



NATIONAL
SECURITIES
CLEARING
CORPORATION

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Underlined and boldface text indicates new text
Strikethrough and boldface indicates deleted text

PROCEDURE XV. CLEARING FUND FORMULA AND OTHER MATTERS¹

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I.(B) Additional Clearing Fund Formula

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(3) Backtesting Charge

The Corporation may require a Member to make an additional Clearing Fund deposit to mitigate exposures to the Corporation caused by settlement risks that may not be adequately captured by the Corporation's portfolio volatility model ("Backtesting Charge"). The Backtesting Charge may apply to Members that have 12-month trailing backtesting coverage below the 99 percent backtesting coverage target. The Backtesting Charge shall generally be equal to the Member's third largest deficiency that occurred during the previous 12 months. The Corporation may in its discretion adjust such charge if the Corporation determines that circumstances particular to a Member's settlement activity and/or market price volatility warrant a different approach to determining or applying such charge in a manner consistent with achieving the Corporation's backtesting coverage target.

(4) Bank Holiday Charge

For purposes of this section, "Holiday" means any day on which equities markets are open for trading, but the Board of Governors of the Federal Reserve System observes a holiday and banks are closed.

On the business day prior to any Holiday, the Corporation may require each Member to make an additional Clearing Fund deposit ("Bank Holiday Charge"). The Bank Holiday Charge approximates the exposure that a Member's trading activity on the applicable Holiday could pose to the Corporation. Since the Corporation cannot collect margin on the Holiday, the Bank Holiday Charge is due on the business day prior to the applicable Holiday.

The methodology for calculating a Bank Holiday Charge shall be determined by the Corporation in advance of each applicable Holiday. The

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

Bank Holiday Charge approximates each Member's Required Deposit to address the exposure that such Member's trading activity on the Holiday could pose to the Corporation. The Corporation shall have the discretion to calculate the Bank Holiday Charge based on its assessment of market conditions at the time the Bank Holiday Charge is calculated (such as, for example, significant market occurrences that could impact market price volatility). The Corporation shall inform Members of the methodology it will use to calculate the Bank Holiday Charge by an Important Notice issued no later than 10 business days prior to the day on which the applicable Bank Holiday Charge is applied. Examples of potential methodologies for the Bank Holiday Charge may include, but shall not be limited to, time scaling of the volatility charge or a stress scenario that reflects potential market price volatility on the Holiday.

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