

**FIXED INCOME CLEARING CORPORATION**

**GOVERNMENT SECURITIES DIVISION RULEBOOK**

**EFFECTIVE AS OF APRIL 30, 2025**

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## **RULE 1 – DEFINITIONS\***

**[Changes to this Rule, as amended by File No. SR-FICC-2025-003, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes have been approved by the SEC but have not yet been implemented. By no later than 60 Business Days after April 22, 2025, these changes will be implemented, and this legend will be automatically removed from this Rule.]**

Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules, have the meanings herein specified.

### **Account**

The term “Account” means an account maintained by the Corporation for a Member to record Transactions submitted by the Member pursuant to the Rules.

### **Accrued Repo Interest-to-Date**

The term “Accrued Repo Interest-to-Date” means, on a particular Business Day, as regards an outstanding Repo Transaction, the product of: (1) the original Contract Value of the Start Leg, (2) the Contract Repo Rate, and (3) the number of days between the next Scheduled Settlement Date and the Start Leg Date, divided by 360.

### **Acknowledgement Cutoff Time**

The term “Acknowledgement Cutoff Time” shall have the meaning given to that term in Section 5(b) of Rule 13.

### **Actual Deposit**

The term “Actual Deposit” shall have the meaning given that term in Section 4 of Rule 4.

### **Actual Settlement Date**

The term “Actual Settlement Date” means the Business Day on which a Net Settlement Position is settled.

### **Affected Member**

The term “Affected Member” has the meaning assigned in Section 2a(b)(i)(E) of Rule 22A.

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\* All products and services provided by the Corporation referenced in these Rules are either registered trademarks or servicemarks of, or trademarks or servicemarks of, The Depository Trust & Clearing Corporation or its affiliates. Other names of companies, products or services appearing in these Rules are the trademarks or servicemarks of their respective owners.

**Affected Netting/CCIT Member**

The term “Affected Netting/CCIT Member” shall have the meaning given to such term in Section 3b of Rule 20.

**Affiliate**

The term “Affiliate” shall have the meaning given that word in SEC Rule 405, promulgated under the authority of the Securities Act of 1933.

**Agent Clearing Member**

The term “Agent Clearing Member” means a Netting Member that has been approved to be an Agent Clearing Member by the Corporation pursuant to the applicable qualifications set forth in Rule 8.

**Agent Clearing Member Omnibus Account**

The term “Agent Clearing Member Omnibus Account” means an Account maintained by the Corporation for an Agent Clearing Member and through which to record Agent Clearing Transactions submitted to the Corporation by the Agent Clearing Member on behalf of its Executing Firm Customers.

**Agent Clearing Member Omnibus Account Required Fund Deposit**

The term “Agent Clearing Member Omnibus Account Required Fund Deposit” means the Agent Clearing Member’s Required Fund Deposit Portion that is calculated on the basis of the Agent Clearing Member’s Agent Clearing Member Omnibus Account(s) other than their Segregated Indirect Participants Account(s).

**Agent Clearing Service**

The term “Agent Clearing Service” means the service described in Rule 8.

**Agent Clearing Transaction**

The term “Agent Clearing Transaction” shall have the meaning given to such term in Rule 8.

**Aggregate Regular Amount**

The term “Aggregate Regular Amount” means the total dollar amount determined by the Corporation as a sufficient threshold to capture the majority of all Netting Members’ observed Liquidity Needs.

**Aggregate Supplemental Amount**

The term “Aggregate Supplemental Amount” means the difference between the Aggregate Total Amount minus the Aggregate Regular Amount.

**Aggregate Total Amount**

The term “Aggregate Total Amount” means the sum of the Corporation’s Historical Cover 1 Liquidity Requirement plus the Liquidity Buffer for a given Look-Back Period.

**Applicant Questionnaire**

The term “Applicant Questionnaire” means the questionnaire required by these Rules to be completed and delivered to the Corporation by an applicant, as applicable, to become a Member, including a CCIT Member, as applicable.

**Appropriate Regulatory Agency**

The term “Appropriate Regulatory Agency” shall have the meaning given that term in Section 3(a)(34)(C) of the Exchange Act.

**As-Of Trade**

The term “As-Of Trade” means a trade, including an Eligible Conversion Trade, involving Eligible Securities, the data on which is submitted by Members to the Corporation for comparison on or after the Scheduled Settlement Date for such trade.

**Auction Purchase**

The term “Auction Purchase” with respect to Treasury Department auctions means an Eligible Treasury Security or the Eligible Treasury Securities purchased at auction from the Treasury Department by a Netting Member. The sum of all awards made to a Member, as the result of an auction, at a single price and from a single Federal Reserve Bank shall constitute a separate Auction Purchase.

**Average Auction Price**

The term “Average Auction Price” with respect to Treasury Department auctions means, on a CUSIP Number-by-CUSIP Number basis, the par-weighted average price at which Auction Purchases of Netting Members that have been submitted to the Corporation by a Federal Reserve Bank were made at a particular auction.

**Average RFD**

The term “Average RFD” shall have the meaning given that term in Section 7 of Rule 4.

**Backtesting Charge**

The term “Backtesting Charge” shall have the meaning given that term in the Margin Component Schedule.



**Bank Netting Member**

The term “Bank Netting Member” means a Person that is admitted to membership in the Netting System as a Bank Netting Member pursuant to the applicable qualifications set forth in Rule 2A.

**Bilateral Comparison**

The term “Bilateral Comparison” means the comparison of a trade by the matching by the Corporation, pursuant to these Rules, of data submitted by two Members.

**Bilateral Transaction**

The term “Bilateral Transaction” means any transaction, including a Repo Transaction, the data on which has been submitted to the Corporation by two Members, and is not a Brokered Transaction.

**Blackout Period**

The term “Blackout Period” means, with respect to the Blackout Period Exposure Charge, the period between the last business day of the prior month and the date during the current month upon which a government-sponsored entity that issues mortgage-backed securities publishes its updated Pool Factors.

**Blackout Period Exposure Adjustment**

The term “Blackout Period Exposure Adjustment” shall have the meaning given that term in the Margin Component Schedule.

**Board or Board of Directors**

The terms “Board” or “Board of Directors” mean the Board of Directors of Fixed Income Clearing Corporation or a committee thereof acting under delegated authority.

**Broker**

The term “Broker” means a Member that is either (1) a broker that is registered as such with the SEC under Section 15 of the Exchange Act or (2) a Government Securities Broker that is registered with the SEC under Section 15C of the Exchange Act, and that is regularly engaged in the business of effecting transactions in Eligible Securities for the account of other Members.

**Broker Account**

The term “Broker Account” means a Cash Broker Account or a Repo Broker Account.

## **Brokered Repo Transaction**

The term “Brokered Repo Transaction” means a Repo Transaction, including a GCF Repo Transaction, that is a Brokered Transaction.

## **Brokered Transaction**

The term “Brokered Transaction” means the side of a transaction, including a Repo Transaction, that is submitted to the Corporation for Novation by an Inter-Dealer Broker Netting Member calling for the delivery of an Eligible Netting Security, or the posting of cash or an Eligible Netting Security as collateral, that such Inter-Dealer Broker Netting Member enters into with another Netting Member or a Sponsored Member or Executing Firm Customer through the Inter-Dealer Broker Netting Member’s own trading platform.

## **Business Day**

The term “Business Day” means any day on which the Corporation is open for business except that, for purposes of Rule 11, Rule 12, and Rule 13, “Business Day” means any day on which both the Corporation and the Federal Reserve Bank of New York are open for business.

## **Cash Broker Account**

The term “Cash Broker Account” means an Account maintained by the Corporation for an Inter-Dealer Broker Netting Member to record Brokered Transactions, other than Brokered Repo Transactions, submitted to the Corporation by the Inter-Dealer Broker Netting Member.

## **CCIT™\***

The term “CCIT” means Centrally Cleared Institutional Triparty.

## **CCIT Account**

The term “CCIT Account” shall have the meaning assigned to it in Section 9(b) of Rule 3B.

## **CCIT Daily Repo Interest**

The term “CCIT Daily Repo Interest” means the interest amount that is collected from or paid to a Netting Member, as applicable, and collected from or paid to a CCIT Member, as applicable, on a daily basis resulting from a CCIT Transaction.

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\* CCIT is a trademark of The Depository Trust & Clearing Corporation.

**CCIT Member**

The term “CCIT Member” means a Person that is admitted to membership in the CCIT Service pursuant to the applicable qualifications set forth in Rule 3B and whose membership in the CCIT Service has not been terminated.

**CCIT Member Termination Date**

The term “CCIT Member Termination Date” shall have the meaning given that term in Section 6 of Rule 3B.

**CCIT Member Voluntary Termination Notice**

The term “CCIT Member Voluntary Termination Notice” shall have the meaning given that term in Section 6 of Rule 3B.

**CCIT MRA Account**

The term “CCIT MRA Account” shall have the meaning assigned to it in Section 9(b) of Rule 3B.

**CCIT Transaction**

The term “CCIT Transaction” means a transaction that is processed by the Corporation in the CCIT Service. Because the CCIT Service leverages the infrastructure and processes of the GCF Repo Service, a CCIT Transaction must be: (i) in a Generic CUSIP Number approved for the GCF Repo Service and (ii) between a CCIT Member and a Netting Member who participates in the GCF Repo Service where the CCIT Member is the cash lender in the transaction.

**CCLF®**

The term “CCLF” means the Corporation’s “Capped Contingency Liquidity Facility®” as more fully described in Section 2a of Rule 22A.

**CCLF Event**

The term “CCLF Event” means an event declared by the Corporation once it has ceased to act for a Netting Member pursuant to Rule 22A and determines, in its sole discretion, that it does not have sufficient liquidity to satisfy the obligations of such Netting Member.

**CCLF MRA**

The term “CCLF MRA” has the meaning assigned in Section 2a(a) of Rule 22A.

**CCLF MRA Termination Date**

The term “CCLF MRA Termination Date” has the meaning assigned in Section 2a(a)(L) of Rule 22A.

**CCLF Transaction**

The term “CCLF Transaction” refers to a repurchase transaction entered into subject to the CCLF MRA.

**Centrally Cleared Institutional Triparty Service or CCIT Service**

The terms “Centrally Cleared Institutional Triparty Service” and “CCIT Service” mean the service offered by the Corporation to clear institutional triparty repurchase agreement transactions, as more fully described in Rule 3B.

**CET1 Capital**

The term “CET1 Capital” means an entity’s common equity tier 1 capital, calculated in accordance with such entity’s regulatory and/or statutory requirements.

**CFTC**

The term “CFTC” means the Commodity Futures Trading Commission.

**CFTC-Recognized Clearing Organization**

The term “CFTC-Recognized Clearing Organization” means a clearing organization that is affiliated with, or designated by, a contracts market or markets trading specific futures products, and is under the oversight of the Commodity Futures Trading Commission.

**Clearance Difference Amount**

The term “Clearance Difference Amount” means the absolute value of the dollar difference between the Settlement Value of a Deliver Obligation or a Receive Obligation and the actual value at which such Deliver Obligation or Receive Obligation was settled, by the delivery or receipt of Eligible Netting Securities. Notwithstanding the above, the term “Clearance Difference Amount” shall not apply to GCF Repo Transactions and CCIT Transactions.

**Clearing Agency**

The term “Clearing Agency” shall have the meaning given it in Section 3(a)(23) of the Exchange Act.

**Clearing Agent Bank**

The term “Clearing Agent Bank” means a member of the Federal Reserve System that is regularly engaged in the business of providing clearing services in Eligible Securities for Members and that has agreed to provide the Corporation, upon request, under mutually agreeable terms, with clearing services.

## **Clearing Fund**

The term “Clearing Fund” means the Clearing Fund established by the Corporation pursuant to these Rules, which shall be comprised of the aggregate of all Actual Deposits and all other deposits, including Cross-Guaranty Repayment Deposits, to the Clearing Fund.

## **Clearing Fund Cash**

The term “Clearing Fund Cash” shall have the meaning given that term in Section 3a of Rule 4.

## **Clearing Organization**

The term “Clearing Organization” means a Clearing Agency, Derivatives Clearing Organization, Multilateral Clearing Agency, Registered Clearing Agency, CFTC Recognized Clearing Organization, FCO and/or Self-Regulatory Organization, and any other organization performing a similar function, whether or not regulated by the SEC or the CFTC, in which the Member is a member or participant.

## **Close of Business**

The term “Close of Business” means, with respect to a Business Day and as the context requires, 5:00 p.m. or the Corporation’s deadline for final input of trade data by Members as noted on the Schedule of Timeframes on such Business Day, unless otherwise determined by the Corporation as the result of delay in the close of Fedwire.

