

EXHIBIT J (ITEM 19)

Attach as Exhibit J narrative descriptions of each service or function performed by the registrant.

Below is a description of each service or function performed by the Registrant's Government Securities Division and Mortgage-Backed Securities Division.

GOVERNMENT SECURITIES DIVISION

Background

The Government Securities Division of Fixed Income Clearing Corporation is the leading provider of trade comparison, netting, risk management and settlement for the U.S. Government securities marketplace.

The FICC/GSD accepts buy-sell transactions, repurchase and reverse repurchase agreement transactions ("repos"), and Treasury auction purchases in eligible securities. The U.S. Government securities market is predominantly an over-the-counter market. Most transactions in the U.S. Government securities market are settled on a T+1 basis.

The FICC/GSD's comparison and netting systems form the core of all of its services. These systems are used to compare transactions in eligible Treasury bills, notes, bonds, Treasury inflation-protected securities and zero-coupon securities, as well as book-entry Fedwire-eligible non-mortgage-backed Federal Agency securities (e.g., Tennessee Valley Authority). The transactions are then netted into one position per CUSIP, where the FICC/GSD becomes the counterparty for settlement purposes for each net settlement position. These services are discussed in more detail below.

Trade Comparison/Real-Time Trade Matching (RTTM®)

The crux of the FICC/GSD's comparison system is its RTTM® service. This is an interactive tool that enables members to automate the processing of their securities trades throughout the trading day. Using standardized international message formats, RTTM® provides a common platform for collecting and matching trade data, enabling the parties to a securities trade to monitor and manage the status of their trades in real time. The result is an immediate confirmation for trade executions that is legal and binding. RTTM® creates a more streamlined and operationally efficient processing environment. It maximizes the volume of trades that match on trade date, and it reduces the risk of mismatched securities trades by allowing trading parties to note and fix errors or potential problems in execution or processing as close as possible to trade execution.

Because real-time trade information is recorded immediately, RTTM® further safeguards Members in the event of an interruption of business at a member firm level or all across the industry.

Netting and Settlement

Through netting, the FICC/GSD establishes a single net long or short position for each Member's daily trading activity in a given security. The Member's net position is the difference between all purchases (long) and all sales (short) in a given security. The FICC/GSD replaces each net position with a settlement obligation for the scheduled settlement date whereby the Member settles with the FICC/GSD as CCP. The FICC/GSD's netting system typically reduces the costs associated with securities transfers by reducing the number of securities movements required to settle transactions.

Because FICC is not a depository institution, it is not given direct access to Fedwire and therefore employs the services of its two clearing banks, the Bank of New York Mellon ("BNY") and JPMorgan Chase Bank ("JPM"), for this purpose. FICC/GSD Rule 12 (Securities Settlement) provides that the FICC/GSD shall notify each Member (prior to the entity activating its membership) of the clearing bank or banks that the FICC/GSD will use to deliver eligible securities to Members and to receive eligible securities from Members, and by product, the types of securities that each such clearing bank will so deliver and receive. In turn, each Member (prior to activating its membership) must notify the FICC/GSD of the clearing bank or banks that the Member has designated to act on its behalf in the delivery of securities to the FICC/GSD and in the receipt of securities from the FICC/GSD.

On each business day, the FICC/GSD makes available to each Member output (i.e., a report) that provides information (for example, type of obligation (deliver or receive), name and reference number of the clearing bank, CUSIP number, settlement date, par value, final dollar value and other information descriptive of an eligible netting security) that the FICC/GSD deems sufficient to enable such Member to settle its net settlement positions on that business day. Each Member, based on the information provided by the FICC/GSD, then provides appropriate instructions to its clearing bank to deliver to the FICC/GSD, and/or to receive from the FICC/GSD, on behalf of the Member, eligible netting securities against payment or receipt at the appropriate settlement value.

Obligations may be settled within a clearing bank (i.e., on the books of a clearing bank) when the deliver and attendant receive obligation are at the same clearing bank, otherwise, obligations are settled using Fedwire. All deliveries are made against full payment.

Auction Takedown Service

The FICC/GSD's Auction Takedown service enables Members to have their Treasury auction awards netted and guaranteed with the rest of their trading activity in the secondary markets thereby reducing settlement risk and costs for participants' auction purchases. All auction awards are submitted to the FICC/GSD by the Federal Reserve Banks on a locked-in basis, meaning that the FICC/GSD automatically generates trade confirmations based on information supplied by the Federal Reserve Banks.

Repurchase Agreement Services

Repos are financial instruments that enable firms to sell securities to obtain immediate funds for their own accounts, or for the benefit of their clients, and to simultaneously agree to repurchase the same (or similar) securities after a specified time at a given price, including interest calculated using a rate agreed upon at the time of execution. Repos can be executed directly between dealers, or on a blind-brokered basis through inter-dealer brokers. In dealer-to-dealer processing, dealers trade directly with one another. In blind brokering, repos are executed using inter-dealer brokers to ensure dealer anonymity. The FICC/GSD provides automated matching, netting, settlement and risk management of repo transactions.

As part of its netting process, each night FICC nets buy-sell transactions, repos (with next day start or close legs), and Treasury auction purchases for eligible transactions within the same CUSIP due to settle on the next business day. In addition, failed obligations are also included in the net.

The FICC/GSD also provides a service known as the GCF Repo® service, which enables dealers to trade general collateral repos¹, based on rate, term and underlying product, throughout the day with inter-dealer broker netting members ("brokers") on a blind basis. The service helps foster a highly liquid market for short-term financing.

Brokers (who are also members of the FICC/GSD) are required to enter data on GCF Repo® transactions for submission to the FICC/GSD shortly after trade execution. Because the specific collateral is not known at the point of trade, brokers submit all GCF Repos® to the FICC/GSD using generic general collateral CUSIPs² that denote the underlying product. GCF Repo® participants can trade in generic CUSIP numbers all day and then, after the netting process at the end of the day, allocate specific securities³ to their net settlement obligations. The FICC/GSD becomes the CCP for settlement purposes to each dealer party to a GCF Repo® transaction and guarantees settlement of GCF Repos® upon receipt of trade data.

GCF Repo® transactions are settled on a tri-party basis⁴, which requires dealer Members to have an account with either one or both of the participating clearing banks, BNY and JPM. Dealer Members of the GCF Repo® service are permitted to engage in GCF Repo® trading on an *inter*-clearing bank basis, meaning that dealers using different clearing banks (i.e., one dealer clears at BNY and the other dealer clears at JPM) are able

¹ A general collateral repo is a repo in which the underlying securities collateral is nonspecific, general collateral whose identification is at the option of the seller. This is in contrast to a specific collateral repo.

² Standardized generic CUSIP numbers established for GCF Repo® processing are used to specify the acceptable type of underlying eligible collateral. For example, there is a GCF Repo® CUSIP for Treasuries with a remaining maturity of ten years or less.

³ The generic general collateral CUSIP defines the appropriate collateral that a dealer may use to satisfy the net settlement obligation in that CUSIP.

⁴ A tri-party repo is one where a custodian bank acts as an intermediary between the two parties to the repo.

to enter into GCF Repo® transactions (on a blind basis). Because the net GCF Repo® settlement obligations are established after the close of the securities Fedwire, FICC and its two clearing banks have established a tri-party like settlement mechanism to permit a movement of the securities after the securities Fedwire has closed. Specifically, the two clearing banks have agreed to allow the securities to be held under a subcustodial relationship (where FICC is the subcustodian) in lieu of receiving the securities via Fedwire. (The movement of the funds to the clearing bank with the net funds borrowers does not raise the same need because the funds Fedwire stays open later.)

During the next day, the GCF pledges are unwound. This means that the securities are returned to the net funds borrowers and the funds are returned to the net funds lenders. The clearing bank (assume it is BNY for illustrative purposes) that is returning the funds to the net funds lenders permits FICC to run a debit in the FICC account at BNY. The net funds borrowers pledge their net free equity⁵ at JPM to FICC; FICC, in turn, pledges this interest to BNY (the clearing bank that has permitted the debit). The debit in the FICC account at the BNY gets satisfied during the end of day GCF settlement process. Specifically, that day's new activity will yield a new interbank funds amount that will move at end of day—this amount is netted with the amount that would have been due in the morning. The holds against the dealers' net free equity accounts are released when the interbank funds movement is made at end of day.

FICC made changes to the GCF Repo® service in 2011 to comply with the recommendations made by the TaskForce on Triparty Reform (“TPR”), an industry group formed and sponsored by the Federal Reserve Bank of New York. These changes better align the GCF Repo® service with the TPR recommended changes for the overall triparty market. These changes include the following: (a) the move of the cut-off of GCF Repo submissions from 3:35pm to 3:00pm and (b) the move of the cut-off time for dealer affirmation or disaffirmation from 3:45pm to 3:00pm.⁶

⁵ A dealer's net free equity consists of the dealer's balances at the clearing bank and it encompasses the methodology that the clearing banks use to determine whether an account holder, such as a dealer, has sufficient collateral to enter a specific transaction. The net free equity methodology allows a clearing bank to place a limit on its customers' activity by calculating a value on the customers' balances at the bank.

⁶ Each of these changes and certain other changes are more fully described in SR-FICC-2012-05 which can be found on FICC's website at www.dtcc.com. The approved rule changes are being implemented as an extension to the pilot program that was initially approved in connection with SR-FICC 2011-05 .

MORTGAGE-BACKED SECURITIES DIVISION

Background

The Mortgage-Backed Securities Division of the Fixed Income Clearing Corporation processes settlement-balance order (“SBO”)-destined “To Be Announced” (“TBA”) transactions, trade-for-trade TBA transactions, TBA Option transactions and Specified Pool Trades (“Specified Pool Trades”). FICC/MBSD processing of these eligible transactions (which are in pass-through mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac) consists of the following steps: trade matching, TBA netting (SBO destined only), Electronic Pool Notification (“EPN”) allocation, pool comparison, pool netting, settlement versus FICC or the original settlement counterparty (as applicable), and notification of settlement for those trades that settled outside of FICC. Specified Pool Trades and Option trades are only eligible for trade matching and risk management services. These processes are discussed in more detail below.

The U.S. mortgage-backed securities market is predominantly an over-the-counter market. Mortgage-backed securities are traded in the forward market and are settled on the settlement dates established by the Securities Industry and Financial Markets Association (“SIFMA”) for the associated product Class (known as Classes A, B, C and D). The SIFMA classes and settlement dates are industry-recognized and provide the foundation of the FICC/MBSD TBA netting process.

The FICC/MBSD’s comparison and TBA netting systems form the basis of all of its other services. These systems are used to compare transactions in eligible mortgage-backed securities, and later to net TBA securities within their SIFMA-defined Class for settlement of the underlying pools on their designated settlement date.

The final TBA net positions are referred to as the Settlement Balance Order (“SBO”) positions, which constitute settlement obligations. TBA trades that were submitted as trade-for-trade transactions are not netted at the TBA level, but like SBO positions, do constitute TBA settlement obligations.

Selling members communicate the pools they intend to deliver in satisfaction of TBA settlement obligations to buying members via the EPN system. Members further submit these pool details, in the form of “Pool Instructs,” into the Pool Netting system for bilateral matching. On the evening prior to delivery date, a member’s matched Pool Instructs that meet the criteria for inclusion in Pool Netting are netted to further decrease the number and value of securities settlements that need to take place.

Specified Pool Trades and Options trades are not netted at the TBA level and they are not eligible for pool netting.

All of the services briefly outlined above are discussed in more detail below.

Trade Comparison/Real-Time Trade Matching (RTTM®)

The crux of the FICC/MBSD's comparison system is its RTTM service. This is an interactive tool that enables members to automate the processing of their TBA trades and Specified Pool Trades throughout the trading day. Using standardized international message formats, RTTM provides a common platform for collecting and matching trade data, enabling the parties to a securities trade to monitor and manage the status of their trades in real time. The result is an immediate confirmation for trade executions that is legal and binding. RTTM creates a streamlined and operationally efficient processing environment. It maximizes the volume of trades that match on trade date, and it reduces the risk of mismatched securities trades by allowing trading parties to note and fix errors or potential problems in execution or processing as close as possible to trade execution.

Because real-time trade information is recorded immediately, RTTM further safeguards Members in the event of an interruption of business at a member firm level or all across the industry.

Upon trade execution, FICC/MBSD Members submit all mandatory trade details to the FICC/MBSD RTTM system to be matched with the trade details submitted against them by their counterparties.

As stated above, brokered trades are handled on a "give-up" basis in the FICC/MBSD. In the case of SBO-destined trades, the dealers in a brokered trade are substituted as the counterparties prior to TBA netting; in the case of trade-for-trade or Option transactions, the dealers are given up prior to the contractual settlement date.

A trade is deemed compared by the FICC/MBSD at the point in time at which the FICC/MBSD makes available to the members on both sides of a transaction output indicating that their trade data have been compared. A trade compared by the FICC/MBSD constitutes a valid and binding contract. The FICC/MBSD guarantees trade settlement (i.e., make the counterparty whole) at the point of comparison regardless of whether the trade is novated and settled versus FICC or novated and settled bilaterally between Members.

Once trade-for-trade transactions and Specified Pool Trades are matched by the FICC/MBSD, settlement obligations are established between the counterparties as these trades do not enter the TBA netting process. SBO-destined TBA transactions proceed to the TBA netting process after they are matched. TBA Options are canceled by both Members at the time the underlying option is exercised or reached its expiration date.

TBA Netting

As noted previously, SIFMA establishes various standard product classes (known as Classes A, B, C and D) and associated Settlement Dates for each Class. The SIFMA

Classes and Settlement Dates are industry recognized and provide the foundation of the MBSD TBA netting process.

Three business days prior to the SIFMA established settlement date (known as “72 Hour Day”), TBA netting for the applicable Class occurs. On this date, all TBA trades within that Class that have been designated for TBA netting (i.e., that were submitted as SBO-destined) and that have been fully matched/compared are paired-off within and across contra-sides. The final net position is referred to as the Settlement Balance Order (“SBO”) position which constitutes settlement obligations against which “Pool Instructs” may be submitted (this is discussed in more detail below). TBA trades that were submitted as trade-for-trade transactions are not netted at the TBA level, but like SBO positions do constitute TBA settlement obligations against which “Pool Instructs” may be submitted. Specified Pool Trades are also not netted at the TBA level and they are not eligible for pool netting.

EPN Allocation

Two business days prior to the established settlement date of the TBA obligations (known as “48 Hour Day”), pool allocations occur. Pool allocations occur for all TBA obligations, whether established on 72 Hour Day via TBA netting, or established upon comparison when submitted as trade-for-trade activity. Allocations are not performed for Specified Pool Trades, as the pool that is to be delivered is specified upon submission (i.e., is not TBA). Members that are designated sellers of TBA obligations submit detailed information regarding the pools they intend to deliver to their buyer counterparties in satisfaction of their TBA obligations. This notification occurs via the MBSD’s EPN system. The EPN system processes all messages in real time.

Pool Comparison

On 48 Hour Day, Members are also required to submit pool allocation information (called “Pool Instructs”) via the RTTM system for pool comparison (which is a prerequisite for pool netting). As with EPN allocation, Pool Instructs are to be submitted against all TBA obligations, whether stemming from trade-for-trade activity⁷ or TBA netting. (As noted previously, allocations are not performed for Specified Pool Trades and they are not eligible for pool netting services.)

Pool data information on Pool Instructs must be bilaterally compared (i.e., the mandatory comparison pool data submitted by the seller must match the mandatory comparison pool data submitted by the buyer) in order for the Pool Instructs to be eligible for consideration for pool netting. Pool Instructs must further be “assigned” by the MBSD to a valid, open TBA position, meaning that the trade terms submitted on the Pool Instruct must match the trade terms of a TBA CUSIP that has sufficient open position. Only compared and assigned Pool Instructs are evaluated for inclusion in pool netting.

⁷ Trades executed as stip trades may be held back from pool netting.

Pool Netting

Compared pools are evaluated for potential inclusion in pool netting. Pool netting, and the resultant generation of deliver and receive settlement obligations, is designed to achieve a number of objectives: (1) to further extend netting benefits by performing pair-offs where applicable (note that Pool Instructs subject to pair-off processing remain part of the overall pool netting process and are treated identically as all other netted Pool Instructs); (2) to reduce the number of clearances a Member must make to settle its pool settlement obligations; (3) to minimize the amount of par for which a delivery must be made (so that the Member does not have to “build a box”); and (4) to maximize the number of a member’s deliveries that will occur within a single clearing bank.

Pool netting occurs daily after the input cutoff for the current cycle is reached. All pool instructs having a delivery date equal to the next business date will be included in the current day’s pool netting cycle. Because the majority of mortgage-backed securities settle on one of four monthly scheduled settlement dates established by SIFMA for each security class, the majority of pool instructs will be netted on the business day preceding the SIFMA established settlement date of the TBA obligations (known as “24 Hour Day”). (That is, there are four 24 Hour Days that correspond to the four SIFMA established settlement dates, one for each product Class – “A,” “B,” “C” and “D.”)

The FICC/MBSD’s system has the ability to project which pools will receive maximum benefit from pool netting by considering such factors as trading velocity and projected netting factor and may choose to limit netting to those pools only. The determination of whether all pools are subject to pool netting or whether FICC will impose the limitations associated with trading velocity and projected netting factors will be decided in consort with the members. If limits are placed, only the most actively-traded pools with significant netting potential, the FICC/MBSD has established eligibility criteria. These criteria include the following: 1) the total par (current face) of all Pool Instructs across all members in a given pool must meet a minimum (configurable) requirement; and 2) the percentage of sides that would be eliminated via netting must meet a minimum (configurable) requirement. The FICC/MBSD believes that this approach avoids the imposition of additional settlement costs on Members for thinly traded pools.

Any Pool Instruct not included in the selection process for pool netting, such as uncomparing Pool Instructs or Pool Instructs in pending status (pending status occurs if a Member submits a pool number that FICC does not have complete information on or if FICC deems that the pool number should not be netting eligible), will be purged from the system. These transactions must be settled directly between allocation counterparties outside of FICC.

All Pool Instructs selected for pool netting will be aggregated to arrive at a single net position in each pool number that the member must either deliver or receive. Upon FICC's issuance of pool netting results to members, TBA settlement obligations between the parties are cancelled and replaced with obligations to settle with FICC.

Settlement

(i) Settlement with FICC as Counterparty

Members will be required to designate a clearing bank for purposes of delivering securities to, and receiving securities from, the MBSB in satisfaction of settlement obligations. All deliveries and receipts of securities in satisfaction of pool deliver obligations and pool receive obligations are required to be made against simultaneous payment.

On delivery date, members will be required to deliver securities to, or receive securities from, one of FICC's designated accounts at its clearing banks in satisfaction of its net pool deliver or net pool receive obligations as established and reported by FICC. Settlements will occur at a settlement value (the pool net settlement value) determined by FICC. Members will receive the difference between the "final money" as calculated on the Pool Instructs and the settlement value at which net pool obligations were created as part of their funds-only settlement obligation in the form of a pool transaction adjustment payment, or "Pool TAP."

If a member fails to deliver pools to FICC, FICC would subsequently fail to deliver to the corresponding buyer counterparty or counterparties (as established by the binds created by the delivery algorithm). These fails remain on FICC's books until the seller either delivers the pools to FICC in satisfaction of its net pool deliver obligation, or substitutes the net pool deliver obligation with replacement pools. Fails are not re-netted (that is, they will not be included as part of the next delivery date's pool netting cycle).

