review. The Corporation shall (i) determine the difference between the amount of Collateral held by the Lending Clearing Member in respect of such quantity of the Loaned Stock and the cash settlement value fixed by the Corporation, (ii) pay such amount to or collect such amount from, as applicable, the account of the Lending Clearing Member in which the stock loan position was carried, and (iii) collect such amount from or pay such amount to, as applicable, the account of the Borrowing Clearing Member in which the stock borrow position was carried. Such collection and payment having been made, the stock loan position of the Lending Clearing Member and the stock borrow position of the Borrowing Clearing Member in respect of such quantity of the Loaned Stock shall be extinguished, and the Corporation shall have no further obligation in respect thereof. These payments shall be made through the Corporation’s daily cash settlement system and may be netted against other cash settlements due to or from the same account in accordance with the By-Laws and Rules.

(e6) Notwithstanding any other provision of the By-Laws or Rules, from and after the time at which a buy-in is executed pursuant to paragraph (b)(2) of this Rule or a cash settlement value is determined pursuant to paragraph (d)(5) of this Rule, the Borrowing Clearing Member shall have no further obligation to deliver to the Corporation, and the Corporation shall have no further obligation to deliver to the Lending Clearing Member, a quantity of the Loaned Stock equal to the number of shares bought in or cash-settled, the Corporation shall have no further right to receive from the Lending Clearing Member, and the Borrowing Clearing Member shall have no further right to receive from the Corporation, the Collateral in respect of a quantity of the Loaned Stock equal to the number of shares bought in or cash-settled, and no delivery of Loaned Stock by the Borrowing Clearing Member to the Lending Clearing Member shall constitute a return of any of the Loaned Stock in respect of which a buy-in is executed or a cash settlement value is determined.

(fc) *Sell-Out.* (1) If the Borrowing Clearing Member initiates the termination of a ~~Stock~~Hedge Loan and the Borrowing Clearing Member does not receive in its specified account with the Depository, at or before the Settlement Time on the settlement date, the full settlement price in respect of the Specified Quantity of Loaned Stock, the Borrowing Clearing Member shall nevertheless deliver to the Lending Clearing Member the number of shares (if any) of the Loaned Stock in respect of which the settlement price has actually been transferred by the Lending Clearing Member to the Borrowing Clearing Member. The portion of the Specified Quantity of Loaned Stock remaining in the Borrowing Clearing Member's possession shall be referred to herein as the "Remaining Quantity." The termination of the ~~Stock~~Hedge Loan shall be complete ~~at the time thereafter~~when:

(1A) ~~when~~ the Lending Clearing Member has caused the settlement price in respect of the Remaining Quantity to be transferred to the Borrowing Clearing Member's designated account at the Depository, and the Borrowing Clearing Member has caused the Remaining Quantity to be transferred to the specified account of the Lending Clearing Member at the Depository; or

(2B) ~~when~~ the Borrowing Clearing Member has executed a sell-out prior to actually receiving the settlement price in respect of the Remaining Quantity in its specified account at the Depository from the Lending Clearing Member.

(2) The Borrowing Clearing Member may execute a sell-out of the Remaining Quantity pursuant to this paragraph at any time after the Settlement Time on the settlement date, provided that the Borrowing Clearing Member has not actually received the settlement price in respect of the Remaining Quantity in its specified account with the Depository from the Lending Clearing Member prior to executing the sell-out.

(3) After execution of a sell-out, the Borrowing Clearing Member shall immediately give written notice to the Corporation and the Lending Clearing Member of such sell-out, including the quantity of the Loaned Stock sold (which shall not be greater than the Remaining Quantity), the price received, and any transactional costs, fees or interest incurred in connection with such sell-out (such transactional costs, fees and interest, the "Sell-Out Costs"). The Borrowing Clearing Member shall execute the sell-out in a commercially reasonable manner and must be prepared to defend the timing of the sell-out, the sell-out price and the Sell-Out Costs. Any objections by the

Lending Clearing Member with respect to the timeliness of the sell-out and the reasonableness of the sell-out price and the Sell-Out Costs shall be matters to be resolved as between the Lending Clearing Member and the Borrowing Clearing Member, and the Corporation shall have no responsibility in respect thereof.

(g4) If a sell-out has been completed by a Borrowing Clearing Member pursuant to paragraph (f)(2), the Corporation shall (i) subtract the Sell-Out Costs from the price received on such sell-out, and determine the difference between the remaining amount and the settlement price owed to the Borrowing Clearing Member in respect of the sold-out Loaned Stock, (ii) pay such amount to or collect such amount from, as applicable, the account of the Borrowing Clearing Member in which the stock borrow position was carried, and (iii) collect such amount from or pay such amount to, as applicable, the account of the Lending Clearing Member in which the stock loan position was carried. Such collection and payment having been made, the stock loan position of the Lending Clearing Member and the stock borrow position of the Borrowing Clearing Member in respect of the sold-out Loaned Stock shall be extinguished, and the Corporation shall have no further obligation in respect thereof.

(hd) Termination by Offset of Matched-Book Positions; When Complete. In the event of a termination by offset and re-match of a ~~stock loan~~ Hedge Loan under Rule 220813(ed), such termination by offset and re-match shall be complete upon the Corporation completing all position adjustments in the accounts of the requesting Hedge Clearing Member, the Matched-Book Borrowing Clearing Member, and the Matched-Book Lending Clearing Member in accordance with Rule 220813(ed) and the earlier of:

(i1) communicating confirmation of the transaction either in the form of direct written communications with the requesting Hedge Clearing Member, the Matched-Book Borrowing Clearing Member and the Matched-Book Lending Clearing Member; or

(i2) when systems reports are produced and provided to the Clearing Members reflecting the transaction.

(e) Errors.

(1) If a Lending Clearing Member and a Borrowing Clearing Member complete the termination of a ~~Stock~~ Hedge Loan at a price other than the correct settlement price for the termination, the Corporation will treat the termination as having been completed at the correct settlement price. If the records of the Corporation show that a Lending Clearing Member and a Borrowing Clearing Member are party on a particular day to two or more Hedge Loans between them in respect of a particular Eligible Stock but having different termination settlement prices (this might occur because one or more of the ~~Stock~~ Hedge Loans was initiated on that day) and the Lending Clearing Member and the Borrowing Clearing Member complete the termination of a ~~Stock~~ Hedge Loan at a price other than the correct settlement price for the termination of any of the ~~Stock~~ Hedge Loans, the Corporation will determine which of the ~~Stock~~ Hedge Loans will be deemed to have been terminated in accordance with its procedures as in effect from time to time, and will treat the termination as having been completed at the correct settlement price for that ~~Stock~~ Hedge Loan. In any of these events, the records of the Corporation shall be dispositive as

between the Corporation and each of the two ~~Hedge~~ Clearing Members, the Lending Clearing Member and the Borrowing Clearing Member will be responsible for reconciling the discrepancy between the actual price and the settlement price utilized by the Corporation among themselves and, ~~notwithstanding paragraph (a) of this Section,~~ the Corporation shall have no responsibility to either the Borrowing Clearing Member or the Lending Clearing Member to reconcile the discrepancy.^[39]

(2) If two ~~Hedge~~ Clearing Members complete a transfer of stock from one to the other which is reported to the Corporation by the Depository with a “reason code” indicating that the transfer was intended to effect the termination of a ~~Stock Hedge~~ Loan, but the records of the Corporation do not reflect the existence of a ~~Stock Hedge~~ Loan which is consistent with the quantity of stock shown in the reported transfer, the Corporation will reflect on its records the termination of so much of any ~~Stock Hedge~~ Loan that exists on the records of the Corporation and that is consistent (in terms of the Eligible Stock, the identity of the Lending Clearing Member and the identity of the Borrowing Clearing Member) with the reported transfer. The Corporation will reject the remainder of any such reported transfer. Any such rejected transfer shall remain effective as between the two ~~Hedge~~ Clearing Members, but the Corporation shall have no responsibility in respect thereof. The records of the Corporation shall be dispositive as between the Corporation and each of the two ~~Hedge~~ Clearing Members with respect to any such event.^[40]

(f) Compliance with Applicable Law. Anything else ~~herein~~ in this Chapter XXI to the contrary notwithstanding, the Corporation shall not be held liable for any Clearing Member’s failure to comply with its responsibilities and obligations under the federal and state securities laws, including, but not limited to, Regulation SHO, or any applicable rules of any exchange or self-regulatory organization.

~~... Interpretations and Policies:~~

~~.01~~ [Relocated to Rule 2214(e)(2) with changes as marked thereto]

RULE 221510 Suspension of a ~~Hedge~~ Clearing Members – Pending and Open ~~Stock Hedge~~ Loans

(a) Pending Hedge Loans. If the Depository suspends a ~~Hedge~~ Clearing Member prior to the time at which the Corporation would have otherwise accepted a stock loan to which the ~~Hedge~~ Clearing Member is a party as a ~~Stock Hedge~~ Loan, then, notwithstanding any other provision of the By-Laws and Rules, the Corporation shall have no obligation to accept, and shall not accept, the stock loan. In all other circumstances, the Corporation shall accept any stock loan which satisfies the requirements set forth in Rule 2202(b), even if the Corporation has suspended a Clearing Member

^[39] By-Law Article XXI, Sec. 2, I&P .01 is deleted and relocated here with changes as marked.]

^[40] Rule 2209, I&P .01 is deleted and relocated here with changes as marked.]

which is a party to the stock loan prior to the time at which the Corporation accepts the stock loan as a ~~Stock~~Hedge Loan.

(b) Open Hedge Loans. Open stock loan and borrow positions resulting from ~~Stock~~Hedge Loans of a suspended ~~Hedge~~ Clearing Member shall, except as hereinafter provided, be terminated in accordance with the provisions of Rule 22~~11~~16, Rule 22~~12~~17, or in such other manner as the Corporation determines to be the most orderly manner practicable in the circumstances, including, but not limited to, a private auction, as described in Interpretation and Policy .02 of Rule 1104. Any net proceeds from the termination of such stock loan and borrow positions in the accounts of the suspended Clearing Member shall be credited by the Corporation to the Liquidating Settlement Account of such Clearing Member established pursuant to Rule 1104. Any net amounts payable in respect of the termination of such stock loan and borrow positions in any of the accounts of the suspended Clearing Member shall be withdrawn by the Corporation from the Clearing Member's Liquidating Settlement Account. The suspended Clearing Member or its representative shall be notified as promptly as possible of any termination of stock loan and borrow positions pursuant to this Rule.

(c) Exceptions. Notwithstanding the preceding provisions of this Rule, the Corporation may exercise the authority described in Rules 1106(d) and 1106(e) in respect of open stock loan and borrow positions. For purposes of applying such paragraphs to open stock loan and borrow positions, references to "positions," "unsegregated long positions or short positions," and "underlying interests" therein shall be deemed to be references to "stock loan and borrow positions," "stock loan positions or stock borrow positions," and "Eligible Stock," respectively.