## **Collateral Allocation Entitlement**

The term “Collateral Allocation Entitlement” means the entitlement of a Netting Member to have the Corporation allocate securities or cash for its benefit to secure such Member’s GCF Net Funds Lender Position.

## **Collateral Allocation Obligation**

The term “Collateral Allocation Obligation” means the obligation of a Netting Member to allocate securities or cash for the benefit of the Corporation to secure such Member’s GCF Net Funds Borrower Position.

## **Collateral Mark**

The term “Collateral Mark” means, on a particular Business Day, as regards any Forward Trade other than a Forward-Starting Repo Transaction during its Forward-Starting Period, the absolute value of the difference between the Contract Value of the Forward Trade and the Market Value of the Forward Trade. If the Contract Value is greater than the Market Value, then this difference shall be a positive value for a Member with a Net Short Position, and a negative value for a Member with Net Long Position. If the Market Value is greater than the Contract Value, then this difference shall be a positive value for a Member with a

Net Long Position, and a negative value for a Member with a Net Short Position. The Collateral Mark for a Forward-Starting Repo Transaction during its Forward-Starting Period shall be Zero. The term “Collateral Mark” means, as regards a Forward Net Settlement Position, the sum of all of the Collateral Marks on each of the Forward Trades that compose such Forward Net Settlement Position. Notwithstanding the above, the term “Collateral Mark” shall not apply to GCF Repo Transactions and CCIT Transactions.

### **Collected/Paid Amount**

The term “Collected/Paid Amount” means, with regard to the calculation of Funds-Only Settlement Amounts, the aggregate Settlement Amount either received by the Corporation from a Member or paid by the Corporation to a Member since the end of the processing cycle immediately prior to the processing cycle during which the Collected/Paid Amount is calculated.

### **Commodity Exchange Act**

The term “Commodity Exchange Act” means the Commodity Exchange Act, as amended.

### **Comparable Securities**

The term “Comparable Securities” means, with respect to a security or securities that are represented by a particular Generic CUSIP Number, any other security or securities that are represented by the same Generic CUSIP Number.

### **Compared Trade**

The term “Compared Trade” means a trade, including a Repo Transaction, the data on which has been compared or deemed compared in the Comparison System pursuant to these Rules, as the result of any one of the following methods: (1) Bilateral Comparison, which requires the matching by the Corporation of data submitted by two Members, (2) Demand Comparison, which requires that data to be submitted to the Corporation by a Demand Trade Source, or (3) Locked-In Comparison, which requires the data to be submitted to the Corporation by a Locked-In Trade Source.

### **Comparison System**

The term “Comparison System” means the (1) system of services provided by the Corporation to Members, and (2) operations carried out by the Corporation in the course of providing such services, as provided for in Rules 5 through 10.

### **Comparison-Only Member**

The term “Comparison-Only Member” means a Person that is admitted to membership in the Comparison System pursuant to the applicable qualifications set forth in Rule 2A and whose membership in the Comparison System has not been terminated.

### **Contract Repo Rate**

The term “Contract Repo Rate” means, as regards a Repo Transaction, the contractual interest rate on which the amount of interest owed by the Repo Party to the Reverse Repo Party at the close of the Repo Transaction is based, as established by the original parties to the Repo Transaction.

### **Contract Value**

The term “Contract Value” means, as regards a trade other than a Repo Transaction, the dollar value at which the trade is entered into. The term “Contract Value” means, as regards a Start or End Leg, the dollar value at which such Leg is to be settled on the Scheduled Settlement Date. For a GCF Repo Transaction or a CCIT Transaction, the Contract Value of the Start Leg is the principal value, and the Contract Value of the End Leg is the principal value plus accrued interest.

### **Controlling Management**

The term “Controlling Management” shall mean the Chief Executive Officer, the Chief Financial Officer, and the Chief Operations Officer, or their equivalents, of an applicant or Member or such other individuals or entities with direct or indirect control over the applicant or Member; provided that with respect to a Registered Investment Company Netting Member or an applicant to become a Registered Investment Company Netting Member, the term “Controlling Management” shall include the investment manager.

### **Conversion Trade**

The term “Conversion Trade” means an Eligible Conversion Trade the data on which has been compared by the Corporation pursuant to Rule 9 and listed on a Report made available to Members.

### **Corporate Contribution**

The term “Corporate Contribution” shall have the meaning given that term in Section 7a of Rule 4.

### **Corporation**

The term “Corporation” means Fixed Income Clearing Corporation, the owner of the Government Securities Division. Where these Rules refer to action taken by “the Corporation,” the term should be understood to mean the management of Fixed Income Clearing Corporation, unless otherwise specified.

### **Coupon Adjustment Payment**

The term “Coupon Adjustment Payment” means the coupon payments due and owing on each Eligible Netting Security that comprises a Coupon-Eligible End Leg, Fail Deliver

Obligation or Fail Receive Obligation. Notwithstanding the above, the term “Coupon Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

### **Coupon-Eligible End Leg**

The term “Coupon-Eligible End Leg” means an End Leg on a coupon payment date for the Eligible Netting Securities that comprise it, where such coupon payment date falls after the Start Leg related to the same Repo Transaction from which such End Leg arises has settled and on or before the Scheduled Settlement Date of the End Leg. Notwithstanding the above, the term “Coupon-Eligible End Leg” shall not apply to GCF Repo Transactions and CCIT Transactions.

### **Covered Affiliate**

The term “Covered Affiliate” means an Affiliate of a Netting Member that: (1) is not itself a Netting Member; (2) is not a Foreign Person; and (3) is a Broker, Dealer, bank, trust company, and/or Futures Commission Merchant.

### **Credit Clearance Difference Amount**

The term “Credit Clearance Difference Amount” means, on a particular Business Day, the absolute value of the dollar difference between the Settlement Value of a Deliver Obligation or a Receive Obligation and the actual value at which such Deliver Obligation or Receive Obligation was settled, by the delivery or receipt of Eligible Netting Securities. Notwithstanding the above, the term “Credit Clearance Difference Amount” shall not apply to GCF Repo Transactions and CCIT Transactions.

### **Credit Coupon Adjustment Payment**

The term “Credit Coupon Adjustment Payment” means, on a particular Business Day, a Coupon Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving a Member in a Net Long Position with regard to a Coupon-Eligible End Leg, Fail Deliver Obligation or Fail Receive Obligation.

### **Credit Delivery Differential Adjustment Payment**

The term “Credit Delivery Differential Adjustment Payment” means, on a particular Business Day, a Delivery Differential Adjustment Payment, involving a Deliver Obligation where the Settlement Value is less than the System Value, or a Receive Obligation where the Settlement Value is greater than the System Value, that the Corporation is obligated to make to a Netting Member.

### **Credit Fail Mark Adjustment Payment**

The term “Credit Fail Mark Adjustment Payment” means, on a Particular Business Day, a Fail Mark Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving either: (1) a Fail Deliver Obligation where the Settlement Value of such Obligation has decreased from the immediately previous Business Day, or, (2) a Fail



Receive Obligation where the Settlement Value of Such Obligation has increased from the immediately previous Business Day.

### **Credit Forward Mark Adjustment Payment**

The term “Credit Forward Mark Adjustment Payment” means, on a particular Business Day, a Forward Mark Adjustment Payment that is a positive number, and that a Netting Member is entitled to collect from the Corporation.

### **Credit GCF Forward Mark**

The term “Credit GCF Forward Mark” means, on a particular Business Day, a GCF Forward Mark that is a positive number, and that a Netting Member is entitled to collect from the Corporation.

### **Credit GCF Forward Mark Adjustment Payment**

The term “Credit GCF Forward Mark Adjustment Payment” means, on a particular Business Day, a GCF Forward Mark Adjustment Payment that is a positive value, and that a Netting Member is entitled to collect from the Corporation.

### **Credit GCF Interest Adjustment Payment**

The term “Credit GCF Interest Adjustment Payment” means, on a particular Business Day, a GCF Interest Adjustment Payment on an associated Debit GCF Forward Mark Adjustment Payment made on the previous Business Day, which GCF Interest Adjustment Payment a Netting Member is entitled to collect from the Corporation.

### **Credit GCF Transaction Adjustment Payment**

The term “Credit GCF Transaction Adjustment Payment” means, on a particular Business Day, as regards the total repo interest accrued on GCF Repo Transactions and CCIT Transactions, as applicable, the GCF Transaction Adjustment Payment that a Netting Member is entitled to collect from the Corporation.

### **Credit Interest Adjustment Payment**

The term “Credit Interest Adjustment Payment” means, on a particular Business Day, an Interest Adjustment Payment on an associated Debit Forward Mark Adjustment Payment made on the previous Business Day, which Interest Adjustment Payment a Netting Member is entitled to collect from the Corporation.

### **Credit Interest Rate Mark**

The term “Credit Interest Rate Mark” means, on a particular Business Day, an Interest Rate Mark that is a positive number, and that a Netting Member is entitled to collect from the Corporation.

### **Credit Redemption Adjustment Payment**

The term “Credit Redemption Adjustment Payment” means on a particular Business Day, a Redemption Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving either (1) a Net Settlement Position in an Eligible Netting Security on the last Business Day before or on the maturity date for such security or (2) a Repo Transaction where the Scheduled Settlement Date of the End Leg is on the maturity date, after the maturity date or on the last Business Day before the maturity date and the maturity date is not a Business Day.

### **Credit Risk Rating Matrix**

The term “Credit Risk Rating Matrix” means a matrix of credit ratings of Members specified in Section 12 of Rule 3. The matrix is developed by the Corporation to evaluate the credit risk such Members pose to the Corporation and its Members and is based on factors determined to be relevant by the Corporation from time to time, which factors are designed to collectively reflect the financial and operational condition of a Member. These factors include (i) quantitative factors, such as capital, assets, earnings, and liquidity, and (ii) qualitative factors, such as management quality, market position/environment, and capital and liquidity risk management.

### **Credit Transaction Adjustment Payment**

The term “Credit Transaction Adjustment Payment” means, on a particular Business Day as regards a Net Settlement Position, a Transaction Adjustment Payment that a Netting Member is entitled to collect from the Corporation, involving either: (1) a Net Long Position where the aggregate of the Contract Values of the trades that comprise such Net Long Position is less than the Aggregate of the Market Values of such trades, or (2) a Net Short Position where the aggregate of the Contract Values of the trades that comprise such Net Short Position is greater than the Market Values of such trades.

### **Cross-Guaranty Agreement**

The term “Cross-Guaranty Agreement” shall mean any netting contract, limited cross-guaranty, or other similar agreement between the Corporation and (i) any clearing agency registered under Section 17A(b) of the Securities Exchange Act of 1934, (ii) any organization performing clearing functions for a contract market designated pursuant to the Commodity Exchange Act or (iii) any other domestic or foreign clearinghouse, clearing association, clearing corporation or similar organization. The term “Cross-Guaranty Agreement” shall not include Cross-Margining Agreements.

### **Cross-Guaranty Beneficiary Member**

The term “Cross-Guaranty Beneficiary Member” shall have the meaning given to such term in Section 3 of Rule 41.

**Cross-Guaranty Counterparty**

The term “Cross-Guaranty Counterparty” means any party, other than the Corporation, to a Cross-Guaranty Agreement.

**Cross-Guaranty Defaulting Member**

The term “Cross-Guaranty Defaulting Member” means a defaulting Member on account of which the Corporation makes or receives a Cross-Guaranty Payment.

**Cross-Guaranty Payment**

The term “Cross-Guaranty Payment” means any payment, other than a Cross-Guaranty Repayment, that the Corporation makes or receives pursuant to a Cross-Guaranty Agreement.

**Cross-Guaranty Repayment**

The term “Cross-Guaranty Repayment” means (i) any amount of a Cross-Guaranty Payment received by the Corporation that the Corporation (A) repays to a Cross-Guaranty Counterparty pursuant to a Cross-Guaranty Agreement or (B) pays over to a Cross-Guaranty Defaulting Member or its legal representative pursuant to a court order or judgment or (ii) any amount of a Cross-Guaranty Payment made by the Corporation that the Corporation receives back from a Cross-Guaranty Counterparty pursuant to a Cross-Guaranty Agreement.

**Cross-Guaranty Repayment Deposit**

The term “Cross-Guaranty Repayment Deposit” means the deposit to the Clearing Fund required to be made by a Cross-Guaranty Beneficiary Member pursuant to Section 4 of Rule 41.