(ii) Settlement outside of FICC

For those Pool Instructs which are not included in Pool Netting (either because they are ineligible or because they do not meet selection criteria for inclusion in the net), members are required to settle such transactions bilaterally with applicable settlement counterparties, outside of FICC. Since Specified Pool Trades are not eligible for pool netting, these must also be settled bilaterally with applicable settlement counterparties outside of FICC. Members must continue to submit Notifications of Settlement ("NOS") to FICC with respect to these settlements. NOS is required to be received on the applicable clearance date for each transaction. When the MBSB receives NOS from each counterside to a transaction, the MBSB reports clearance of the applicable transaction back to each member. At this point, the MBSB stops collecting margin on the transaction, and is no longer responsible for principal and interest payments. Members will have the ability to submit NOS via RTTM Web and/or MBSB Proprietary File

transmission Service, and can do so on the day the obligations are settled. This will allow the settled obligation to be excluded from FICC's risk management processes more quickly.

The rules that reflect the services referenced herein have been approved by the Securities and Exchange Commission and are incorporated by reference into the Form CA-1 previously filed by the Registrant.

EXHIBIT K (ITEM 20)

Attach as Exhibit K a description of the measures or procedures employed by registrant to provide for the security of any system which performs the functions of a clearing agency. Include a general description of any operational safeguards designed to prevent unauthorized access to the system (including unauthorized input or retrieval of information for which the primary record source is not hard copy). Identify any instances within the past year in which the described security measures or safeguards failed to prevent unauthorized access to the system and describe any measures taken to prevent a recurrence of any such incident. Describe also any measures used to verify the accuracy of information received or disseminated by the system.

The response to this item is confidential. It has been omitted and filed separately with the Secretary of the U.S. Securities and Exchange Commission pursuant to the Freedom of Information Act.

EXHIBIT L (ITEM 21)

Attach as Exhibit L a description of the measures or procedures employed by registrant to provide for the safeguarding of securities and funds in its custody or control. Identify any instances within the past year in which the described security measures or safeguards failed to prevent any unauthorized access to securities or funds in possession of registrant and any measures taken to prevent a recurrence of any such incident.

Set forth below is a description of the measures or procedures employed by Registrant to provide for the safeguarding of securities and funds in its custody or control.

With the exception of the GCF Repo® service tri-party mechanism (described below), securities and funds that are in Registrant's control are held subject to the custodian and depository bank arrangements described in Item 4 of Schedule A. Registrant did not have any instances within the past year in which security measures or safeguards failed to prevent any unauthorized access to securities or funds in possession of Registrant.

GCF Repo® Transactions

1. General

GSD's GCF Repo® service enables dealer members to freely and actively trade general collateral repos throughout the day without requiring intra-day, trade-for-trade settlement on a delivery-versus-payment basis. Settlement is achieved on a net basis at the end of the day using a tri-party mechanism. Through netting and novation, GSD becomes the legal counterparty to all GCF Repos® within minutes of execution.

Inter-dealer broker netting members ("brokers") are required to submit these GCF Repos® to GSD within 5 minutes of trade execution via electronic trade submission or the GCF RTTM Web Front End. Dealers have until 3:00pm to act to affirm or disaffirm trade data submitted against them by a broker; if they have not acted, the data automatically is deemed to be affirmed. GSD then conducts an afternoon net exclusively for GCF Repo® activity, establishing a single net receive or deliver obligation for dealer members in each generic CUSIP.

Dealers with net deliver obligations must allocate acceptable securities (determined by the generic CUSIP) and deliver those securities on a DVP basis to a GSD account within their clearing bank using a modified tri-party-like arrangement. GSD then instructs the clearing bank to deliver those securities to dealers having net receive obligations. All GCF Repo® activity settles between dealers and GSD within the dealers' clearing banks.

The GCF Repo® service allows a participating dealer to engage in GCF Repo® trading with dealers that use different clearing banks. In this regard, GSD has enlisted the assistance of its two clearing banks to establish an alternate mechanism to permit an after-hours “movement” of cash and securities among the clearing banks.

Each of these clearing banks, The Bank of New York Mellon (“BONY”) and JPMorgan Chase Bank (“Chase”), has established a special clearance account in the name of GSD to be used exclusively to effect this after-hours movement of securities. At the end of each business day, GSD establishes the net GCF Repo® settlement position and collateral allocation obligation or entitlement for each participating dealer with respect to each generic CUSIP number, and each clearing bank makes all possible internal cash and securities GCF Repo® deliveries between GSD and the dealers that clear at that bank. At this point, the clearance customers of one of the two banks – assume that it is Chase – will be in an aggregate net funds “borrower” position (or aggregate net short securities position) and the customers of the other bank – assume that it is BONY – will be in an aggregate net funds “lender” position (or aggregate net long securities position), and GSD will instruct Chase to allocate to the special GSD clearance account at Chase securities in an amount equal to the net short securities position.

GSD has established on its own books and records two “securities accounts” as defined in Article 8 of the New York Uniform Commercial Code (the “NYUCC”), one in the name of Chase and one in the name of BONY. The securities account it has established in the name of Chase will be comprised of the securities in GSD’s special clearance account maintained by BONY, and the securities account it has established in the name of BONY will be comprised of the securities in GSD’s special clearance account maintained by Chase. GSD has appointed Chase as its agent to maintain GSD’s books and records with respect to the BONY securities account, and GSD has appointed BONY as its agent to maintain GSD’s books and records with respect to the Chase securities account.

The establishment of these securities accounts by GSD in the name of the clearing banks enables the bank that is in the net long securities position to “receive” securities after the close of the securities Fedwire. Once it has “received” the securities, it can credit them by book-entry to a GSD account and then to the dealers that clear at that bank that are net long securities in connection with GCF repo trades. The establishment of the securities accounts by GSD also gives each clearing bank a “securities entitlement” under Article 8 of the NYUCC and the comfort of relying on GSD as its “securities intermediary” as defined in Article 8 of the NYUCC.

In the example described above, Chase will transmit to BONY a description of the securities in the BONY securities account. Based on this transmission, BONY will transfer funds equal to the aggregate net funds borrowed position to a demand deposit account in the name of GSD that is maintained by Chase. Upon receipt of the funds by Chase, Chase will release any liens it may have on the special GSD clearance account, and GSD will release any liens it may have on the BONY securities account (both these accounts being comprised

of the same securities). BONY will credit the securities in the BONY securities account to GSD's regular GCF Repo® clearance account at BONY, and BONY will further credit these securities to dealers participating in the GCF Repo® service that clear at BONY and that are in a net long securities position. Thus, GSD, Chase and BONY will have accomplished an after-hours movement of securities between clearing banks and will enable dealers that clear at both banks to trade GCF Repo® with each other.

All securities and funds movements occurring on a particular business day between the participating clearing banks are reversed the next business day within a timeframe for such established by GSD and the clearing banks.

The rules that reflect the services referenced herein have been approved by the Securities and Exchange Commission and are incorporated by reference into the Form CA-1 previously filed by the Registrant.

EXHIBIT M (ITEM 22)

If clearing agency functions are performed by automated facilities or systems, attach as Exhibit M a description of all backup systems or subsystems which are designed to prevent interruptions in the performance of any function as a result of technical or other malfunction. Include backups for input or output links to the system and precautions with respect to malfunctions in any areas external to the system.

Set forth below is a description of all backup systems or subsystems which are designed to prevent interruptions in the performance of any function as a result of technical or other malfunction, including backups for input or output links to the system and precautions with respect to malfunctions in any areas external to the system.

In support of the FICC's business, DTCC has multiple data center locations, including in-region and out-of-region sites. In-region sites utilize synchronous data replication between them, maintaining multiple exact copies of all production data in separate locations. The out-of-region site contains additional asynchronously replicated copies of in-region production data. (The asynchronous nature of the replication to this site is due to the limits inherent in current-day technology; the technology currently permits asynchronous replication sufficiently timely to ensure that there is no more than a two-minute variance in the data stored at the in-region sites and the data stored out-of-region.)

All data centers have emergency monitoring and backup systems including: fire detection and suppression systems, uninterruptable power supply and standby generators, and dual path, redundant telecommunications utilizing diverse paths. All sites are operational and have sufficient capacity to process the entire production workload so any data center can function as the sole recovery site within two hours in case one or more data centers experience an outage.

Similarly, to provide continuous operation from multiple sites, DTCC decentralized its Information Technology and key business operations staff among in-region and out-of-region sites. Daily data processing operations and monitoring of emergency systems is conducted continuously from both in-region and out-of-region data center "Command Centers."

DTCC's "SMART" (Securely Managed and Reliable Technology) Network provides connectivity between DTCC and its customers and trading platforms. All critical clearance and settlement transactions utilize SMART. SMART is a seamless, end-to-end, secure managed private communications system encompassing a geographically dispersed complex of processing centers, communications networks and control facilities. Each element of SMART is highly secure, engineered with multiple independent levels of redundancy, and capable of handling DTCC's entire clearance and settlement workload. SMART connects to both in-region and out-of-region data centers. External

traffic is split between these connections, which are always active with each having sufficient capacity for the entire traffic volume.

EXHIBIT N (ITEM 23)

Attach as Exhibit N a list of the persons who currently participate, or who have applied for participation, in registrant's clearing agency activities (if registrant performs more than one activity, a columnar presentation may be utilized).

Set forth below is a list of the persons (1) who currently participate in Registrant's clearing agency activities and (2) who currently have applied* for membership:

(1) list of the persons who currently participate in Registrant's clearing agency activities.

GOVERNMENT SECURITIES DIVISION MEMBERSHIP:

NETTING MEMBERS

1. ABBEY NATIONAL TREASURY SERVICES, PLC CONNECTICUT BRANCH
2. ABN AMRO CLEARING CHICAGO LLC
3. ABN AMRO SECURITIES (USA) LLC
4. AMHERST SECURITIES GROUP, L.P.
5. APEX CLEARING CORPORATION
6. AVM, L.P.
7. BANCA IMI SECURITIES CORP.
8. BANCO BILBAO VIZCAYA ARGENTARIA S.A. NY BRANCH
9. BANK OF AMERICA, NATIONAL ASSOCIATION
10. BANK OF MONTREAL (CHICAGO BRANCH)
11. BARCLAYS CAPITAL INC.
12. BGC FINANCIAL, L.P.
13. BMO CAPITAL MARKETS CORP.
14. BNP PARIBAS SECURITIES CORP.
15. CANTOR FITZGERALD & CO
16. CAPITAL ONE BANK (USA), NATIONAL ASSOCIATION
17. CAPITAL ONE, NATIONAL ASSOCIATION
18. CIBC WORLD MARKETS CORP.
19. CITADEL SECURITIES LLC
20. CITIBANK, N.A.
21. CITIGROUP GLOBAL MARKETS INC./ SMITH BARNEY
22. CITIZENS BANK OF PENNSYLVANIA
23. COMMERZ MARKETS LLC
24. COMMERZBANK AG - NY BRANCH
25. CREDIT AGRICOLE CORPORATE & INVESTMENT BANK, NY BRANCH
26. CREDIT AGRICOLE SECURITIES (USA) INC.

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*The response to this item is confidential. It has been omitted and filed separately with the Secretary of the U.S. Securities and Exchange Commission pursuant to the Freedom of Information Act.

27. CREDIT SUISSE SECURITIES (USA) LLC
28. CRT CAPITAL GROUP LLC
29. DAIWA CAPITAL MARKETS AMERICA INC.
30. DEALERWEB INC. /HF
31. DEUTSCHE BANK SECURITIES INC./NEW YORK
32. FANNIE MAE
33. FIRST CLEARING, LLC
34. FIRST TENNESSEE BANK N.A
35. GLEACHER & COMPANY SECURITIES, INC.
36. GOLDMAN SACHS EXECUTION & CLEARING, L.P.
37. GOLDMAN, SACHS & CO.
38. GUGGENHEIM SECURITIES, LLC
39. HSBC BANK USA, NATIONAL ASSOCIATION
40. HSBC SECURITIES (USA) INC.
41. ICAP SECURITIES USA LLC
42. INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC
43. ING FINANCIAL MARKETS LLC
44. INTERACTIVE BROKERS LLC
45. J.P. MORGAN SECURITIES LLC
46. JEFFERIES & COMPANY, INC.
47. JP MORGAN CHASE BANK, NA
48. KEYBANC CAPITAL MARKETS INC.
49. KGS-ALPHA CAPITAL MARKETS, L.P.
50. KNIGHT CAPITAL AMERICAS LLC
51. LANDESBANK BADEN - WURTEMBERG, NEW YORK BRANCH
52. LAZARD CAPITAL MARKETS LLC
53. MERRILL LYNCH, PIERCE, FENNER & SMITH INC.
54. MITSUBISHI SECURITIES (USA) INC.
55. MITSUBISHI UFJ TRUST AND BANKING CORPORATION
56. MITSUBISHI UFJ TRUST AND BANKING CORPORATION NEW YORK BRANCH
57. MIZUHO SECURITIES USA INC.
58. MIZUHO CORPORATE BANK, LTD., NEW YORK BRANCH
59. MORGAN STANLEY & CO. LLC
60. MORGAN STANLEY SMITH BARNEY LLC
61. NATIONAL AUSTRALIA BANK LIMITED - NY BRANCH
62. NATIONAL BANK OF CANADA - NY BRANCH
63. NATIONAL FINANCIAL SERVICES LLC
64. NATIXIS SECURITIES AMERICAS LLC
65. NEWEDGE USA, LLC
66. NOMURA SECURITIES INTERNATIONAL, INC.
67. OPPENHEIMER & CO. INC.
68. PALAFOX TRADING, LLC
69. PERSHING LLC
70. PIERPONT SECURITIES LLC
71. PIPER JAFFRAY & CO.

72. RABOBANK NEDERLAND - NY BRANCH
73. RBC CAPITAL MARKETS, LLC
74. RBS CITIZENS, NATIONAL ASSOCIATION
75. RBS SECURITIES INC.
76. RCAP SECURITIES, INC.
77. ROBERT W. BAIRD & CO. INCORPORATED
78. RONIN CAPITAL LLC
79. ROSENTHAL COLLINS GROUP, LLC
80. SCOTIA CAPITAL (USA) INC.
81. SG AMERICAS SECURITIES, LLC
82. SMBC NIKKO SECURITIES AMERICA, INC.
83. SOCIETE GENERALE, NEW YORK BRANCH
84. SOUTH STREET SECURITIES LLC
85. STANDARD CHARTERED BANK-NEW YORK BRANCH
86. STATE STREET BANK & TRUST COMPANY
87. STIFEL, NICHOLAUS & COMPANY INCORPORATED
88. SUMITOMO MITSUI BANKING CORPORATION - NEW YORK BRANCH
89. TD SECURITIES (USA) LLC
90. THE BANK OF NEW YORK MELLON
91. THE BANK OF NOVA SCOTIA, NEW YORK AGENCY
92. THE BANK OF TOKYO MITSUBISHI UFJ, LTD
93. THE NORINCHUKIN BANK, NEW YORK BRANCH
94. TRADITION ASIEL SECURITIES INC.
95. TULLETT PREBON FINANCIAL SERVICES LLC
96. U.S. BANCORP INVESTMENTS, INC.
97. UBS FINANCIAL SERVICES INC.
98. UBS SECURITIES LLC
99. WEDBUSH SECURITIES INC.
100. WELLS FARGO ADVISORS, LLC
101. WELLS FARGO BANK, NATIONAL ASSOCIATION
102. WELLS FARGO SECURITIES, LLC
103. WESTLB AG - NY BRANCH
104. ZIONS FIRST NATIONAL BANK-CAPITAL MARKETS

COMPARISON-ONLY MEMBERS

1. CONVERGEX EXECUTION SOLUTIONS LLC
2. CHARLES SCHWAB & CO., INC
3. COR CLEARING LLC
4. DAVID LERNER ASSOCIATES, INC.
5. EDWARD D. JONES & CO.
6. J.P. MORGAN CLEARING CORP
7. NOMURA INTERNATIONAL PLC
8. RAYMOND JAMES & ASSOCIATES, INC.
9. SOUTHWEST SECURITIES, INC.

MORTGAGE-BACKED SECURITIES DIVISION MEMBERSHIP:

CLEARING MEMBERS

1. APEX CLEARING CORPORATION
2. AVM, L.P.
3. BANK OF AMERICA, N.A.
4. BANK OF OKLAHOMA, N.A.
5. BNY MELLON CAPITAL MARKETS, LLC
6. THE BANK OF NOVA SCOTIA, NEW YORK AGENCY
7. BARCLAYS CAPITAL, INC.
8. BGC FINANCIAL, L.P.
9. BNP PARIBAS SECURITIES CORP
10. BRANCH BANKING AND TRUST COMPANY
11. CANTOR FITZGERALD & CO. / II
12. CAPITAL ONE, NATIONAL ASSOCIATION
13. CAPITAL ONE BANK (USA), NATIONAL ASSOCIATION
14. CITADEL GLOBAL FIXED INCOME MASTER FUND LTD.
15. CITADEL SECURITIES LLC
16. CITIGROUP GLOBAL MARKETS INC.
17. CITIMORTGAGE, INC.
18. BB&T SECURITIES, LLC
19. CNA FINANCIAL CORPORATION/CONTINENTAL CASUALTY
20. CREDIT SUISSE SECURITIES (USA) LLC
21. CREF BOND MARKET ACCOUNT
22. CREF SOCIAL CHOICE ACCOUNT
23. CRT CAPITAL GROUP LLC
24. DAIWA CAPITAL MARKETS AMERICA INC.
25. DEALERWEB INC. / HF
26. DEUTSCHE BANK SECURITIES INC.
27. EVERBANK
28. FANNIE MAE
29. FEDERAL HOME LOAN MORTGAGE CORPORATION (CASH PC AUCTION)
30. FIRST CLEARING, LLC
31. FIRST TENNESSEE BANK, N.A./FTN FINANCIAL
32. GOLDMAN, SACHS & COMPANY
33. ICAP SECURITIES USA LLC
34. HSBC BANK USA, N.A.
35. III FINANCE LTD.
36. INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC
37. JEFFERIES & COMPANY, INC.
38. JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
39. J.P. MORGAN SECURITIES LLC
40. J.P. MORGAN CLEARING CORP.

41. KEYBANC CAPITAL MARKETS, INC.
42. KGS - ALPHA CAPITAL MARKETS, L.P.
43. KNIGHT CAPITAL AMERICAS LLC
44. MERRILL LYNCH, PIERCE, FENNER & SMITH INC.
45. MIZUHO SECURITIES USA INC.
46. MORGAN KEEGAN & COMPANY, INC.
47. MORGAN STANLEY & CO. LLC
48. NATIONAL FINANCIAL SERVICES LLC
49. NATIXIS FINANCIAL PRODUCTS INC.
50. NEWEDGE USA, LLC
51. NOMURA SECURITIES INTERNATIONAL, INC.
52. PALAFOX TRADING LLC
53. PERSHING LLC
54. PIERPONT SECURITIES LLC
55. PIPER JAFFRAY & CO
56. PNC BANK NATIONAL ASSOCIATION
57. RAYMOND JAMES & ASSOCIATES, INC.
58. RBC CAPITAL MARKETS, LLC
59. RBS SECURITIES INC.
60. RCAP SECURITIES, INC.
61. ROBERT W. BAIRD & CO. INCORPORATED
62. SOUTH STREET SECURITIES LLC
63. STEPHENS INC.
64. STERNE, AGEE & LEACH, INC.
65. STIFEL NICOLAUS AND COMPANY, INCORPORATED
66. TD SECURITIES (USA) LLC
67. TIAA-CREF FUNDS BOND FUND
68. TIAA-CREF FUNDS BOND PLUS FUND
69. TULLETT PREBON FINANCIAL SERVICES LLC
70. UBS SECURITIES LLC
71. WEDBUSH SECURITIES INC.
72. WELLS FARGO BANK, NATIONAL ASSOCIATION
73. WELLS FARGO SECURITIES, LLC
74. WESTLB SECURITIES, INC.

