TEXT OF PROPOSED RULE CHANGE

**Bold and underlined text** indicates proposed added language

**Bold and strikethrough text** indicates proposed deleted language

[Bracketed, bold, underlined and blue text] indicates proposed added language in connection with a separate proposal that has not yet been approved (SR-FICC-2017-022, filed on December 18, 2017 and amended on June 28, 2018; and SR-FICC-2017-806, filed on December 18, 2017 and amended on June 28, 2018 and July 6, 2018, respectively)

[Bracketed, bold, strikethrough and blue text] indicates proposed deleted language in connection with a separate proposal that has not yet been approved (SR-FICC-2017-022, filed on December 18, 2017 and amended on June 28, 2018; and SR-FICC-2017-806, filed on December 18, 2017 and amended on June 28, 2018 and July 6, 2018, respectively)
RULE 3A – SPONSORING MEMBERS AND SPONSORED MEMBERS

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Section 17 – Other Applicable Rules, Schedules, Interpretations and Statements

For purposes of the Rules, Schedules, Interpretations and Statements of Policy referenced in this section, Sponsoring Members and/or Sponsored Members, in their respective capacities as such, shall be “Members.”

(a) Rule 22B (Corporation Default) shall apply to Sponsored Members.

For the avoidance of doubt, the Corporation shall be responsible for satisfying any undisputed payment or delivery obligation required to be made by it to a Sponsored Member under these Rules, including, but not limited to, any undisputed interest payment obligation that accrues in favor of a Sponsored Member on a Sponsored Member Trade that has been subject to Novation pursuant to these Rules but has not yet settled and for which the Corporation has received notice from such Sponsored Member of the Corporation’s failure to make, when due, such undisputed interest payment to such Sponsored Member within the meaning of Section (b)(i) of Rule 22B.

(ab) Rule 27 (Admission to Premises of the Corporation, Powers of Attorney, Etc.), Rule 28 (Forms), Rule 29 (Release of Clearing Data), Rule 30 (Lists to be Maintained), Rule 31 (Distribution Facilities), Rule 32 (Signatures), Rule 33 (Procedures), Rule 34 (Insurance), Rule 35 (Financial Reports), Rule 36 (Rule Changes), Rule 37 (Hearing Procedures), Rule 38 (Governing Law and Captions), Rule 39 (Limitations of Liability), Section 3 of Rule 40 (General Provisions), Rule 41 (Cross-Guaranty Agreements), Rule 42 (Suspension of Rules), Rule 44 (Action by the Corporation), Rule 45 (Notices), Rule 46 (Interpretation of Terms), Rule 47 (Interpretation of Rules), and Rule 48 (Disciplinary Proceedings) shall apply to, or with respect to, Sponsoring Members and Sponsoring Members.

(bc) All Schedules that are cited in, or pertain to, the Rules cited in this Rule 3A as applying to Sponsoring Members and/or Sponsored Members shall apply to Sponsored Members and Sponsoring Members.

(cd) Any Statements of Policy or Interpretations contained in these Rules shall apply to Sponsoring Members and Sponsored Members unless expressly stated otherwise.

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RULE 22B – CORPORATION DEFAULT

Corporation Default

(a) If a “Corporation Default” occurs pursuant to subsection (b) below, all Transactions which have been subject to Novation pursuant to these Rules but have not yet settled and any rights and obligations of the parties thereto shall be immediately terminated. Each relevant Member shall thereupon promptly take such market action as is commercially reasonable under the circumstances to effect a close out of any outstanding positions. Each Member will report the results of its market action to the Board and the Board shall determine a single net amount owed by or to each Member with respect to such positions, by applying the close out and application procedures of Sections 2(a) and (b)(i) of Rule 22A [(interpreted in all such cases as if each Member were a Defaulting Member)] and [Sections 7(a) through (c) of Rule 4 (interpreted in all such cases as if each Member were a Defaulting Member)] taking into account the [other loss allocation] provisions in [these Rules relating to loss allocation, including in the event that any Member is a Defaulting Member Rule 4], to the extent such provisions are otherwise applicable to such Member. The Board shall notify each Member of the net amount so determined and Members who have been notified that they owe an amount to the Corporation shall pay that amount on or prior to the date specified by the Board, subject to any applicable setoff rights. Members who have a net claim against the Corporation shall be entitled to payment thereof along with other Members’ and any other creditors’ claims pursuant to the underlying contracts with respect thereto, these Rules and applicable law. For the avoidance of doubt, nothing herein shall limit the rights of the Corporation upon a Member default (including following a Corporation Default) including under any Cross-Guaranty Agreement with the Mortgage-Backed Securities Division or any other Cross-Guaranty Counterparty.

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