**Cross-Margining Affiliate**

The term “Cross-Margining Affiliate” means an affiliate of a Cross-Margining Participant that is a member of an FCO and has agreed: (i) to have its positions and margin at the FCO margined together with Eligible Positions of the Cross-Margining Participant at the Corporation in accordance with the applicable Cross-Margining Agreement, and/or (ii) if permitted by the applicable Cross-Margining Agreement, to have the positions and margin of Market Professionals cleared by the Cross-Margining Affiliate at the FCO margined together with Eligible Positions of the Market Professional customers of the Cross-Margining Participant at the Corporation.

**Cross-Margining Agreement**

The term “Cross-Margining Agreement” means an agreement between the Corporation and a particular FCO pursuant to which a Cross-Margining Participant, at the discretion of the Corporation and in accordance with the provisions of Rule 43, may elect to have its

Required Fund Deposit in respect of Eligible Positions at FICC and its (or its Cross-Margining Affiliate's, if applicable) margin requirements in respect of Eligible Positions at such FCO calculated by taking into consideration the net risk of such Eligible Positions at each of the clearing organizations. A Cross-Margining Agreement may include provisions for the cross-margining by a Netting Member of Eligible Positions held in the accounts of Market Professionals.

### **Cross-Margining Arrangement**

The term "Cross-Margining Arrangement" means the arrangement established between the Corporation and one or more FCOs pursuant to Cross-Margining Agreements and Rule 43.

### **Cross-Margining Beneficiary Participant**

The term "Cross-Margining Beneficiary Participant" shall have the meaning given to such term in Section 5 of Rule 43.

### **Cross-Margining Guaranty**

The term "Cross-Margining Guaranty" means a guaranty by an FCO of the obligations of a Cross-Margining Participant to the Corporation or, as the context requires, a guaranty by the Corporation of the obligations of a Cross-Margining Participant or its Cross-Margining Affiliate to an FCO.

### **Cross-Margining Participant**

The term "Cross-Margining Participant" means a Netting Member that is authorized by the Corporation to, and does, participate in the Cross-Margining Arrangement between the Corporation and one or more FCOs pursuant to a Cross-Margining Agreement.

### **Cross-Margining Payment**

The term "Cross-Margining Payment" means any payment, other than a Cross-Margining Repayment, that the Corporation makes or receives pursuant to a Cross-Margining Guaranty.

### **Cross-Margining Repayment**

The term "Cross-Margining Repayment" means (i) any amount of a Cross-Margining Payment received by the Corporation that the Corporation (A) repays to an FCO pursuant to a Cross-Margining Agreement or (B) pays over to a Defaulting Member or its legal representative pursuant to a court order or judgment or (ii) any amount of a Cross-Margining Payment the Corporation receives back from an FCO pursuant to a Cross-Margining Agreement.

### **Cross-Margining Repayment Deposit**

The term “Cross-Margining Repayment Deposit” means the deposit to the Clearing Fund required to be made by a Cross-Margining Beneficiary Participant pursuant to Section 6 of Rule 43.

### **Current Haircut**

The term “Current Haircut” means, as regards any Sponsored Member Trade, the Market Value of the Sponsored Member Trade, as of the time of the Corporation’s determination of the relevant Funds-Only Settlement Amount, minus the Contract Value of the End Leg of the Sponsored Member Trade.

### **Current Net Settlement Positions**

The term “Current Net Settlement Positions” means those Net Settlement Positions that are scheduled to settle on the Business Day with respect to which the calculation is made. Notwithstanding the foregoing, if a Current Net Settlement Position recorded in a Sponsoring Member Omnibus Account or Segregated Indirect Participants Account is not clearly allocable to an individual Sponsored Member or Segregated Indirect Participant, including because one or more transactions (other than Sponsored GC Trades) recorded in the Account did not settle on its original Scheduled Settlement Date (such failure to settle would not occur with respect to Sponsored GC Trades), then, for purposes of calculating the relevant Netting Member’s Sponsoring Member Omnibus Account Required Fund Deposit or Segregated Customer Margin Requirement for such Account and not for purposes of calculating the Net Settlement Position under Rule 11, the Corporation shall at the securities Fedwire opening on each Business Day and then throughout the Business Day allocate the Current Net Settlement Position to the Sponsored Members or Segregated Indirect Participants whose positions are carried in the Account as follows:

- (i) If the Current Net Settlement Positions of such account is long in a particular CUSIP, then the Current Net Settlement Positions shall be allocated on a pro rata basis to each Sponsored Member or Segregated Indirect Participant, as applicable, that had long positions in the relevant CUSIP in the Account as of the end of the preceding Business Day.
- (ii) If the Current Net Settlement Positions of such Account is short in a particular CUSIP, then the Current Net Settlement Positions shall be allocated on a pro rata basis to each Sponsored Member or Segregated Indirect Participant, as applicable, that had short positions in the relevant CUSIP in the Account as of the end of the preceding Business Day.

### **CUSIP Number**

The term “CUSIP Number” means the Committee on Uniform Securities Identification Procedures identifying number for an Eligible Security or an Eligible Netting Security. The term CUSIP Number includes, as the context may indicate, either a Generic CUSIP Number or a Specific CUSIP Number, or both.

## Cybersecurity Confirmation

The term “Cybersecurity Confirmation” means a written document provided to the Corporation by all Members, Sponsoring Members and CCIT Members (for purposes of this definition, collectively referred to as “Members”) and applicants for such membership that confirms the existence of an information system cybersecurity program and includes the representations listed below.

Each Cybersecurity Confirmation shall (1) be on a form provided by the Corporation; (2) be signed by a designated senior executive of the Member or applicant who is authorized to attest to these matters; and (3) include the following representations, made with respect to the two years prior to the date of the Cybersecurity Confirmation:

1. The Member or applicant has defined and maintains a comprehensive cybersecurity program and framework that considers potential cyber threats that impact their organization and protects the confidentiality, integrity and availability requirements of their systems and information.
2. The Member or applicant has implemented and maintains a written enterprise cybersecurity policy or policies approved by senior management or the organization’s board of directors, and the organization’s cybersecurity framework is in alignment with standard industry best practices and guidelines, as indicated on the form of Cybersecurity Confirmation.
3. If using a third party service provider or service bureau(s) to connect or transact business or to manage the connection with the Corporation, the Member or applicant has an appropriate program to (a) evaluate the cyber risks and impact of these third-parties, and (b) review the third-party assurance reports.
4. The cybersecurity program and framework protect the segment of the Member’s or applicant’s system that connects to and/or interacts with the Corporation.
5. The Member or applicant has in place an established process to remediate cyber issues identified to fulfill the Member’s or applicant’s regulatory and/or statutory requirements.
6. The cybersecurity program’s and framework’s risk processes are updated periodically based on a risk assessment or changes to technology, business, threat ecosystem, and/or regulatory environment.
7. A comprehensive review of the Member’s or applicant’s cybersecurity program and framework has been conducted by one of the following:
  - The Member or applicant, if that organization has filed and maintains a current Certification of Compliance with the Superintendent of the New York State Department of Financial Services pursuant to 23 NYCRR 500;
  - A regulator who assesses the program against a designated cybersecurity framework or industry standard, including those that are listed on the form of the Cybersecurity Confirmation and in an Important Notice issued by the Corporation from time to time;

- An independent external entity with cybersecurity domain expertise, including those that are listed on the form of the Cybersecurity Confirmation and in an Important Notice issued by the Corporation from time to time; and
- An independent internal audit function reporting directly to the board of directors or designated board of directors committee of the Member or applicant, such that the findings of that review are shared with these governance bodies.

## **Dealer**

The term “Dealer” means a Member that is either (1) a dealer that is registered as such with the SEC under Section 15 of the Exchange Act, (2) a Government Securities Dealer that is registered as such with the SEC under Section 15C of the Exchange Act, or (3) a bank or trust company that has filed with the Appropriate Regulatory Authority under Section 15C of the Exchange Act written notice that it is a Government Securities Dealer.

## **Dealer Account**

The term “Dealer Account” means an Account maintained by the Corporation for a Netting Member to record Proprietary Transactions submitted to the Corporation by the Netting Member.

## **Dealer Netting Member**

The term “Dealer Netting Member” means a Person that is admitted to membership in the Netting System as a Dealer Netting Member pursuant to the applicable qualifications set forth in Rule 2A.

## **Debit Clearance Difference Amount**

The term “Debit Clearance Difference Amount” means, on a particular Business Day, the absolute value of the dollar difference between the Settlement Value of a Deliver Obligation or a Receive Obligation and the actual value at which such Deliver Obligation or Receive Obligation was settled, by the delivery or receipt of Eligible Netting Securities. Notwithstanding the above, the term “Debit Clearance Difference Amount” shall not apply to GCF Repo Transactions and CCIT Transactions.

## **Debit Coupon Adjustment Payment**

The term “Debit Coupon Adjustment Payment” means, on a particular Business Day, a Coupon Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving a Member in a Net Short Position with regard to a Coupon-Eligible End Leg, Fail Deliver Obligation or Fail Receive Obligation.

### **Debit Delivery Differential Adjustment Payment**

The term “Debit Delivery Differential Adjustment Payment” means, on a particular Business Day, a Delivery Differential Adjustment Payment, involving a Deliver Obligation where the Settlement Value is greater than the System Value, or a Receive Obligation where the Settlement Value is less than the System Value, that a Netting Member is obligated to make to the Corporation.

### **Debit Fail Mark Adjustment Payment**

The term “Debit Fail Mark Adjustment Payment” means, on a particular Business Day, a Fail Mark Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving either: (1) a Fail Deliver Obligation where the Settlement Value of such Obligation has increased from the immediately previous Business Day, or, (2) a Fail Receive Obligation where the Settlement Value of such Obligation has decreased from the immediately previous Business Day.

### **Debit Forward Mark Adjustment Payment**

The term “Debit Forward Mark Adjustment Payment” means, on a particular Business Day, a Forward Mark Adjustment Payment that is a negative number, and that a Netting Member is obligated to make to the Corporation.

### **Debit GCF Forward Mark**

The term “Debit GCF Forward Mark” means, on a particular Business Day, a GCF Forward Mark that is a negative number, and that a Netting Member is obligated to pay to the Corporation.

### **Debit GCF Forward Mark Adjustment Payment**

The term “Debit GCF Forward Mark Adjustment Payment” means, on a particular Business Day, a GCF Forward Mark Adjustment Payment that is a negative value, and that a Netting Member is obligated to pay the Corporation.

### **Debit GCF Interest Adjustment Payment**

The term “Debit GCF Interest Adjustment Payment” means, on a particular Business Day, a GCF Interest Adjustment Payment on an associated Credit GCF Forward Mark Adjustment Payment made on the previous Business Day, which GCF Interest Adjustment Payment a Netting Member is obligated to make to the Corporation.

### **Debit GCF Transaction Adjustment Payment**

The term “Debit GCF Transaction Adjustment Payment” means, on a particular Business Day, as regards the total repo interest accrued on GCF Repo Transactions and CCIT Transactions, as applicable, the GCF Transaction Adjustment Payment that a Netting Member is obligated to pay to the Corporation.



### **Debit Interest Adjustment Payment**

The term “Debit Interest Adjustment Payment” means, on a particular Business Day, an Interest Adjustment Payment on an associated Credit Forward Mark Adjustment Payment made on the previous Business Day, which Interest Adjustment Payment a Netting Member is obligated to make to the Corporation.

### **Debit Interest Rate Mark**

The term “Debit Interest Rate Mark” means, on a particular Business Day, an Interest Rate Mark that is a negative number, and that a Netting Member is obligated to pay to the Corporation.

### **Debit Redemption Adjustment Payment**

The term “Debit Redemption Adjustment Payment” means, on a particular Business Day, a Redemption Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving either (1) a Net Settlement Position in an Eligible Netting Security on the last Business Day before or on the maturity date for such security or (2) a Repo Transaction where the Scheduled Settlement Date of the End Leg is on the maturity date, after the maturity date or on the last Business Day before the maturity date and the maturity date is not a Business Day.

### **Debit Transaction Adjustment Payment**

The term “Debit Transaction Adjustment Payment” means, on a particular Business Day as regards a Net Settlement Position, a Transaction Adjustment Payment that a Netting Member is obligated to make to the Corporation, involving either: (1) a Net Long Position where the aggregate of the Contract Values of the trades that comprise such Net Long Position is greater than the aggregate of the Market Values of such trades, or (2) a Net Short Position where the aggregate of the Contract values of the trades that comprise such Net Short Position is less than the Market Values of such trades.

### **Declared Non-Default Loss Event**

The term “Declared Non-Default Loss Event” shall have the meaning given that term in Section 7 of Rule 4.

### **Defaulting Member**

The term “Defaulting Member” means a Netting Member that is treated by the Corporation as insolvent pursuant to Rule 22 or with respect to which it has ceased to act pursuant to Rule 22A.