EPN MEMBERS

1. AEGON USA INVESTMENT MANAGEMENT, LLC
2. AIG GLOBAL INVESTMENT CORP.
3. AIM ADVISORS, INC.
4. ALLIANCE CAPITAL MANAGEMENT, L.P.
5. ALLSTATE INSURANCE COMPANY
6. AMERIPRISE FINANCIAL SERVICES, INC.
7. APEX CLEARING CORPORATION
8. APG ASSET MANAGEMENT US INC.

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9. AVIVA INVESTORS NORTH AMERICA, INC.
10. AVM, L.P.
11. BABSON CAPITAL MANAGEMENT LLC
12. BANK OF AMERICA, N.A.
13. BARCLAYS CAPITAL, INC.
14. BB&T SECURITIES, LLC
15. BGC FINANCIAL, L.P.
16. BLACKROCK, INC.
17. BNP PARIBAS SECURITIES CORP
18. BNY MELLON CAPITAL MARKETS, LLC
19. BRANCH BANKING AND TRUST COMPANY
20. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
21. CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
22. CANTOR FITZGERALD & CO. / II
23. CAPITAL GROUP RESEARCH, INC.
24. CAPITAL ONE BANK (USA), NATIONAL ASSOCIATION
25. CAPITAL ONE, NATIONAL ASSOCIATION
26. CHARLES SCHWAB INVESTMENT MANAGEMENT, INC.
27. CITADEL GLOBAL FIXED INCOME MASTER FUND LTD.
28. CITADEL SECURITIES LLC
29. CITIGROUP GLOBAL MARKETS INC.
30. CITIMORTGAGE, INC.
31. CNA FINANCIAL CORPORATION/CONTINENTAL CASUALTY
32. COMPASS BANK
33. CREDIT SUISSE SECURITIES (USA) LLC
34. CREF BOND MARKET ACCOUNT
35. CREF SOCIAL CHOICE ACCOUNT
36. CRT CAPITAL GROUP LLC
37. DAIWA CAPITAL MARKETS AMERICA INC.
38. DEALERWEB INC. / HF
39. DELAWARE INVESTMENTS US, INC.
40. DEUTSCHE ASSET MANAGEMENT
41. DEUTSCHE BANK SECURITIES INC.
42. DUPONT CAPITAL MANAGEMENT CORPORATION
43. E*TRADE BANK
44. ELLINGTON MANAGEMENT GROUP, LLC
45. EVERBANK
46. FANNIE MAE
47. FEDERAL HOME LOAN MORTGAGE CORPORATION (CASH PC AUCTION)
48. FIDELITY INVESTMENTS MONEY MANAGEMENT, INC.
49. FIRST CLEARING, LLC
50. FIRST SOUTHWEST COMPANY
51. FIRST TENNESSEE BANK, N.A./FTN FINANCIAL
52. FRANKLIN ADVISERS, INC.
53. G.X. CLARKE & CO.
54. GALLIARD CAPITAL MANAGEMENT, INC.

55. GE ASSET MANAGEMENT INCORPORATED
56. GOLDMAN SACHS ASSET MANAGEMENT, L.P.
57. GOLDMAN, SACHS & COMPANY
58. HIMCO
59. HSBC BANK USA, N.A.
60. HSBC TRUST COMPANY (DELAWARE) N.A.
61. III FINANCE LTD.
62. INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC
63. ING INVESTMENT MANAGEMENT CO.
64. INTERNATIONAL BANK & RECONSTRUCTION & DEVELOPMENT
65. J.P. MORGAN CLEARING CORP.
66. J.P. MORGAN SECURITIES LLC
67. JANNEY MONTGOMERY SCOTT LLC
68. JEFFERIES & COMPANY, INC.
69. JENNISON ASSOCIATES LLC
70. JP MORGAN INVESTMENT MANAGEMENT INC.
71. JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
72. KEYBANC CAPITAL MARKETS, INC.
73. KGS - ALPHA CAPITAL MARKETS, L.P.
74. KNIGHT CAPITAL AMERICAS LLC
75. LIBERTY MUTUAL GROUP, INC.
76. LOOMIS, SAYLES & COMPANY, L.P.
77. LORD, ABBETT & CO., LLC
78. MANULIFE ASSET MANAGEMENT (US) LLC
79. MELLON CAPITAL MANAGEMENT CORPORATION
80. MERRILL LYNCH, PIERCE, FENNER & SMITH INC.
81. METROPOLITAN LIFE INSURANCE COMPANY
82. MIZUHO SECURITIES USA INC.
83. MORGAN KEEGAN & COMPANY, INC.
84. MORGAN STANLEY & CO. LLC
85. MORGAN STANLEY INVESTMENT MANAGEMENT, INC.
86. NATIONAL FINANCIAL SERVICES LLC
87. NATIXIS FINANCIAL PRODUCTS INC.
88. NEUBERGER BERMAN FIXED INCOME LLC
89. NEW YORK LIFE INVESTMENT MANAGEMENT LLC
90. NEWEDGE USA, LLC
91. NISA INVESTMENT ADVISORS, LLC
92. NOMURA SECURITIES INTERNATIONAL, INC.
93. NORTHERN TRUST INVESTMENTS, N.A.
94. NUVEEN ASSET MANAGEMENT, LLC
95. OPPENHEIMER & CO. INC.
96. OPPENHEIMER FUNDS, INC.
97. PACIFIC INVESTMENT MANAGEMENT COMPANY LLC
98. PALAFOX TRADING LLC
99. PARTNERRE ASSET MANAGEMENT CORPORATION
100. PAYDEN & RYGEL

101. PERSHING LLC
102. PIERPONT SECURITIES LLC
103. PIPER JAFFRAY & CO
104. PNC BANK NATIONAL ASSOCIATION
105. PPM AMERICA, INC.
106. PRUDENTIAL INVESTMENT MANAGEMENT, INC.
107. PUTNAM INVESTMENTS TRUST
108. RAYMOND JAMES & ASSOCIATES, INC.
109. RBC CAPITAL MARKETS, LLC
110. RBS SECURITIES INC.
111. RCAP SECURITIES, INC.
112. REGIONS BANK
113. ROBERT W. BAIRD & CO. INCORPORATED
114. SMITH BREEDEN ASSOCIATES, INC.
115. SOUTH STREET SECURITIES LLC
116. STANDISH MELLON ASSET MANAGEMENT
117. STATE STREET BANK & TRUST CO./SSGA
118. STEPHENS INC.
119. STERNE, AGEE & LEACH, INC.
120. STIFEL NICOLAUS AND COMPANY, INCORPORATED
121. SUNTRUST CAPITAL MARKETS, INC.
122. SWISS RE ASSET MANAGEMENT (AMERICAS) INC.
123. T. ROWE PRICE ASSOCIATES, INC.
124. TD SECURITIES (USA) LLC
125. THE BANK OF NEW YORK MELLON
126. THE BANK OF NOVA SCOTIA, NEW YORK AGENCY
127. TIAA-CREF FUNDS BOND FUND
128. TIAA-CREF FUNDS BOND PLUS FUND
129. TRUSCO CAPITAL MANAGEMENT INC./SEIX ADVISORS
130. TULLETT PREBON FINANCIAL SERVICES LLC
131. UBS GLOBAL ASSET MANAGEMENT (AMERICAS) INC.
132. UBS SECURITIES LLC
133. UTENDAHL CAPITAL MANAGEMENT
134. VANGUARD GROUP INC. (THE)
135. VICTORY CAPITAL MANAGEMENT INC.
136. VINING-SPARKS, IBG., L.P.
137. WEDBUSH SECURITIES INC.
138. WELLINGTON MANAGEMENT COMPANY, LLP
139. WELLS CAPITAL MANAGEMENT INC.
140. WELLS FARGO BANK, NATIONAL ASSOCIATION
141. WELLS FARGO SECURITIES, LLC
142. WESTERN ASSET MANAGEMENT CO.
143. WESTLB SECURITIES, INC.

EXHIBIT O (ITEM 24)

Attach as Exhibit O a description of any specifications, qualifications, or other criteria which limit, are interpreted to limit, or have the effect of limiting access to, or use of, any clearing agency service furnished by the registrant and state the reasons for imposing such specifications, qualifications, or other criteria.

Attached is an excerpt of the Government Securities Division Rules, Mortgage-Backed Securities Division Rules and EPN Rules listed below which specify the membership requirements. The membership requirements limit, are interpreted to limit, and/or have the effect of limiting access to, or use of, the service furnished by each of the divisions, as applicable. Please note that the entire set of rules for each of the divisions is attached to Exhibit E.

Government Securities Division

1. Rule 2A – Initial Membership Requirements
2. Rule 3 – Ongoing Membership Requirements

Mortgage-Backed Securities Division

1. Rule 2A – Initial Membership Requirements
2. Rule 3 – Ongoing Membership Requirements

Mortgage-Backed Securities Division EPN Rules

1. Article III - Rule 1 – Requirements Applicable to EPN Users

GOVERNMENT SECURITIES DIVISION

RULE 2A - INITIAL MEMBERSHIP REQUIREMENTS

Section 1 - Eligibility for Membership: Comparison-Only Members

(a) A Person shall be eligible to apply to become a Comparison-Only Member if it:

(i) is a legal entity that is eligible to apply for membership in the Netting System; or

(ii) has demonstrated to the Corporation that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services.

(b) A Person may not be a Comparison-Only Member and a Netting Member at the same time. The Corporation may require that a Person be a Comparison-Only Member for a time period deemed necessary by the Corporation before the Person becomes eligible to apply to become a Netting Member, if, in order to protect itself and its Members, the Corporation believes that it is necessary to assess the operational soundness of the Person prior to permitting it to apply for netting membership. The Corporation's determination to apply such comparison-only requirement shall be based on the presence of one or more of the following conditions: (i) the Person is a newly formed entity with little or no functional history, (ii) the Person's operational staff lacks significant experience, (iii) if one of the above two conditions is present, the Person has not engaged a service bureau or correspondent clearing member with which the Corporation has a relationship, or (iv) any other factor that management believes might suggest insufficient operational functions.

Section 2 – Eligibility for Membership: Netting Members

(a) Eligibility for Netting membership shall be as follows:

(i) A Person shall be eligible to apply to become a Bank Netting Member if it is a bank or trust company chartered as such under the laws of the United States, or a State thereof, or is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction and participates in the Corporation through its U.S. branch or agency. A bank or trust company that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Bank Netting Member.

(ii) A Person shall be eligible to apply to become a Dealer Netting Member if it is a Registered Government Securities Dealer and is not a bank or trust company. A Registered Government Securities Dealer that is

admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Dealer Netting Member.

(iii) A Person shall be eligible to apply to become a Futures Commission Merchant Netting Member if it is a Futures Commission Merchant. A Futures Commission Merchant that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Futures Commission Merchant Netting Member.

(iv) A Person shall be eligible to apply to become an Inter-Dealer Broker Netting Member if it is an Inter-Dealer Broker. A Inter-Dealer Broker that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be an Inter-Dealer Broker Netting Member.

(v) A Person shall be eligible to apply to become a Foreign Netting Member if it is a Foreign Person that the Corporation, in its sole discretion, has determined: (i) has a home country regulator that has entered into a memorandum of understanding with the SEC regarding the sharing or exchange of information, and (ii) maintains a presence in the United States, either directly or through a suitable agent, that both has available individuals fluent in English who are knowledgeable in the Foreign Person's business and can assist the Corporation's representatives as necessary, and ensures that the Foreign Person will be able to meet its data submission, settlement, and other obligations to the Corporation as a Member in a timely manner. The Person applying to become a Foreign Netting Member must represent and certify to the Corporation that it is in compliance with the financial reporting and responsibility standards of its home country and that it is regulated in its home country by a financial regulatory authority in the areas of maintenance of relevant books and records, regular inspections and examinations, and minimum capital standards, and make such other representations as the Corporation deems necessary. For the avoidance of doubt, a foreign Bank Netting Member that participates in the Corporation through its U.S. branch or agency shall not be deemed a Foreign Member for purposes of the Corporation's Rules and procedures, unless otherwise stated by the Corporation.

(vi) A Person shall be eligible to apply to become a Government Securities Issuer Netting Member if it is a Government Securities Issuer. A Government Securities Issuer that is admitted to membership in the Netting System pursuant to these Rules shall be a Government Securities Issuer Netting Member.

(vii) A Person shall be eligible to apply to become a Registered Clearing Agency Netting Member if it is a Registered Clearing Agency. A Registered Clearing Agency that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Registered Clearing Agency Netting Member.

(viii) A Person shall be eligible to apply to become a Registered Investment Company Netting Member if it is a Registered Investment Company. A Registered Investment Company that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Registered Investment Company Netting Member.

Applicants in categories (i) through (viii) above that are admitted into membership shall be Tier One Netting Members. Applicants in category (viii) above that are admitted into membership shall be Tier Two Netting Members. With respect to applicants in category (x), the Corporation shall make a determination as to whether such applicant shall be a Tier One or Tier Two Netting Member.

(b) A Person may be only one type of Netting Member at a time. Notwithstanding anything to the contrary in this Rule, if a Person qualifies for more than one category of Netting System membership, the Corporation, in its sole discretion, may determine which category of Netting System membership that Person will be considered for.

Section 3 – Admission Criteria Membership Qualifications and Standards for Comparison-Only Members

The Corporation may approve an application to become a Comparison-Only Member by a Person that is eligible to apply to become a Comparison-Only Member pursuant to this Rule upon a determination that such applicant meets the following requirements:

(a) Operational Capability - The applicant must be able to satisfactorily communicate with the Corporation, fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy, and conform to any condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Members. The applicant agrees that it must fulfill, within the timeframes established by the Corporation, operational testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation to ensure the continuing operational capability of the applicant.

(b) Fees - The applicant agrees to make, and has sufficient financial ability to make, all anticipated fee payments required to be made to the Corporation that may be set forth in these Rules or in the Procedures.

(c) Required Capital - If a regulated entity, the applicant represents and warrants to the Corporation that it is in compliance (as an applicant) with the capital requirements imposed by its Designated Examining Authority, Appropriate Regulatory Agency, or other examining authority or regulator, and any other Self-Regulatory Organizations or self-regulatory organizations to which it is subject by statute, regulation or agreement.

(d) Disqualification Criteria - The Corporation must have received no substantial information that would reasonably and adversely reflect on the applicant, or its Controlling Management, if applicable, to such an extent that the applicant should be denied membership in the Corporation. The Corporation, in its sole discretion, shall determine whether any of the following criteria should be the basis for denial of the membership application:

(i) the applicant is subject to Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act), or an order of similar effect issued by a Federal or State banking authority, or other examining authority or regulator, including non-U.S. examining authority or regulator;

(ii) the applicant or its Controlling Management has been responsible for (A) making a misstatement of a material fact or omitting to state a material fact to the Corporation, in connection with its application to become a Member or thereafter, or (B) fraudulent acts or violation of the Securities Act of 1933, the Exchange Act, the Investment Company Act, the Investment Advisers Act or the Government Securities Act of 1986, or any rule or regulation promulgated thereunder;

(iii) the applicant or its Controlling Management has been convicted within the ten years preceding the filing of the application or at any time thereafter of (A) any criminal offense involving the purchase, sale or delivery of any security, or bribery, or perjury, or burglary, or conspiracy to commit any offense referred to in this subparagraph (iii), (B) the larceny, theft, robbery, embezzlement, extortion, fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, securities or other property, (C) any violation of Sections 1341, 1342 or 1343 of Title 18, United States Code, or (D) any other criminal offense involving breach of fiduciary obligation, or arising out of the conduct of business as a broker, dealer, investment company, adviser or underwriter, bank, trust company, fiduciary, insurance company or other financial institution;

(iv) the applicant or its Controlling Management has been permanently or temporarily enjoined or prohibited by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as, a broker, dealer, investment company, advisor or underwriter, bank, trust company, fiduciary, insurance company or other financial institution, or from engaging or in continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or delivery of any security, and the enforcement of such injunction or prohibition has not been stayed; or

(v) the applicant has been expelled or suspended from or had its participation terminated by a national securities association or exchange registered under the Exchange Act, a Self-Regulatory Organization or a Corporation that engages in clearance and settlement activities or a securities depository, or has been barred or suspended from being associated with any member of such an exchange, association, organization, Corporation, or securities depository.

In addition to items (a) through (d) above, the Corporation shall retain the right to deny membership to an applicant if the Corporation becomes aware of any factor or circumstance about the applicant or its Controlling Management which may impact the suitability of that particular applicant as a Member of the Corporation. Further, applicants are required to inform the Corporation as to any member of its Controlling Management that is or becomes subject to Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act).

The Corporation shall retain the right to deny membership to an applicant if the Corporation becomes aware of any factor or circumstance about the applicant or its Controlling Management which may impact the suitability of that particular applicant as a Member of the Corporation.

Section 4 - Membership Qualifications and Standards for Netting Members

Subject to the limitations set forth in this Rule, the Board shall approve an application to become a Netting Member by a Person that is eligible to apply to become a Netting Member pursuant to this Rule upon a determination that such applicant meets the following requirements:

(a) Comparison System Admission Standards - The applicant continues to meet the requirements for becoming a Comparison-Only Member set forth in this Rule. Notwithstanding the previous sentence, the applicant shall meet the admission criterion on required capital in subsection (c) of Section 3 of this Rule if the applicant is in compliance with the capital requirements imposed by its Designated Examining Authority, Appropriate Regulatory Agency, or other examining authority or regulator,

and any other Self-Regulatory Organizations or self-regulatory organizations to which it is subject by statute, regulation or agreement.

- (b) Financial Responsibility - The applicant shall:
 - (i) have sufficient financial ability to make anticipated required deposits to the Clearing Fund as provided for in Rule 4 and anticipated Funds-Only Settlement Amounts, and to meet all of its other obligations to the Corporation in a timely manner; and
 - (ii) satisfy the following minimum financial requirements:
 - (A) for applicants whose Financial Statements are prepared in accordance with U.S. generally accepted accounting principles:
 - (1) if the applicant is applying to become a Bank Netting Member, it must have a level of equity capital as of the end of the month prior to the effective date of its membership of at least \$100 million, and its capital levels and ratios must meet the applicable minimum levels for such as required by its Appropriate Regulatory Agency (or, if the applicant's Appropriate Regulatory Agency does not specify any such minimum levels, such minimum levels as would be required if the Member were a member bank of the Federal Reserve System and the Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System);
 - (2) if the applicant is registered with the SEC pursuant to Section 15 of the Exchange Act and is applying to become a Dealer Netting Member, it must have, as of the end of the calendar month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Net Capital of at least \$10 million;
 - (3) if the applicant is registered with the SEC pursuant to Section 15C of the Exchange Act and is applying to become a Dealer Netting Member, it must have, as of the end of the calendar month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Liquid Capital of at least \$10 million;
 - (4) if the applicant is applying to become a Futures Commission Merchant Netting Member, it must have, as of the end of the

calendar month prior to the effective date of its membership, \$25 million in Net Worth and \$10 million in Excess Adjusted Net Capital;

- (5) if the applicant is registered with the SEC pursuant to Section 15 of the Exchange Act and is applying to become an Inter-Dealer Broker Netting Member, it must have, as of the end of the calendar month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Net Capital of at least \$10 million;
- (6) if the applicant is registered with the SEC pursuant to Section 15C of the Exchange Act and is applying to become an Inter-Dealer Broker Netting Member, it must have, as of the end of the calendar month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Liquid Capital of at least \$10 million;
- (7) if the applicant is a Foreign Person that is applying to become a Foreign Netting Member, it must satisfy the minimum financial requirements (defined by reference to regulatory capital as defined by the applicant's home country regulator) that are applicable to the Netting System membership category that the Corporation determines, in its sole discretion, would be applicable to the Foreign Person if it were organized or established under the laws of the United States or a State or other political subdivision thereof subject to subsections (B), (C) and (D) below if the entity's financial statements are not prepared in accordance with U.S. generally accepted accounting principles; and
- (8) if the applicant is applying to become an Insurance Company Netting Member, it must have, as of the end of the month prior to the effective date of its membership: (1) an A.M. Best ("Best") rating of "A-" or better, (2) a rating by at least one of the other three major rating agencies (Standard & Poor's ("S&P"), Moody's, and Duff & Phelps ("D&P")) of at least "A-" or "A3", as applicable, (3) no rating by S&P, Moody's, and D&P of less than "A-" or "A", as applicable, (4) a risk-based capital ratio, as applicable to Insurance Companies, of at least 200 percent, and (5) statutory capital (consisting of adjusted policyholders' surplus plus the company's asset valuation reserve) of no less than \$500 million.