~~...~~ ***Interpretations and Policies:***

~~.01 See Interpretation and Policy .02 following Rule 1104 for a description of the private auction process by which OCC may close out a suspended Clearing Member's open positions in stock loan and/or borrow positions resulting from Stock Loans.~~

RULE 22~~16~~11 Suspension of a Hedge Clearing Members – Buy-In and Sell-~~o~~ut Procedures

(a) Instruction by the Corporation. If a ~~Hedge~~ Clearing Member shall be suspended by the Corporation, the Corporation may direct the Lending Clearing Member or the Borrowing Clearing Member, as applicable, or, in the Corporation's discretion, may instruct an independent broker, to buy in or sell out, as applicable, the Loaned Stock with respect to each open stock borrow or loan position of the suspended ~~Hedge~~ Clearing Member that originated through the Stock Loan/Hedge Program.

(b) Notification of Buy-In or Sell-Out Price. Such buy in or sell out must be executed by the Lending Clearing Member or Borrowing Clearing Member by the settlement time for a Clearing Member's obligations to OCC on the stock loan business day after the receipt of such instruction by the Corporation. Failure to execute such buy in or sell out, and provide notification of such action by such time will result in the Corporation terminating the ~~Stock~~Hedge Loan and effecting

Settlement based upon the Marking Price used at the close of business on the stock loan business day the original instruction was made by the Corporation.

(c) Settlement Procedures. The buy-in, sell-out or cash settlement process shall be effected in accordance with the applicable procedures set forth in Rule 220914, provided that:

(1) in the case where the Corporation instructs an independent broker to execute a buy-in, the Corporation shall return the bought-in Loaned Stock to the Lending Clearing Member against the payment of settlement price in respect thereof by the Lending Clearing Member;

(2) in the case where the Corporation instructs an independent broker to execute a sell-out, the Corporation shall recall the Loaned Stock from the Borrowing Clearing Member for purpose of the sell-out and transfer the sale proceeds to the Borrowing Clearing Member; and

(3) any amount to be credited to or collected from the suspended Clearing Member shall be credited to or withdrawn from the suspended Clearing Member's Liquidating Settlement Account.

(d) Settlement Price. The Clearing Member executing the buy-in or sell-out, as applicable, must be prepared to defend the reasonableness of the price, transactional costs or cash settlement value, provided that in the case where the Corporation instructs an independent broker to execute a buy-in or sell-out, every determination by the Corporation with respect to any such related matter shall be within the sole discretion of the Corporation and shall be conclusive and binding on all Clearing Members and not subject to review. A Clearing Member may demonstrate that the price or cash settlement value associated with a buy-in or sell-out is reasonable by demonstrating that the price or cash settlement value fell within the trading range of the Eligible Stock on the date of the buy-in or sell-out. The Corporation has the authority to withdraw the value of any difference between the price reported by the Clearing Member executing the buy-in or sell-out, as applicable, and the price the Corporation, in its sole discretion, determines to be reasonable. This price determined by the Corporation shall be binding and conclusive.

~~Anything else herein to the contrary notwithstanding, the Corporation shall not be held liable for any Clearing Member's failure to comply with its responsibilities and obligations under the federal and state securities laws, including, but not limited to, Regulation SHO, or any applicable rules of any exchange or self-regulatory organization.~~^[41]

RULE 221712 – Suspension of a Hedge Clearing Members – Re-Matching in Suspension

(a) In the event that a suspended ~~Hedge~~ Clearing Member has Matched-Book Positions within the Stock Loan/Hedge Program, the re-matching of such Matched-Book Positions will be governed by Rule 2219A. ~~Corporation will, upon notice to affected Hedge Clearing Members, close-out the suspended Hedge Clearing Member's Matched-Book Positions to the greatest extent possible by (i) the termination by offset of stock loan and stock borrow positions that are~~

^[41] This paragraph is deleted and consolidated with proposed Rule 2214(f).]

~~Matched Book Positions in the suspended Hedge Clearing Member's account(s) and (ii) the Corporation's re-matching of stock borrow positions for the same number of shares in the same Eligible Stock maintained in a designated account of a Matched Book Borrowing Clearing Member against a stock loan position for the same number of shares in the same Eligible Stock maintained in a designated account of a Matched Book Lending Clearing Member.~~

~~(b) The Matched Book Borrowing Clearing Member and Matched Book Lending Clearing Member are not required to issue instructions to the Depository in accordance with Rules 2202(a) and 2208(a) to terminate such stock loan and stock borrow positions maintained in the Stock Loan/Hedge Program or to initiate new stock loan transactions for inclusion in the Stock Loan/Hedge Program.~~

~~(c) The Corporation shall make reasonable efforts to re-match Matched Book Borrowing Clearing Members with Matched Book Lending Clearing Members that maintain between them current executed Master Securities Loan Agreements based on information provided by Hedge Clearing Members to the Corporation on an ongoing basis. The Corporation shall be entitled to rely on, and shall have no responsibility to verify in any manner, the Master Securities Loan Agreement records provided by Hedge Clearing Members and on record as of the time of re-matching.~~

~~(d) The termination by offset and re-matching of positions pursuant to this Rule 2212 shall be done by the Corporation using a matching algorithm in which the Matched Book Positions of the suspended Hedge Clearing Member are first terminated by offset and affected Matched Book Borrowing Clearing Members and Matched Book Lending Clearing Members are re-matched in the following order of priority:~~

~~(1) The Corporation will first select the largest stock loan or stock borrow position in a given Eligible Stock from the suspended Hedge Clearing Member's Matched Book Positions.~~

~~(2) The stock loan or stock borrow positions selected in paragraph (d)(1) above are then re-matched with the largest available stock borrow or stock loan positions, as applicable, for the selected Eligible Stock for which a Master Securities Loan Agreement exists between a Matched Book Borrowing Clearing Member and a Matched Book Lending Clearing Member.~~

~~(3) The Corporation will repeat the re-matching process as described in paragraphs (d)(1)–(2) above until all potential re-matching between Matched Book Borrowing Clearing Members and Matched Book Lending Clearing Members with Master Securities Loan Agreements is completed.~~

~~(4) After re-matching among lenders and borrowers with existing Master Securities Loan Agreements, the re-matching process will be repeated for all remaining Matched Book Positions for which Master Securities Loan Agreements do not exist between the Matched Book Borrowing Clearing Members and Matched Book Lending Clearing Members. Positions will be selected for re-matching in order of priority based on largest outstanding position size.~~

~~(e) In the event a Borrowing Clearing Member and Lending Clearing Member are re-matched pursuant to this Rule 2212, the re-matched positions will be governed by the pre-defined terms and instructions established by the Lending Clearing Member pursuant to Rule 2201. Any change in Collateral requirements arising from the re-matching of stock loan or stock borrow positions pursuant to this Rule 2212 shall be included in the calculation of the mark-to-market payment obligations as provided in Rule 2204 on the stock loan business day following the completion of the positions adjustments as set forth in Rule 2212(f).~~

~~(f) The termination by offset and re-matching of positions pursuant to this Rule 2212 shall be complete upon the Corporation completing all position adjustments in the accounts of the suspended Hedge Clearing Member and the Borrowing Clearing Members and Lending Clearing Members with re-matched positions and the applicable systems reports are produced and provided to the Clearing Members reflecting the completion of the transaction.~~

~~(g) From and after the time the Corporation has completed the position adjustments to terminate by offset and re-match Matched Book Positions maintained in the suspended Hedge Clearing Member's account as set forth in 2212(f), the suspended Hedge Clearing Member shall have no further obligation under the By-Laws and Rules with respect to such positions.~~

~~(h) From and after the time the Corporation has completed the termination by off-set and re-matching as set forth in Rule 2212(f) a Borrowing Clearing Member with re-matched stock borrow positions remains obligated as a Borrowing Clearing Member and a Lending Clearing Member with re-matched stock loan positions remains obligated as a Lending Clearing Member as specified in the By-Laws and Rules applicable to the Stock Loan/Hedge Program.~~

~~(i) Upon notification that the Corporation has completed the termination by offset and re-matching of stock loan and borrow positions as set forth in Rule 2212(f), the suspended Hedge Clearing Member and Borrowing Clearing Members and Lending Clearing Members with re-matched stock loan and borrow positions shall promptly make any necessary bookkeeping entries at the Depository necessitated by the re-matching.~~

~~(j) Borrowing Clearing Members and Lending Clearing Members that have been re-matched shall work in good faith to reestablish any terms, representations, warranties and covenants not governed by the By-Laws and Rules or to terminate the re-matched stock loan or borrow positions in the ordinary course pursuant to Rule 2208 as soon as reasonably practicable.~~

CHAPTER XXIIA Market Loan Program

Introduction

The Rules in this Chapter are applicable only to the Market Loan Program. In addition, the Rules in Chapters I through XII are also applicable to the Market Loan Program, in some cases supplemented by one or more Rules in this Chapter, except for Rules that have been replaced in respect of the Market Loan Program by one or more Rules in this Chapter and except where the context otherwise requires. Whenever a Rule in this Chapter supplements or, for purposes of this Chapter, replaces one or more of the By-Laws or Rules in Chapters I through XII, that fact is indicated in brackets following the Rule in this Chapter.

[RULE 2201A – Eligible Stock](#)^[42]

[\(a\) Eligibility.](#) A security shall be eligible for lending in the ~~Stock Loan/Hedge Program and the~~ Market Loan Program if and only if:

- (1) the security is an equity security that the Depository has determined is eligible for deposit at the Depository,
- (2) the Corporation has not determined to terminate all outstanding ~~Stock Loans and/or~~ Market Loans in respect of such security pursuant to the By-Laws,
- (3) the security is a “covered security” within the meaning of Section 18(b)(1) of the Securities Act of 1933, and
- (4) in the case of securities which are neither underlying securities nor fund shares that have as their reference index an index that underlies any cleared contract, the security is trading at a market price of at least \$3 per share, as determined by the Corporation.

[\(b\) Waiver by the Corporation.](#) The Corporation may waive the requirement in paragraph (a)(4) of this Rule at its discretion upon a determination that other factors, including trading volume, the number of shareholders, the number of outstanding shares, and current bid/ask spreads warrant such result. However, should the market price for a security for which the Corporation has not waived the requirement ~~(4)~~ fall below \$3, no new ~~Stock Loan or~~ Market Loan transactions may be submitted for clearance, but existing positions may be maintained.

^[42] The second sentence of By-Law Article I, Sec. 1.E.(3) is replicated here with respect to a Market Loan with changes as marked.]

RULE 2202A – Initiation of Market Loans

(a) Initiation; Cancellation of Pending Market Loans. ~~(i)~~ A stock loan which is intended for inclusion in the Market Loan Program is initiated when ~~(i) a lender is matched with a borrower through a Loan Platform and~~ the Loan Market sends details of ~~the matched~~ a transaction to the Corporation or (ii) a Lending Clearing Member and Borrowing Clearing Member send details to the Corporation of a stock loan transaction between the two Clearing Members and such details, as applicable, are either matched by the Corporation or affirmed by the Clearing Members. If the ~~matched~~ transaction passes the Corporation's validation process (designed to detect errors in data submitted), the Corporation shall create and send to the Depository a pair of delivery orders – one order instructing the Depository to transfer a specified number of shares of a specified Eligible Stock from ~~a Market Loan~~ the Lending Clearing Member or its Appointed Clearing Member to the Corporation's account against transfer of Collateral from the Corporation's account to such Clearing Member, and the other order instructing the Depository to simultaneously transfer such Eligible Stock from the Corporation's account to ~~a second Market Loan~~ the Borrowing Clearing Member or its Appointed Clearing Member against the transfer of Collateral from such second Clearing Member to the Corporation's account.