### **Defaulting Member Event**

The term “Defaulting Member Event” shall have the meaning given that term in Section 7 of Rule 4.

## **Deliver Obligation**

The term “Deliver Obligation” means a Netting Member’s obligation to deliver Eligible Netting Securities to the Corporation at the appropriate Settlement Value (i) in satisfaction of all or a part of a Net Short Position, (ii) in satisfaction of a Same-Day Settling Trade or (iii) to implement a collateral substitution in connection with a Repo Transaction with a Right of Substitution.

## **Deliver Scaling Factor**

The term “Deliver Scaling Factor” means the percentage established by the Corporation which shall be used to calculate a Netting Member’s Individual Regular Amount.

## **Delivery Differential Adjustment**

The term “Delivery Differential Adjustment” means, for a Deliver Obligation or a Receive Obligation established by the Corporation on a particular Business Day, the dollar adjustment made by the Corporation (which may be zero) to System Value in order to determine the Settlement Value for the Delivery Obligation or Receive Obligation. The Corporation may establish varying Delivery Differential Adjustment amounts for different Deliver Obligations and/or Receive Obligations of one or more Members involving Eligible Netting Securities with the same CUSIP Number.

## **Delivery Differential Adjustment Payment**

The term “Delivery Differential Adjustment Payment” means the absolute value of the dollar difference between the System Value and the Settlement Value of a Netting Member’s Deliver Obligation or a Receive Obligation. Notwithstanding the above, the term “Delivery Differential Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

## **Demand Comparison**

The term “Demand Comparison” means the comparison of a Demand Trade by the receipt by the Corporation of data from a Demand Trade Source.

## **Demand Trade**

The term “Demand Trade” means a trade, involving Eligible Securities, that is deemed a Compared Trade once the data on such trade are received by the Corporation from a single, designated source and meet the requirements for submission of data on a Demand Trade pursuant to these Rules, without the necessity of matching the data regarding the trade with data provided by each Member that is or is acting on behalf of an original counterparty to the trade. The data regarding a Demand Trade must be provided to the Corporation by a Demand Trade Source.

## **Demand Trade Source**

The term “Demand Trade Source” means a source of data on Demand Trades that the Corporation has so designated, subject to such terms and conditions as to which the Demand Trade Source and the Corporation may agree.

## **Deposit ID**

The term “Deposit ID” means an operational mechanism used by the Corporation to identify the Account for which a deposit is being made with the Corporation pursuant to Rule 4 and to facilitate the separate holding of such deposits on the Corporation’s books and records.

## **Derivatives Clearing Organization**

The terms “Derivatives Clearing Organization” shall have the meaning given it in Section 1a(9) of the Commodity Exchange Act.

## **Designated Examining Authority**

The term “Designated Examining Authority” shall mean (1) in the case of a Broker or Dealer, as applicable, that belongs to only one Self-Regulatory Organization, such Self-Regulatory Organization, and (2) in the case of a Broker or Dealer, as applicable, that belongs to more than one Self-Regulatory Organization, the Self-Regulatory Organization designated by the SEC pursuant to Section 17(d) of the Exchange Act as the entity with responsibility for examining such Broker or Dealer.

## **Designee**

The term “Designee” means a service provider designated by a Member either orally or in writing to provide the Corporation with instructions on behalf of the Member.

## **Direct Affected Member**

The term “Direct Affected Member” has the meaning assigned in Section 2a(b)(i)(B) of Rule 22A.

## **DK Notice**

The term “DK Notice” means a notification that is sent to the Corporation to: (i) cause a Demand Trade to become uncomparated, or (ii) serve as a request for cancellation of a Locked-In Trade to a Locked-In Trade Source. DK Notices must be sent pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose.

## **DTC**

The term “DTC” means The Depository Trust Company.

**DTC Settling Bank**

The term “DTC Settling Bank” means an entity that qualifies as a settling bank under DTC’s rules and has been approved as such by DTC.

**DTCC**

The term “DTCC” means The Depository Trust & Clearing Corporation.

**DTCC Confidential Information**

The term “DTCC Confidential Information” shall mean all non-public information provided by DTCC and/or the Corporation that (i) is marked or otherwise identified in writing prior to disclosure to the recipient as confidential, (ii) is designated by DTCC or the Corporation as confidential, or (iii) the recipient knows or, under the circumstances surrounding disclosure, ought to reasonably know is confidential.

**Eligible Conversion Trade**

The term “Eligible Conversion Trade” means a Yield Comparison Trade that the Corporation, based on the type of Eligible Security involved, has designated, either on a product-by-product basis or on a CUSIP-by-CUSIP basis, as eligible for comparison pursuant to Rule 9.

**Eligible Clearing Fund Agency Security**

The term “Eligible Clearing Fund Agency Security” means a direct obligation of those U.S. agencies or government sponsored enterprises as the Corporation may designate from time to time, and that satisfies such criteria set forth in notices issued by the Corporation from time to time.

**Eligible Clearing Fund Security**

The term “Eligible Clearing Fund Security” means unmatured bonds which are either an Eligible Clearing Fund Agency Security, an Eligible Clearing Fund Mortgage-Backed Security or an Eligible Clearing Fund Treasury Security.

**Eligible Clearing Fund Mortgage-Backed Security**

The term “Eligible Clearing Fund Mortgage-Backed Security” means a mortgage-backed pass through obligation issued by those U.S. agencies or government sponsored enterprises as the Corporation may designate from time to time, and that satisfies such criteria set forth in notices issued by the Corporation from time to time.

### **Eligible Clearing Fund Treasury Security**

The term “Eligible Clearing Fund Treasury Security” means a direct obligation of the U.S. government that satisfies the criteria set forth in notices issued by the Corporation from time to time.

### **Eligible Letter of Credit**

The term “Eligible Letter of Credit” means a letter of credit that:

- (i) contains the unqualified commitment of such issuer to pay a specified sum of money upon demand (properly drawn under the letter of credit);
- (ii) is irrevocable; and
- (iii) is in a form, and contains such other terms and conditions, as may be required by the Corporation.

### **Eligible Netting Security**

The term “Eligible Netting Security” means an Eligible Security that the Corporation has designated as eligible for netting. Notwithstanding the previous sentence, a GCF Repo Security shall only be deemed to be an Eligible Netting Security in connection with GCF Repo Transactions. Without limiting the generality of the foregoing, a GCF Repo Security shall not be an Eligible Netting Security: (i) for comparison, netting and/or settlement in connection with any transaction other than a GCF Repo Transaction, and (ii) shall not be eligible for Clearing Fund purposes unless it falls into the definition of an Eligible Clearing Fund Security

### **Eligible Position**

The term “Eligible Position” means a position in certain Eligible Netting Securities netted by the Corporation, or certain Government securities futures contracts or interest rate futures contracts cleared by an FCO, as identified in a Cross-Margining Agreement as eligible for cross-margining treatment.

### **Eligible Security**

The term “Eligible Security” means a security issued or guaranteed by the United States, a U.S. government agency or instrumentality, a U.S. government-sponsored corporation, or any other security approved by the Board from time to time, or one or more categories of such securities as represented by a Generic CUSIP Number, that the Corporation has listed on the Eligible Securities master file maintained by it pursuant to Rule 30. Notwithstanding the previous sentence, a GCF Repo Security shall be deemed to be an Eligible Security only in connection with a GCF Repo Transaction and a GC Repo Security shall be deemed to be an Eligible Security only in connection with a Sponsored GC Trade. A security of an issuer that is listed on the Office of Foreign Assets Control (“OFAC”) list of specially designated nationals distributed by the U.S. Department of the Treasury, or of an issuer

that is incorporated in a country that is on the OFAC list of countries subject to comprehensive sanctions, shall not be an “Eligible Security”.

### **Eligible Treasury Security**

The term “Eligible Treasury Security” means an unmatured, marketable debt security in book-entry form that is a direct obligation of the United States Government.

### **End Leg**

The term “End Leg” means, as regards a Repo Transaction other than a GCF Repo Transaction (or CCIT Transaction as applicable) or a Sponsored GC Trade, the concluding settlement aspects of the transaction, involving the retransfer of the underlying Eligible Netting Securities by the Netting Member that is, or is submitting data on behalf of, the funds lender (if netting eligible, through satisfaction of the applicable Deliver Obligation generated by the Corporation) and the taking back of such Eligible Securities by the Netting Member that is, or is submitting data on behalf of, the funds borrower (if netting eligible, through satisfaction of the applicable Receive Obligation generated by the Corporation). The term “End Leg” means, as regards a GCF Repo Transaction (or CCIT Transaction as applicable), the concluding settlement aspects of the GCF Repo Transaction or CCIT Transaction, as applicable, involving the retransfer of the underlying Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Lender Position and the taking back of such Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Borrower Position. The term “End Leg” means, as regards a Sponsored GC Trade, the concluding settlement aspects of the transaction, involving the retransfer of the Purchased GC Repo Securities by the GC Funds Lender and the taking back of such Purchased GC Repo Securities by the GC Funds Borrower.

### **EOD Clearing Fund Cash**

The term “EOD Clearing Fund Cash” shall have the meaning given to such term in Section 3 of Rule 20.

### **Equity Capital**

The term “Equity Capital” means, as of a particular date, the amount equal to the equity capital as reported on the Netting Member’s most recent Consolidated Report of Condition and Income (“Call Report”), or, if the Netting Member is not required to file a Call Report, then as reported on its most recent financial statements or equivalent reporting).

### **Event Period**

The term “Event Period” shall have the meaning given that term in Section 7 of Rule 4.

### **Excess Adjusted Net Capital**

The term “Excess Adjusted Net Capital” means, as of a particular date, the amount equal to the difference between the adjusted net capital of a Futures Commission Merchant and

the minimum adjusted net capital that such Futures Commission Merchant must have to comply with the requirements of 17 C.F.R. Section 1.17(a)(1) or (a)(2), or any successor regulations.

### **Excess Capital Differential**

The term “Excess Capital Differential” shall have the meaning given that term in the Margin Component Schedule.

### **Excess Capital Ratio**

The term “Excess Capital Ratio” shall have the meaning given that term in the Margin Component Schedule.

### **Excess Clearing Fund Deposit**

The term “Excess Clearing Fund Deposit” shall have the meaning given that term in Section 10 of Rule 4.

### **Excess Liquid Capital**

The term “Excess Liquid Capital” means, as of a particular date, the amount equal to the difference between the Liquid Capital of a Government Securities Broker or Government Securities Dealer and the minimum Liquid Capital that such Government Securities Broker or Government Securities Dealer must have to comply with the requirements of 17 C.F.R. Section 402.2(a), (b) and (c), or any successor rule or regulation thereto.

### **Excess Net Capital**

The term “Excess Net Capital” means, as of a particular date, the amount equal to the difference between the Net Capital of a broker or dealer and the minimum Net Capital such broker or dealer must have to comply with the requirements of SEC Rule 15c3-1(a), or any successor rule or regulation thereto.

### **Exchange Act**

The term “Exchange Act” means the Securities Exchange Act of 1934, as amended.

### **Executing Firm Customer**

The term “Executing Firm Customer” shall have the meaning given that term in Rule 8.

### **Existing Securities Collateral**

The term “Existing Securities Collateral” means, as regards an outstanding Repo Transaction with a Right of Substitution, the Eligible Netting Securities or cash that have been transferred by the Repo Party to the Reverse Repo Party as collateral in connection with the Repo Transaction, which Eligible Netting Securities or cash have not yet been

transferred by the Reverse Repo Party back to the Repo Party as the result of a substitution of collateral or otherwise.

### **Fail Deliver Obligation**

The term “Fail Deliver Obligation” means a Deliver Obligation that does not settle on its original Scheduled Settlement Date.

### **Fail Mark Adjustment Payment**

The term “Fail Mark Adjustment Payment” means the absolute value of the dollar difference between the current Settlement Value of a Fail Deliver Obligation or a Fail Receive Obligation on the current Business Day, and the previous Settlement Value of such Deliver Obligation or Receive Obligation. Notwithstanding the above, the term “Fail Mark Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

### **Fail Receive Obligation**

The term “Fail Receive Obligation” means a Receive Obligation that does not settle on its original Scheduled Settlement Date.

### **Fannie Mae**

The term “Fannie Mae” means the Federal National Mortgage Association.

### **FATCA**

The term “FATCA” means (i) the provisions of sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, (the “Code”) that were implemented as part of The Foreign Account Tax Compliance Act (or any amendment thereto or successor sections thereof), and the related Treasury Regulations or other official interpretations thereof, as in effect from time to time, and (ii) the provisions of any intergovernmental agreement to implement The Foreign Account Tax Compliance Act as in effect from time to time between the United States and the jurisdiction of the FFI Member’s (or applicant’s) residency.