- (B) for applicants whose Financial Statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of 1985 (UK generally accepted accounting principles), or Canadian generally accepted accounting principles, the minimum financial requirements shall be one and one-half times the applicable requirements set forth in subsection (A) above.
- (C) for applicants whose Financial Statements are prepared in accordance with the generally accepted accounting principles of a European Union country other than the United Kingdom, the minimum financial requirements shall be five times the applicable requirements set forth in subsection (A) above.
- (D) for applicants whose financial statements are prepared in accordance with any other type of generally accepted accounting principles, the minimum financial requirements shall be seven times the requirements set forth in subsection (A) above.

(c) **Business History** - The applicant must have an established, profitable business history of a minimum of six months or personnel with sufficient operational background and experience to ensure, in the judgment of the Board, the ability of the firm to conduct its business.

The foregoing financial responsibility standards are only minimum requirements, and the Board, based upon the level of the anticipated positions and obligations of the applicant, the anticipated risk associated with the volume and types of transactions the applicant proposes to process through the Corporation, and the overall financial condition of the applicant, may impose greater standards. If an applicant does not itself satisfy the above minimum capital requirements, the Board may include for such purposes the capital of an Affiliate of the applicant, if the Affiliate has delivered to the Corporation a guaranty, satisfactory in form and substance to the Board, of the obligations of the applicant to the Corporation.

Section 5 – Application Documents

Each applicant to become a Member shall, as required by the Corporation from time to time, complete and deliver to the Corporation an Applicant Questionnaire in such form as may be prescribed by the Corporation. An applicant seeking membership in the Netting System shall also deliver to the Corporation the financial reports, other reports, opinions and other information as the Corporation determines appropriate. Each applicant to become a Member must also fulfill, within the time frames established by the Corporation, any operational testing requirements (the scope of such testing to be

determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation to ensure the operational capability of the applicant.

If the Corporation determines that a legal opinion, or update thereto, submitted by an applicant, indicates that the Corporation could be subject to Legal Risk (as defined in Section 2 of Rule 4) with respect to such applicant, the Corporation shall have the right to take, and/or require the applicant to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the applicant to post additional Clearing Fund as set forth in Section 2 of Rule 4.

Except as otherwise provided in Rule 29, any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or Member.

Section 6 – Evaluation of Applicant

An application to become any type of Member shall first be reviewed by the Corporation. The Corporation may approve applications for Comparison-Only membership. With regard to Netting membership, the Corporation shall recommend approval or disapproval of the application to the Board. Except as otherwise provided in Rule 3 or in Rule 15, Corporation or Board approval of an application for membership shall constitute approval only of the type of membership specifically applied for.

In evaluating a membership application, the Corporation may:

- (i) contact the applicant's Designated Examining Authority, Appropriate Regulatory Agency, primary regulatory authority (the CFTC and the applicable self-regulatory organization designated under the Commodity Exchange Act in the case of a Futures Commission Merchant, and the insurance regulator in the company's state of domicile in the case of an Insurance Company), or other examining authority or regulator, or any Self-Regulatory Organization or self-regulatory organization of which the applicant is a member and request from such authority or organization any records, reports, or other information that, in their judgment, may be relevant to the application;
- (ii) examine the books, records, and operational procedures of, and inspect the premises of, the applicant as they may be related to the business conducted through the Corporation; and

- (iii) take such other evidence or make such other inquiries as is necessary, including sworn or unsworn testimony, to ascertain relevant facts bearing upon the applicant's qualifications.

The Board or the Corporation, as applicable, shall approve an application to become a Member pursuant to this Rule only upon a determination that the applicant meets such standards of financial responsibility and operational capability as are set forth in this Rule.

Notwithstanding that an application to become a Member shall have been approved by the Board or the Corporation, if a material change in condition of the applicant occurs which in the judgment of the Board or the Corporation could bring into question the applicant's ability to perform as a Member, and such material change becomes known to the Corporation prior to the applicant's commencing use of the Corporation's services, the Corporation shall have the right to stay commencement by the applicant of use of the Corporation's services until a reconsideration by the Board or the Corporation of the applicant's financial responsibility and operational capability can be completed. As a result of such reconsideration, the Board or the Corporation may determine to withdraw approval of an application to become a Member or condition the approval upon the furnishing of additional information or assurances.

Notwithstanding the provisions of this Rule, the Board or the Corporation may determine, after considering the facts and circumstances pertaining to an applicant, not to apply one or more of the qualifications or standards set forth in these Rules. If the Board or the Corporation determines that such qualification or standard shall not apply, it shall determine what, if any, limitation or restriction shall be placed on such applicant. Limitations and restrictions shall bear a reasonable relationship to the qualification or standard not applied to such applicant and may include, but are not limited to, an increased Clearing Fund requirement or a limitation on the applicant's activities to be processed through the Corporation. Such determination shall only be made if the Board or the Corporation concludes that not applying such qualification or standard, and imposing such limitation or restriction, would not be against the best interests of the Corporation and its Members. In making such a determination, the Board or the Corporation may require the applicant to provide additional information or assurances. If the Board or the Corporation imposes a limitation or restriction pursuant to this provision, the Corporation shall promptly notify the SEC.

The Board or the Corporation may deny an application to become a Member upon the Corporation's determination that it does not have adequate personnel, space, data processing capacity or other operational capability at that time to perform its services for the applicant without impairing the ability of the Corporation to provide services for its existing Members, to assure the prompt, accurate and orderly processing and settlement of securities transactions or to otherwise carry out its functions; provided, however, that any such applications which are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit.

Upon the Board's or the Corporation's denial of an application to become a Member pursuant to this Rule, the Corporation shall furnish the applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and shall notify the applicant of its right to request a hearing before the Board, such request to be filed by the applicant with the Corporation pursuant to Rule 37.

Section 7 - Membership Agreement

Each applicant to become a Member shall sign and deliver to the Corporation a Membership Agreement whereby the applicant shall agree:

(a) to abide by the Rules of the Corporation and to be bound by all the provisions thereof;

(b) to pay to the Corporation in a timely manner the compensation provided for by the Rules of the Corporation for services rendered and such costs and fines as may be imposed in accordance with such Rules of the Corporation for the failure to comply therewith;

(c) to be bound by any amendment to the Rules of the Corporation with respect to any transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation;

(d) to continue to be bound by the Rules of the Corporation, notwithstanding that it may have terminated its membership, as to all matters and transactions occurring while it was a Member;

(e) if it is applying to become a Netting Member, to: (i) submit to the Corporation for comparison, pursuant to Rule 5, data on all of its eligible trades with other Netting Members, (ii) deliver to the Corporation or receive from the Corporation the securities underlying all trades that have been reported as being netted and all monies related thereto, in accordance with the Rules of the Corporation, and (iii) pay or deliver to the Corporation in a timely manner all amounts due pursuant to Rule 4 with regard to its Required Fund Deposit and any loss or liability allocated to it;

(f) that the determination of the Board as to any questions arising with regard to any payment, charge, fee, deposit, or fine to which it may be subject shall be final and conclusive, except as may be otherwise provided in these Rules; and

(g) to any other terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members, including, for a Foreign Member, all agreements, opinions of counsel, and other legal documentation required by the Corporation.

RULE 3 – ONGOING MEMBERSHIP REQUIREMENTS

Section 1 – Requirements

The qualifications and standards set forth in Rule 2A shall be continuing membership requirements. In addition, each Member shall comply with the ongoing requirements set forth below.

Section 2 - Reports by Netting Members

Each Netting Member shall submit to the Corporation the reports, financial or other information set forth below and such other reports, financial and other information as the Corporation from time to time may reasonably require. Unless specifically set forth below, the time periods prescribed by the Corporation are set forth in the form of notices posted at the Corporation's Website and/or distributed by the Corporation from time to time. It shall be the Member's responsibility to retrieve all notices daily from the Website.

(a) a copy of the Member's annual audited Financial Statements for such fiscal year, certified by the Member's independent certified public accountants and prepared in accordance with generally accepted accounting principles;

(b) if the Member is a broker or dealer registered under Section 15 of the Exchange Act, or a Government Securities Broker or Dealer registered under Section 15C of the Exchange Act, (i) a copy of the Member's FOCUS Report or FOGS Report, as the case may be, submitted to its Designated Examining Authority, (ii) a report of the Member's independent auditors on internal controls, and (iii) any supplemental reports required to be filed with the SEC pursuant to SEC Rule 17a-11 or 17 C.F.R. Section 405.3;

(c) if the Member is a domestic bank or a trust company, a copy of the applicant's Call Report submitted to its Appropriate Regulatory Agency and, to the extent not contained within such Call Reports (or to the extent that Call Reports are not required to be filed), information containing each of the Member's capital levels and ratios, as such levels and ratios are required to be provided to the Member's Appropriate Regulatory Agency (or, if such applicant's Appropriate Regulatory Agency does not require such information, as would be required to be provided, if such Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System);

(d) if the Member is a Futures Commission Merchant and not a broker or dealer registered with the SEC, (i) a copy of its CFTC Form 1-FR as filed with the CFTC (or copies of the equivalent form filed with the CFTC pursuant to CFTC Regulation 1.10(b)(3)), (ii) a copy of the computation required by CFTC Regulation 1.18, and (iii) a

copy of any supplemental reports filed with the CFTC pursuant to Regulation 1.12 or any successor regulations;

(e) if the applicant is a broker, dealer or bank established or organized in the United Kingdom and subject to regulation by the United Kingdom's Financial Services Authority (or successor authority), a copy of its Financial Services Authority reports;

(f) if the Member is a Foreign Netting Member other than one that is a broker, dealer or bank organized or established in the United Kingdom and regulated by the Financial Services Authority, key financial information requested by the Corporation;

(g) if the Member is not within clauses (b) through (f) above, a copy of the Member's unaudited financial information as specified by the Corporation for such quarter; and

(h) for any Member which has satisfied the financial requirements imposed by the Corporation pursuant to these Rules by means of a guaranty of its obligations by its parent company, Financial Statements and/or the reports or information of its parent company meeting the requirements specified in subparagraphs (a) through (f) of this Section 2, as applicable.

With respect to a Member that has received from its regulators an extension of time by which one of the above-listed reports or submissions to the regulator is otherwise due, a copy of the extension letter or other regulatory communication granting such extension. Moreover, any Member that has provided to the SEC any notice required pursuant to paragraph (e) of the SEC's Rule 15c3-1 shall notify the Corporation of the provision of such notice, and shall furnish the Corporation with a copy of such notice, by the Close of Business on the day that it so provides such notice to the SEC.

With respect to subsections (a) and (f) above, the Corporation may accept, in its sole discretion, consolidated Financial Statements or financial information prepared at a parent level.

In addition to the above, Netting Members must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a Member's capital levels or other financial requirements fall below prescribed levels. In addition, Members must submit to the Corporation, concurrently with their submission to the applicable regulator or similar authority, copies of such filings as determined by the Corporation from time to time, which Members are required to file pursuant to the Sarbanes-Oxley Act of 2002, and any amendments thereunder.

Moreover, Foreign Netting Members must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a member does not comply with

the financial reporting and responsibility standards set by its home country regulator. Foreign Netting Members must also notify the Corporation in writing within 2 business days of becoming subject to a disciplinary action by their home country regulator. Foreign Netting Members must submit, on an annual basis, within the timeframe required by guidelines issued by the Corporation, an updated opinion of outside counsel on home country law and, if applicable, other relevant non-domestic law, or a letter from their outside counsel indicating that there have been no material changes in home country law (and/or other applicable non-domestic law) since the date of issuance of the most recent opinion submitted to the Corporation.

If the Corporation determines that a legal opinion, or update thereto, submitted by a Member, indicates that the Corporation could be subject to Legal Risk (as defined in Section 2 of Rule 4) with respect to such Member, the Corporation shall have the right to take, and/or require the Member to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the Member to post additional Clearing Fund as set forth in Section 2 of Rule 4.

In addition to all of the above, on an annual basis, Netting Members must report information on their Foreign Affiliate Trades to the Corporation. The preceding sentence shall not apply to Foreign Affiliate Trades of a Foreign Affiliate that has executed less than an average of 30 Foreign Affiliate Trades per business day per month within the prior twelve-month period. The reporting required by this paragraph shall be submitted to the Corporation containing the information, in the format and within the timeframes specified by guidelines issued by the Corporation from time to time.

In addition to all of the above, on a periodic basis, GCF Counterparties must submit information related to the composition of their NFE-Related Accounts. This information shall be submitted to the Corporation containing the information, in the format and within the timeframes specified by guidelines issued by the Corporation from time to time.

Notwithstanding anything to the contrary in this Rule, if a Member qualifies for more than one category of Netting System membership, the Corporation, in its sole discretion, may require that such member provide those reports and other financial or other information required to be provided to the Corporation by Members of any of those membership categories for which such Member qualifies.

All information provided to the Corporation pursuant to this Section shall be in English (and if translated into English, the translation must be a fair and accurate English translation).

A Member that fails to submit the above listed information within the timeframes required by guidelines issued by the Corporation from time to time and in the manner requested, shall:

- (i) be subject to a fine by the Corporation; and
- (ii) until the required information is submitted to the Corporation, have a Required Fund Deposit equal to the greater of either (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit.

Section 3 - Financial Statements

For purposes of Rule 2A and this Rule, the term "Financial Statements" means, a balance sheet, statement of income, statement of changes in financial position and statement of changes in owner's equity, in each case with accompanying notes.

Section 4 – Confidentiality

Except as otherwise provided in Rule 29, any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or Member.

Section 5 - Application of Membership Standards

Notwithstanding the provisions of this Rule, the Board may determine, after considering the facts and circumstances pertaining to a Member, not to apply one or more of the qualifications or standards set forth in these Rules. If the Board determines that such qualification or standard shall not apply, the Committee shall determine what, if any, limitation or restriction shall be placed on such Member. Limitations and restrictions shall bear a reasonable relationship to the qualification or standard not applied to such Member and may include, but are not limited to, an increased Clearing Fund requirement or a limitation on the Member's activities processed through the Corporation. Such determination shall only be made if the Board concludes that not applying such qualification or standard, and imposing such limitation or restriction, would not be against the best interests of the Corporation and its Members. In making such a determination, the Board may require the Member to provide additional information or assurances. If the Board imposes a limitation or restriction pursuant to this provision, the Corporation shall promptly notify the SEC.

Section 6 – Operational Testing Requirements

The Corporation may, from time to time, require Members to fulfill, within the time frames established by the Corporation, certain operational testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation to ensure the continuing operational capability of the Member. The Corporation will assess a fine or terminate the membership of any Member that does not fulfill any such operational

testing and related reporting requirements within the time frames established by the Corporation.

Section 7 - General Continuance Standards

A Member shall promptly inform the Corporation, both orally and in writing, if it no longer is in compliance with any of the relevant qualifications and standards for admission to membership set forth in Rule 2 and in this Rule, including whether it is subject to any of the criteria set forth in subsection (d) of Section 3 of Rule 2A. Notification must take place within two business days from the date on which the Member first learns of its non-compliance. The Corporation shall assess a fine against any Member who fails to so notify the Corporation. In addition, a Member shall notify the Corporation within two business days of learning of an investigation or proceeding to which it is or is becoming subject that would cause the Member to fall out of compliance with any of the relevant qualifications and standards for membership set forth in Rules 2, 2A and 3. Notwithstanding the previous sentence, the Member shall not be required to notify the Corporation if doing so would cause the Member to violate an applicable law, rule or regulation. If, with respect to any type of Member: (a) it fails to maintain the relevant standards and qualifications for admission to membership, including but not limited to minimum capital standards and operational testing and related reporting requirements imposed by the Corporation from time to time; (b) it violates any Rule of the Corporation or other agreement with the Corporation; (c) it fails to satisfy in a timely manner any obligation to the Corporation; (d) there is Reportable Event relating to such Member; or (e) the Corporation otherwise deems it necessary or advisable, in order to protect the Corporation, its other Members, or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation, or to promote the prompt and accurate processing, clearance or settlement of securities transactions, the Corporation will undertake appropriate action to determine the status of the Member and its continued eligibility. In addition, the Corporation may review the financial responsibility and operational capability of the Member to the extent provided in these Rules and otherwise require from the Member additional reporting of its financial or operational condition at such intervals and in such detail as the Corporation shall determine, and shall make a determination as to whether such Member should be placed on the Watch List by the Corporation consistent with the provisions of Section 12 of this Rule.

Furthermore, a Netting Member must submit to the Corporation written notice of any Reportable Event at least 90 calendar days prior to the effective date of such Reportable Event unless the Member demonstrates that it could not have reasonably done so, and provided notice, both orally and in writing, to FICC as soon as possible. The Corporation shall assess a fine against any Netting Member who fails to so notify the Corporation.

In addition, if the Corporation has reason to believe that a Member may fail to comply with any of these Rules, it may require the Member to provide it, within such timeframe, in such detail, and pursuant to such manner as the Corporation shall

determine, with assurances in writing of a credible nature that the Member shall not, in fact, violate any of these Rules. Notwithstanding the previous sentence, each Member, or any applicant to become such, shall furnish to the Corporation such adequate assurances of its financial responsibility and operational capability as the Corporation may at any time or from time to time deem necessary or advisable in order to protect the Corporation and its members, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions. Upon the request of a participant or applicant, or otherwise, the Corporation may choose to confer with the participant or applicant before or after requiring it to furnish adequate assurances pursuant to this Rule.

Adequate assurances of financial responsibility or operational capability of a Member or applicant to become such, as may be required by the Corporation pursuant to these Rules, may include, but shall not be limited to, as appropriate under the context of the Member's use of the Corporation's services:

- (i) restrictions or modifications on the Member's use of any or all of the Corporation's services (whether generally, or with respect to certain transactions);
- (ii) additional reporting by the Member of its financial or operational condition at such intervals and in such detail as the Corporation shall determine;
- (iii) increased Clearing Fund deposits and/or a requirement to post its Required Fund Deposit in proportions of cash, Eligible Netting Securities and Eligible Letters of Credit different from those permitted under Rule 4;
or
- (iv) prohibitions on the Member from withdrawing Clearing Fund on deposit in excess of its Required Fund Deposit.

In the event that a Member fails to maintain the relevant requirements of any of these Rules, the Corporation shall, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System, unless the Member requests that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the record of the Member, it is appropriate instead to establish for such Member a time period (the "Noncompliance Time Period"), which shall be determined by the Corporation and which shall be no longer than 30 calendar days unless otherwise determined by the Corporation, during which the Member must resume compliance with such requirements. In the event that the Member is unable to satisfy such requirements within the Noncompliance Time Period, the Corporation shall, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System

or in both the Comparison System and the Netting System. If the Corporation takes any action pursuant to this paragraph, it shall promptly file with its records and with the SEC a full report of such actions, and the reasons thereof.

Notwithstanding anything to the contrary in this Section, if the Corporation, in its sole discretion, determines that a Netting Member's financial condition has significantly deteriorated during a Noncompliance Time Period, the Corporation immediately may, pursuant to these Rules, either cease to act for the Member or terminate its membership in the Comparison System or in both the Comparison System and the Netting System.