~~(i)~~2) A Clearing Member, either directly or through the Loan Market as applicable, may instruct the Corporation to disregard a previously reported ~~matched~~ transaction that is pending settlement at the Depository. In accordance with such instruction, the Corporation shall create and send appropriate instructions to the Depository to cancel the previously issued delivery orders. Upon confirmation that the Depository has processed such cancellation instructions, the related ~~matched~~ transaction shall be deemed null and void and given no effect and the Corporation shall have no obligation to any ~~Market Loan~~ Clearing Member in acting pursuant to a Loan Market's instruction to disregard a previously reported transaction.

(b) Acceptance. (1) Upon receipt of information reported to the Corporation from the Depository showing a completed stock loan that purportedly originated through the Market Loan Program, the Corporation shall (subject to Rule 221017A) accept such stock loans as Market Loans, unless the Corporation determines that a stock loan is not in accordance with the By-Laws and Rules, or that one or both account numbers are invalid for Market Loans, or that the information provided by the Depository contains unresolved errors or omissions, in which case the Corporation shall reject such stock loan.

(2) Upon the Corporation's acceptance of a Market Loan, the following shall automatically occur:

~~(i)~~(A) the ~~matched~~ stock loan transaction ~~submitted by the Loan Market~~ that initiated the Market Loan shall be extinguished and replaced in its entirety by (i) a congruent contract between the lending ~~Market Loan~~ Clearing Member, as stock lender, and the Corporation, as stock borrower, and (ii) an identical congruent contract between the Corporation, as stock lender, and the borrowing ~~Market Loan~~ Clearing Member, as stock borrower;

~~(ii)~~(B) such pair of contracts shall constitute the Market Loan;

~~(iii)(C)~~ the lending ~~Market Loan~~-Clearing Member shall be the Lending Clearing Member and the borrowing ~~Market Loan~~-Clearing Member shall be the Borrowing Clearing Member in respect of such Market Loan for all purposes of the By-Laws and Rules, ~~and;~~

~~(iv)(D)~~ the Corporation shall create the stock loan position and the stock borrow position in accordance with ~~Article XXIA, Section 2 of the By-Laws~~ Rule 2207A; and

(E) with respect to Disclosed Market Loans, the terms of the original stock loan (other than terms that establish congruence) and the representations, warranties and covenants made by each of the parties to the original stock loan under the Master Securities Loan Agreement or any other agreements with respect to the original stock loan shall (1) to the extent that they are inconsistent with the By-Laws and Rules of the Corporation, be eliminated from the pair of congruent contracts constituting the Market Loan and replaced by applicable By-Laws and Rules of the Corporation, and (2) to the extent that they are not inconsistent with the By-Laws and Rules of the Corporation, remain in effect as between such parties to the original stock loan, but shall not impose any additional obligations on the Corporation.

(3) For purposes of ~~the foregoing~~ (b)(2), a replacement stock loan contract shall be “congruent” to the stock loan contract replaced if and only if the contracts agree with respect to the identity of the Eligible Stock that is to be lent, the number of shares that are to be lent, the Collateral requirement, the rebate rate and the settlement price.

(c) Rejection. On each stock loan business day, any stock loan transactions ~~originated through a Loan Market~~ that fail to pass the validation process referred to in paragraph (a) ~~of this Rule~~ or are rejected by the Corporation as described in paragraph (b) ~~of this Rule~~ shall be rejected by the Corporation and shall have no further effect as regards the Corporation.

(d) Use of Collateral. Subject only to ~~the provisions of paragraph (f) of this Rule~~ 2202A(f) and such obligations in respect of the Collateral as the Lending Clearing Member may have by agreement with the person for whose account the Loaned Stock is held, the Lending Clearing Member may use or invest the Collateral as it may deem fit at its own risk and for its own account and shall retain any income and profits therefrom and bear all losses therefrom. The sole obligations of the Lending Clearing Member in respect of the Collateral shall be (i) repaying an amount equal to the Collateral (as adjusted from time to time by mark-to-market payments made pursuant to Rule 220409A) as instructed by the Corporation, or otherwise disposing of the Collateral in such other manner as the Corporation may direct, if and when the Market Loan is terminated as provided in the Rules; and (ii) making periodic rebate payments to the Corporation (in the case of a Market Loan with a positive rebate) in accordance with Rule 220611A.

(e) Use of Loaned Stock. Until such time as a Market Loan is terminated as provided in the Rules, the Borrowing Clearing Member shall have all incidents of ownership of the Loaned Stock, including without limitation the right to transfer the Loaned Stock to others; ~~provided, however, that (i) the Borrowing Clearing Member shall be obligated to make mark-to-market payments to the Corporation and receive mark-to-market payments from the Corporation with respect to the Loaned Stock as provided in Rule 2204A; and (ii) the Borrowing Clearing Member shall be obligated to make all dividend equivalent payments and all periodic rebate payments to~~

~~the Corporation (in the case of a Market Loan with a negative rebate) pertaining to the Loaned Stock in accordance with Rule 2206A.~~

(f) *Covenants of Clearing Members.* Each lending of Loaned Stock by a Lending Clearing Member, and each borrowing of Loaned Stock by a Borrowing Clearing Member, shall constitute a representation and covenant by the Clearing Member to the Corporation that its participation in such lending or borrowing is in compliance, and will continue to comply, with all applicable laws and regulations including without limitation Rule 15c3-3 and all other applicable rules and regulations of the Securities and Exchange Commission, any applicable provisions of Regulation T of the Board of Governors of the Federal Reserve System, and the rules of the Financial Industry Regulatory Association and any other regulatory or self-regulatory organization to which the Clearing Member is subject.

(g) *Prohibited Transactions.* (1) ~~Market Loan~~ Clearing Members shall be prohibited from initiating stock loans intended for inclusion in the Market Loan Program that involve the lending of any Eligible Stock issued by such ~~Market Loan~~ Clearing Member or any Member Affiliate of such ~~Market Loan~~ Clearing Member.

(h) Anonymous Market Loans and Disclosed Market Loans. A Market Loan may be either an Anonymous Market Loan or a Disclosed Market Loan.

~~--- Interpretations and Policies:~~

~~.01 The Corporation makes available to each Market Loan Clearing Member, during a business day, updated position information that reflects current stock loan and borrow activity, including new positions, transfers of positions, returns and cancels.~~

RULE 2203A – Role of the Corporation^[43]

~~SECTION 2.~~ (a) *In General.* Commencing at the time at which the Corporation accepts a Market Loan as described in Rule 2202A, the role of the Corporation in respect of such Market Loan shall be that of a principal, and the Corporation shall have the position of borrower to the Lending Clearing Member and lender to the Borrowing Clearing Member.

(b) Rights and Obligations as Against the Corporation. ~~Without limiting the generality of the foregoing: (1) the rights and/or obligations of a Clearing Member that is party to such Market Loan to receive and/or pay mark-to-market payments, dividend equivalent payments and rebate payments~~ Rights and obligations of Clearing Members that are parties to a Hedge Loan that shall be as against the Corporation, and not as against each other, include:

(1) the right to receive and/or pay mark-to-market payments, dividend equivalent payments and rebate payments; and

^[43] By-Law Article XXIA, Sec. 2 is deleted and relocated here with changes as marked.]

(2) in the event of termination of such Market Loan in accordance with the Rules, the right of the Lending Clearing Member to receive the Loaned Stock and the obligation of the Lending Clearing Member to pay the settlement price and the obligation of the Borrowing Clearing Member to deliver the Loaned Stock and the right of the Borrowing Clearing Member to receive the settlement price shall be as against the Corporation.

RULE 2204A – Agreements of the Borrowing Clearing Member^[44]

~~SECTION 3.~~ (a) *Agreements.* The Clearing Member that is the Borrowing Clearing Member in respect of a Market Loan agrees with the Corporation that:

(i)(1) upon the acceptance of the Market Loan by the Corporation, the resulting stock borrow position of the Borrowing Clearing Member shall be created and subsequently maintained in accordance with ~~Section 5 of this Article XXIA~~ Rule 2206A;

(ii)(2) so long as such stock borrow position is thereafter maintained, the Borrowing Clearing Member shall make all required payments to the Corporation including margin deposits, mark-to-market payments, dividend equivalent payments and rebate payments (in the case of a negative rebate), all in accordance with the By-Laws and Rules; and

(iii)(3) in the event that the Market Loan is terminated, the Borrowing Clearing Member shall deliver the Loaned Stock, against payment of the settlement price, in accordance with the By-Laws and Rules.

(b) *Conflicting Records.* In the event of a conflict between the records of the Corporation and any records generated by the Borrowing Clearing Member regarding a ~~Stock Loan~~ Market Loan and resulting stock borrow positions, the records generated by the Corporation will prevail and the Borrowing Clearing Member shall remain liable for all obligations associated with such stock borrow positions maintained on the records of the Corporation.

RULE 2205A – Agreements of the Lending Clearing Member^[45]

~~SECTION 4.~~ (a) *Agreements.* The Clearing Member that is the Lending Clearing Member in respect of a Market Loan agrees with the Corporation that:

(i)(1) upon the acceptance of the Market Loan by the Corporation, the resulting stock loan position of the Lending Clearing Member shall be created and subsequently maintained in accordance with ~~Section 5 of this Article XXIA~~ Rule 2206A;

(ii)(2) so long as such stock loan position is thereafter maintained, the Lending Clearing Member shall make all required payments to the Corporation including margin deposits, mark-to-market

^[44] By-Law Article XXIA, Sec. 3 is deleted and relocated here with changes as marked.]

^[45] By-Law Article XXIA, Sec. 4 is deleted and relocated here with changes as marked.]

payments and rebate payments (in the case of a positive rebate), all in accordance with the By-Laws and Rules;⁴⁶ and

~~(iii)~~(3) in the event that the Market Loan is terminated, the Lending Clearing Member shall pay the settlement price, against delivery of the Loaned Stock, in accordance with the By-Laws and Rules.

(b) *Conflicting Records.* In the event of a conflict between the records of the Corporation and any records generated by the Lending Clearing Member regarding a ~~Stock Loan~~Market Loan and resulting stock loan positions, the records generated by the Corporation will prevail and the Lending Clearing Member shall remain liable for all obligations associated with such stock loan positions maintained on the records of the Corporation.

Rule 2206A – Maintaining Stock Loan and Stock Borrow Positions in Accounts^[46]

~~SECTION 5.~~(a) *Establishment of Positions.* Each Market Loan will be maintained on the books and records of the Corporation as a unique matched pair of contracts with one such contract being between the Lending Clearing Member and the Corporation as borrower and the second such contract being between the Corporation as Lender and the Borrowing Clearing Member. Upon acceptance of a Market Loan, the Corporation shall ~~as described in the Rules~~ in connection with each unique pair of contracts:

(1) create a stock loan position in the account designated by the Lending Clearing Member, identifying the Eligible Stock that is the subject of the Market Loan, the number of shares loaned ~~and~~ the amount of Collateral received, the identities of the Lending Clearing Member and Borrowing Clearing Member if the Market Loan is a Disclosed Market Loan, and such other terms that the Corporation receives from the Loan Market or Clearing Members; and

(2) ~~shall~~ create a stock borrow position in the account designated by the Borrowing Clearing Member, identifying the Eligible Security that is the subject of the Market Loan, the number of shares borrowed ~~and~~, the amount of Collateral delivered, the identities of the Lending Clearing Member and Borrowing Clearing Member if the Market Loan is a Disclosed Market Loan, and such other terms that the Corporation receives from the Loan Market or Clearing Members. ~~The Corporation shall identify stock loan and stock borrow positions resulting from Market Loans separately from stock loan and stock borrow positions resulting from Hedge Loans. In addition to the foregoing:~~

(b) *Position Netting.*

(1) stock loan positions of a Clearing Member established as a result of Market Loans relating to the same Eligible Stock in which the Clearing Member is the Lending Clearing Member ~~shall be aggregated (separately for Market Loans effected through each Loan Market) for position~~

^[46] By-Law Article XXIA, Sec. 5 is deleted and relocated here with changes as marked.]