### **FATCA Certification**

The term “FATCA Certification” means an executed copy of the relevant tax form required by the Internal Revenue Service under FATCA, as in effect from time to time, that each Member (or applicant to become such) shall provide from time to time to the Corporation as set forth under these Rules.

### **FATCA Compliance Date**

The term “FATCA Compliance Date” shall mean, as applicable, either (i) January 1, 2014, with respect to any FFI Member approved for membership by the Corporation on January 1, 2014 or thereafter (or, if the commencement of all FATCA withholding with respect to



such FFI Members is delayed beyond January 1, 2014 under FATCA, two calendar months plus one day before such delayed effective date), or (ii) May 1, 2014, with respect to any FFI Member approved for membership by the Corporation at any time prior to January 1, 2014 (or, if the commencement of all FATCA withholding with respect to such FFI Members is delayed beyond July 1, 2014 under FATCA, two calendar months plus one day before such delayed effective date).

### **FATCA Compliant**

The term “FATCA Compliant” or “FATCA Compliance” means, with respect to an FFI Member, that such FFI Member has qualified under such procedures promulgated by the Internal Revenue Service as are in effect from time to time to establish exemption from withholding under FATCA such that the Corporation will not be required to withhold under FATCA either (i) on “gross proceeds from the sale or other disposition of any property of a type which can produce interest or dividends from sources within the United States” within the meaning of Code section 1473(1)(A)(ii), as may be amended or re-codified from time to time, or (ii) on interest, dividends, etc. from sources within the United States within the meaning of Code section 1473(1)(A)(i), as may be amended or re-codified from time to time, in each case, paid to such FFI Member.

### **FCO**

The term “FCO” means a clearing organization for a board of trade designated as a contract market under Section 5 of the Commodity Exchange Act that has entered into a Cross-Margining Agreement with the Corporation.

### **Federal Deposit Insurance Corporation Improvement Act**

The term “Federal Deposit Insurance Corporation Improvement Act” means the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended.

### **Federal Funds Rate**

The term “Federal Funds Rate” means, for each Business Day, the rate reported as such in a publicly available source. If there is a dispute as to the Federal Funds Rate for a particular Business Day, it shall be settled by reference to the rate set forth in H. 15(519) for such Business Day opposite the caption “Federal funds (effective).” For this purpose, “H. 15(519)” means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

### **Fedwire**

The term “Fedwire” means the Federal Reserve Wire Transfer System for securities movements or for funds-only movements, as the context requires.

**FFI Member**

The term “FFI Member” means any Person that is treated as a non-U.S. entity for U.S. federal income tax purposes. For the avoidance of doubt, FFI Member includes any Member that is a U.S. branch of an entity that is treated as a non-U.S. entity for U.S. federal income tax purposes.

**Final Price Date**

The term “Final Price Date” means, as regards an Eligible Security, the Business Day on which begins the first processing cycle for the Corporation during which the coupon rate for such Eligible Security is known by the Corporation.

**Financed Securities**

The term “Financed Securities” has the meaning assigned in Section 2a(b)(i)(C) of Rule 22A.

**Financing Amount**

The term “Financing Amount” has the meaning assigned in Section 2a(b)(i)(B) of Rule 22A.

**Financing Mark**

The term “Financing Mark” means, on a particular Business Day, as regards a Repo Transaction, the product of the Market Value of the Repo Transaction multiplied by System Repo Rate established by the Corporation for such Repo Transaction, and then multiplied by a fraction, the numerator of which is the number of calendar days from the current Business Day until the Scheduled Settlement Date for the Repo Transaction and the denominator of which is 360. If a Repo Transaction other than a Forward-Starting Repo Transaction during its Forward-Starting Period comprises a Net Short Position of the Member, then the Financing Mark shall be a negative value. If a Repo Transaction other than a Forward-Starting Repo Transaction during its Forward-Starting Period comprises a Net Long Position of the Member, then the Financing Mark shall be a positive value. The Financing Mark for a Forward-Starting Repo Transaction during its Forward-Starting Period, and for any trade other than a Repo Transaction, shall be zero. The term “Financing Mark” means, as regards a Forward Net Settlement Position, the sum of all the Financing Marks on each of the Forward Trades that compose such Forward Net Settlement Position. Notwithstanding the above, the term “Financing Mark” shall not apply to GCF Repo Transactions and CCIT Transactions.

**FOMC**

The term “FOMC” means the Federal Open Market Committee as described on the website of the FRB.

**Foreign Person**

The term “Foreign Person” means a Person that is organized or established under the laws of a country other than the United States.

**Former Sponsored Members**

The term “Former Sponsored Members” shall have the meaning given that term in Section 2 of Rule 3A.

**Forward Mark Adjustment Payment**

The term “Forward Mark Adjustment Payment” means, on a particular Business Day, as regards a Member’s Forward Net Settlement Position, the sum of the Collateral Mark applicable to such Forward Net Settlement Position, the Financing Mark applicable to such Forward Net Settlement Position, and the Interest Rate Mark applicable to such Forward Net Settlement Position. Notwithstanding the above, as regards an outstanding Repo Transaction where a request for substitution has been made but New Securities Collateral has not been received by the Corporation, the term “Forward Mark Adjustment Payment” means “Forward Unallocated Sub Mark”. Notwithstanding the above, the term “Forward Mark Adjustment Payment” shall refer to the GC Interest Rate Mark with respect to Sponsored GC Trades. Notwithstanding the above, the term “Forward Mark Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

**Forward Net Settlement Position**

The term “Forward Net Settlement Position” means, with respect to Forward Trades involving an Eligible Netting Security with a distinct CUSIP number, the amount of such Securities that the Netting Member will, on the Scheduled Settlement Date for such Forward Trades, be obligated, pursuant to Rule 12, to either receive from the Corporation or to deliver to the Corporation, where such Scheduled Settlement Date is one or more Business Days in the future. For purposes of this definition, the Start and End Legs of a Repo Transaction shall constitute separate Forward Net Settlement Positions.

**Forward Period**

The term “Forward Period” means, with regard to Forward Net Settlement Positions, the time period from the comparison on a final price and settlement value basis of the data on the Forward Trades that comprise such Forward Net Settlement Positions until the processing cycle immediately prior to the Scheduled Settlement Date for such Forward Net Settlement Positions.

**Forward-Settling Start Leg**

The term “Forward-Settling Start Leg” means, on a particular Business Day, a Start Leg that is one or more Business Days prior to its Scheduled Settlement Date.

### **Forward-Starting Period**

The term “Forward-Starting Period” means, as regards a Forward-Starting Repo Transaction, including a GCF Repo Transaction and a CCIT Transaction, the period of time between the Business Day on which the Transaction is compared by the Corporation pursuant to these Rules and the Scheduled Settlement Date for the Start Leg of the Transaction.

### **Forward-Starting Repo Transaction**

The term “Forward-Starting Repo Transaction” means a Repo Transaction, including a GCF Repo Transaction and a CCIT Transaction, that is scheduled to start one or more Business Days after the date it is submitted to the Corporation.

### **Forward Trade**

The term “Forward Trade” means a trade, including an Eligible Conversion Trade, whose Scheduled Settlement Date is one or more Business Days after the date it is submitted to the Corporation. For purposes of this definition, if the trade is a Repo Transaction, the Start and End Legs of the Transaction should be considered as separate trades.

### **Forward Unallocated Sub Mark**

The term “Forward Unallocated Sub Mark” means, on a particular Business Day, as regards an outstanding Repo Transaction, the sum of: (1) the Accrued Repo Interest-to-Date applicable to such transaction and (2) the Repo Interest Rate Differential applicable to such transaction.

### **FRB**

The term “FRB” means the Board of Governors of the Federal Reserve System and each Federal Reserve Bank, as appropriate.

### **Freddie Mac**

The term “Freddie Mac” means the Federal Home Loan Mortgage Corporation.

### **Full-Sized Trade**

The term “Full-Sized Trade” means a trade that is submitted to the Corporation in the full-size dollar amount in which it was executed as opposed to being submitted in an equivalent amount of \$50 million pieces and a single tail.

### **Funds-Only Settlement Amount**

The term “Funds-Only Settlement Amount” means the net dollar amount of a Netting Member’s obligation, calculated pursuant to Rule 13, either to make a funds-only payment to the Corporation or to receive a funds-only payment from the Corporation.

### **Funds-Only Settlement Payments Procedures Agreement**

The term “Funds-Only Settlement Payments Procedures Agreement” means an agreement among the Corporation, a Netting Member and a depository institution that provides for the payment and collection of Funds-Only Settlement Amounts by the depository institution on behalf of the Corporation and the Netting Member.

### **Funds-Only Settling Bank Member or Funds-Only Settling Bank**

The terms “Funds-Only Settling Bank Member” and “Funds-Only Settling Bank” mean a Person that is admitted to membership as a Funds-Only Settling Bank Member pursuant to the applicable qualifications set forth in Rule 13.

### **Futures Commission Merchant**

The term “Futures Commission Merchant” shall have the meaning set forth in the definitions section of the Commodity Exchange Act, except that no entity shall be deemed to be a Futures Commission Merchant for purposes of these Rules unless it is registered as such with the CFTC.

### **Futures Commission Merchant Netting Member**

The term “Futures Commission Merchant Netting Member” means a Person that is admitted to membership in the Netting System as a Futures Commission Merchant Netting Member pursuant to the applicable qualifications set forth in Rule 2A.

### **GC Collateral Return Entitlement**

The term “GC Collateral Return Entitlement” means the entitlement of a Sponsoring Member or Sponsored Member, as applicable, to receive the Purchased GC Repo Securities in exchange for cash at the End Leg of a Sponsored GC Trade.

### **GC Collateral Return Obligation**

The term “GC Collateral Return Obligation” means the obligation of a Sponsoring Member or Sponsored Member, as applicable, to deliver the Purchased GC Repo Securities in exchange for cash at the End Leg of a Sponsored GC Trade.

### **GC Comparable Securities**

The term “GC Comparable Securities” means, in relation to a Sponsored GC Trade, any GC Repo Securities that are represented by the same Generic CUSIP Number as the GC Repo Securities that were transferred in the Start Leg of the Sponsored GC Trade, as set forth in the Schedule of GC Comparable Securities.

### **GC Daily Repo Interest**

The term “GC Daily Repo Interest” means the daily interest amount that is payable under a Sponsored GC Trade.

### **GC Funds Borrower**

The term “GC Funds Borrower” means a Sponsoring Member or Sponsored Member, as applicable, that has a GC Collateral Return Entitlement and associated cash payment obligation.

### **GC Funds Lender**

The term “GC Funds Lender” means a Sponsoring Member or Sponsored Member, as applicable, that has a GC Collateral Return Obligation and associated cash payment entitlement.

### **GC Interest Rate Mark**

The term “GC Interest Rate Mark” means, on a particular Business Day as regards any Sponsored GC Trade where the End Leg is not scheduled to settle on that day, the product of the principal value of the Sponsored GC Trade on the Scheduled Settlement Date for its End Leg multiplied by a factor equal to the absolute difference between the System Repo Rate established by the Corporation for such Sponsored GC Trade and its Contract Repo Rate, and then multiplied by a fraction, the numerator of which is the number of calendar days from the current day until the Scheduled Settlement Date for the End Leg of the Sponsored GC Trade and the denominator of which is 360. If the Sponsored GC Trade’s Contract Repo Rate is greater than its System Repo Rate, then the GC Interest Rate Mark shall be a positive value for the GC Funds Lender, and a negative value for the GC Funds Borrower. If the Sponsored GC Trade’s Contract Repo Rate is less than its System Repo Rate, then the GC Interest Rate Mark shall be a positive value for the GC Funds Borrower, and a negative value for the GC Funds Lender.

### **GC Repo Security**

The term “GC Repo Security” means an Eligible Security that is only eligible for submission to the Corporation in connection with the comparison and Novation of Sponsored GC Trades.

### **GC Start Leg Market Value**

The term “GC Start Leg Market Value” means, in relation to a Sponsored GC Trade, the market value of the GC Repo Securities transferred in the Start Leg of the Sponsored GC Trade, measured as of the date of the settlement of the Start Leg of such Sponsored GC Trade.

### **GCF-Authorized Inter-Dealer Broker**

The term “GCF-Authorized Inter-Dealer Broker” means a Repo Broker that the Corporation has designated as eligible to submit to the Corporation data on GCF Repo

Transactions on a Locked-In Basis. The Corporation may rescind at any time, immediately effective upon issuance of an Important Notice to the membership, its designation of a Repo Broker as eligible to submit to the Corporation data on GCF Repo Transactions.