Section 8 - Specific Continuance Standards

In addition to the requirements set forth in Section 6 above of this Rule, the following requirements shall apply to Members that fall from compliance with an applicable membership standard:

(a) If a Bank Netting Member falls below the applicable minimum financial requirement as specified in this Rule, or if one or more of its capital levels or ratios no longer meets the applicable minimum level for such as required by its Appropriate Regulatory Agency (or, if the applicant's Appropriate Regulatory Agency does not specify any such minimum level, such minimum level as would be required if the Member were a member bank of the Federal Reserve System, and the Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System); it shall, for a period beginning on the day on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a Required Fund Deposit equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit;

(b) If a Dealer Netting Member falls below either the minimum Net Worth level applicable to Dealer Netting Members pursuant to this Rule or the applicable minimum regulatory capital level, as applicable, as specified in this Rule, it shall, for a period beginning on the date on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a Required Fund Deposit equal to the greater of either: (x) the sum of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of its Required Fund Deposit;

(c) If a Futures Commission Merchant Netting Member falls below either the minimum Net Worth level applicable to Futures Commission Merchant Netting Members pursuant to this Rule or the applicable minimum regulatory capital level specified in this Rule, it shall, for a period beginning on the date on which it fell below such level and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable

violation, have a Required Fund Deposit equal to the greater of either: (x) the sum of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of its Required Fund Deposit;

(d) If an Inter-Dealer Broker Netting Member falls below either the applicable minimum Net Worth level or the applicable minimum regulatory level, specified by this Rule, it shall have, for a period beginning on the date on which it fell from compliance with either standard and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, a Required Fund Deposit equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit;

(e) An Inter-Dealer Broker Netting Member shall (A) limit its business to acting exclusively as a broker; (B) conduct all of its business in Repo Transactions with Netting Members, and (C) conduct at least 90 percent of its business in transactions that are not Repo Transactions, measured based on its overall dollar volume of submitted sides over the prior month, with Netting Members. If an Inter-Dealer Broker fails to comply with this scope-of-business standard, then, for a period beginning on the date on which it fell from compliance with this standard and continuing until the date on which it returned to compliance with such standard, such Member shall be considered by the Corporation for purposes of these Rules to be a Dealer Netting Member. Notwithstanding anything to the contrary above, if such Inter-Dealer Broker Netting Member continues to act exclusively as a broker, it shall continue to be subject to the provisions of Section 7 of Rule 4 as if it were an Inter-Dealer Broker Netting Member, until and unless the Corporation determines, in its sole discretion, that such Member should be treated for purposes of that Section as if it were a Dealer Netting Member and so informs such Member. Moreover, notwithstanding anything to the contrary above, if such Inter-Dealer Broker Netting Member does not return to compliance with its applicable scope-of-business standard within 90 calendar days from the date on which it fell below such standard, such Member shall permanently become a Dealer Netting Member for purposes of these Rules, until and unless it applies to the Corporation to return to its Inter-Dealer Broker Netting Member status and such application is approved by the Board; and

(f) If a Government Securities Issuer Netting Member, Insurance Company Netting Member, Registered Clearing Agency Netting Member, or Registered Investment Company Netting Member falls out of compliance with any minimum admission or continuance standard that may be set for it by the Corporation pursuant to these Rules, it shall, for a period beginning on the date on which it fell below such standard and continuing until the later of the 90th calendar day after the date on which (i) it returned to compliance with such standard, or (ii) the Corporation received notice of the applicable violation, have a Required Fund Deposit equal to the greater of either: (x) the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or (y) 125 percent of the normal calculation of its Required Fund Deposit.

For purposes of applying a premium to the Required Fund Deposit of a Member that falls below its minimum financial requirements as set forth in this section, the Corporation shall begin to assess such a premium on the date on which the Corporation becomes aware of the applicable violation.

If the Member is a Foreign Netting Member, and it has fallen out of compliance with the minimum financial requirements that the Corporation has determined, pursuant to these Rules, are applicable to it, the consequences under this Section of such noncompliance shall be determined by reference to the subsection of this Section that is applicable to the Netting System membership category that the Corporation has determined would be applicable to the Foreign Person if it were organized or established under the laws of the United States or of a State or other political subdivision thereof.

If the Corporation takes any action pursuant to this Section, it shall promptly report such action, and the reasons thereof, to the Board, at its next regularly scheduled meeting, or sooner if deemed appropriate by the Corporation.

Section 9 - Compliance with Laws

In connection with their use of the Corporation's services, Members must comply with all applicable laws, including applicable laws relating to securities, taxation, and money laundering, as well as sanctions administered and enforced by the Office of Foreign Assets Control ("OFAC").

As part of their compliance with OFAC sanctions regulations, all Members agree not to conduct any transaction or activity through GSD which it knows to violate sanctions administered and enforced by OFAC.

Members subject to the jurisdiction of the U.S., with the exception of GSD Comparison Only Members, are required to periodically confirm that the Member has implemented a risk-based program reasonably designed to comply with applicable OFAC sanctions regulations. Failure to do so in the manner and timeframes set forth by the Corporation from time to time will result in a fine.

Section 10 - Books and Records

A Member's books and records, insofar as they relate to transactions processed through the Corporation, shall be open to the inspection of the duly authorized representatives of the Corporation upon reasonable prior notice and during the Member's normal business hours. The Corporation shall be furnished with all such information about the Member's business and transactions as it may require; provided that (i) the aforesaid rights of the Corporation shall be subject to any applicable laws or rules or regulations of regulatory bodies having jurisdiction over the Member which relate to the confidentiality of records, and (ii) if the Member ceases membership, the Corporation

shall have no right to inspect the Member's books and records or to require information relating to transactions wholly subsequent to the time when the Member ceases membership.

Section 11 - Additional Accounts Requested by Members

- (a) The Corporation may permit a Member to maintain one or more additional accounts at the request of a Member if the Corporation determines that doing so will not subject the Corporation to material legal, financial or operational risk.
- (b) The Corporation may permit a Netting Member to open additional netting accounts for the Netting Member itself or for wholly-owned subsidiaries of the Netting Member.
- (c) The Corporation may permit a Netting member to open additional accounts for the purpose of facilitating settlement of Locked-in Trades submitted by NYPC for the account of the Member.
- (d) All other additional netting accounts requested by Netting Members for Non-Members not otherwise permitted under these Rules shall require the approval of the Board. Netting Members shall not be permitted to maintain additional accounts for comparison-only activities unless they can demonstrate that doing so will not violate Section 3 of Rule 11
- (e) Additional accounts that are opened for a Member pursuant to this Section 11 of Rule 3 shall be opened solely for the administrative convenience of the Member or in furtherance of the Cross-Margining Arrangements between the Corporation and an FCO, and no other person or entity shall have any rights, obligations or liabilities with respect to any of the Member's accounts with the Corporation. Only Members shall be entitled to process transactions through the Corporation and to participate in the services offered by the Corporation for which they have been approved. A Member that processes through the Corporation any contract or other transaction for an entity that is a Non-Member shall, so far as the rights of the Corporation and of other Members are concerned, be liable as principal on such transaction. A Non-Member who processes transactions through a Member shall not possess any of the rights or benefits of a Member.
- (f) The Corporation may, in its sole discretion, at any time and without prior notice (but being obligated to give notice as soon as possible thereafter) and whether or not the Member is in default of its obligations to the Corporation, apply Required Fund Deposits made by a Member pursuant to its obligations under one of its accounts, as

necessary, to ensure that the Member meets all of its obligations to the Corporation under its other account(s), and otherwise exercise all rights to offset and net any obligations among any or all of the accounts, whether or not a non-Member is deemed to have any interest in the Member's account(s), notwithstanding the terms of this Rule.

(g) This section shall not apply to Repo Brokers who are required to maintain Segregated Repo Accounts pursuant to Section 2 of Rule 19.

Section 12 - Watch List

(a) A Member that is a Bank Netting Member, Dealer Netting Member, or Inter-Dealer Broker Netting Member, will be monitored and may be placed on the Watch List based on that Member's rating as determined by the Credit Risk Rating Matrix. Such Members may also be placed on the Watch List, at the Corporation's discretion, based on failure to comply with operational standards and requirements.

(b) All other categories of Netting Members, including Foreign Netting Members and Bank Netting Members participating through their U.S. branches or agencies, may be monitored for financial and/or operational factors as the Corporation deems necessary to protect the Corporation and its Members from undue risk. These Members will not be assigned a rating from the Credit Risk Rating Matrix; however, they may be included on the Watch List at the Corporation's discretion.

(c) The Corporation may require a Netting Member that has been placed on the Watch List, to make and maintain a deposit to the Clearing Fund over and above the amount determined in accordance with Section 2 of Rule 4 (which additional deposit shall constitute a portion of the Netting Member's Required Fund Deposit), or such higher amount as the Board may deem necessary for the protection of the Corporation or other Members, which higher amount may include, but is not limited to including, additional payments or deposits in any form to offset potential risk to the Corporation and its Members arising from activity submitted by such Member. Moreover, as regards a Netting Member that has been placed on the Watch List by the Corporation the Corporation may suspend, during all or a portion of the time period that such Member is on the Watch List, its right under these Rules to collect a Credit Forward Mark Adjustment Payment. Moreover, if a Netting Member on the Watch List has a Collateral Allocation Entitlement as the result of its GCF Repo Transaction activity, the Corporation may, in its sole discretion, maintain possession of the securities and/or cash that comprise such Collateral Allocation Entitlement.

(d) Placement on the Watch List shall result in a more thorough monitoring of the Member's financial and/or operational condition, as applicable, and activities by the Corporation. The Corporation may require Members placed on the Watch List to make more frequent financial disclosures, possibly including interim and/or pro forma reports.

(e) The Corporation shall have the right to place a Member with an Excess Capital Ratio of 0.5 or greater on the Watch List if the Corporation, in its sole discretion, deems such action necessary to protect itself and its Members. If such placement on the Watch List occurs, the Corporation will require the Netting Member to provide it with comfort satisfactory to the Corporation that the Netting Member is and shall continue to be able to fulfill its obligations to the Corporation, and may obtain or exchange with any other Clearing Organization margin information as specified in Rule 29.

(f) A Netting Member shall be placed on the Watch List if the Corporation takes any action against such Member pursuant to Section 7 of Rule 3.

A Member shall continue to be included on the Watch List until the condition(s) that resulted in its placement on the Watch List have improved to the point where the condition(s) are no longer present or a determination is made by the Corporation that close monitoring is no longer warranted.

Section 13 - Voluntary Termination

A Member that is a Comparison-Only Member may elect to terminate such membership, and a Netting Member may elect to terminate its membership in either the Corporation or in just the Netting System (and to become a Comparison-Only Member), by providing the Corporation with 10 days written notice of such termination; however, the Corporation, in its discretion, may accept such termination within a shorter notice period. Such termination will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to Members announcing the Member's termination and the effective date of the termination of the Member (hereinafter the "Termination Date"). As of the Termination Date, a Netting Member that terminates its membership in the Netting System, or a Comparison-Only Member or Netting Member that terminates its membership in the Corporation, shall no longer be eligible or required to submit to the Corporation data on trades and shall no longer be eligible to have its trade data submitted by an authorized submitter, notwithstanding any provision of Rule 5, Rules 6A through 6C, or Rule 11 to the contrary, unless the Board determines otherwise in order to ensure an orderly liquidation of the Member's Net Settlement Positions. A Member's voluntary termination of membership shall not affect its obligations to the Corporation, or the rights of the Corporation, with respect to transactions submitted to the Corporation before the Termination Date.

Section 14 – Excess Capital Premium

If a Netting Member maintains an Excess Capital Ratio greater than 1.0, then the Corporation may require the Netting Member to make and maintain an additional deposit to the Clearing Fund in an amount equal to the product of its Excess Capital Differential multiplied by its Excess Capital. Any such additional deposit required by the Corporation shall be considered included as part of the Netting Member's Required Fund Deposit.

The Corporation also will reserve the right to: (i) collect an amount less than the Excess Capital Premium (including no premium) based on specific circumstances (such as a Netting Member being subject to an unexpected haircut or capital charge that does not fundamentally change its risk profile), and (ii) return all or a portion of the Excess Capital Premium (or such lesser amount) if it believes that the Netting Member's risk profile does not require the maintenance of that amount.¹

¹ FICC has identified the following guidelines, which are intended to be illustrative, but not limited, where the premium will not be imposed: management will look to see whether the premium results from unusual or non-recurring circumstances where management believes it would not be appropriate to assess the premium. Examples of such circumstances are a member's late submission of trade data for comparison that would otherwise reduce the margined position if timely submitted, or an unexpected haircut or capital charge that does not fundamentally change its risk profile.

MORTGAGE-BACKED SECURITIES DIVISION

RULE 2A – INITIAL MEMBERSHIP REQUIREMENTS

Section 1 - Eligibility for Membership: Clearing Members

Eligibility for Clearing Membership shall be as follows:

(a) A Person shall be eligible to apply to become a Bank Clearing Member if it is a bank or trust company chartered as such under the laws of the United States, or a State thereof, or is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction and participates in the Corporation through its U.S. branch or agency. A bank or trust company that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Bank Clearing Member.

(b) A Person shall be eligible to apply to become a Dealer Clearing Member if it is a Registered Securities Dealer and is not a bank or trust company. A Registered Securities Dealer that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Dealer Clearing Member.

(c) A Person shall be eligible to apply to become an Inter-Dealer Broker Clearing Member if it is an Inter-Dealer Broker. An Inter-Dealer Broker that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be an Inter-Dealer Broker Clearing Member.

(d) A Person shall be eligible to become an Unregistered Investment Pool Clearing Member if it is an Unregistered Investment Pool. An Unregistered Investment Pool that has been admitted into membership in the Clearing System pursuant to these rules and whose membership has not been terminated, shall be an Unregistered Investment Pool Clearing Member.

(e) A Person shall be eligible to apply to become a Government Securities Issuer Clearing Member if it is a Government Securities Issuer or a Government Sponsored Enterprise. A Government Securities Issuer or a Government Sponsored Enterprise that is admitted to membership in the Clearing System pursuant to these Rules and whose membership in the Clearing System has not been terminated, shall be a Government Securities Issuer Clearing Member.

(f) A Person shall be eligible to become an Insurance Company Clearing Member if it is an Insurance Company in good standing with its primary regulator. An Insurance Company that is admitted to membership in the Clearing System pursuant to

these Rules, and whose membership in the Clearing System has not been terminated, shall be an Insurance Company Clearing Member.

(g) A Person shall be eligible to become a Registered Clearing Agency Member if it is a Registered Clearing Agency in good standing with its primary regulator. A Registered Clearing Agency that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Registered Clearing Agency Member.

(h) A Person shall be eligible to apply to become a Registered Investment Company Clearing Member if it is a Registered Investment Company. A Registered Investment Company that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Registered Investment Company Clearing Member.

(i) The Corporation shall make its services available to Persons in such other categories as the Corporation may from time to time determine, subject to approval of such categories and their minimum membership standards by the SEC.

Applicants in categories (a) through (f) above that are admitted into membership in the Clearing System shall be Tier One Members. Applicants in category (h) above that are admitted into membership in the Clearing System shall be Tier Two Members. With respect to applicants in categories (g and i), the Corporation shall make a determination as to whether such applicant shall be a Tier One or Tier Two Member.

If any Person in categories (a) through (i) above is a Foreign Person, then it shall be eligible to become a Clearing Member if the Corporation, in its sole discretion, has determined that such Person maintains a presence in the United States, either directly or through a suitable agent, that both has available individuals fluent in English who are knowledgeable in the Foreign Person's business and can assist the Corporation's representatives as necessary, and ensures that the Foreign Person will be able to meet its data submission, settlement, and other obligations to the Corporation as a Member in a timely manner. The Person applying to become a Foreign Member must represent and certify to the Corporation that it is in compliance with the financial reporting and responsibility standards of its home country and, if it is a regulated entity, that it is regulated in its home country by a financial regulatory authority in the areas of maintenance of relevant books and records, regular inspections and examinations, and minimum capital standards, and make such other representations as the Corporation deems necessary. The Corporation shall determine, in its sole discretion, which category of membership set forth above the Foreign Person shall be for purposes of these Rules. A Bank Clearing Member that participates in the Corporation through its U.S. branch or agency shall not be deemed a Foreign Member for purposes of the Corporation's Rules and procedures, unless otherwise stated by the Corporation.

Section 2 - Membership Qualifications and Standards for Clearing Members

The Board may approve an application to become a Clearing Member by a Person that is eligible to apply to become a Clearing Member pursuant to this Rule upon a determination that such applicant meets the following requirements:

(a) **Operational Capability** - The applicant must be able to satisfactorily communicate with the Corporation, fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy, and conform to any condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Members. The applicant agrees that it must fulfill, within the timeframes established by the Corporation, operational testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation to ensure the continuing operational capability of the applicant.

(b) **Fees** - The applicant agrees to make, and has sufficient financial ability to make, all anticipated fee payments required to be made to the Corporation that may be set forth in these Rules.

(c) **Required Capital** - If a regulated entity, the applicant represents and warrants to the Corporation that it is in compliance (as an applicant) with the capital requirements imposed by its Designated Examining Authority, Appropriate Regulatory Agency, or other examining authority or regulator, and any other Self-Regulatory Organizations to which it is subject by statute, regulation or agreement.

(d) **Disqualification Criteria** - The Corporation has received no substantial information which would reasonably and adversely reflect on the applicant or its Controlling Management to such an extent that the applicant should be denied access to the services of the Corporation. The Corporation shall determine whether any of the following criteria should be the basis for denial of the membership application:

(i) the applicant is subject to Statutory Disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934, or an order of similar effect issued by a Federal or State banking authority, or other examining authority or regulator, including a non-U.S. examining authority or regulator;

(ii) the applicant or its Controlling Management has been responsible for: (A) making a misstatement of a material fact or has omitted to state a material fact to the Corporation in connection with its application to

become a Member or thereafter, or (B) fraudulent acts or a violation of the Securities Act of 1933, the Exchange Act, the Government Securities Act of 1986, the Investment Company Act, the Investment Advisers Act or any rule or regulation promulgated thereunder;

(iii) the applicant or its Controlling Management has been convicted within the ten years preceding the filing of the application or at any time thereafter of (A) any criminal offense involving the purchase, sale or delivery of any security, or bribery, or burglary, or conspiracy to commit any offense referred to in this subparagraph (iii), (B) the larceny, theft, robbery, embezzlement, extortion, fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, securities or other property, (C) any violation of Sections 1341, 1342 or 1343 of Title 18, United States Code, or (D) any other criminal offense involving breach of fiduciary obligation, or arising out of the conduct of business as a broker, dealer, investment company, adviser or underwriter, bank, trust company, fiduciary, insurance company or other financial institution;

(iv) the applicant or its Controlling Management has been permanently or temporarily enjoined or prohibited by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as, or as a Person associated with or as an affiliated Person or employee of, a broker, dealer, investment company, advisor or underwriter, bank, trust company, fiduciary, insurance company, or other financial institution, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or delivery of any security, and the enforcement of such injunction or prohibition has not been stayed; or

(v) the applicant has been expelled or suspended from or had its participation terminated by a national securities association or exchange registered under the Exchange Act, a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act, or a corporation that engages in clearance and settlement activities or a securities depository, or has been barred or suspended from being associated with any member of such an exchange, association, organization, corporation, or securities depository.

In addition to items (a) through (d) above, the Corporation shall retain the right to deny membership to an applicant if the Corporation becomes aware of any factor or circumstance about the applicant or its Controlling Management which may impact the suitability of that particular applicant as a Member of the Corporation. Further, applicants are required to inform the Corporation as to any member of its Controlling Management that is or becomes subject to Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act).