~~reporting purposes, but~~ shall not be netted against any stock borrow position which the Clearing Member may be carrying relating to the same Eligible Stock for any purposes other than (i) as described in Rule 601 with respect to determining the Clearing Member's margin obligations to the Corporation and (ii) as may be permitted pursuant to the Rules with respect to suspended Clearing Members; ~~and~~.

(2) stock borrow positions of a Clearing Member established as the result of Market Loans relating to the same Eligible Stock in which the Clearing Member is the Borrowing Clearing Member ~~shall be aggregated (separately for Market Loans effected through each Loan Market) for position reporting purposes, but~~ shall not be netted against any stock loan position which the Clearing Member may be carrying relating to the same Eligible Stock for any purpose other than (i) as described in Rule 601 with respect to determining the Clearing Member's margin obligations to the Corporation and (ii) as may be permitted pursuant to the Rules with respect to suspended Clearing Members.

~~(b)~~(c) *Maintenance in Accounts.* Notwithstanding the provisions of Section 3 of Article VI of the By-Laws, stock loan and stock borrow positions resulting from Market Loans may be maintained in any of a ~~Market Loan~~ Clearing Member's accounts with the Corporation except those excluded by Rule 2207A(e). For the purposes of Section 3 of Article VI of the By-Laws, stock loan positions resulting from Market Loans shall be deemed to be "securities" and stock borrow positions resulting from Market Loans shall be deemed to be "funds," and the authority of the Corporation to close out "positions" in any account shall include the authority to close out such stock loan and stock borrow positions.

(d) Transfer Among Accounts. At any time on any business day prior to the deadline specified by the Corporation, an ~~eligible Mark Loan~~ Clearing Member may transfer ~~all or any portion of~~ an existing stock loan or stock borrow position (including positions resulting from that day's activity) in respect of a Market Loan among its accounts by submitting an appropriate transfer instruction to the Corporation that designates the accounts and/or sub-accounts from and to which the positions shall be transferred; provided, that any such transfer will result in the transfer of all shares related to the relevant stock loan position or stock borrow position. ~~If a Mark Loan Clearing Member's request for transfer exceeds the number of stock loan or stock borrow shares available in the account from which the shares will be transferred, then the transfer instruction will be rejected.~~^[47]

(e) Satisfying Return Instructions. In respect of stock loan and stock borrow positions resulting from Market Loans, returns of shares shall be reflected in the ~~Market Loan~~ Clearing Member's account or sub-account designated on a delivery order submitted to the Corporation by the Depository. ~~If there are insufficient shares in the designated account to fulfill the return instruction, or if there is no account designated in the Depository delivery order, the excess shares to be returned shall be taken from the Clearing Member's default account. If there are insufficient shares in the designated account or default account, as applicable, to fulfill the return~~

^[47] Rule 2201A, I&P .01 is deleted and relocated here with changes as marked.]

instruction, the ~~remaining shares~~ return instruction shall be rejected and the return instruction will be void to that extent.^[48]

~~... Interpretations and Policies:~~

~~.01(f) Ineligible Accounts.~~ Until such time as the Corporation determines that appropriate regulatory approvals have been obtained, a Clearing Member is not permitted to allocate stock loan or stock borrow positions resulting from Market Loans to any proprietary X-M account, non-proprietary X-M account, internal non-proprietary cross-margining account or segregated futures account.

[~~Section 5 of this Article~~ Rule 2206A supplements Section 3 of Article VI of the By-Laws.]

RULE 22017A – Instructions to the Corporation

(a) Standing Instructions.

(1) In respect of stock loan and stock borrow transactions initiated as a Market Loan ~~originated through a Loan Market~~ and stock loan and stock borrow positions resulting from such transactions, a ~~Market Loan~~ Clearing Member shall provide standing instructions to the Corporation with respect to matters identified by the Corporation from time to time, including but not limited to:

~~(i)(A)~~ (A) the account number of each account with the Depository in which such stock loan and stock borrow transactions are to be effected;

~~(ii)(B)~~ (B) the default account with the Corporation, which may be any of the ~~Market Loan~~ Clearing Member's accounts or sub-accounts thereof that are not ineligible under ~~Article XXI, Section 5, Interpretation .01 of the By-Laws~~ Rule 2206A(f), to which new stock loan and stock borrow positions are to be allocated in the absence of executable instructions of the Clearing Member to allocate the positions to a different account; and

~~(C)(iii) the account with the Corporation (which may be the Market Loan Clearing Member's firm account or its combined Market Makers' account) from and to which mark-to-market payments, dividend equivalent payments and rebate payments are to be made~~ in the case of a Market Loan initiated directly through the Corporation rather than a Loan Market, the default value (e.g., penny, quarter, dollar) to which mark-to-market payments will be rounded with respect to Market Loans for which the Clearing Member is the Lending Clearing Member.

(2) The Corporation may also permit a ~~Market Loan~~ Clearing Member to provide standing instructions with respect to other aspects of the Clearing Member's participation in the Market Loan Program.

^[48] Rule 2201A, I&P .02 is deleted and relocated here with changes as marked.]

(3) A ~~Market Loan~~ Clearing Member may revise its standing instructions, subject to the Corporation's notice requirements as in effect from time to time.

(b) *Specific Instructions.* A ~~Market Loan~~ Clearing Member may give the Corporation specific instructions from time to time which are contrary to its standing instructions with respect to the account (or sub-account thereof) to which a particular stock loan or stock borrow position (either a new position or an existing position which the Clearing Member wishes to transfer to a different account) is to be allocated. With respect to a new position, in the absence of such specific instructions, or if the specific instruction is invalid for any reason, the position will be allocated to the ~~Market Loan~~ Clearing Member's default account.

(c) *Appointment of CDS as Agent.* A Canadian Clearing Member on behalf of which CDS maintains an identifiable sub-account in a CDS account at the Depository may appoint, in such manner as the Corporation will from time to time prescribe, CDS to act on its behalf with respect to effecting delivery orders for stock loan and stock borrow transactions in the accounts of such Clearing Member through the Depository. An appointment pursuant to this paragraph will become effective as of the second business day following the day on which the Corporation shall receives written notice of the appointment from the Clearing Member, or such later date as may be specified by the Clearing Member, and (unless the Corporation shall terminates the appointment at an earlier time) will remain effective until the close of business on the thirtieth calendar day after the Corporation-receives, from either the Clearing Member or CDS, written notice of revocation of the appointment, and remains effective thereafter, with respect to each obligation of the Clearing Member to close out open stock loan and borrow positions directed to CDS prior to the effective date of the revocation, until the close out of all such positions is completed. If, for any reason, CDS ceases to act on behalf of the Clearing Member with respect to effecting delivery orders for stock loan and stock borrow transactions, the Corporation may require the Clearing Member to close out open stock loan and borrow positions through buy-in and sell-out procedures, or any other procedures provided in the By-Laws or Rules, as necessary.

(d) *Appointment of Appointed Clearing Member.* An Appointing Clearing Member may, in lieu of being a participant of the Depository, appoint, in such manner as the Corporation will from time to time prescribe, an Appointed Clearing Member to act on its behalf with respect to effecting delivery orders for stock loan and stock borrow transactions in the accounts of the Appointing Clearing Member. An appointment pursuant to this paragraph will become effective as of the first business day following the day on which the Corporation receives written notice, in such form as the Corporation will from time to time prescribe, from the Appointed Clearing Member of its acceptance of the appointment, or such later date as may be specified by the Appointed Clearing Member, and (unless the Corporation terminates the appointment at an earlier time) will remain effective until the close of business on the thirtieth calendar day after the Corporation receives, from either the Appointing Clearing Member or the Appointed Clearing Member, written notice of revocation of the appointment, and will remain effective thereafter, with respect to each obligation to close out open stock loan and borrow positions directed to the Appointed Clearing Member for settlement prior to the effective date of the revocation, until close out of all such positions is completed. For purposes of Rule 2210A, any report made available to an Appointed Clearing Member is deemed to have been made available

to the Appointing Clearing Member at the time that it is made available to the Appointed Clearing Member.

~~--- Interpretations and Policies:~~

~~.01~~ [Relocated to OCC Rule 2206A(d) with changes as marked thereto]

~~.02~~ [Relocated to OCC Rule 2206A(e) with changes as marked thereto]

* * *

RULE 22083A – Margin Deposited with the Corporation

Each ~~Market Loan~~ Clearing Member shall be required to maintain margin with the Corporation in respect of its stock loan and stock borrow positions resulting from Market Loans, including any dividend equivalent payments and accrued rebate payments that the Clearing Member is obligated to make in accordance with the Rules. The amount of margin assets required to be deposited shall be as determined pursuant to Rule 601.

RULE 22049A – Mark-to-Market Payments

(a) *In General.* In order to adjust the amount of the Collateral securing a Market Loan for changes in the market value of the Eligible Stock that is the subject of the Market Loan, Borrowing and Lending Clearing Members shall be required to make mark-to-market payments to the Corporation, and the Corporation shall be required to make mark-to-market payments to such Clearing Members, on each business day with respect to each Market Loan until such Market Loan has been terminated in accordance with the Rules. Any mark-to-market payment shall be made in the account in which the Market Loan is held. No mark-to-market payment shall be required in respect of any stock loan or stock borrow position on and after the business day following the day on which such position was extinguished.

(b) *Mark-to-Market Payment Amount.* The amount of any mark-to-market payment to be made on any business day will be the amount necessary to cause the amount of Collateral to be equal to the Collateral requirement applicable to a Market Loan. The Collateral requirement will be 102% of the mark-to-market value of the Loaned Stock, rounded up to the nearest default value. The default value for a Market Loan initiated through a Loan Market shall be specified by the Loan Market. The default value for a Market Loan initiated directly through the Corporation shall be the default value in the standing instructions of the Lending Clearing Member, as provided by Rule 2207A(a)(1)(C)~~shall represent the increase or decrease, as applicable, in the value of the stock loan position and stock borrow position relating to such Market Loan. The increase or decrease in value of a stock borrow position shall be deemed to be equal to: (i) in the case of a stock borrow position that was established on the preceding business day, the result of subtracting the marking price on such day from the settlement price; and (ii) in the case of any other stock borrow position, the result of subtracting the marking price on the preceding business day from the marking price on the second preceding business day, in each case multiplied by a percentage specified by the relevant Loan Market. The increase or decrease in value of a stock~~

~~loan position shall be deemed to be equal to: (1) in the case of a stock loan position that was established on the preceding business day, the result of subtracting the settlement price from the marking price on such day; and (2) in the case of any other stock loan position, the result of subtracting the marking price on the second preceding business day from the marking price on the preceding business day, in each case multiplied by a percentage specified by the relevant Loan Market. No mark-to-market payment shall be required in respect of any stock loan or stock borrow position on and after the business day following the day on which such position was extinguished.~~

(bc) Netting; Debits. On each business day, the Corporation shall net the mark-to-market payments, if any, owed by and to each ~~Market Loan~~ Clearing Member in respect of its stock loan and borrow positions resulting from Market Loans. At or before the settlement time on each business day, each ~~Market Loan~~ Clearing Member shall be obligated to pay to the Corporation any net mark-to-market payment amount owed to the Corporation in respect of such positions carried in the ~~Market Loan~~ Clearing Member's accounts, and the Corporation shall be authorized to withdraw from the ~~Market Loan~~ Clearing Member's bank account established in respect of the account from and to which mark-to-market payments are to be made an amount equal to such net amount, provided that the Corporation may, but shall not be required to, offset against any such net amount any credit balance which may be due from the Corporation in the same account.