### **GCF Clearing Agent Bank**

The term “GCF Clearing Agent Bank” means a Clearing Agent Bank that has agreed to provide the Corporation, upon request, under mutually agreeable terms, with clearing services for GCF Repo Transactions.

### **GCF Counterparty**

The term “GCF Counterparty” means a Netting Member, other than a Repo Broker, that is a counterparty to a GCF-Authorized Inter-Dealer Broker with regard to a GCF Repo Transaction.

### **GCF Forward Mark**

The term “GCF Forward Mark” means, on a particular Business Day as regards any GCF Repo Transaction that is not scheduled to settle on that day, the sum of the Accrued Repo Interest-to-Date, the GCF Forward Starting Interest Rate Mark and the GCF Interest Rate Mark on such GCF Repo Transaction.

### **GCF Forward Mark Adjustment Payment**

The term “GCF Forward Mark Adjustment Payment” means, on a particular Business Day, as regards a Member’s Forward Net Settlement Position in GCF Repo Transactions, the payment as it relates to the Member’s GCF Forward Mark.

### **GCF Forward Starting Interest Rate Mark**

The term “GCF Forward Starting Interest Rate Mark” means, on a particular Business Day, as regards a Forward-Starting Repo Transaction that is a GCF Repo Transaction during its Forward-Starting Period, the product of the principal value of the GCF Repo Transaction on the Scheduled Settlement Date for its Start Leg multiplied by a factor equal to the absolute difference between the System Repo Rate established by the Corporation for such GCF Repo Transaction and its Contract Repo Rate, and then multiplied by a fraction, the numerator of which is the number of calendar days from the Scheduled Settlement Date for the Start Leg of the GCF Repo Transaction until the Scheduled Settlement Date for the End Leg of the GCF Repo Transaction, and the denominator of which is 360. If the GCF Repo Transaction’s Contract Repo Rate is greater than its System Repo Rate, then the GCF Forward Starting Interest Rate Mark shall be a positive value for the Reverse Repo Party, and a negative value for the Repo Party. If the GCF Repo Transaction’s Contract Repo Rate is less than its System Repo Rate, then the GCF Forward Starting Interest Rate Mark shall be a positive value for the Repo Party, and a negative value for the Reverse Repo Party. The term “GCF Forward Starting Interest Rate Mark” means, as regards a Forward Net Settlement Position, the sum of all the GCF Forward Starting Interest Rate Marks on each of the Forward Trades that compose such Forward Net Settlement Position.

### **GCF Interest Adjustment Payment**

The term “GCF Interest Adjustment Payment” means, as regards a GCF Forward Mark Adjustment Payment, the product of the GCF Forward Mark Adjustment Payment multiplied by the applicable Overnight Investment Rate multiplied by a fraction, the numerator of which is the number of calendar days between the previous Business Day and the current Business Day, and the denominator of which is 360.

### **GCF Interest Rate Mark**

The term “GCF Interest Rate Mark” means, on a particular Business Day as regards any GCF Repo Transaction that is not scheduled to settle on that day, the product of the principal value of the GCF Repo Transaction on the Scheduled Settlement Date for its End Leg multiplied by a factor equal to the absolute difference between the Repo Rate established by the Corporation for such GCF Repo Transaction and its Contract Repo Rate, and then multiplied by a fraction, the numerator of which is the number of calendar days from the current day until the Scheduled Settlement Date for the End Leg of the GCF Repo Transaction and the denominator of which is 360. If the GCF Repo Transaction’s Contract Repo Rate is greater than its System Repo Rate, then the GCF Interest Rate Mark shall be a positive value for the Reverse Repo Party, and a negative value for the Repo Party. If the GCF Repo Transaction’s Contract Repo Rate is less than its System Repo Rate, then the GCF Interest Rate Mark shall be a positive value for the Repo Party, and a negative value for the Reverse Repo Party. The term “GCF Interest Rate Mark” means, as regards a GCF Net Settlement Position, the sum of all the GCF Interest Rate Mark Payments on each of the GCF Repo Transactions that compose such GCF Net Settlement Position.

### **GCF Net Funds Borrower Position**

The term “GCF Net Funds Borrower Position” means, with respect to a particular Generic CUSIP Number, both the amount of funds that a Netting Member has borrowed as the net result of its outstanding GCF Repo Transactions and CCIT Transactions on a particular Business Day and the equivalent amount of Eligible Netting Securities and/or cash that such Netting Member is obligated, pursuant to Rule 20, to allocate to the Corporation to secure such borrowing (such Netting Member holding a GCF Net Funds Borrower Position, a “GCF Net Funds Borrower”). The GCF Net Funds Borrower Position shall represent a Netting Member’s position with respect to GCF Repo Transaction and CCIT Transaction activity processed by the Corporation on a particular Business Day prior to net-of-net settlement that occurs pursuant to the applicable paragraph of Section 3 of Rule 20.

### **GCF Net Funds Lender Position**

The term “GCF Net Funds Lender Position” means, with respect to a particular Generic CUSIP Number, both the amount of funds that a Netting Member or CCIT Member has lent as the result of its outstanding GCF Repo Transactions or its outstanding CCIT Transactions, as applicable, on a particular Business Day and the equivalent amount of Eligible Netting Securities and/or cash that such Netting Member or CCIT Member, as



applicable, is entitled, pursuant to Rule 20, to be allocated for its benefit to secure such loan (such Netting Member or CCIT Member holding a GCF Net Funds Lender Position, a “GCF Net Funds Lender”). The GCF Net Funds Lender Position shall represent a Netting Member’s or CCIT Member’s position, as applicable, with respect to GCF Repo Transaction and CCIT Transaction activity, as applicable, processed by the Corporation on a particular Business Day prior to net-of-net settlement that occurs pursuant to the applicable paragraph of Section 3 of Rule 20.

### **GCF Net Settlement Position**

The term “GCF Net Settlement Position” means, on a particular Business Day as regards a Netting Member’s GCF Repo Transaction activity and CCIT Transaction activity in a particular Generic CUSIP Number, either a GCF Net Funds Lender Position or a GCF Net Funds Borrower Position, as the context requires.

### **GCF Repo Allocation Waterfall MRA**

The term “GCF Repo Allocation Waterfall MRA” shall have the meaning given to such term in Section 3b of Rule 20.

### **GCF Repo Security**

The term “GCF Repo Security” means an Eligible Security or an Eligible Netting Security that is only eligible for submission to the Corporation in connection with the comparison, netting and/or settlement of GCF Repo Transactions or CCIT Transactions.

### **GCF Repo<sup>®†</sup> Service**

The term “GCF Repo Service” means the service offered by the Corporation to compare, net and settle GCF Repo Transactions.

### **GCF Repo Transaction**

The term “GCF Repo Transaction” means a Repo Transaction involving Generic CUSIP Numbers the data on which are submitted to the Corporation on a Locked-In-Trade basis pursuant to the provisions of Rule 6C, for netting and settlement by the Corporation pursuant to the provisions of Rule 20.

### **GCF Transaction Adjustment Payment**

The term “GCF Transaction Adjustment Payment” means, as regards a Netting Member, the total repo interest on the Netting Member’s GCF Repo Transactions and CCIT Transactions, as applicable, for which the Scheduled Settlement Date for the End Leg of such GCF Repo Transactions and CCIT Transactions, as applicable, is the next Business Day.

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<sup>†</sup> GCF Repo is a registered trademark of the Fixed Income Clearing Corporation.

### **General Collateral Repo Transaction**

The term “General Collateral Repo Transaction” means a Repo Transaction, other than a GCF Repo Transaction or Sponsored GC Trade (unless the context indicates otherwise), with a Generic CUSIP Number.

### **Generic CUSIP Number**

The term “Generic CUSIP Number” means a Committee on Uniform Securities Identification Procedures identifying number established for a category of securities, as opposed to a specific security. The Corporation shall use separate Generic CUSIP Numbers for General Collateral Repo Transactions, GCF Repo Transactions, CCIT Transactions and Sponsored GC Trades.

### **Ginnie Mae**

The term Ginnie Mae means the Government National Mortgage Association.

### **Government Securities Broker**

The term “Government Securities Broker” shall have the meaning given that term in Section 3(a)(43) of the Exchange Act, unless otherwise provided in these Rules.

### **Government Securities Dealer**

The term “Government Securities Dealer” shall have the meaning given that term in Section 3(a)(44) of the Exchange Act, unless otherwise provided in these Rules.

### **Government Securities Division or GSD**

The term “Government Securities Division” or “GSD” means the division of the Fixed Income Clearing Corporation that provides clearing and other services related to Eligible Securities.

### **Government Securities Issuer Netting Member**

The term “Government Securities Issuer Netting Member” means a Person that is admitted to membership in the Netting System as a Government Securities Issuer Netting Member pursuant to the applicable qualifications set forth in Rule 2A.

### **Government Sponsored Enterprise**

The term “Government Sponsored Enterprise” shall mean Fannie Mae, Ginnie Mae, Federal Home Loan Banks, or Freddie Mac.

### **GSD Margin Group**

The term “GSD Margin Group” means the GSD Accounts within a Margin Portfolio of a Member.

## **Hague Securities Convention**

The term “Hague Securities Convention” means the Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary, July 5, 2006, 17 U.S.T. 401, 46 I.L.M. 649 (entered into force April 1, 2017).

## **Haircut Deficit**

The term “Haircut Deficit” means, as regards any Sponsored Member Trade, the amount, if any, by which the Initial Haircut exceeds the Current Haircut.

## **Haircut Surplus**

The term “Haircut Surplus” means, as regards any Sponsored Member Trade, the amount, if any, by which the Current Haircut exceeds the Initial Haircut.

## **Historical Cover 1 Liquidity Requirement**

The term “Historical Cover 1 Liquidity Requirement” means the largest Liquidity Need of a Netting Member or family of affiliated Netting Members during the applicable Look-Back Period as determined by the Corporation.

## **Holiday**

The term “Holiday” means, with respect to the Holiday Charge, any day on which the Corporation is closed, but the day is not observed as a holiday by the Securities Industry and Financial Markets Association and the bond markets are open.

## **Holiday Charge**

The term “Holiday Charge” shall have the meaning given that term in the Margin Component Schedule.

## **Indemnified Person**

The term “Indemnified Person” shall have the meaning given to that term in Section 9(iii) of Rule 3.

## **Indirect Affected Member**

The term “Indirect Affected Member” has the meaning assigned in Section 2a(b)(i)(E) of Rule 22A.

## **Indirect Participants Account**

The term “Indirect Participants Account” means a Sponsoring Member Omnibus Account or an Agent Clearing Member Omnibus Account, including any Account that has been designated as a Segregated Indirect Participants Account pursuant to Rule 2B, except as otherwise expressly stated in the Rules.

### **Individual Regular Amount**

The term “Individual Regular Amount” means the portion of the Aggregate Regular Amount that is allocated to each Netting Member by the Corporation in accordance with Section 2a(b)(iii) of Rule 22A.

### **Individual Supplemental Amount**

The term “Individual Supplemental Amount” means the portion of the Aggregate Supplemental Amount that is allocated to each Netting Member by the Corporation in accordance with Section 2a(b)(iv) of Rule 22A.

### **Individual Total Amount**

The term “Individual Total Amount” means the sum of a Netting Member’s Individual Regular Amount plus such Netting Member’s Individual Supplemental Amount.

### **Initial Haircut**

The term “Initial Haircut” means, (i) as regards any Sponsored Member Trade that is not a Sponsored GC Trade, the absolute value of the dollar difference, if any, between the Market Value of the Sponsored Member Trade, as of the settlement date of the Start Leg, and the Contract Value of the Start Leg of the Sponsored Member Trade and (ii) as regards any Sponsored GC Trade, any difference between (x) the Contract Value of the Start Leg of the Sponsored GC Trade and (y) the GC Start Leg Market Value.

### **Insurance Company Netting Member**

The term “Insurance Company Netting Member” means a Person that is admitted to membership in the Netting System as an Insurance Company Netting Member pursuant to the applicable qualifications set forth in Rule 2A.

### **Interactive Submission Method**

The term “Interactive Submission Method” means a trade submission method that is used to submit data on individual trades to the Corporation immediately after trade execution pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose. The Interactive Submission Method is a computer-to-computer interface, where the trade is fed to the Corporation’s computer directly from the submitter’s computer.

### **Inter-Dealer Broker Netting Member**

The term “Inter-Dealer Broker Netting Member” means a Person that is admitted to membership in the Netting System as an Inter-Dealer Broker Netting Member pursuant to the applicable qualifications set forth in Rule 2A.