- (e) Financial Responsibility - The applicant shall:
- (i) have sufficient financial ability to make anticipated required deposits to the Clearing Fund as provided for in Rule 4 and anticipated Cash Settlement amounts as provided for in Rule 11, and to meet all of its other obligations to the Corporation in a timely manner; and
 - (ii) satisfy the following minimum financial requirements:
 - (A) for applicants whose Financial Statements are prepared in accordance with U.S. generally accepted accounting principles:
 - (1) if the applicant is applying to become a Bank Clearing Member, it must have a level of equity capital as of the end of the month prior to the effective date of its membership of at least \$100 million, and its capital levels and ratios must meet the applicable minimum levels for such as required by its Appropriate Regulatory Agency (or, if the applicant's Appropriate Regulatory Agency does not specify any such minimum levels, such minimum levels as would be required if the Member were a member bank of the Federal Reserve System and the Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System);
 - (2) if the applicant is registered with the SEC pursuant to Section 15 or Section 15C of the Exchange Act and is applying to become a Dealer Clearing Member, it must have, as of the end of the calendar month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Net Capital of at least \$10 million;
 - (3) if the applicant is registered with the SEC pursuant to Section 15 or Section 15C of the Exchange Act and is applying to become an Inter-Dealer Broker Clearing Member, it must have, as of the end of the calendar month prior to the effective date of its membership, Excess Net Capital of at least \$10 million;

- (4) if the applicant is applying to become an Unregistered Investment Pool Clearing Member, it must have an investment advisor domiciled in the United States. The Unregistered Investment Pool applicant must have at least \$250 million in Net Assets. An Unregistered Investment Pool that does not meet the \$250 million Net Asset requirement, but has Net Assets of at least \$100 million, shall be eligible for membership if the Unregistered Investment Pool's investment advisor advises an existing Member and has assets under management of at least \$1.5 billion. An Unregistered Investment Pool must have an investment advisor registered with the SEC.;
- (5) if the applicant is applying to become a Government Securities Issuer Clearing Member, it must have at least \$100 million in equity capital;
- (6) if the applicant is applying to become a Registered Investment Company Clearing Member, it must have minimum Net Assets of \$100 million.
- (7) For all other applicants, sufficient net worth, liquid capital, regulatory capital, or Net Assets, as applicable to the particular type of entity as determined by the Corporation, and subject to approval of such minimum membership standards by the SEC.

If the applicant in sections (1) through (7) above is a Foreign Person that is applying to become a Foreign Clearing Member, it must satisfy the minimum financial requirements: (i) defined by reference to regulatory capital as defined by the applicant's home country regulator, or (ii) in the case of unregulated entities, as defined by the Corporation in its discretion, that are applicable to the Clearing System membership category that the Corporation determines, in its sole discretion, would be applicable to the Foreign Person if it were organized or established under the laws of the United States or a State or other political subdivision thereof, subject to subsections (B), (C) and (D) below if the entity's financial statements are not prepared in accordance with U.S. generally accepted accounting principles. For Unregistered Investment Pools, subsections (B), (C) and (D) shall apply to the following figures cited in subsection (A)(4) above: the \$250 million in Net Assets, the \$100 million in Net Assets.

- (B) for applicants whose Financial Statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of 1985 (UK generally accepted accounting principles), or Canadian generally accepted accounting principles, the minimum financial requirements shall be one and one-half times the applicable requirements set forth in subsection (A) above.
- (C) for applicants whose Financial Statements are prepared in accordance with the generally accepted accounting principles of a European Union country other than the United Kingdom, the minimum financial requirements shall be five times the applicable requirements set forth in subsection (A) above.
- (D) for applicants whose financial statements are prepared in accordance with any other type of generally accepted accounting principles, the minimum financial requirements shall be seven times the requirements set forth in subsection (A) above.

(f) Business History - The applicant must have an established, profitable business history of a minimum of six months or personnel with sufficient operational background and experience to ensure, in the judgment of the Board, the ability of the firm to conduct its business.

(g) In addition to the above, applicants that are Unregistered Investment Pools must obtain at least a “medium” rating resulting from a qualitative assessment performed by the Corporation whereby the Corporation will assess certain factors, such as management, capital, strategy and risk profile, internal controls, and any other factors deemed relevant by the Corporation. The Corporation shall perform the assessment of each factor at the level (e.g., at the Unregistered Investment Pool level, at the level of the Unregistered Investment Pool’s investment advisor or other service provider, or some combination thereof) at which the responsibility for such factor falls.

The foregoing financial responsibility standards are only minimum requirements, and the Board, based upon the level of the anticipated positions and obligations of the applicant, the anticipated risk associated with the volume and types of Transactions the applicant proposes to process through the Corporation, and the overall financial condition of the applicant, may impose greater standards. If an applicant does not itself satisfy the above minimum capital requirements, the Board may include for such purposes the capital of an Affiliate of the applicant, if the Affiliate has delivered to the Corporation a guaranty, satisfactory in form and substance to the Board, of the obligations of the applicant to the Corporation.

Section 3 – Application Documents

Each applicant to become a Clearing Member shall, as required by the Corporation from time to time, complete and deliver to the Corporation an Applicant Questionnaire in such form as may be prescribed by the Corporation. An applicant seeking membership in the Clearing System shall also deliver to the Corporation the financial reports, other reports, opinions and other information as the Corporation requires.

If the Corporation determines that a legal opinion, or update thereto, submitted by an applicant indicates that the Corporation could be subject to Legal Risk as defined in Rule 4 with respect to such applicant, the Corporation shall have the right to take, and/or require the applicant to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the applicant to post additional Clearing Fund as set forth in Rule 4.

Section 4 – Evaluation of Applicant

An application to become any type of Clearing Member shall first be reviewed by the Corporation. The Corporation shall recommend approval or disapproval of the application to the Board. Except as otherwise provided in this Rule 2A, Board approval of an application for membership shall constitute approval only of the type of membership specifically applied for.

In evaluating a membership application, the Corporation may:

(a) contact the applicant's Designated Examining Authority, Appropriate Regulatory Agency, primary regulatory authority, (the insurance regulator in the company's state of domicile in the case of an Insurance Company), or other examining authority or regulator, or any Self-Regulatory Organization of which the applicant is a Member and request from such authority or organization any records, reports, or other information that, in their judgment, may be relevant to the application;

(b) examine the books, records, and operational procedures of, and inspect the premises of, the applicant as they may be related to the business to be conducted through the Corporation; and

(c) take such other evidence or make such other inquiries as is necessary, including sworn or unsworn testimony, to ascertain relevant facts bearing upon the applicant's qualifications.

The Board shall approve an application to become a Clearing Member pursuant to this Rule only upon a determination that the applicant meets such standards of financial responsibility and operational capability as are set forth in this Rule.

Notwithstanding that an application to become a Clearing Member shall have been approved by the Board or the Corporation, as applicable, if a material change in condition of the applicant occurs which in the judgment of the Board or the Corporation could bring into question the applicant's ability to perform as a Member, and such material change becomes known to the Corporation prior to the applicant's commencing use of the Corporation's services, the Corporation shall have the right to stay commencement by the applicant of use of the Corporation's services until a reconsideration by the Board or the Corporation of the applicant's financial responsibility and operational capability can be completed. As a result of such reconsideration, the Board may determine to withdraw approval of an application to become a Member or condition the approval upon the furnishing of additional information or assurances.

Notwithstanding the provisions of this Rule, the Board or the Corporation may determine, after considering the facts and circumstances pertaining to an applicant, not to apply one or more of the qualifications or standards set forth in these Rules. If the Board determines that such qualification or standard shall not apply, it shall determine what, if any, limitation or restriction shall be placed on such applicant. Limitations and restrictions shall bear a reasonable relationship to the qualification or standard not applied to such applicant and may include, but are not limited to, an increased Clearing Fund requirement or a limitation on the applicant's activities to be processed through the Corporation. Such determination shall only be made if the Board concludes that not applying such qualification or standard, and imposing such limitation or restriction, would not be against the best interests of the Corporation and its Members. In making such a determination, the Board may require the applicant to provide additional information or assurances. If the Board imposes a limitation or restriction pursuant to this provision, the Corporation shall promptly notify the SEC.

The Board may deny an application to become a Member upon the Corporation's determination that it does not have adequate personnel, space, data processing capacity or other operational capability at that time to perform its services for the applicant without impairing the ability of the Corporation to provide services for its existing Members, to assure the prompt, accurate and orderly processing and settlement of securities Transactions or to otherwise carry out its functions; provided, however, that any such applications which are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit.

Upon the Board's denial of an application to become a Member pursuant to this Rule, the Corporation shall (1) furnish the applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and shall notify the applicant of its right to request a hearing, such request to be filed by the applicant with the Corporation pursuant to Rule 28, "Hearing Procedures" and (2) notify the SEC and the applicant's Appropriate Regulatory Agency that the Board has denied the applicant's application for membership.

Section 5 - Member Agreement

Each applicant to become a Clearing Member shall sign and deliver to the Corporation a Member Agreement whereby the applicant shall agree:

(a) to abide by the Rules of the Corporation and to be bound by all the provisions thereof;

(b) to pay to the Corporation in a timely manner the compensation provided for by the Rules of the Corporation for services rendered and such costs and fines as may be imposed in accordance with such Rules of the Corporation for the failure to comply therewith;

(c) to be bound by any amendment to the Rules of the Corporation with respect to any Transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation;

(d) to continue to be bound by the Rules of the Corporation, notwithstanding that it may have terminated its membership, as to all matters and Transactions occurring while it was a Member;

(e) to deliver to the Corporation or the settlement counterparty, as applicable, or receive from the Corporation or the settlement counterparty, as applicable, the securities underlying all trades that have been reported by the Corporation and all monies related thereto, in accordance with the Rules of the Corporation, and pay or deliver to the Corporation in a timely manner all amounts due pursuant to Rule 4 with regard to its Required Fund Deposit and any loss or liability allocated to it;

(f) that the determination of the Board as to any questions arising with regard to any payment, charge, fee, deposit, or fine to which it may be subject shall be final and conclusive, except as may be otherwise provided in these Rules; and

(g) to any other terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members, including all agreements, opinions of counsel, and legal and other documentation required by the Corporation.

These Rules and the procedures adopted from time to time by the Corporation shall be deemed incorporated in each contract processed through the Corporation. To the extent that the terms contained in any other agreement between Members are inconsistent with the provisions of these Rules or the procedures, these Rules and the Corporation's procedures shall be controlling.

Section 6 – Confidentiality

Except as otherwise provided in Rule 22, "Release of Clearing Data," any information furnished to the Corporation pursuant to this Rule shall be held in at least the

same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or Member.

RULE 3 - ONGOING MEMBERSHIP REQUIREMENTS

Section 1 – Requirements

The qualifications and standards set forth in Rule 2A shall be continuing membership requirements. In addition, each Member shall comply with the ongoing requirements set forth below.

Section 2 - Reports by Clearing Members

Each Clearing Member shall submit to the Corporation the reports and other information set forth below and such other reports and information as the Corporation from time to time may reasonably require. Unless specifically set forth below, the time periods prescribed by the Corporation are set forth in the form of notices posted at the Corporation's website and/or distributed by the Corporation from time to time. It shall be the Member's responsibility to retrieve all notices daily from the website.

(a) a copy of the Member's annual audited Financial Statements for such fiscal year, certified without qualification by the Member's independent certified public accountants and prepared in accordance with generally accepted accounting principles; and

(b) if the Member is a broker or dealer registered under Section 15 or Section 15C of the Exchange Act, (i) a copy of the Member's FOCUS Report or FOGS Report, as the case may be, submitted to its Designated Examining Authority, and (ii) any supplemental reports required to be filed with the SEC pursuant to SEC Rule 17a-11 or 17 C.F.R. Section 405.3;

(c) if the Member is a domestic bank or a trust company, a copy of the Member's CALL Report submitted to its Appropriate Regulatory Agency and, to the extent not contained within such CALL Reports (or to the extent that CALL Reports are not required to be filed), information containing each of the Member's capital levels and ratios, as such levels and ratios are required to be provided to the Member's Appropriate Regulatory Agency (or, if such applicant's Appropriate Regulatory Agency does not require such information, as would be required to be provided, if such Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System);

(d) if the Member is a broker, dealer or bank established or organized in the United Kingdom and subject to regulation by the United Kingdom's Financial Services Authority (or successor authority), a copy of its Financial Services Authority reports;

(e) if the Member is a Foreign Clearing Member other than one that is a broker, dealer or bank organized or established in the United Kingdom and regulated by the Financial Services Authority, financial information requested by the Corporation;

(f) if the Member is an Unregistered Investment Pool as defined in these Rules, a copy of the monthly certified statements of assets and liabilities on standard form signed by the Chief Financial Officer or equivalent of such Unregistered Investment Pool;

(g) if the Member is not within clauses (b) through (f), copies of the Member's unaudited financial information as specified by the Corporation for such quarter;

(h) for any Member which has satisfied the financial requirements imposed by the Corporation pursuant to these Rules by means of a guaranty of its obligations by an Affiliate, Financial Statements and/or the reports or information of its parent company meeting the requirements specified in subparagraphs (a) through (g) of this Section 2, as applicable.

Moreover, any Member that has provided to the SEC any notice required pursuant to paragraph (e) of the SEC's Rule 15c3-1 shall notify the Corporation of the provision of such notice, and shall furnish the Corporation with a copy of such notice, by the close of business on the day that it so provides such notice to the SEC.

With respect to subsections (a) and (g) above, the Corporation may accept, in its sole discretion, consolidated Financial Statements or financial information prepared at a parent level.

In addition to the above, Clearing Members must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a Member's capital levels or other financial requirements fall below prescribed levels. In addition, Members must submit to the Corporation, concurrently with their submission to the applicable regulator or similar authority, copies of such filings as determined by the Corporation from time to time, which Members are required to file pursuant to the Sarbanes-Oxley Act of 2002, and any amendments thereunder.

Moreover, Foreign Clearing Members who are regulated must submit to the Corporation, concurrently with their submission to the relevant regulator or similar authority, copies of any regulatory notifications required to be made when a Member does not comply with the financial reporting and responsibility standards set by its home country regulator. Foreign Clearing Members who are regulated must also notify the Corporation in writing within 2 business days of becoming subject to a disciplinary action by their home country regulator. All Foreign Clearing Members must submit, on an annual basis, within the timeframe required by guidelines issued by the Corporation,

an updated opinion of outside counsel on home country law and, if applicable, other relevant non-domestic law, or a letter from their outside counsel indicating that there have been no material changes in home country law (and/or other applicable non-domestic law) since the date of issuance of the most recent opinion submitted to the Corporation.

At the request of the Corporation, if the Corporation is alerted to a change in circumstances or an issue of law that brings into question the reliability of a legal opinion submitted by a Foreign Clearing Member, such Member shall provide to the Corporation at the Corporation's request an update of the legal opinion and/or a written status report on the Corporation's rights under the relevant non-domestic law prior to the time at which an update of the legal opinion would be due pursuant to these Rules. The Foreign Clearing Member shall provide such update and/or status report in the format and within the timeframe requested by the Corporation.

If the Corporation determines that a legal opinion, or update thereto, submitted by a Member, indicates that the Corporation could be subject to Legal Risk (as defined in Rule 4) with respect to such Member, the Corporation shall have the right to take, and/or require the Member to take, appropriate action(s) to mitigate such Legal Risk, including, but not limited to, requiring the Member to post additional Clearing Fund as set forth in Rule 4.

Notwithstanding anything to the contrary in this Rule, if a Member qualifies for more than one category of Clearing System membership, the Corporation, in its sole discretion, may require that such Member provide those reports and other financial or other information required to be provided to the Corporation by Members of any of those membership categories for which such Member qualifies.

All information provided to the Corporation shall be in English (and if translated into English, the translation must be a fair and accurate English translation).

A Member that fails to submit the above listed information within the timeframes required by guidelines issued by the Corporation from time to time and in the manner requested, shall:

- (i) be subject to a fine by the Corporation; and
- (ii) until the required information is submitted to the Corporation, have a Clearing Fund deposit equal to the greater of either the sum of the normal calculation of its Required Fund Deposit plus \$1,000,000, or 125 percent of the normal calculation of its Required Fund Deposit.

Section 3 – Confidentiality

Except as otherwise provided in Rule 22, "Release of Clearing Data," any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or Member.

Section 4 - Application of Membership Standards

Notwithstanding the provisions of this Rule, the Board may determine, after considering the facts and circumstances pertaining to a Member, not to apply one or more of the qualifications or standards set forth in these Rules. If the Board determines that such qualification or standard shall not apply, the Board shall determine what, if any, limitation or restriction shall be placed on such Member. Limitations and restrictions shall bear a reasonable relationship to the qualification or standard not applied to such Member and may include, but are not limited to, an increased Clearing Fund requirement or a limitation on the Member's activities processed through the Corporation. Such determination shall only be made if the Board concludes that not applying such qualification or standard, and imposing such limitation or restriction, would not be against the best interests of the Corporation and its Members. In making such a determination, the Board may require the Member to provide additional information or assurances. If the Board imposes a limitation or restriction pursuant to this provision, the Corporation shall promptly notify the SEC.

Section 5 – Operational Testing Requirements

(a) The Corporation may, from time to time, require Members to fulfill, within the time frames established by the Corporation, certain operational testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation to ensure the continuing operational capability of the Member. The Corporation may assess a fine or terminate the membership of any Member that does not fulfill any such operational testing and related reporting requirements within the time frames established by the Corporation.

Section 6 - General Continuance Standards

A Member shall promptly inform the Corporation, both orally and in writing, if it no longer is in compliance with any of the relevant qualifications and standards for admission to membership set forth in Rule 2A and in this Rule, including whether it is subject to any of the criteria set forth in subsection (d) of Section 2 of Rule 2A. Notification must take place within two business days from the date on which the Member first learns of its non-compliance. The Corporation may assess a fine against any Member who fails to so notify the Corporation. In addition, a Member shall notify the Corporation within two business days of learning of an investigation or proceeding to which it is or is becoming subject that would cause the Member to fall out of compliance

with any of the relevant qualifications and standards for membership set forth in Rule 2A and this Rule. Notwithstanding the previous sentence, the Member shall not be required to notify the Corporation if doing so would cause the Member to violate an applicable law, rule or regulation. If, with respect to any type of Member: (a) it fails to maintain the relevant standards and qualifications for admission to membership, including but not limited to minimum capital standards and operational testing and related reporting requirements imposed by the Corporation from time to time; (b) it violates any Rule of the Corporation or other agreement with the Corporation; (c) it fails to satisfy in a timely manner any obligation to the Corporation; (d) there is a Reportable Event relating to such Member; or (e) the Corporation otherwise deems it necessary or advisable, in order to protect the Corporation, its other Members, or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation, or to promote the prompt and accurate processing, clearance or settlement of securities Transactions, the Corporation will undertake appropriate action to determine the status of the Member and its continued eligibility. In addition, the Corporation may review the financial responsibility and operational capability of the Member to the extent provided in these Rules and otherwise require from the Member additional reporting of its financial or operational condition at such intervals and in such detail as the Corporation shall determine, and shall make a determination as to whether such Member should be placed on the Watch List by the Corporation consistent with the provisions of Section 11 of this Rule. The Corporation may also, in its sole discretion, if it believes it necessary to protect itself and its Members, require a Member to deliver to the Corporation a guaranty of an Affiliate of the Member, satisfactory in form and substance to the Corporation, of the obligations of the Member to the Corporation.

Furthermore, a Clearing Member must submit to the Corporation written notice of any Reportable Event at least 90 calendar days prior to the effective date of such Reportable Event unless the Member demonstrates that it could not have reasonably done so, and provided notice, both orally and in writing, to FICC as soon as possible. The Corporation shall assess a fine against any Clearing Member who fails to so notify the Corporation.