(ed) Netting; Credits. Subject to Rule 505, at or before the settlement time on each business day, the Corporation shall be obligated to deposit in the designated bank account established in respect of each account of each ~~Market Loan~~ Clearing Member (provided the ~~Market Loan~~ Clearing Member has deposited all margin required to be deposited pursuant to Chapter VI of the Rules and has deposited the full amount of any net daily premium due to the Corporation under Rule 502) any net mark-to-market payment amount owed by the Corporation to the ~~Market Loan~~ Clearing Member on such day in respect of its stock loan and borrow positions resulting from Market Loans. From and after such time, full settlement shall be deemed to have been made in respect of mark-to-market payments for such day, and the Corporation shall have no further obligation in respect thereof.

RULE 221005A – Daily Reports

Prior to such time on each business day as the Corporation may from time to time establish, the Corporation shall make available to each ~~Market Loan~~ Clearing Member one or more reports listing all stock loan positions and stock borrow positions resulting from ~~StockMarket~~ Loans carried by the Clearing Member, including new positions, transfers of positions, returns and cancels. A ~~Market Loan~~ Clearing Member must have adequate policies and procedures in place to perform a reconciliation of its stock loan position balances between the records of the ~~Market Loan~~ Clearing Member and any report or reports provided by the Corporation at least once per stock loan business day and resolve any discrepancies based on such report(s) for a given stock loan business day by 9:30 A.M. Central Time on the following stock loan business day.

RULE 221106A – Dividends and Distributions; Rebates

(a) *Rights and Obligations.* ~~(i)~~ Subject to the provisions of paragraph ~~(a)(ii)(b)~~ of this Rule, the Lending Clearing Member shall be entitled to receive all dividends and distributions made in respect of Loaned Stock on the record dates that occur during the term of a Market Loan, to the full extent it would have been so entitled if the Market Loan had not been made, and the Borrowing Clearing Member shall be obligated to pay or deliver all such dividends and distributions. Such dividends and distributions shall include, but not be limited to: cash and all other property; stock dividends; securities received as a result of split-ups of the Loaned Stock and distributions in respect thereof; interest payments; all rights to purchase additional securities; and any cash or other considerations paid or provided by the issuer of such security in exchange for any vote, consent or the taking of any similar action in respect of such security (regardless whether the record date for such vote, consent or other action falls during the term of the Market Loan).

~~(ii)~~ *Settlement of Dividend Equivalent Payments.* Dividend equivalent payments shall be effected primarily through the facilities of the Depository, utilizing its Dividend Service. However, dividend equivalent payments in respect of a Market Loan shall be effected through the Corporation's cash settlement system on the business day following the expected dividend or distribution payment date if:

(1) ~~the Loan Market has advised the Corporation that~~ the dividend or distribution for such Market Loan is not tracked by the Depository's Dividend Service; or

(2) the Corporation, in its discretion, has determined to remove a Market Loan from the Depository's Dividend Service and/or void and nullify any obligation to effect dividend equivalent payments through the Depository's facilities. ~~Notwithstanding the preceding provisions of this Rule, the Corporation shall guarantee a dividend equivalent payment only to the extent that the Corporation has collected margin equal to such dividend equivalent payment from the responsible Borrowing Clearing Member(s) prior to the time that any such Borrowing Clearing Member defaults. The amount of margin that the Corporation collects in respect of dividend equivalent payments shall be solely based on calculations provided by the Loan Market. The Corporation shall have no responsibility to verify the accuracy of the Loan Market's calculations and shall not be liable to Clearing Members for any errors in such calculations. In the event that the Loan Market subsequently confirms that dividend equivalent payments were not distributed on the expected payment date, the Loan Market shall instruct the Corporation to reverse the payments.~~

~~(iii)~~ *Non-Cash Dividends and Distributions.* If the Corporation determines that ~~the~~ non-cash dividends and distributions ~~received by the Borrowing Clearing Member~~ are legally transferable and the transfers can be effected through the Depository, then such non-cash dividends and distributions shall be added to the Loaned Stock (as reflected by appropriate adjustments to the Corporation's records), shall be considered such for all purposes, and shall be delivered to the Corporation by the Borrowing Clearing Member and by the Corporation to the Lending Clearing Member upon any termination of the Market Loan. Every such determination by the Corporation shall be within the sole discretion of the Corporation and shall be conclusive and binding on all

Clearing Members and not subject to review. In the event that the ~~Loan Market~~ Corporation determines in its discretion to fix a cash settlement value with respect to any non-cash dividends and/or distributions that are not added to the Loaned Stock as provided in the preceding sentence, the ~~Loan Market may instruct the~~ Corporation ~~will to~~ effect collection and payment of such cash settlement as provided in paragraph (b)(ii) of this Rule. With respect to a non-cash dividend or distribution that is not added to the Loaned Stock and for which the ~~Loan Market~~ Corporation does not fix a cash settlement value ~~pursuant to the provisions of paragraph (b)(iii) of this Rule~~, the Lending Clearing Member will receive the benefit of such dividend or distribution only if it recalls the Loaned Stock in time to receive the dividend or distribution directly.^[49]

(d) Optional Dividends. With respect to an optional dividend (i.e., a dividend the shareholder can elect to receive in cash, stock, or some combination of the two), the Lending Clearing Member will have the right to elect an option only if it recalls the Loaned Stock in time to make such election. Otherwise, the Lending Clearing Member will be entitled to receive the default option set by the issuer of the Loaned Stock.

(e) Settlement of Rebate Payments. On ~~each business day~~ a monthly basis, or ~~on~~ at such ~~other~~ more frequent intervals not to exceed monthly as may be specified by the Corporation, the Corporation shall calculate and effect collection and payment of rebate payments ~~as instructed by a Loan Market from Market Loan Clearing Members~~, provided that the Corporation shall guarantee the payment of accrued rebate payments only up to the amount for which the Corporation has collected margin from the responsible ~~Market Loan~~ Clearing Member(s) prior to the specified settlement date. ~~The Loan Market shall be solely responsible for calculating, in respect of Market Loans originated through such Loan Market, the amount of rebate payments that each Market Loan Clearing Member is entitled to receive or obligated to pay on each settlement date. The Corporation shall have no responsibility to verify the accuracy of the Loan Market's calculations and shall not be liable to Clearing Members for any errors in such calculations.~~ In the event the Corporation suspends a Clearing Member, the Corporation shall be entitled to settle rebate payments with respect to such suspended Clearing Member at an earlier settlement time to be determined by the Corporation in its discretion.

~~...~~ ***Interpretations and Policies:***

~~.01~~ [Relocated as the last sentence of proposed Rule 2211A(c) with changes as marked]

RULE 221207A – Erroneous Transactions Through a Loan Market

(a) If a Clearing Member believes that a Market Loan was executed through a Loan Market on the Clearing Member's behalf in error or that a material term of such Market Loan is erroneous, the Clearing Member should contact the relevant Loan Market and seek to have such transaction voided in accordance with the terms of such Loan Market's error transaction correction policy.

^[49] Rule 2207A, I&P .01 is deleted and relocated here as the last sentence of the paragraph, with changes as marked.]

Every determination as to whether a Market Loan was entered into in error shall be within the sole discretion of the relevant Loan Market and shall not be subject to review by the Corporation.

(b) In the event that the Loan Market determines to void a Market Loan, it shall notify the Corporation and the Corporation shall instruct the Depository to return the Loaned Stock to the Lending Clearing Member and the Collateral to the Borrowing Clearing Member. Upon confirmation that the Depository has effected the returns as instructed, the Corporation shall extinguish in its records the stock loan position of the Lending Clearing Member and the stock borrow position of the Borrowing Clearing Member in respect of the voided Market Loan.

~~...~~ Interpretations and Policies:

~~.01 The Corporation's role with respect to Market Loans requires it to act on information that it receives from a Loan Market and from the Depository, including, without limitation, information regarding the identities of lenders and borrowers, dividend equivalent payment amounts, rebate rates, status of transactions submitted to the Depository, etc.~~ (c) The Corporation shall not be liable to Clearing Members for any acts or omissions taken or made in reliance on ~~such~~ information it receives from a Loan Market or the Depository, including, without limitation, information regarding the identities of lenders and borrowers, dividend equivalent payment amounts, rebate rates, and status of transactions submitted to the Depository.

RULE 220813A – Indemnification by Borrowing Clearing Members

The Borrowing Clearing Member in respect of a Market Loan agrees to indemnify, defend, hold, and save harmless the Corporation from any claims, actions, demands, or lawsuits of any kind whatsoever arising in any way out of any use that the Borrowing Clearing Member makes of the Loaned Stock.

RULE 2214A – Modifications

(a) Permissible Modifications. In connection with any Market Loan, the Borrowing Clearing Member and Lending Clearing Member may agree to modifications regarding any of the following: rebate rate; interest rate benchmark; or loan term.

(b) Submission to the Corporation. Modification requests must be submitted to:

(1) the Loan Market through which the Market Loan was initiated, in the case of Anonymous Market Loans;

(2) the Corporation, in the case of Disclosed Market Loans initiated directly with the Corporation; or

(3) either the Loan Market or the Corporation, in the case of Disclosed Market Loans initiated through a Loan Market.

(c) Acceptance by the Corporation. The Corporation will update the stock loan position and stock borrow position on the Corporation's books and records if, as applicable:

(1) the Loan Market notifies the Corporation that the Lending Clearing Member and Borrowing Clearing Member have agreed to the modification; or

(2) the Borrowing Clearing Member and Lending Clearing Member each provide to the Corporation matching instructions regarding the modification or otherwise cause the modification to be affirmed through the facilities of the Corporation.

(d) Notice of Modifications. Notice of the modified terms will be provided to the relevant Clearing Members through the reports described in Rule 2210A.

(e) Partial Modifications. If the Borrowing and Clearing Member and Lending Clearing Member agree to a modification with respect to less than all the shares of a Market Loan, the Borrowing Clearing Member and Lending Clearing Member must submit the quantity of shares to which the modification applies by the means provided under Rule 2214A(b). Upon receiving the applicable notice or affirmation for that modification under Rule 2214A(c), the Corporation will record a new stock loan position and a new stock borrow position reflecting the modification and reduce the quantity of shares for the original stock loan position and stock borrow position.