## **Interest Adjustment Payment**

The term “Interest Adjustment Payment” means, as regards a Forward Mark Adjustment Payment, the product of the Forward Mark Adjustment Payment multiplied by the applicable Overnight Investment Rate and then multiplied by a fraction, the numerator of which is the number of calendar days between the previous Business Day and the current Business Day and the denominator of which is 360. The term “Interest Adjustment Payment” means, as regards a Sponsored GC Trade, the product of the GC Interest Rate Mark multiplied by the applicable Overnight Investment Rate and then multiplied by a fraction, the numerator of which is the number of calendar days between the previous Business Day and the current Business Day and the denominator of which is 360.

## **Interest Rate Mark**

The term “Interest Rate Mark” means, on a particular Business Day as regards a Forward-Starting Repo Transaction during its Forward-Starting Period, the product of the principal value of the Repo Transaction on the Scheduled Settlement Date for its Start Leg multiplied by a factor equal to the absolute difference between the System Repo Rate established by the Corporation for such Repo Transaction and its Contract Repo Rate, and then multiplied by a fraction, the numerator of which is the number of calendar days from the Scheduled Settlement Date for the Start Leg of the Repo Transaction until the Scheduled Settlement Date for the End Leg of the Repo Transaction and the denominator of which is 360. If the Repo Transaction’s Contract Repo Rate is greater than its System Repo Rate, then the Interest Rate Mark shall be a positive value for the Reverse Repo Party, and a negative value for the Repo Party. If the Repo Transaction’s Contract Repo Rate is less than its System Repo Rate, then the Interest Rate Mark shall be a positive value for the Repo Party, and a negative value for the Reverse Repo Party. The Interest Rate Mark for any Repo Transaction other than a Forward-Starting Repo Transaction during its Forward-Starting Period, and for any trade other than a Repo Transaction, shall be zero. The term “Interest Rate Mark” means, as regards a Forward Net Settlement Position, the sum of all the Interest Rate Marks on each of the Forward Trades that compose such Forward Net Settlement Position. Notwithstanding the above, the term “Interest Rate Mark” shall not apply to GCF Repo Transactions or CCIT Transactions.

## **Interested Person**

The term “Interested Person” means a Member or an applicant for membership, in the Comparison System or in the Netting System.

## **Intraday Supplemental Fund Deposit**

The term “Intraday Supplemental Fund Deposit” shall have the meaning given that term in the Margin Component Schedule.

## **Invoice Amount**

The term “Invoice Amount” means all fee amounts due and owing from a Netting Member or CCIT Member, as applicable, to the Corporation on a particular Business Day.

**Issue Date**

The term “Issue Date” means, as regards an Auction Purchase, the date on which the Eligible Treasury Securities that comprise such Auction Purchase are issued.

**Joint Account**

The term “Joint Account” means two or more CCIT Members represented by a Joint Account Submitter.

**Joint Account Submitter**

The term “Joint Account Submitter” means an authorized entity that (i) is acting as agent for two or more CCIT Members who are trading and submitting CCIT Transactions as a Joint Account and (ii) has been appointed by each such CCIT Member pursuant to a Joint Account Submitter Agreement.

**Joint Account Submitter Agreement**

The term “Joint Account Submitter Agreement” means the agreement required in Rule 3B to be signed and delivered to the Corporation by each CCIT Member that elects to appoint a Joint Account Submitter.

**LEI**

The term “LEI” means a Legal Entity Identifier that is a 20-character reference code to uniquely identify legally distinct entities that engage in financial transactions based on the ISO 17442 standard developed by the International Organization for Standardization that satisfies the standards implemented by the Global Legal Entity Identifier Foundation.

**Legal Risk**

The term “Legal Risk” means the risk that the Corporation, as a result of a law, rule or regulation applicable to a Netting Member, including a Netting Member’s insolvency or bankruptcy, may be delayed or prohibited from: (i) accessing any portion of the Netting Member’s Required Fund Deposit, (ii) netting, closing out or liquidating transactions, or setting off obligations, or taking any other action contemplated by Rule 4 (Clearing Fund and Loss Allocation), Rule 21 (Restrictions on Access to Services), Rule 22 (Insolvency of a Member) or Rule 22A (Procedures for When the Corporation Ceases to Act), or (iii) otherwise exercising its rights pursuant to these Rules.

**Lender**

The term “Lender” shall have the meaning given that term in Section 11 of Rule 4.

**Liquid Capital**

The term “Liquid Capital” means, as of a particular date, the amount equal to the liquid capital of a Government Securities Broker or Government Securities Dealer as defined in 17 C.F.R. Section 402.2(d), or any successor rule or regulation thereto.

**Liquidating Trade**

The term “Liquidating Trade” has the meaning assigned in Section 2a(b)(i)(G) of Rule 22A.

**Liquidity Buffer**

The term “Liquidity Buffer” means the product of the Liquidity Percentage multiplied by the Historical Cover 1 Liquidity Requirement subject to a minimum of \$15 billion.

**Liquidity Need**

The term “Liquidity Need” means the sum of a Netting Member’s Receive Obligations and Funds-Only Settlement Amounts.

**Liquidity Percentage**

The term “Liquidity Percentage” means a percentage determined by the Corporation in its sole discretion. Such percentage will be influenced by the Historical Cover 1 Liquidity Requirements over various time horizons and business trends related to the Corporation’s ability to maintain sufficient financial resources.

**Liquidity Tier**

The term “Liquidity Tier” means a stratum of Liquidity Needs, as determined in the Corporation’s sole discretion, that the Corporation defines to group Netting Members’ liquidity needs into discrete numeric ranges.

**Locked-In Comparison**

The term “Locked-In Comparison” means the comparison of a Locked-In Trade by the receipt by the Corporation of data from a Locked-In Trade Source.

**Locked-In Trade**

The term “Locked-In Trade” means a trade, involving Eligible Securities, that is deemed a Compared Trade once the data on such trade is received from a single, designated source and meets the requirements for submission of data on a Locked-In Trade pursuant to these Rules, without the necessity of matching the data regarding the trade with data provided by each Member that is or is acting on behalf of an original counterparty to the trade. The data regarding a Locked-In Trade are provided to the Corporation by a Locked-In Trade

Source that has been authorized by a Member that is a party to the trade (or that is acting on behalf of an entity that is a party to the trade) to provide such data to the Corporation.

### **Locked-In Trade Source**

The term “Locked-In Trade Source” means a source of data on Locked-In Trades that the Corporation has so designated, subject to such terms and conditions as to which the Locked-In Trade Source and the Corporation may agree.

### **Look-Back Period**

The term “Look-Back Period” means a period of time determined by the Corporation in its sole discretion over which the Corporation analyzes Netting Members’ Liquidity Needs in order to determine the Historical Cover 1 Liquidity Requirement.

### **Long Transaction**

The term “Long Transaction” means, with regard to Eligible Netting Securities, a purchase, Auction Purchase, Start Leg for the Reverse Party, and End Leg for the Repo Party.

### **Loss Allocation Cap**

The term “Loss Allocation Cap” shall have the meaning given that term in Section 7 of Rule 4.

### **Loss Allocation Notice**

The term “Loss Allocation Notice” shall have the meaning given that term in Section 7 of Rule 4.

### **Loss Allocation Withdrawal Notice**

The term “Loss Allocation Withdrawal Notice” shall have the meaning given that term in Section 7b of Rule 4.

### **Margin Liquidity Adjustment Charge or MLA Charge**

The terms “Margin Liquidity Adjustment Charge” or “MLA Charge” shall have the meaning given such terms in the Margin Component Schedule.

### **Margin Portfolio**

The term “Margin Portfolio” means one or more Accounts of the same Type as a Netting Member shall designate in accordance with the provisions of Rule 4 and/or any applicable Cross-Margining Arrangement for the purpose of calculating the Member’s Required Fund Deposit.



**Margin Proxy**

The term “Margin Proxy” shall have the meaning given such term in the Margin Component Schedule.

**Market Professional**

The term “Market Professional” means an entity, other than a Non-Customer, that is a party to a Market Professional Agreement for Cross-Margining.

**Market Professional Agreement for Cross-Margining**

The term “Market Professional Agreement for Cross-Margining” means an agreement, in the form approved by the Corporation and the relevant FCO, pursuant to which a Market Professional authorizes its Eligible Positions and margin to be carried in a Market Professional Cross-Margining Account.

**Market Value**

The term “Market Value” means, on a particular Business Day, the amount in dollars equal to: (1) as regards a trade other than a Repo Transaction, the System Price established by the Corporation for the underlying Eligible Netting Securities, multiplied by the par value of such Securities, plus accrued coupon interest that has accrued with regard to such Securities calculated to their Scheduled Settlement Date, (2) as regards a Repo Transaction other than a GCF Repo Transaction, the System Price established by the Corporation for the underlying Eligible Netting Securities, multiplied by the par value of such Securities, plus accrued coupon interest that has accrued with regard to such Securities calculated to that Business Day, and (3) as regards a GCF Repo Transaction, the principal value of the GCF Repo Transaction.

**Maturity Value**

The term “Maturity Value” means, as regards a Net Settlement Position or Deliver Obligation, the Redemption Value of the Eligible Netting Securities that comprise such Net Settlement Position or Deliver Obligation.

**Member**

The term “Member” means a Comparison-Only Member; a Netting Member; a Sponsoring Member, in its capacity as a Sponsoring Member; a Sponsored Member, to the extent specified in Rule 3A; a CCIT Member, to the extent specified in Rule 3B; or an Agent Clearing Member, in its capacity as an Agent Clearing Member, to the extent specified in Rule 8.

**Minimum Margin Amount**

The term “Minimum Margin Amount” shall have the meaning given such term in the Margin Component Schedule.

### **Miscellaneous Adjustment Amount**

The term “Miscellaneous Adjustment Amount” means the net total of all miscellaneous funds-only amounts that, on a particular Business Day, are required to be paid by a Netting Member or CCIT Member, as applicable, to the Corporation and/or are entitled to be collected by a Member (including a CCIT Member, as applicable) from the Corporation.

### **Money Tolerance**

The term “Money Tolerance” means the amount, as stated in the Schedule of Money Tolerances, by which Data for a Required Match Data item involving dollar amounts submitted by two Members can differ and still be compared by the Corporation pursuant to these Rules.

### **Mortgage-Backed Securities Division**

The term “Mortgage-Backed Securities Division” means the division of the Fixed Income Clearing Corporation that provides clearing and other services related to mortgage-backed securities.

### **Mortgage-Backed Securities Division Cash Settling Bank Participant**

The term “Mortgage-Backed Securities Division Cash Settling Bank Participant” means an entity that qualifies as a Mortgage-Backed Securities Division cash settling bank participant under the rules of the Mortgage-Backed Securities Division and has been approved as such by the Corporation.

### **Mortgage-Backed Securities Division Participant**

The term Mortgage-Backed Securities Division Participant means a participant, limited purpose participant or an EPN user utilizing the services of the Mortgage-Backed Securities Division.

### **Multilateral Clearing Agency**

The term “Multilateral Clearing Agency” shall have the meaning given to it in Section 408(1) of the Federal Deposit Insurance Corporation Improvement Act.

### **Multiple Batch Submission Method**

The term “Multiple Batch Submission Method” means a trade submission method that is used to submit multiple batches of trade data to the Corporation throughout the day pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose.

## **Net Assets**

The term “Net Assets” shall mean the difference between the total assets and the total liabilities of a Netting Member or CCIT Member, as applicable.

## **Net Capital**

The term “Net Capital” means, as of a particular date, the amount equal to the net capital as reported on the Netting Member’s most recent Form X-17-A-5 (Financial and Operational Combined Uniform Single (“FOCUS”) Report) or, if the Netting Member is not required to file a FOCUS Report, then as reported on its most recent financial statements or equivalent reporting.

## **Net Clearance Difference Amount**

The term “Net Clearance Difference Amount” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Clearance Difference Amounts and the total of all Debit Clearance Difference Amounts. If the total of all of the Credit Clearance Difference Amounts is greater than of all of the Debit Credit Difference Amounts, then the Net Clearance Difference Amount shall be a positive dollar amount owing from the Corporation to the member. If the total of all the Credit Clearance Difference Amounts is less than the total of all of the Debit Clearance Difference Amounts, then the Net Clearance Difference Amount shall be a negative dollar amount owing from the Member to the Corporation.