In addition, if the Corporation has reason to believe that a Member may fail to comply with any of these Rules, it may require the Member to provide it, within such timeframe, in such detail, and pursuant to such manner as the Corporation shall determine, with assurances in writing of a credible nature that the Member shall not, in fact, violate any of these Rules. Notwithstanding the previous sentence, each Member, or any applicant to become such, shall furnish to the Corporation such adequate assurances of its financial responsibility and operational capability as the Corporation may at any time or from time to time deem necessary or advisable in order to protect the Corporation and its Members, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities Transactions. Upon the request of a Member or applicant, or otherwise, the Corporation may choose to confer

with the Member or applicant before or after requiring it to furnish adequate assurances pursuant to this Rule.

Adequate assurances of financial responsibility or operational capability of a Member or applicant to become such, as may be required by the Corporation pursuant to these Rules, may include, but shall not be limited to, as appropriate under the context of the Member's use of the Corporation's services:

- (i) restrictions or modifications on the Member's use of any or all of the Corporation's services (whether generally, or with respect to certain Transactions);
- (ii) additional reporting by the Member of its financial or operational condition at such intervals and in such detail as the Corporation shall determine;
- (iii) increased Required Fund Deposits and/or a requirement to post its Required Fund Deposit in proportions of cash, Eligible Clearing Securities and Eligible Letters of Credit different from those permitted under Rule 4;
or
- (iv) prohibitions on the Member from withdrawing Clearing Fund on deposit in excess of its Required Fund Deposit.

With respect to item (iii) above, such increased or modified Required Fund Deposits may, at the discretion of the Corporation, be required to be deposited by the Member with the Corporation on the same Business Day on which the Corporation requests additional assurances from such Member.

In the event that a Member fails to maintain the relevant requirements of any of these Rules, the Corporation may, pursuant to these Rules, either cease to act for the Member or terminate its membership, unless the Member requests that such action not be taken and the Corporation, in its sole discretion, determines that, depending upon the specific circumstances and the record of the Member, it is appropriate instead to establish for such Member a time period (the "Noncompliance Time Period"), the length of which shall be determined by the Corporation during which the Member must resume compliance with such requirements. In the event that the Member is unable to satisfy such requirements within the Noncompliance Time Period, the Corporation may, pursuant to these Rules, either cease to act for the Member or terminate its membership. If the Corporation takes any action pursuant to this paragraph, it shall promptly file with its records and with the SEC a full report of such actions, and the reasons thereof.

Notwithstanding anything to the contrary in this Section, if the Corporation, in its sole discretion, determines that a Clearing Member's financial condition has significantly

deteriorated during a Noncompliance Time Period, the Corporation immediately may, pursuant to these Rules, either cease to act for the Member or terminate its membership.

Section 7 - Specific Continuance Standards

In the event that Financial Statements or other information submitted pursuant to this Rule indicate that a Member has ceased to meet the requirements of these Rules, the Corporation, unless the Corporation has determined to cease to act for the Member pursuant to Rule 17, "Procedures for When the Corporation Ceases to Act," shall, for a period beginning on the day on which it fell below such level and continuing until the 90th calendar day after the later of the date on which it returned to compliance with such standard or the Corporation's discovery of the applicable violation, increase the Member's Required Fund Deposit to the greater of either the sum of the normal calculation of the Member's Required Fund Deposit plus \$1,000,000, or 125 percent of the normal calculation of the Required Fund Deposit.

For purposes of applying a premium to the Required Fund Deposit of a Member that falls below its minimum financial requirements as set forth in this section, the Corporation shall begin to assess such a premium on the date on which the Corporation becomes aware of the applicable violation.

If the Corporation takes any action pursuant to this Section, it shall promptly report such action, and the reasons thereof, to the Board, at its next regularly scheduled meeting, or sooner if deemed appropriate by the Corporation.

Notwithstanding the Corporation taking any action pursuant to this Section 7 the Corporation shall not be restricted from exercising its right at any time to cease to act for the Member pursuant to Rule 17, "Procedures for When the Corporation Ceases to Act".

Section 8 - Compliance with Rules, Procedures and Applicable Laws

Subject to the provisions of Rule 33, "Suspension of Rules in Emergency Circumstances", the use of the facilities of the Corporation by a Member shall constitute such Member's agreement with the Corporation and with all other Members to be bound by the provisions of, and by any action taken or order issued by the Corporation pursuant to, these Rules and any amendment thereto, and to such procedures as the Corporation may adopt from time to time. In addition, in connection with its use of the Corporation's services, a Member must comply with all applicable laws, including applicable laws relating to securities, taxation, and money laundering, as well as sanctions administered and enforced by the Office of Foreign Assets Control ("OFAC").

As part of their compliance with OFAC sanctions regulations, all Members agree not to conduct any transaction or activity through MBSD which it knows to violate sanctions administered and enforced by OFAC.

Members subject to the jurisdiction of the U.S., with the exception of EPN Only Members, are required to periodically confirm that the Member has implemented a risk-based program reasonably designed to comply with applicable OFAC sanctions regulations. Failure to do so in the manner and timeframes set forth by the Corporation from time to time will result in a fine.

Section 9- Books and Records

A Member's books and records, insofar as they relate to Transactions processed through the Corporation, shall be open to the inspection of the duly authorized representatives of the Corporation upon reasonable prior notice and during the Member's normal business hours. The Corporation shall be furnished with all such information about the Member's business and Transactions as it may require; provided that (i) the aforesaid rights of the Corporation shall be subject to any applicable laws or rules or regulations of regulatory bodies having jurisdiction over the Member which relate to the confidentiality of records, and (ii) if the Member ceases membership, the Corporation shall have no right to inspect the Member's books and records or to require information relating to Transactions wholly subsequent to the time when the Member ceases membership.

Section 10 – Accounts

The Corporation shall maintain, for each Clearing Member participating in the Clearing System, one or more Accounts and one or more Aggregates for the processing of eligible Transactions, as requested by the Clearing Member and approved by the Corporation.

Each Account maintained for a Clearing Member in the Clearing System will be identified as either a Dealer Account or a Broker Account. A Clearing Member acting as a Dealer may process Transactions in the Clearing System only through Dealer Accounts, and a Clearing Member acting as a Broker may process Transactions in the Clearing System only through Broker Accounts.

Each Account shall, unless the Corporation determines otherwise, be treated as if it were maintained for a separate Member. Without limiting the generality of the foregoing, a Member may be required to pay separate fees for the maintenance of each Account and the Member may be required to make separate deposits to the Clearing Fund for each Aggregated Account.

A Member having more than one Aggregated Account in the Clearing System may elect, subject to the Corporation's discretion, to have the Corporation net its total Required Fund Deposit requirements for each Aggregated Account or across all Aggregated Accounts.

A Member having one or more Accounts in the Clearing System may elect, in the manner specified by the Corporation from time to time, and subject to contra-side approval, to have the Corporation transfer one or more of its trades pursuant to procedures set forth by the Corporation from time to time (i) from one Member Account to another Account of the same Member; (ii) from one Member Account to an Account of a different Member; (iii) from one trade type to another trade type within an Account; or (iv) from one Aggregated Account to another Aggregated Account of the same Member.

With respect to the maintenance of multiple Accounts as permitted by these Rules, the Corporation may, in its sole discretion, at any time and without prior notice to a Member (but being obligated to give notice to the Member as soon as possible thereafter) and whether or not the Member is in default of its obligations to the Corporation, apply margin deposits made by the Member pursuant to its obligations under one of its Accounts as necessary to ensure that the Member meets all of its obligations as to the Corporation under the additional Accounts, and otherwise exercise all rights to offset and net any obligations among any or all of the Accounts.

Section 11 - Watch List

(a) A Clearing Member that is a domestic bank, broker-dealer or Unregistered Investment Pool will be monitored and may be placed on the Watch List based on that Member's rating as determined by the Credit Risk Rating Matrix. Such Members may also be placed on the Watch List, at the Corporation's discretion, based on failure to comply with operational standards and requirements.

(b) All other categories of Clearing Members may be monitored for financial and/or operational factors as the Corporation deems necessary to protect the Corporation and its Members from undue risk. These Members will not be assigned a rating from the Credit Risk Rating Matrix; however, they may be included on the Watch List at the Corporation's discretion.

(c) The Corporation may require a Clearing Member that has been placed on the Watch List, to make and maintain a deposit to the Clearing Fund over and above the amount determined in accordance with Rule 4 (which additional deposit shall constitute a portion of the Clearing Member's Required Fund Deposit) or such higher amount as the Board may deem necessary for the protection of the Corporation or other Members, which higher amount may include, but is not limited to including, additional payments or deposits in any form to offset potential risk to the Corporation and its Members arising from activity submitted by such Member. The Corporation may also deny a Member's right to withdraw amounts the Member has in excess of its Required Fund Deposit.

(d) Placement on the Watch List shall result in a more thorough monitoring of the Member's financial and/or operational condition, as applicable, and activities by the

Corporation. The Corporation may require Members placed on the Watch List to make more frequent financial disclosures, possibly including interim and/or pro forma reports.

(e) The Corporation shall have the right to place a Member with an Excess Capital Ratio of 0.5 or greater on the Watch List if the Corporation, in its sole discretion, deems such action necessary to protect itself and its Members. If such placement on the Watch List occurs, the Corporation will require the Clearing Member to provide it with assurances satisfactory to the Corporation that the Clearing Member is and shall continue to be able to fulfill its obligations to the Corporation, and may obtain from or exchange with any other Clearing Organization margin information as specified in Rule 22, “Release of Clearing Data.”

(f) A Clearing Member shall be placed on the Watch List if the Corporation takes any action to seek additional assurances of financial responsibility or operational capability against such Member pursuant to Section 6 of this Rule.

A Clearing Member shall continue to be included on the Watch List until the condition(s) that resulted in its placement on the Watch List have improved to the point where the condition(s) are no longer present or a determination is made by the Corporation that close monitoring is no longer warranted.

Section 12 – Excess Capital Premium

If a Clearing Member maintains an Excess Capital Ratio greater than 1.0, then the Corporation may require the Clearing Member to make and maintain an additional deposit to the Clearing Fund in an amount equal to the product of its Excess Capital Differential multiplied by its Excess Capital Ratio. Any such additional deposit required by the Corporation shall be considered included as part of the Clearing Member’s Required Fund Deposit.

The Corporation also will reserve the right to: (i) collect an amount less than the Excess Capital Premium (including no premium) based on specific circumstances and (ii) return all or a portion of the Excess Capital Premium (or such lesser amount) if it believes that the Clearing Member’s risk profile does not require the maintenance of that amount.²

Section 13 - Ceasing to Maintain an Account

² FICC has identified the following guidelines, which are intended to be illustrative, but not limited, where the premium will not be imposed: management will look to see whether the premium results from unusual or non-recurring circumstances where management believes it would not be appropriate to assess the premium. Examples of such circumstances are a member’s late submission of trade data for comparison that would otherwise reduce the margined position if timely submitted or an unexpected haircut or capital charge that does not fundamentally change its risk profile.

A Clearing Member may cease to maintain any Account with the Corporation by providing the Corporation with 10 days written notice of such cessation; however, the Corporation, in its discretion, may accept such cessation within a shorter notice period. Such cessation will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to all Members announcing the Member's cessation and the effective date of the cessation of the Member's Account; provided, however, that no cessation of an Account shall be effective until the Member has made arrangements satisfactory to the Corporation for the payment of any unpaid Cash Settlement obligations with respect to such Account, and no cessation of an Account maintained for a Member shall be effective until the Member has made arrangements satisfactory to the Corporation for the handling of Transactions in such Account open at the time of such cessation. Upon its ceasing to maintain an Account, the Member shall be entitled to a refund of its deposits to the Clearing Fund applicable to such Account upon satisfaction of the conditions specified below.

Whenever a Member definitively ceases to be such or to maintain any Account or Aggregated Account, the amount of its deposits to the Clearing Fund or its deposits with respect to the Account or Aggregated Account that it will no longer maintain shall be returned to it, but not until all amounts chargeable against its deposits on account of Transactions made while it was a Member have been deducted and, in the case of a Member, all of its commitments in any Account or Aggregated Account in the Clearing System which are open at the time it ceases to be a Member or to maintain such Account or Aggregated Account have been closed or, with the approval of the Corporation, another Member has been substituted on each such commitment. Notwithstanding anything else contained herein, the Corporation may retain an amount equal to any Cross-Guaranty Repayment Deposit of any Member until such time as the Corporation determines that such Member is no longer liable to the Corporation under Rule 32, "Cross Guaranty Agreements," to reimburse the Corporation for any Cross-Guaranty Repayment that the Corporation may be obligated to make under any relevant Cross-Guaranty.

Section 14 - Voluntary Termination

A Member may elect to terminate its membership in the Clearing System by providing the Corporation with 10 days written notice of such termination; however, the Corporation, in its discretion, may accept such termination within a shorter notice period. Such termination will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to Members announcing the Member's termination and the effective date of the termination of the Member (hereinafter the "Termination Date"). As of the Termination Date, a Clearing Member that terminates its membership in the Clearing System shall no longer be eligible to submit to the Corporation data on trades unless the Board determines otherwise in order to ensure an orderly liquidation of the Member's open obligations. A Member's voluntary termination of membership shall not affect its obligations to the Corporation, or the rights of the Corporation, with respect to Transactions submitted to the Corporation before the

Termination Date. The return of the Member's Clearing Fund deposit shall be governed by Section 10 of Rule 4.

Section 15 - Indemnification

Clearing Members shall indemnify the Corporation against any loss, reasonable cost or expense, damage or liability arising out of the performance, non-performance or misperformance of such duties except to the extent that the Corporation's conduct violated the standard of care set forth in Rule 30, "Limitations of Liability". In the event that any loss, cost, expense, damage or liability with respect to which the Corporation is entitled to indemnification pursuant to this Section 15 is attributable to one or more identifiable Clearing Members, an assessment shall be made against such Clearing Members. In the event that any such loss, cost, expense, damage or liability cannot be attributed to one or more identifiable Clearing Members, an assessment shall be made against Clearing Members generally in proportion to their relative usage of the facilities of the Corporation (based on fees for services) during the period in which such loss, cost, expense, damage or liability was incurred.

EPN RULES

ARTICLE III EPN USERS

Rule 1. Requirements Applicable to EPN Users

Sec. 1. Applicants Eligible to Become EPN Users

The Corporation shall provide services to those organizations, entities or persons who apply to the Corporation to become an EPN User, who qualify as an EPN User under these EPN Rules and whose EPN User Profiles are approved by the Corporation.

Sec. 2. Approval of Applicants

The Corporation shall approve an EPN User Profile, submitted by an applicant, to become an EPN User if the applicant:

(a) has sufficient financial ability to meet its obligations to the Corporation; and

(b) the applicant has affirmatively shown that it has the ability to satisfactorily communicate with the Corporation, fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy, and conform to any condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Participants. The applicant agrees that it must fulfill, within the timeframes established by the Corporation, operational testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation to ensure the continuing operational capability of the applicant.

The Corporation may waive any standard as to any applicant, either unconditionally or on an appropriate temporary or other conditional basis, if the Corporation determines that said standard, as applied to such applicant, is unduly or disproportionately severe or that the conduct of said applicant has been such that it would not be against the best interests of the Corporation, its EPN Users and the public to waive said standard.

Notwithstanding the foregoing, the Corporation may decline to offer the EPN Service to any applicant upon a determination by the Corporation that the Corporation does not have adequate personnel, space, data processing capacity or other operational capabilities at that time to furnish service to an additional EPN User without impairing the ability of the Corporation to provide services for its then EPN Users, or otherwise to carry out its functions; provided, however, that applicants who are declined pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit in the order in which such applicants applied to the Corporation, and provided, further, that the Corporation shall use its best efforts to expand its capabilities to permit approval of the applicant so denied.

Sec. 3. Agreements of EPN Users

An applicant whose EPN User Profile, submitted for the purpose of becoming an EPN User, has been approved by the Corporation shall sign and deliver to the Corporation an EPN User Agreement whereby it agrees, in addition to such other things as the Corporation may specify:

(a) that the only service or system offered by the Corporation that it will utilize as an EPN User is the EPN Service;

(b) that, except to the extent waived by the Corporation, the applicant shall abide by the EPN Rules and EPN Procedures of the Corporation and shall be bound by all the provisions thereof, the applicant acknowledging that the Corporation shall have all of the rights and remedies contemplated by the EPN Rules and EPN Procedures of the Corporation;

(c) that, except to the extent waived by the Corporation, the EPN Rules and EPN Procedures of the Corporation shall be a part of the terms and conditions of every contract or Message which the applicant, while an EPN User, may make or have with the Corporation and of every contract or Message into which the applicant, while an EPN User, may enter which relates to the EPN Service;

(d) that, upon becoming an EPN User, the applicant shall utilize the EPN Service for all Messages relating to EPN Eligible Securities, except for those Messages which the Corporation specifically exempts in the EPN Procedures and those Messages which both parties agree not to send through the EPN Service.

(e) that the applicant shall pay to the Corporation (i) the compensation specified in the fee schedules of the Corporation for services rendered to the applicant while an EPN User, (ii) such fines as may be imposed in accordance with the EPN Rules and EPN Procedures of the Corporation for the failure of the applicant, while an EPN User, to comply therewith, and (iii) such other amounts as may become payable to the Corporation by the applicant, while an EPN User, under the EPN Rules and EPN Procedures of the Corporation; and

(f) that the applicant shall be bound by any amendment to the EPN Rules or EPN Procedures of the Corporation with respect to any Message occurring subsequent to the time such amendment takes effect as fully as though such amendment were a part of the EPN Rules and EPN Procedures of the Corporation at the time application is made; provided, however, that no such amendment shall affect the applicant's right to cease to be an EPN User.

Notwithstanding Section 3(d) of this Rule 1, in the event of an EPN system disruption and an extension of the cut-off times for communicating pool allocation information pursuant to SIFMA Guidelines, EPN Users will be relieved of their obligation to process Messages through the EPN Service until the beginning of the next Business Day after the EPN system has been recovered.

Sec. 4. Supplemental Agreements of EPN Users

The Corporation may in its discretion request any EPN User, any class of EPN Users, or all EPN Users generally, to enter into nondiscriminatory supplementary agreements relating to special services performed by the Corporation or special arrangements between the Corporation and such EPN Users, and the execution and delivery of such agreements by any EPN User shall be a condition precedent to the performance of such services or the effectiveness of such arrangements.

Sec. 5. EPN Users Bound by EPN Rules, EPN Procedures and Applicable Laws

Subject to the provisions of Rule 12 of Article X, the use of the facilities of the Corporation by a EPN User shall constitute such EPN User's agreement with the Corporation and with all other EPN Users to be bound by the provisions of, and by any action taken or order issued by the Corporation pursuant to, these EPN Rules and any amendment thereto, and to such EPN Procedures as the Corporation from time to time may adopt. In addition, in connection with their use of the Corporation's services, an EPN User must comply with all applicable laws, including applicable laws relating to securities, taxation, and money laundering.

Sec. 6. EPN Rules and EPN Procedures Incorporated in EPN User Messages

These EPN Rules and the EPN Procedures adopted from time to time by the Corporation shall be deemed incorporated in each Message that occurs through the EPN Service. To the extent that the terms contained in any other agreement between EPN Users are inconsistent with the provisions of these EPN Rules or the EPN Procedures, these EPN Rules and the EPN Procedures shall be controlling.

Sec. 7. Indemnification

EPN Users shall indemnify the Corporation against any loss, reasonable cost or expense, damage or liability arising out of the performance, non-performance or misperformance of the Corporation's duties except to the extent that the Corporation's conduct violated the standard of care set forth in Section 1 of Rule 6 of Article X. In the event that any loss, cost, expense, damage or liability with respect to which the Corporation is entitled to indemnification pursuant to this Section 7 is attributable to one or more identifiable EPN Users, an assessment shall be made against such EPN User(s). In the event that any such loss, cost, expense, damage or liability cannot be attributed to one or more identifiable EPN Users, an assessment shall be made against EPN Users

generally in proportion to their relative usage of the facilities of the Corporation (based on fees for services) during the period in which such loss, cost, expense, damage or liability was incurred.