RULE 2215A – Cancellation of Pending Instructions

A Clearing Member may instruct the Corporation to cancel any prior instruction provided by the Clearing Member in respect of a Market Loan. If the Corporation determines the prior instruction from the Clearing Member remains pending, the Corporation will disregard such prior instruction and treat it as cancelled.

RULE 221609A – Termination of Market Loans

(a) Returns and Recalls.

(1) Initiation of Returns and Recalls. The termination of a Market Loan, or any portion thereof, may be initiated by (i) the Borrowing Clearing Member, ~~by giving a return notice to the relevant Loan Market~~ indicating its intention to return a specified quantity of the Loaned Stock (i.e., a "return"), or (ii) the Lending Clearing Member, ~~by giving a recall notice to the relevant Loan Market~~ calling for the return of a specified quantity of the Loaned Stock (i.e., a "recall"). In either case, the relevant Clearing Member will initiate a termination either directly with the Corporation or by giving a notice to the relevant Loan Market as follows:

(A) Anonymous Market Loans. The Clearing Member may initiate a return or recall of an Anonymous Market Loan by giving notice to the Loan Market through which the Market Loan was initiated. The Loan Market shall send details of the matched return/recall transactions to the Corporation.

(B) Disclosed Market Loans Initiated through the Corporation. For a Disclosed Market Loan initiated directly with the Corporation, a Clearing Member may initiate a return or recall by giving notice to the Corporation by such time as the Corporation may from time to time prescribe.

(C) Disclosed Market Loans Initiated through a Loan Market. For a Disclosed Market Loan initiated through a Loan Market, a Clearing Member may initiate a return or recall by giving notice either to that Loan Market or to the Corporation.

(2) Affirmation of Returns. A Lending Clearing Member shall have the opportunity to affirm or reject the initiation of a return for a Market Loan initiated directly with the Corporation. Upon a rejection of a return by the Lending Clearing Member, the Corporation will give no further effect to the initiation by the Borrowing Clearing Member. If a Lending Clearing Member either affirms the return to the Corporation or fails on the stock loan business day to affirm or reject the return to the Corporation by a cut-off time that prescribed by the Corporation from time to time, then the Lending Clearing Member will be deemed to have affirmed the return by the Borrowing Clearing Member.

(3) Recalls Deemed Affirmed. A Borrowing Clearing Member shall be deemed to have affirmed the initiation of a recall provided that the Lending Clearing Member requested the return of the specified quantity of Loaned Stock no earlier than the standard settlement date that would apply to a purchase or sale of the Loaned Stock in the principal market of such Loaned Stock.

~~(14) Delivery Orders to the Depository. Upon matching a return request with an open stock loan position, or a recall request with an open stock borrow position, the Loan Market shall send details of the matched return/recall transaction to the Corporation.~~ If a ~~matched~~ return/recall transaction regarding any Market Loan passes the Corporation's validation process, the Corporation shall create and send to the Depository a pair of delivery orders – one order instructing the Depository to transfer a specific quantity of the Loaned Stock from the Borrowing Clearing Member or its Appointed Clearing Member to the Corporation's account against transfer of the settlement price in respect thereof from the Corporation's account to the Borrowing Clearing Member or its Appointed Clearing Member, and the other order instructing the Depository to simultaneously transfer such Loaned Stock from the Corporation's account to the Lending Clearing Member or its Appointed Clearing Member against the transfer of the settlement price in respect thereof from the Lending Clearing Member or its Appointed Clearing Member to the Corporation's account.

(25) Termination Deemed Complete. Upon receipt of ~~the end of the day~~ a stock loan activity file from the Depository showing that return/recall delivery orders have been completed, the Corporation shall treat those Market Loans as terminated ~~and reduce the respective Clearing Members' open stock loan and stock borrow positions accordingly~~. The termination of a Market Loan shall be deemed to be complete when the records of the Corporation accurately reflect the termination of such Market Loan.

(36) Failed Delivery Orders. On each stock loan business day, any return/recall transactions originated through a Loan Market or directly by the Clearing Members with the Corporation that

are not settled by the Depository and confirmed by the Corporation shall have no further effect as to the Corporation; provided, however, that [for a Market Loan for which termination is initiated through a Loan Market](#), the Loan Market shall resubmit to the Corporation any return/recall transaction that was not completed, and the Corporation in turn shall resubmit its instructions to the Depository on the next stock loan business day. [The Lending Borrowing or Borrowing Clearing Member, as applicable, may initiate a “buy-in” or “sell-out” process under paragraphs \(b\) or \(c\), as applicable, at any time after: If](#)

~~(i)(A)~~ a recall transaction fails to settle by the Settlement Time on the first stock loan business day following the day that the transaction was first submitted; or

~~(ii)(B)~~ a return transaction fails to settle by the Settlement Time on the stock loan business day on which it was submitted, ~~the Lending Clearing Member or Borrowing Clearing, as applicable, may initiate at any time thereafter the “buy-in” or sell-out” process, as applicable, set forth in paragraphs (b) and (c) of this Rule, respectively.~~ For purposes of ~~clause (ii) of the preceding sentence,~~ a return transaction submitted after a cutoff time specified by the Loan Market [or the Corporation, as applicable](#), shall be deemed to have been submitted on the following stock loan business day.

(b) *Buy-In.* ~~(1)~~ Where the Borrowing Clearing Member fails to return the specified quantity of Loaned Stock, the Lending Clearing Member may execute a buy-in of the Loaned Stock [subject to the following procedures depending on whether the Lending Clearing Member initiated the recall through a Loan Market or the Corporation under Rule 2216A\(a\)\(1\):](#)

[\(1\) Recalls Initiated Through a Loan Market.](#)

[\(A\) Upon receipt of timely notice of a buy-in from the Loan Market, the Corporation will prevent the Borrowing Clearing Member from returning the specified quantity of Loaned Stock until the Lending Clearing Member completes the buy-in. If the Loan Market does not give prior written notice to the Corporation of the intent of the Lending Clearing Member to execute a buy-in of the specified quantity of Loaned Stock but the Lending Clearing Member proceeds with a buy-in nonetheless, the stock loan position and stock borrow position will remain open and the Corporation will process notice of a return transaction from the Loan Market in the manner described in paragraph \(a\) above.](#)

[\(B\) After execution of a buy-in regarding a Market Loan initiated through a Loan Market, the Lending Clearing Member shall immediately give written notice to the Loan Market of such buy-in. After receipt of such notice, the Loan Market shall immediately give written notice to the Borrowing Clearing Member and the Corporation of such buy-in, including the quantity of the Loaned Stock purchased \(which shall not be greater than, and should ordinarily be equal to, the quantity of the Loaned Stock that the Borrowing Clearing Member has failed to return to the Lending Clearing Member\) and the price paid \(including any transactional costs, fees or interest incurred in connection with such buy-in, the “Buy-In Costs”\). The Loan Market shall also provide the Corporation with such other information as it may reasonably require with respect to the executed buy-in. The Lending Clearing Member shall execute the buy-in in a commercially reasonable manner and must be prepared to defend the timing of the buy-in and the Buy-In](#)

Costs. Any objections by the Borrowing Clearing Member with respect to the timeliness of the buy-in and the reasonableness of the Buy-In Costs shall be matters to be resolved by the Loan Market, and the Corporation shall have no responsibility in respect thereof.

(2) Recalls Initiated Through the Corporation.

(A) The Lending Clearing Member may give prior written notice to the Corporation and the Borrowing Clearing Member that it intends to execute a buy-in of the specified quantity of Loaned Stock for a Market Loan initiated directly through the Corporation. Upon receipt of timely notice from the Lending Clearing Member the Corporation will prevent the Borrowing Clearing Member from returning the specified quantity of Loaned Stock until the Lending Clearing Member completes the buy-in. If the Lending Clearing Member does not give prior written notice to the Corporation that it intends to execute a buy-in of the specified quantity of Loaned Stock but proceeds with a buy-in nonetheless, the stock loan position and stock borrow position will remain open and the Borrowing Clearing Member shall be entitled to deliver to the Lending Clearing Member the quantity of Loaned Stock specified by the Lending Clearing Member, until such time as the Lending Clearing Member provides notice to the Corporation that it has executed a buy-in.

(B) After execution of a buy-in regarding a Market Loan initiated directly through the Corporation, the Lending Clearing Member shall immediately give written notice to the Corporation of such buy-in, including the quantity of the Loaned Stock purchased (which shall not be greater than, and should ordinarily be equal to, the quantity of the Loaned Stock that the Borrowing Clearing Member has failed to return to the Lending Clearing Member) and the price paid (including any transactional costs, fees or interest incurred in connection with such buy-in, the "Buy-In Costs"). After receipt of such notice, the Corporation shall immediately give corresponding written notice to the Borrowing Clearing Member on that stock loan business day. If the Borrowing Clearing Member affirms the buy-in, the buy-in will be deemed complete. If the Borrowing Clearing Member fails on the stock loan business day to affirm or reject the buy-in to the Corporation by a cut-off time prescribed by the Corporation from time to time then the Corporation will deem the buy-in to be complete if the Corporation determines that that the price per share paid by the Lending Clearing Member for the Loaned Stock is more than the lowest market price and less than the highest market price for the Loaned Stock on that stock loan business day. Otherwise, the Corporation will reject the buy-in. Upon rejection of a buy-in, the Corporation will give no further effect to the buy-in by the Lending Clearing Member. Any objections by the Borrowing Clearing Member with respect to the timeliness of the buy-in and the reasonableness of the Buy-In Costs shall be matters to be resolved between the Lending Clearing Member and Borrowing Clearing Member and the Corporation shall have no responsibility in respect thereof.

~~(2)~~ (3) If a buy-in has been completed by a Lending Clearing Member pursuant to ~~sub~~paragraph (b)(1) or (2) above, the Corporation shall (i) determine the difference between the amount of Collateral held by the Lending Clearing Member in respect of the bought-in Loaned Stock and the Buy-In Costs, (ii) pay such amount to or collect such amount from, as applicable, the account of the Lending Clearing Member in which the stock loan position was carried, and (iii) collect

such amount from or pay such amount to, as applicable, the account of the Borrowing Clearing Member in which the stock borrow position was carried.

(34) Notwithstanding the preceding provisions of this Rule, if the Lending Clearing Member is unable to complete the buy-in or if, for any reason, effecting a buy-in is not permitted, the Corporation, in its discretion and upon notice to the Lending Clearing Member, may fix a cash settlement value for the quantity of the Loaned Stock not returned to the Lending Clearing Member. The value fixed by the Corporation shall be final and not subject to review. The Corporation shall (i) determine the difference between the amount of Collateral held by the Lending Clearing Member in respect of such quantity of the Loaned Stock and the cash settlement value fixed by the Corporation, (ii) pay such amount to or collect such amount from, as applicable, the account of the Lending Clearing Member in which the stock loan position was carried, and (iii) collect such amount from or pay such amount to, as applicable, the account of the Borrowing Clearing Member in which the stock borrow position was carried. These payments shall be made through the Corporation's daily cash settlement system and may be netted against other cash settlements due to or from the same account in accordance with the By-Laws and Rules.

