Bold and underlined text indicates proposed added language

Bold and strikethrough text indicates proposed deleted language
RULE 4 – CLEARING FUND AND LOSS ALLOCATION

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Section 5 - Use of Deposits and Payments

The use of the Clearing Fund deposits and assets and property on which the Corporation has a lien shall be limited to satisfaction of losses or liabilities of the Corporation, including Cross-Guaranty Payments and Cross-Guaranty Repayments made by the Corporation pursuant to Cross-Guaranty Agreements, arising from the failure of a Defaulting Member to satisfy an obligation to the Corporation, the failure of a Cross-Guaranty Defaulting Member to satisfy an obligation to a Cross-Guaranty Counterparty, or otherwise incident to the clearance and settlement business of the Corporation including with respect to losses and liabilities arising other than from such failure of such Member to meet unexpected or unusual requirements for funds that represent a small percentage of the Clearing Fund, and to providing the Corporation with a source of collateral both to meet its temporary financing needs, including, without limitation, (through an appropriate financing method determined by the Corporation in its sole discretion) for any financing that is obtained by the Corporation to hold securities pending settlement, and to ensure the satisfaction of Members’ settlement obligations and to meet unexpected or unusual requirements for funds that represent a small percentage of the Clearing Fund. If the Corporation pledges, hypothecates, encumbers, borrows, or applies any part of the Clearing Fund deposits, or other collateral that it has received from Members to satisfy, in whole or in part, any liability, obligation, or liquidity requirement, for more than 30 days, the Corporation, at the close of business on the thirtieth day (or on the first Business Day thereafter), shall consider the amount used to meet such financing as an actual loss to the Clearing Fund and immediately allocate such loss in accordance with Section 7 of this Rule. Whenever the Clearing Fund is charged for any reason other than to satisfy a clearing loss attributable to a Member solely from that Member’s Clearing Fund deposit, each Member will be provided the reasons for the charge.

If a loss or liability incurred by the Corporation is allocated to a Member pursuant to Section 7 of this Rule, a Member that is a Cross-Guaranty Defaulting Member incurs an obligation to reimburse the Corporation pursuant to Rule 32, or a Member that is a Cross-Guaranty Beneficiary Member incurs an obligation to reimburse the Corporation pursuant to Rule 32, the Corporation may apply the portion of the Member’s deposit to the Clearing Fund necessary to satisfy such allocation obligation. In this regard, the Corporation may apply any cash, draw against any letters of credit, and liquidate any securities deposited by the Member, and may do any or all of the foregoing whether or not the Corporation has ceased to act for the Member.