Sec. 8. Confidentiality.

Any information furnished to the Corporation pursuant to this Rule shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the applicant or EPN User.

EXHIBIT P (ITEM 25)

Attach as Exhibit P copies of any form of contracts governing the terms on which persons may subscribe to clearing agency services provided by the registrant.

Attached please find the following documents:

1. Government Securities Division
 - a. Netting Member Agreement
 - b. Clearing Fund Agreement
 - c. Comparison Only Member Agreement
2. Mortgage-Backed Securities Division
 - a. Clearing Member Agreement
 - b. Clearing Fund Agreement
 - c. EPN User Agreement

NETTING MEMBER AGREEMENT

The Depository Trust & Clearing Corporation
Subsidiary: **Fixed Income Clearing Corporation**
Division: **Government Securities Division**

**FIXED INCOME CLEARING CORPORATION
GOVERNMENT SECURITIES DIVISION**

55 Water Street
New York, NY 10041

NETTING MEMBER AGREEMENT

(hereinafter the "Agreement")

_____, a domestic person (the "Netting Member"), hereby makes application to become a Netting Member of the Fixed Income Clearing Corporation, the owner of the division that provides clearing and other services with respect to Government securities, (hereinafter called "FICC" and "Government Securities Division"). The Netting Member agrees as follows:

1. It shall abide by the Rules and Procedures of the Government Securities Division (the "Rules and Procedures") and shall be bound by all the provisions thereof.
2. It shall abide and be bound by an amendment to the Rules or Procedures with respect to any transaction occurring subsequent to the time such amendment takes effect, as fully as though such amendment were now a part of the Rules and Procedures, provided, however, that no such amendment shall affect the undersigned's right to cease to be a Netting Member unless before such amendment becomes effective the undersigned is given an opportunity to give written notice to FICC of the undersigned's election to terminate such membership.
3. Notwithstanding that it may have ceased to be a Member, the undersigned shall continue to be bound by the Rules and Procedures as to all matters and transactions occurring while it was a Member.
4. It shall submit to either FICC or another United States Securities and Exchange Commission-registered clearing corporation for comparison, netting, and settlement, data on all trades that are eligible for netting.
5. It shall deliver to FICC or receive from FICC the net securities settlement positions that arise from trades that have been reported as being netted, and all funds related thereto, in accordance with the Rules and Procedures.
6. It shall pay to FICC in a timely manner all costs and compensation provided for in the Rules or Procedures.
7. It shall pay or deliver to FICC in a timely manner all amounts due pursuant to Rule 4.
8. The determination of the Board of Directors of FICC as to any questions arising with regard to any payment, fee, or deposit to which the undersigned may be subject shall be final and conclusive.

The undersigned acknowledges that it has reviewed the Rules and Procedures in effect as of the date hereof, including the provisions of Rule 4 relating to the Clearing Fund and loss allocation. This Agreement shall take effect on the date it is accepted by FICC, and shall continue thereafter until terminated by either party pursuant to the Rules or Procedures. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

[The rest of this page is intentionally left blank.]

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Dated as of: _____

(Firm Name)

(Seal)

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

FIXED INCOME CLEARING CORPORATION

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

Date: _____

CLEARING FUND AGREEMENT

The Depository Trust & Clearing Corporation
Subsidiary: **Fixed Income Clearing Corporation**
Division: **Government Securities Division**

**FIXED INCOME CLEARING CORPORATION
GOVERNMENT SECURITIES DIVISION**

55 Water Street
New York, New York 10041

CLEARING FUND AGREEMENT

(hereinafter the "Agreement")

AGREEMENT dated as of ____ between ____ (hereinafter called the "Member") and the Fixed Income Clearing Corporation, the owner of the division that provides clearing and other services with respect to Government securities, (hereinafter called "FICC" and "Government Securities Division"), and a corporation organized and existing under the laws of the State of New York.

WHEREAS, Rule 4 of the Government Securities Division (hereinafter "Rule 4") requires the Member to deposit with the Clearing Fund of FICC cash in such amount as shall be fixed from time to time by FICC; and

WHEREAS, FICC may allow a portion of a Member's deposit to the Clearing Fund to be evidenced by a secured open account indebtedness; and

WHEREAS, the Member has requested that FICC allow the Member to evidence a portion of its Clearing Fund deposit by a secured open account indebtedness to FICC (such portion as may exist from time to time is hereinafter called "Clearing Fund Indebtedness");

NOW, THEREFORE, in consideration of FICC permitting a portion of the Member's Clearing Fund deposit to be evidenced by a secured open account indebtedness on the terms and conditions hereinafter set forth, the parties hereto agree as follows:

1. The Member hereby acknowledges that it is indebted to FICC in the amount of its Clearing Fund Indebtedness and that it will forthwith pay to FICC all or such portion of its Clearing Fund Indebtedness as FICC may request in accordance with Rule 4.
2. To secure the Clearing Fund Indebtedness of the Member to FICC, the Member has delivered such collateral as meets the requirements of Rule 4, to be held by FICC or by a bank or trust company (hereinafter called the "Custodian"), for the account of FICC, as custodian. To the extent required by Rule 4, the Member does hereby pledge to FICC such collateral hereafter held by FICC or the Custodian in said account as collateral security for the Clearing Fund Indebtedness of the Member as the same may exist from time to time, and grants to FICC a first priority perfected security interest in such collateral. The collateral may be pledged by FICC as security for loans made to it.
3. Any collateral pledged hereunder may be withdrawn by the Member, pursuant to the requirements of Rule 4, on the substitution of other collateral meeting the requirements of Rule 4 having a market value of not less than the market value of the withdrawn collateral.
4. If, at any time, FICC is entitled under the Rules of the Government Securities Division to apply the Member's deposits, FICC may without further demand or notice to the Member sell or call upon any or all the collateral pledged to secure the Member's Clearing Fund Indebtedness. Such sale may be made according to the judgment of FICC and may be made at its discretion in any available market where such business is then usually transacted, or at public auction or private sale, without advertising the same, and without further demand or notice to the Member and without demand or call of any kind, and the Member shall remain liable for any deficiency. No demand or call of any kind from FICC, or prior notice from FICC of the time and place of such sale, shall be considered a waiver of FICC's right to sell any collateral pledged to it as herein provided. The net cash proceeds of any such sale or sales shall be treated as a cash deposit to the Clearing Fund by the Member.
5. Interest income on securities held by or for FICC as security for the Member's Clearing Fund Indebtedness pursuant to this agreement shall be payable to the Member so long as the Member is not in default under this agreement.

6. The Member will pay to FICC any charges reasonably allocated by FICC for the custody of the collateral covered by this agreement.
7. This agreement shall take effect on the date that it is accepted by FICC, and shall continue in full force and effect so long as the Member shall be a Netting Member of FICC and until the Member shall, under Rule 4, be entitled to the return of its Clearing Fund deposit, and shall inure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors, and assigns.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Dated as of: _____

(Firm Name)

(Seal)

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

FIXED INCOME CLEARING CORPORATION

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

Date: _____

The DTCC logo is positioned in the top right corner of a dark grey header bar. The letters 'DTCC' are rendered in a bold, white, sans-serif font. The background of the header bar features a subtle, repeating geometric pattern of small, light grey squares.

COMPARISON-ONLY MEMBER AGREEMENT

The Depository Trust & Clearing Corporation
Subsidiary: **Fixed Income Clearing Corporation**
Division: **Government Securities Division**

**FIXED INCOME CLEARING CORPORATION
GOVERNMENT SECURITIES DIVISION**

55 Water Street
New York, NY 10041

COMPARISON-ONLY MEMBER AGREEMENT

(as provided for in Section 3 of Rule 2 of the Government Securities Division)

The undersigned hereby makes application to become a Comparison-Only Member of the Fixed Income Clearing Corporation, the owner of the division that provides clearing and other services with respect to Government securities, (hereinafter called "FICC" and "Government Securities Division") and agrees:

1. It shall abide by the Rules and Procedures of the Government Securities Division and shall be bound by all the provisions thereof.
2. It shall abide and be bound by any amendment to the Rules or Procedures of the Government Securities Division with respect to any transaction occurring subsequent to the time such amendment takes effect, as fully as though such amendment were now a part of the Rules and Procedures of the Government Securities Division, provided, however, that no such amendment shall affect the undersigned's right to cease to be a Comparison-Only Member unless before such amendment becomes effective the undersigned is given an opportunity to give written notice to FICC of the undersigned's election to terminate such membership.
3. Notwithstanding that it may have ceased to be a Member, the undersigned shall continue to be bound by the Rules and Procedures of the Government Securities Division as to all matters and transactions occurring while it was a Member.
4. It shall pay to FICC in a timely manner all costs and compensation provided for in the Rules or Procedures of the Government Securities Division.
5. The determination of the Board of Directors of FICC as to any questions arising with regard to any payment, fee, or deposit to which the undersigned may be subject shall be final and conclusive.

The undersigned acknowledges that it has reviewed the Rules and Procedures of the Government Securities Division in effect as of the date hereof. This Agreement shall take effect on the date it is accepted by FICC, and shall continue thereafter until either the undersigned signs a FICC Netting Member Agreement or this Agreement is terminated by either party pursuant to the Rules or Procedures of the Government Securities Division.

If applicable, this Agreement supersedes, in its entirety, the Pilot Comparison Membership Agreement between FICC and the undersigned.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH
THE LAWS OF THE STATE OF NEW YORK.**

Dated as of: _____

(Firm's Name)

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

FIXED INCOME CLEARING CORPORATION

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

Date: _____

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CLEARING MEMBER AGREEMENT

The Depository Trust & Clearing Corporation
Subsidiary: **Fixed Income Clearing Corporation**
Division: **Mortgage Backed Securities Division**

**FIXED INCOME CLEARING CORPORATION
MORTGAGE-BACKED SECURITIES DIVISION**

55 Water Street
New York, NY 10041

CLEARING MEMBER AGREEMENT

The undersigned hereby makes application to become a Clearing Member of the Fixed Income Clearing Corporation, the owner of the division that provides clearing and other services with respect to mortgage-backed securities, (hereinafter called "FICC" and "Mortgage-Backed Securities Division") and agrees:

1. It shall abide by the Rules and procedures of the Mortgage-Backed Securities Division and shall be bound by all the provisions thereof.
2. It shall abide and be bound by an amendment to the Rules or procedures of the Mortgage-Backed Securities Division with respect to any transaction occurring subsequent to the time such amendment takes effect, as fully as though such amendment were now a part of the Rules and procedures of the Mortgage-Backed Securities Division, provided, however, that no such amendment shall affect the undersigned's right to cease to be a Clearing Member unless before such amendment becomes effective the undersigned is given an opportunity to give written notice to FICC of the undersigned's election to terminate such membership.
3. Notwithstanding that it may have ceased to be a Clearing Member, the undersigned shall continue to be bound by the Rules and procedures of the Mortgage-Backed Securities Division as to all matters and transactions occurring while it was a Clearing Member.
4. It shall report to FICC for clearance through the Clearing System all open commitments for the purchase or sale of Eligible Securities pursuant to contracts with other Clearing Members.
5. It shall deliver to FICC or receive from FICC the net securities settlement positions that arise from trades that have been reported as being netted and have been novated, as applicable, and all funds related thereto, in accordance with the Rules and procedures of the Mortgage-Backed Securities Division.
6. It shall pay to FICC in a timely manner all fines as may be imposed by FICC in accordance with the Rules and procedures and all costs and compensation provided for in the Rules or procedures of the Mortgage-Backed Securities Division.
7. It shall pay or deliver to FICC in a timely manner all amounts due pursuant to Rule 4 of the Mortgage-Backed Securities Division.
8. The determination of the Board of Directors of FICC as to any questions arising with regard to any payment, fee, or deposit to which the undersigned may be subject shall be final and conclusive.

The undersigned acknowledges that it has reviewed the Rules and procedures of the Mortgage-Backed Securities Division in effect as of the date hereof, including the provisions of Rule 4 of the Mortgage-Backed Securities Division relating to the Clearing Fund and loss allocation. This Agreement shall take effect on the date it is accepted by FICC, and shall continue thereafter until terminated by either party pursuant to the Rules or procedures of the Mortgage-Backed Securities Division. This agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

If applicable, this Agreement supersedes, in its entirety, the Participants Agreement between FICC and the undersigned.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Dated as of: _____

(Firm Name)

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

ACCEPTED: _____
FIXED INCOME CLEARING CORPORATION

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

Date: _____

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CLEARING FUND AGREEMENT

The Depository Trust & Clearing Corporation
Subsidiary: **Fixed Income Clearing Corporation**
Division: **Mortgage Backed Securities Division**

**FIXED INCOME CLEARING CORPORATION
MORTGAGE-BACKED SECURITIES DIVISION**

55 Water Street
New York, NY 10041

CLEARING FUND AGREEMENT

AGREEMENT dated as of _____ between _____ (hereinafter called the "Clearing Member") and the Fixed Income Clearing Corporation, the owner of the division that provides clearing and other services with respect to mortgage-backed securities, (hereinafter called "FICC" and "Mortgage-Backed Securities Division"), and a corporation organized and existing under the laws of the State of New York.

WHEREAS, Rule 4 of the Mortgage-Backed Securities Division (hereinafter "Rule 4") requires the Clearing Member to deposit with the Clearing Fund of FICC cash in such amount as shall be fixed from time to time by FICC; and

WHEREAS, FICC may allow a portion of a Clearing Member's deposit to the Clearing Fund to be evidenced by a secured open account indebtedness; and

WHEREAS, the Clearing Member has requested that FICC allow the Clearing Member to evidence a portion of its Clearing Fund deposit by a secured open account indebtedness to FICC (such portion as may exist from time to time is hereinafter called "Clearing Fund Indebtedness");

NOW, THEREFORE, in consideration of FICC permitting a portion of the Clearing Member's Clearing Fund deposit to be evidenced by a secured open account indebtedness on the terms and conditions hereinafter set forth, the parties hereto agree as follows:

1. The Clearing Member hereby acknowledges that it is indebted to FICC in the amount of its Clearing Fund Indebtedness and that it will forthwith pay to FICC all or such portion of its Clearing Fund Indebtedness as FICC may request in accordance with Rule 4.
2. To secure the Clearing Fund Indebtedness of the Clearing Member to FICC, the Clearing Member has delivered such collateral as meets the requirements of Rule 4, to be held by FICC or by a bank or trust company (hereinafter called the "Custodian"), for the account of FICC, as custodian. To the extent required by Rule 4, the Clearing Member does hereby pledge to FICC such collateral hereafter held by FICC or the Custodian in said account as collateral security for the Clearing Fund Indebtedness of the Clearing Member as the same may exist from time to time, and grants to FICC a first priority perfected security interest in such collateral. The collateral may be pledged by FICC as security for loans made to it.
3. Any collateral pledged hereunder may be withdrawn by the Clearing Member, pursuant to the requirements of Rule 4, on the substitution of other collateral meeting the requirements of Rule 4 having a market value of not less than the market value of the withdrawn collateral.
4. If, at any time, FICC is entitled under the Rules of the Mortgage-Backed Securities Division to apply the Clearing Member's deposits, FICC may without further demand or notice to the Clearing Member sell or call upon any or all the collateral pledged to secure the Clearing Member's Clearing Fund Indebtedness. Such sale may be made according to the judgment of FICC and may be made at its discretion in any available market where such business is then usually transacted, or at public auction or private sale, without advertising the same, and without further demand or notice to the Clearing Member and without demand or call of any kind, and the Clearing Member shall remain liable for any deficiency. No demand or call of any kind from FICC, or prior notice from FICC of the time and place of such sale, shall be considered a waiver of FICC's right to sell any collateral pledged to it as herein provided. The net cash proceeds of any such sale or sales shall be treated as a cash deposit to the Clearing Fund by the Clearing Member.
5. Interest income on securities held by or for FICC as security for the Clearing Member's Clearing Fund Indebtedness pursuant to this agreement shall be payable to the Clearing Member so long as the Clearing Member is not in default under this agreement.

6. The Clearing Member will pay to FICC any charges reasonably allocated by FICC for the custody of the collateral covered by this agreement.
7. This agreement shall take effect on the date that it is accepted by FICC, and shall continue in full force and effect so long as the Clearing Member shall be a Clearing Member of FICC and until the Clearing Member shall, under Rule 4, be entitled to the return of its Clearing Fund deposit, and shall inure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors, and assigns.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Dated as of: _____

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

ACCEPTED: _____
FIXED INCOME CLEARING CORPORATION

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

Date: _____

EPN USER AGREEMENT

The Depository Trust & Clearing Corporation
Subsidiary: **Fixed Income Clearing Corporation**
Division: **Mortgage Backed Securities Division**

**FIXED INCOME CLEARING CORPORATION
MORTGAGE-BACKED SECURITIES DIVISION**

55 Water Street
New York, New York 10041

EPN USER AGREEMENT

For EPN User Account Symbol (FICC Supplied) _____.

The undersigned hereby makes application to become an EPN User of Fixed Income Clearing Corporation, the owner of the division that provides clearing and other services with respect to mortgage-backed securities, (hereinafter called "FICC" and "Mortgage-Backed Securities Division"), and agrees as follows:

1. The only service or system offered by FICC that the undersigned will utilize as an EPN User is the EPN Service.
2. Except to the extent waived by FICC, the undersigned will abide by the Rules and Procedures of the EPN Service of the Mortgage-Backed Securities Division and will be bound by all the provisions thereof, the undersigned acknowledging that FICC shall have all of the rights and remedies contemplated by the Rules and Procedures of the EPN Service of the Mortgage-Backed Securities Division.
3. Except to the extent waived by FICC, the Rules and Procedures of the EPN Service of the Mortgage-Backed Securities Division will be a part of the terms and conditions of every contract or Message which the undersigned, while an EPN User, may make or have with FICC and of every contract or Message which the undersigned, while an EPN User, may enter or send which relates to the EPN Service.
4. Upon becoming an EPN User, the undersigned will utilize the EPN Service for all Messages relating to EPN Eligible Securities, except for those Messages which FICC specifically exempts in the Rules or the Procedures of the Mortgage-Backed Securities Division and those Messages which both parties agree not to send through the EPN Service.
5. The undersigned will pay to FICC (i) the compensation specified in the fee schedules of the Mortgage-Backed Securities Division for services rendered to the undersigned while an EPN User, (ii) such fines as may be imposed in accordance with the Rules and Procedures of the Mortgage-Backed Securities Division for the failure of the undersigned, while an EPN User, to comply therewith, and (iii) such other amounts as may become payable to FICC by the undersigned, while an EPN User, under the Rules and Procedures of the Mortgage-Backed Securities Division.
6. The undersigned will be bound by any amendment to the Rules and Procedures of the Mortgage-Backed Securities Division with respect to the EPN Service subsequent to the time such amendment takes effect as fully as though such amendment were a part of the Rules and Procedures of the Mortgage-Backed Securities Division at the time application is made; provided, however, that no such amendment will affect the undersigned's right to cease to be an EPN User.

Dated as of: _____

(Firm Name)

(Seal)

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

FIXED INCOME CLEARING CORPORATION

By: _____
(Authorized Officer's Signature)

(Authorized Officer's Name)

(Authorized Officer's Title)

Date: _____

EXHIBIT Q (ITEM 26)

Attach as Exhibit Q a schedule of any prices, rates or fees fixed by registrant for services rendered by its participants.

Registrant does not fix prices, rates or fees for services rendered by its participants.

EXHIBIT R (ITEM 27)

Attach as Exhibit R a schedule of any prohibitions or limitations imposed by the clearing agency on access by any person to services offered by any participant.

Registrant does not impose limitations on the services offered by its participants.