(45) Notwithstanding any other provision of the By-Laws or Rules, from and after the time that a buy-in is executed pursuant to ~~sub~~paragraph (b)(1) or (2) of this Rule or a cash settlement value is determined pursuant to ~~sub~~paragraph (b)(34) of this Rule, the Borrowing Clearing Member shall have no further right or obligation to deliver to the Corporation the Loaned Stock, and no delivery of Loaned Stock by the Borrowing Clearing Member shall satisfy the obligation of the Borrowing Clearing Member under this paragraph (b).

(c) *Sell-Out.* (4) Where the Lending Clearing Member fails to pay the settlement price in respect of the Loaned Stock, the Borrowing Clearing Member may execute a sell-out of the Loaned Stock where it has not actually received the settlement price prior to executing the sell-out subject to the following procedures depending on whether the Borrowing Clearing Member initiated the return through a Loan Market or the Corporation under Rule 2216A(a)(1):

(1) Returns Initiated Through a Loan Market. After execution of a sell-out regarding a Market Loan initiated through Loan Market, the Borrowing Clearing Member shall immediately give written notice to the Loan Market of such sell-out. After receipt of such notice, the Loan Market shall immediately give written notice to the Lending Clearing Member and the Corporation of such sell-out, including the quantity of the Loaned Stock sold (which shall not be greater than the quantity of the Loaned Stock in respect of which the Lending Clearing Member has failed to return the settlement price to the Borrowing Clearing Member), the price received, and any transactional costs, fees or interest incurred in connection with such sell-out (such transactional costs, fees and interest, the "Sell-Out Costs"). The Loan Market shall also provide the Corporation with such other information as it may reasonably require with respect to the executed sell-out. The Borrowing Clearing Member shall execute the sell-out in a commercially reasonable manner and must be prepared to defend the timing of the sell-out, the sell-out price and the Sell-Out Costs. Any objections by the Lending Clearing Member with respect to the timeliness of the sell-out and the reasonableness of the sell-out price and/or the Sell-out Costs

shall be matters to be resolved by the Loan Market, and the Corporation shall have no responsibility in respect thereof.

(2) Returns Initiated Through the Corporation. After execution of a sell-out regarding a Market Loan initiated directly through the Corporation, the Borrowing Clearing Member shall immediately give written notice to the Corporation of such sell-out, including the quantity of the Loaned Stock sold (which shall not be greater than the quantity of the Loaned Stock in respect of which the Lending Clearing Member has failed to return the settlement price to the Borrowing Clearing Member), the price received, and any transactional costs, fees or interest incurred in connection with such sell-out (such transactional costs, fees and interest, the "Sell-Out Costs"). After receipt of such notice, the Corporation shall immediately give corresponding written notice to the Lending Clearing Member on that stock loan business day. If the Lending Clearing Member affirms the buy-in, the buy-in will be deemed complete. If the Lending Clearing Member fails on the stock loan business day to affirm or reject the sell-out to the Corporation by a cut-off time prescribed by the Corporation from time to time then the Corporation will deem the sell-out to be complete if the Corporation determines that that the price per share received by the Borrowing Clearing Member for the Loaned Stock is more than the lowest market price and less than the highest market price for the Loaned Stock on that stock loan business day. Otherwise, the Corporation will reject the sell-out. Upon rejection of a sell-out, the Corporation will give no further effect to the sell-out by the Borrowing Clearing Member. Any objections by the Lending Clearing Member with respect to the timeliness of the sell-out and the reasonableness of the Sell-Out Costs shall be matters to be resolved between the Lending Clearing Member and Borrowing Clearing Member and the Corporation shall have no responsibility in respect thereof.

(23) If a sell-out has been completed by a Borrowing Clearing Member pursuant to ~~sub~~paragraph (c)(1) or (2), the Corporation shall (i) subtract the Sell-Out Costs from the price received on such sell-out, and determine the difference between the remaining amount and the settlement price owed to the Borrowing Clearing Member in respect of the sold-out Loaned Stock, (ii) pay such amount to or collect such amount from, as applicable, the account of the Borrowing Clearing Member in which the stock borrow position was carried, and (iii) collect such amount from or pay such amount to, as applicable, the account of the Lending Clearing Member in which the stock borrow position was carried.

(d) Termination by Loan Market or the Corporation. (1) The relevant Loan Market may issue return/recall instructions to the Corporation to terminate all or a portion of the outstanding Market Loans carried in the account(s) of a ~~Market Loan~~ Clearing Member. If any such termination fails to settle on the specified termination date, the relevant Loan Market may direct the Lending Clearing Member or the Borrowing Clearing Member, as applicable, to initiate the buy-in or sell-out process described in this Rule, as applicable, in accordance with any instructions the Loan Market may provide.

(2) The Corporation may also at any time terminate the outstanding Market Loans relating to one or more particular Eligible Stocks upon a determination by the Corporation, in its sole discretion, that such action is warranted by reason of the lack of substantial volume in such Market Loans, the impending termination of business on the part of the Corporation, the inability of the

Corporation from time to time to maintain in effect satisfactory arrangements with the Depository, or other circumstances in which the Corporation in its sole discretion determines that such action is necessary or appropriate for the protection of the Corporation, its Clearing Members or the public. For Market Loans terminated at the election of the Corporation, the Corporation shall provide written notice thereof to all affected ~~Market Loan~~ Clearing Members specifying the date on which such termination is to become effective, which date shall be a stock loan business day at least one stock loan business day after the date of such notice. If any such termination fails to settle on the specified termination date, the relevant ~~Market Loan~~ Clearing Members may initiate on the morning of the next stock loan business day the “buy-in” or “sell-out” process described in this Rule, as applicable.

(e) *Extinguished Positions.* From and after the time when termination of a Market Loan, or a portion thereof, is completed in accordance with this Rule, the Corporation shall extinguish the stock loan position of the Lending Clearing Member and the stock borrow position of the Borrowing Clearing Member in respect of the terminated Market Loan, or such portion thereof. The Corporation shall be discharged from its obligations as borrower to the Lending Clearing Member and lender to the Borrowing Clearing Member, and shall have no further obligation in respect of the terminated Market Loan, or such portion thereof.

(f) *Mark-to-Market Payments Pending Termination.* Notwithstanding that the termination of a Market Loan, or a portion thereof, has been initiated, the Lending Clearing Member and the Borrowing Clearing Member shall continue to make and receive daily mark-to-market payments, dividend equivalent payments and rebate payments and to deposit margins with the Corporation, all in accordance with the Rules, up to and including the date on which settlement of the termination of the Market Loan is completed.

(g) *Compliance With Applicable Law.* Anything else ~~herein~~ in this Chapter XXIA to the contrary notwithstanding, the Corporation shall not be held liable for any Clearing Member’s failure to comply with its responsibilities and obligations under the federal and state securities laws, including, but not limited to, Regulation SHO, or any applicable rules of the relevant Loan Market or any exchange or self-regulatory organization.

RULE 221710A – Suspension of a Market Loan Clearing Members – Pending and Open Market Loans

(a) *Pending Market Loans.* If the Corporation, a Loan Market or the Depository suspends a ~~Market Loan~~ Clearing Member prior to the time at which the Corporation otherwise would have accepted a stock loan to which the suspended Clearing Member is a party as a Market Loan, then, notwithstanding any other provision of the By-Laws and Rules, the Corporation shall have no obligation to accept, and shall not accept, the stock loan. In such situation, the Corporation shall notify the Depository and the Loan Market that the Corporation has rejected such stock loan as a Market Loan.

(b) *Open Market Loans.* If a ~~Market Loan~~ Clearing Member is suspended by the Corporation, a Loan Market or the Depository, open stock loan and borrow positions of such Clearing Member that originated through the Market Loan Program shall, except as hereinafter provided, be

terminated in accordance with the provisions of Rule ~~22118A~~, [Rule 2219A](#), or in such other manner as the Corporation determines to be the most orderly manner practicable in the circumstances, including, but not limited to, a private auction, [as described by Interpretation and Policy .02 of Rule 1104](#). Any net proceeds from the termination of such stock loan and borrow positions in any of the accounts of the suspended Clearing Member (including any net dividend equivalent payments and/or rebate payments that the suspended Clearing Member is entitled to receive in accordance with the Rules) shall be credited by the Corporation to the Liquidating Settlement Account of such Clearing Member established pursuant to Rule 1104. Any net amounts payable in respect of the termination of such stock loan and borrow positions (including any net dividend equivalent payments and/or rebate payments that the suspended Clearing Member is obligated to pay in accordance with the Rules) in any of the accounts of the suspended Clearing Member shall be withdrawn by the Corporation from the Clearing Member's Liquidating Settlement Account. The suspended Clearing Member or its representative shall be notified as promptly as possible of any termination of stock loan and borrow positions pursuant to this Rule.

(c) *Exceptions.* Notwithstanding the preceding provisions of this Rule, the Corporation may exercise the authority described in Rules 1106(d) and 1106(e) in respect of open stock loan and borrow positions resulting from Market Loans. For purposes of applying such paragraphs to open stock loan and borrow positions, references to "positions," "unsegregated long positions or short positions," and "underlying interests" therein shall be deemed to be references to "stock loan and borrow positions," "stock loan positions or stock borrow positions," and "Eligible Stock," respectively.

~~...~~ *Interpretations and Policies:*

~~.01 See Interpretation and Policy .02 following Rule 1104 for a description of the private auction process by which OCC may close out a suspended Clearing Member's open positions in stock loan and/or borrow positions that originated through the Market Loan Program.~~

RULE ~~22118A~~ – Suspension of a ~~Market Loan~~ Clearing Members – Buy-In and Sell-Out Procedures

(a) *Instruction by the Corporation.* If a ~~Market Loan~~ Clearing Member shall be suspended by the Corporation, the Corporation may direct the Lending Clearing Member or the Borrowing Clearing Member, as applicable, or, in the Corporation's discretion, may instruct an independent broker (such broker shall be a ~~Market Loan~~ Clearing Member) to buy in or sell out, as applicable, the Loaned Stock with respect to each open stock borrow or loan position of the suspended Clearing Member that originated through the Market Loan Program.

(b) *Notification of Buy-In or Sell-Out Price.* Such buy in or sell out must be executed by the Lending Clearing Member or Borrowing Clearing Member by the settlement time for a Clearing Member's obligations to OCC on the stock loan business day after the receipt of such instruction by the Corporation. Failure to execute such buy in or sell out, and provide notification of such action by such time will result in the Corporation terminating the ~~Stock~~[Market](#) Loan and

effecting Settlement based upon the Marking Price used at the close of business on the stock loan business day the original instruction was made by the Corporation.

(c) Settlement Procedures. The buy-in or sell-out shall be effected in accordance with the applicable procedures set forth in Rule 220916A, provided that (i) in the case where the Corporation instructs an independent broker to execute a buy-in, the Corporation shall return the bought-in Loaned Stock to the Lending Clearing Member against the payment of settlement price in respect thereof by the Lending Clearing Member, (ii) in the case where the Corporation instructs an independent broker to execute a sell-out, the Corporation shall recall the Loaned Stock from the Borrowing Clearing Member for purpose of the sell-out and transfer the sale proceeds to the Borrowing Clearing Member, and (iii) any amount to be credited to or collected from the suspended Clearing Member shall be credited to or withdrawn from the suspended Clearing Member's Liquidating Settlement Account.

(d) Settlement Price. The Clearing Member executing the buy-in or sell-out, as applicable, shall be prepared to defend the reasonableness of the price, the transactional costs or cash settlement value, provided that in the case where the Corporation instructs an independent broker to execute a buy-in or sell-out, every determination by the Corporation with respect to any such related matter shall be within the sole discretion of the Corporation and shall be conclusive and binding on all Clearing Members and not subject to review. A Clearing Member may demonstrate that the price or cash settlement value associated with a buy-in or sell-out is reasonable by demonstrating that the price or cash settlement value fell within the trading range of the Eligible Stock on the date of the buy-in or sell-out. The Corporation has the authority to withdraw the value of any difference between the price reported by the Clearing Member executing the buy-in or sell-out, as applicable, and the price the Corporation, in its sole discretion, determines to be reasonable. This price determined by the Corporation shall be binding and conclusive.

~~Anything else herein to the contrary notwithstanding, the Corporation shall not be held liable for any Clearing Member's failure to comply with its responsibilities and obligations under the federal and state securities laws, including, but not limited to, Regulation SHO, or any applicable rules of the relevant Loan Market or any exchange or self-regulatory organization.~~^[50]

RULE 2219A – Suspension of Clearing Member – Re-Matching in Suspension

(a) In the event that a suspended Clearing Member has Matched-Book Positions that are either Hedge Loans or Market Loans, as applicable, the Corporation will, upon notice to affected Clearing Members, close out the suspended Clearing Member's Matched-Book Positions to the greatest extent possible by (1) the termination by offset of stock loan and stock borrow positions that are Matched-Book Positions in respect of Hedge Loans or Market Loans, as applicable, in the suspended Clearing Member's account(s) and (2) the Corporation's re-matching in the order of priority in paragraph (c) below of stock borrow positions for the same number of shares in the same Eligible Stock maintained in respect of a Hedge Loan or a Market Loan in a designated account of a Matched-Book Borrowing Clearing Member against a stock loan position for the

^[50] This paragraph is deleted and consolidated with proposed Rule 2216A(g).]

same number of shares in the same Eligible Stock maintained in respect of a Hedge Loan or a Market Loan in a designated account of a Matched-Book Lending Clearing Member.

(b) The Matched-Book Borrowing Clearing Member and Matched-Book Lending Clearing Member are not required, as applicable, to issue instructions to the Depository to terminate such stock loan and stock borrow positions maintained in the Market Loan Program or Stock Loan/Hedge Program or to initiate new stock loan transactions for inclusion in the Market Loan Program or Stock Loan/Hedge Program.

(c) *Termination by Offset of Matched-Book Positions.* The termination by offset and re-matching of positions pursuant to this Rule 2219A shall be done by the Corporation using a matching algorithm in which the Matched-Book Positions of the suspended Clearing Member are first terminated by offset and affected Matched-Book Borrowing Clearing Members and Matched-Book Lending Clearing Members are then re-matched in the order of priority described below. Where it is stated below that the Corporation will re-match Matched-Book Borrowing Clearing Members with Matched-Book Lending Clearing Members that maintain between them current executed Master Securities Loan Agreements, the Corporation shall make reasonable efforts to do so based on information provided by Clearing Members to the Corporation on an ongoing basis. The Corporation shall be entitled to rely on, and shall have no responsibility to verify in any manner, the Master Securities Loan Agreement records provided by Clearing Members and on record as of the time of re-matching.

(1) The Corporation will first select the largest stock loan or stock borrow position regarding a Disclosed Market Loan for a given Eligible Stock from the suspended Clearing Member's Matched-Book Positions.

(2) The stock loan or stock borrow position selected in paragraph (c)(1) above is then re-matched with the largest available stock borrow or stock loan position regarding a Disclosed Market Loan for the selected Eligible Stock for which a Master Securities Loan Agreement exists between a Matched-Book Borrowing Clearing Member and a Matched-Book Lending Clearing Member.

(3) The Corporation will repeat the re-matching process as described in paragraphs (c)(1) – (2) above for Disclosed Market Loans of the suspended Clearing Member that are Matched-Book Positions until all potential re-matching between Matched-Book Borrowing Clearing Members and Matched-Book Lending Clearing Members with Master Securities Loan Agreements is completed.

(4) Contemporaneous with carrying out the steps described in paragraphs (c)(1) – (3), the Corporation will carry out all of the same steps in respect of Anonymous Market Loans of the suspended Clearing Member that are Matched-Book Positions, re-matching such positions with the largest available stock borrow or stock loan position regarding an Anonymous Market Loan initiated through the same Loan Market, regardless of whether a Master Securities Loan Agreement exists between a Matched-Book Borrowing Clearing Member and Matched-Book Lending Clearing Member.

(5) Contemporaneous with carrying out the steps described in paragraph (c)(1) – (3), the Corporation will carry out all of the same steps in respect of Hedge Loans of the suspended

Clearing Member that are Matched-Book Positions, re-matching such positions with the largest available stock borrow or stock loan position regarding a Disclosed Market Loan for which a Master Securities Loan Agreement exists between a Matched-Book Borrowing Clearing Member and Matched-Book Lending Clearing Member.

(6) After completion of the steps described in paragraphs (c)(1) – (5), the Corporation, the Corporation will carry out all of the same steps in respect of Market Loans of the suspended Clearing Member that are Matched-Book Positions, re-matching such positions with the largest available stock borrow or stock loan position regarding a Market Loan for which a Master Securities Loan Agreement exists between a Matched-Book Borrowing Clearing Member and a Matched-Book Lending Clearing Member, regardless of whether the Market Loans are Disclosed Market Loans or Anonymous Market Loans.

(7) After completion of the steps described in paragraphs (c)(1)-(6), the Corporation will select the largest remaining stock loan or stock borrow position for a given Eligible Stock from the suspended Clearing Member's Matched-Book Positions, regardless of whether the position is with respect to a Hedge Loan or a Market Loan.

(8)The stock loan or stock borrow position selected in paragraph (c)(7) is then re-matched with the largest available stock borrow or stock loan position for the selected Eligible Stock from the suspended Clearing Members' Matched-Book Positions from the other Stock Loan program (i.e., a Market Loan where the loan or borrow position selected in paragraph (c)(5) is a Hedge Loan or a Hedge Loan where the loan or borrow position selected in paragraph (c)(5) is a Market Loan) and for which a Master Securities Loan Agreement exists between a Matched-Book Borrowing Clearing Member and a Matched-Book Lending Clearing Member.

(9) The Corporation will repeat the re-matching process as described in paragraphs (c)(7) – (8) above for stock loan or stock borrow positions of the suspended Clearing Member that are Matched-Book Positions until all potential re-matching between Matched-Book Borrowing Clearing Members and Matched-Book Lending Clearing Members with Master Securities Loan Agreements is completed.

(10) After completion of the steps described in paragraphs (c)(1) – (9), the Corporation shall repeat the re-matching process described in paragraph (c)(6) for all remaining stock loan or stock borrow positions regarding Market Loans that are Matched-Book Positions for which Master Securities Loan Agreements do not exist between the Matched-Book Borrowing Clearing Member and Matched-Book Lending Clearing Member. Positions will be selected for re-matching in order of priority based on largest outstanding position size and regardless of whether a Market Loan is a Disclosed Market Loan or Anonymous Market Loan.

(11) Contemporaneous with carrying out the steps described in paragraph (c)(10), the Corporation shall repeat the re-matching process described in paragraphs (c)(5) for all remaining stock loan or stock borrow positions regarding Hedge Loans that are Matched-Book Positions for which Master Securities Loan Agreements do not exist between the Matched-Book Borrowing Clearing Member and Matched-Book Lending Clearing Member.

(12) After completion of the steps described in paragraphs (c)(1) – (11), the Corporation shall repeat the re-matching process described in paragraphs (c)(7) – (9) for all remaining stock loan or stock borrow positions that are Matched-Book Positions for which Master Securities Loan Agreements do not exist between the Matched-Book Borrowing Clearing Member and Matched-Book Lending Clearing Member.

(13) After completion of the steps described in paragraphs (c)(1) – (12), any remaining stock loan or stock borrow position that is a Matched-Book Position and that is not able to be re-matched pursuant to this Rule 2219A will be closed out pursuant to the rules governing the close-out of a Hedge Loan or Market Loan position, as applicable.

(d) In the event a Borrowing Clearing Member and Lending Clearing Member are re-matched pursuant to this Rule 2219A in respect of stock loan and stock borrow positions, the resulting re-matched positions will be as follows:

(1) Where the positions are Hedge Loans, the re-matched positions will be governed by the pre-defined terms and instructions established by the Lending Clearing Member pursuant to Rule 2207.

(2) Where the positions are Anonymous Market Loans initiated through the same Loan Market, the re-matched positions will be an Anonymous Market Loan under Rule 2202A(h) governed by the pre-defined terms and instructions established by the Lending Clearing Member pursuant to Rule 2208A.

(3) Where one of the positions is a Disclosed Market Loan, or the positions are Anonymous Market Loans initiated through different Loan Markets, the re-matched position will be a Disclosed Market Loan under Rule 2202A(h) governed by the pre-defined terms and instructions established by the Lending Clearing Member pursuant to Rule 2208A. For purposes of Rule 2214A, Rule 2216A, and this Rule, the resulting Disclosed Market Loan will be deemed to have been initiated directly through the Corporation.

(4) Where one of the positions is a Market Loan and the other is a Hedge Loan, the re-matched position will be a Hedge Loan governed by the pre-defined terms and instructions established by the Lending Clearing Member pursuant to Rule 2207.

(e) Any change in Collateral requirements arising from the re-matching of stock loan or stock borrow positions pursuant to this Rule 2219A shall be included in the calculation of the mark-to-market payment obligations on the stock loan business day following the completion of the positions adjustments as set forth in Rule 2219A(f).

(f) The termination by offset and re-matching of positions pursuant to this Rule 2219A shall be complete upon the Corporation completing all position adjustments in the accounts of the suspended Clearing Member and the Borrowing Clearing Members and Lending Clearing Members with re-matched positions and when the applicable systems reports are produced and provided to the Clearing Members reflecting the completion of the transaction.

(g) From and after the time the Corporation has completed the position adjustments to terminate by offset and re-match Matched-Book Positions maintained in the suspended Clearing Member's account as set forth in 2219A(f), the suspended Clearing Member shall have no further obligation under the By-Laws and Rules with respect to such positions.

(h) From and after the time the Corporation has completed the termination by offset and re-matching as set forth in Rule 2219A(f), a Borrowing Clearing Member with re-matched stock borrow positions remains obligated as a Borrowing Clearing Member and a Lending Clearing Member with re-matched stock loan positions remains obligated as a Lending Clearing Member as specified in the By-Laws and Rules governing the Stock Loan/Hedge Program or Market Loan Program, as applicable.

(i) Upon notification that the Corporation has completed the termination by offset and re-matching of stock loan and borrow positions as set forth in Rule 2218A(f), the suspended Clearing Member and Borrowing Clearing Members and Lending Clearing Members with re-matched stock loan and borrow positions shall promptly make any necessary bookkeeping entries at the Depository necessitated by the re-matching.

(j) Borrowing Clearing Members and Lending Clearing Members that have been re-matched where the re-matched position is a Hedge Loan shall work in good faith to re-establish any terms, representations, warranties and covenants not governed by the By-Laws and Rules or to terminate the re-matched stock loan or borrow positions in the ordinary course pursuant to Rule 2213 or Rule 2216A, as applicable, as soon as reasonably practicable.