## **Net Coupon Adjustment Payment**

The term “Net Coupon Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Coupon Adjustment Payments and the total of all Debit Coupon Adjustment Payments. If the total of all of the Credit Coupon Adjustment Payments is greater than of all of the Debit Coupon Adjustment Payments, then the Net Coupon Adjustment Payment shall be a positive dollar amount owing from the Corporation to the member. If the total of all the Credit Coupon Adjustment Payment is less than the total of all of the Debit Coupon Adjustment Payments, then the Net Coupon Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

## **Net Delivery Differential Adjustment Payment**

The term “Net Delivery Differential Adjustment Payment” means the absolute value of the dollar difference, for a particular Member and Business Day, between the total of all the Credit Delivery Differential Adjustment Payments and the total of all the Debit Delivery Differential Adjustment Payments. If the total of all of the Credit Delivery Differential Adjustment Payments is greater than the total of all of the Debit Delivery Differential Adjustment Payments, then the Net Delivery Differential Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Delivery Differential Adjustment Payments is less than the total of all of the Debit

Delivery Differential Adjustment Payments, then the Net Delivery Differential Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

### **Net Fail Mark Adjustment Payment**

The term “Net Fail Mark Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Fail Mark Adjustment Payments and the total of all Debit Fail Mark Adjustment Payments. If the total of all of the Credit Fail Mark Adjustment Payments is greater than the total of all of the Debit Fail Mark Adjustment Payments, then the Net Fail Mark Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Fail Mark Adjustment Payments is less than the total of all of the Debit Fail Mark Adjustment Payments, then the Net Fail Mark Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

### **Net Forward Mark Adjustment Payment**

The term “Net Forward Mark Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Forward Mark Adjustment Payments and the total of all of the Debit Forward Mark Adjustment Payments. If the total of all of the Credit Forward Mark Adjustment Payments is greater than the total of all of the Debit Forward Mark Adjustment Payments, then the Net Forward Mark Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Forward Mark Adjustment Payments is less than the total of all of the Debit Forward Mark Adjustment Payments, then the Net Forward Mark Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

### **Net Funds Payor Position**

The term “Net Funds Payor Position” means, with respect to a particular Generic CUSIP Number, the funds amount equal to the difference between the previous Business Day’s GCF Net Settlement Position (which includes CCIT Transaction activity as applicable) and the current Business Day’s GCF Net Settlement Position (which includes CCIT Transaction activity as applicable), where the difference results in a cash obligation for the Netting Member or CCIT Member after net-of-net settlement occurs pursuant to the applicable paragraph of Rule 20 (such Netting Member or CCIT Member holding a Net Funds Payor Position, a “Net Funds Payor”).

### **Net Funds Receiver Position**

The term “Net Funds Receiver Position” means, with respect to a particular Generic CUSIP Number, the funds amount equal to the difference between the previous Business Day’s GCF Net Settlement Position (which includes CCIT Transaction activity as applicable) and the current Business Day’s GCF Net Settlement Position (which includes CCIT Transaction activity as applicable), where the difference results in a cash credit for the Netting Member or CCIT Member after net-of-net settlement occurs pursuant to the

applicable paragraph of Rule 20 (such Netting Member or CCIT Member holding a Net Funds Receiver Position, a “Net Funds Receiver”).

### **Net Funds-Only Settlement Figure**

The term “Net Funds-Only Settlement Figure” means the net amount of the Funds-Only Settlement Amounts of the Netting Members for which a Funds-Only Settling Bank Member is acting.

### **Net GCF Forward Mark Adjustment Payment**

The term “Net GCF Forward Mark Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all of the Credit GCF Forward Mark Adjustment Payments and the total of all of the Debit GCF Forward Mark Adjustment Payments. If the total of all of the Credit GCF Forward Mark Adjustment Payments is greater than the total of all of the Debit GCF Forward Mark Adjustment Payments, then the Net GCF Forward Mark Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit GCF Forward Mark Adjustment Payments is less than the total of all of the Debit GCF Forward Mark Adjustment Payments, then the Net GCF Forward Mark Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

### **Net GCF Interest Adjustment Payment**

The term “Net GCF Interest Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all of the Credit GCF Interest Adjustment Payments and the total of all of the Debit GCF Interest Adjustment Payments. If the total of all of the Credit GCF Interest Adjustment Payments is greater than the total of all of the Debit GCF Interest Adjustment Payments, then the Net GCF Interest Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit GCF Interest Adjustment Payments is less than the total of all of the Debit GCF Interest Adjustment Payments, then the Net GCF Interest Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

### **Net GCF Transaction Adjustment Payment**

The term “Net GCF Transaction Adjustment Payment” means, on a particular Business Day, the absolute value of the dollar difference between the total of all of the Credit GCF Transaction Adjustment Payments and the total of all of the Debit GCF Transaction Adjustment Payments for a Netting Member. If the total of all of the Credit GCF Transaction Adjustment Payments is greater than the total of all of the Debit GCF Transaction Adjustment Payments, then the Net GCF Transaction Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit GCF Transaction Adjustment Payments is less than the total of all of the Debit GCF Transaction Adjustment Payments, then the Net GCF Transaction Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

### **Net Interest Adjustment Payment**

The term “Net Interest Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all of Credit Interest Adjustment Payments and the total of all Debit Interest Adjustment Payments. If the total of all of the Credit Interest Adjustment Payments is greater than the total of all of the Debit Interest Adjustment Payments, then the Net Interest Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Interest Adjustment Payments is less than the total of all of the Debit Interest Adjustment Payments, then the Net Interest Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

### **Net Long Position**

The term “Net Long Position” means, with respect to each type of Eligible Netting Security, the amount of Eligible Securities that a Netting Member either: (1) is obligated, pursuant to Rule 12, to receive from the Corporation, or (2) will, on the Scheduled Settlement Date for such Net Long Position, be obligated to receive from the Corporation, as the context requires.

### **Net Redemption Adjustment Payment**

The term “Net Redemption Adjustment Payment” means the absolute value of the dollar difference on a particular Business Day for a Netting Member between the total of all Credit Redemption Adjustment Payments and the total of all Debit Redemption Adjustment Payments. If the total of all Credit Redemption Adjustment Payments is greater than all of the Debit Redemption Adjustment Payments, then the Net Redemption Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all the Credit Redemption Adjustment Payments is less than the total of all of the Debit Redemption Adjustment Payments, then the Net Redemption Adjustment Payment shall be a negative amount owing from the Member to the Corporation.

### **Net Settlement Position**

The term “Net Settlement Position” means either a Net Short Position or a Net Long Position, as the context requires.

### **Net Short Position**

The term “Net Short Position” means, with respect to each type of Eligible Netting Security, the amount of Eligible Netting Securities that a Netting Member either: (1) is obligated, pursuant to Rule 12, to deliver to the Corporation, or (2) will, on the Scheduled Settlement Date for such Net Short Position, be obligated to deliver to the Corporation, as the context requires.

## **Net Transaction Adjustment Payment**

The term “Net Transaction Adjustment Payment” means the absolute value of the dollar difference on a particular Business day for a Netting Member between the total of all Credit Transaction Adjustment Payments and the total of all Debit Transaction Adjustment Payments. If the total of all of the Credit Transaction Adjustment Payments is greater than the total of all of the Debit Transaction Adjustment Payments, then the Net Transaction Adjustment Payment shall be a positive dollar amount owing from the Corporation to the Member. If the total of all of the Credit Transaction Adjustment Payments is less than the total of all of the Debit Transaction Adjustment Payments, then the Net Transaction Adjustment Payment shall be a negative dollar amount owing from the Member to the Corporation.

## **Net Unsettled Positions**

The term “Net Unsettled Positions” means Current Net Settlement Positions and Forward Net Settlement Positions.

## **Net Worth**

The term “Net Worth” means, as of a particular date, the amount equal to the excess of the assets of a Person over the liabilities of such Person, computed in accordance with generally accepted accounting principles, including liabilities that are subordinated to the claims of creditors pursuant to a satisfactory subordination agreement, as defined in Appendix D of 17 C.F.R. Section 240.15c3-1d for registered brokers and dealers, in 17 C.F.R. Section 1.17(h) for a Futures Commission Merchant that is not a registered broker-dealer, and in 17 C.F.R. Section 402.2(d) for Government securities brokers and dealers.

## **Netting-Eligible Auction Purchase**

The term “Netting-Eligible Auction Purchase” with respect to Treasury Department auctions means any Auction Purchase other than an Auction Purchase of Eligible Treasury Securities that are auctioned and issued on the same date.

## **Netting Member**

The term “Netting Member” means a Member that is a Member of the Comparison System and the Netting System.

## **Netting Member Capital**

The term “Netting Member Capital” means Net Capital, Net Assets or Equity Capital as applicable, to a Netting Member based on its type of regulation.

**Netting System**

The term “Netting System” means the (1) system of services provided by the Corporation to Persons that are Members thereof, and (2) operations carried out by the Corporation in the course of providing such services, as provided for in Rules 11 through 18.

**New Securities Collateral**

The term “New Securities Collateral” means, as regards an outstanding Repo Transaction with a Right of Substitution, the Eligible Netting Securities or cash that are being transferred by the Repo Party to the Reverse Repo Party as collateral in connection with the Repo Transaction, in replacement of Existing Securities Collateral.

**New York Time**

The term “New York Time” means the time in New York City.

**Non-Customer**

The term “Non-Customer” means, with respect to a Netting Member, such Netting Member or other Person whose account with such Netting Member would not be the account of a “customer” within the meaning of SEC Rules 8c-1 and 15c2-1.

**Novation or Novate**

The term “Novation” means the termination of deliver, receive, and related payment obligations between Netting Members, or between a CCIT Member (or Joint Account) and a Netting Member, and the replacement of such obligations with identical obligations to and from the Corporation, pursuant to Section 8 of Rule 5. The term “Novate” shall have a corollary meaning.

**NSCC**

The term “NSCC” means the National Securities Clearing Corporation.

**NSS**

The term “NSS” means the National Settlement Service of the FRB.

**NYUCC**

The term “NYUCC” means the New York Uniform Commercial Code, as in effect from time to time in the State of New York.

**Observation**

The term “Observation” means a measurement of a Netting Member’s Liquidity Need as calculated on each Business Day during a Look-Back Period.



### **Off-the-Market Transaction**

The term “Off-the-Market Transaction” means either of the following:

- (1) A single transaction that is:
  - (i) greater than \$1 million in par value; and
  - (ii) executed at a contract price that is either higher or lower (by a percentage amount determined by the Corporation based on factors such as market conditions) than the System Price for the underlying Eligible Netting Security on the day of the submission of data on the transaction to the Corporation;
- (2) A pattern of transactions submitted by two Members that, if looked at as a single transaction, would be encompassed by subsection (1) of this definition.

An Off-the-Market Transaction includes a Sponsored Member Trade in which the Sponsored Member provided an Initial Haircut.

### **Officer of the Corporation**

The term “Officer of the Corporation” means the Chairman of the Board, President, Managing Director, Executive Director, Secretary, Assistant Secretary, Treasurer, or Assistant Treasurer of the Corporation.

### **Opening Balance**

The term “Opening Balance” means, with regard to the calculation of a Member’s Funds-Only Settlement Amount on a given Business Day, the amount reported to such Member during the immediately prior processing cycle as the Member’s Funds-Only Settlement Amount obligation.

### **Overnight Investment Rate**

The term “Overnight Investment Rate” means the interest rate earned by the Corporation on the investment of the portion of the cash deposited to its Clearing Fund that is invested overnight.

### **Other Acceptable Securities**

The term “Other Acceptable Securities” means, with respect to:

- (an) adjustable-rate mortgage-backed security or securities issued by Ginnie Mae, any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or (an) adjustable-rate mortgage-backed security or securities issued by either Fannie Mae or Freddie Mac:
  - (a) any fixed-rate mortgage-backed security or securities issued by Fannie Mae and Freddie Mac,
  - (b) any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or
  - (c) any adjustable-rate mortgage-backed security or securities issued by Ginnie Mae.

**Pair-Off Adjustment Payment**

The term “Pair-Off Adjustment Payment” means the absolute value of the dollar difference between the Settlement Value of a Deliver Obligation and a Receive Obligation, resulting from the Corporation’s pair-off of Securities Settlement Obligations between the Corporation and a participating Netting Member. The Corporation may determine, for operational efficiencies, to collect and/or pay this amount as a Miscellaneous Adjustment Amount.

**Pair-Off Service**

The term “Pair-Off Service” means the voluntary service described in Rule 12.

**Person**

The term “Person” means a partnership, corporation, limited liability corporation or other organization, or entity.

**Pool Factor**

The term “Pool Factor” means, with respect to the Blackout Period Exposure Charge, the percentage of the initial principal that remains outstanding on the mortgage loan pool underlying a mortgage-backed security, as published by the government-sponsored entity that is the issuer of such security.

**Portfolio Differential Charge**

The term “Portfolio Differential Charge” shall have the meaning given such term in the Margin Component Schedule.

**Pre-Netting of Trades**

The term “Pre-Netting of Trades” means any trade submission data practice other than the submission of data to the Corporation on a trade-by-trade basis as executed in the market and that identifies the actual parties to each trade.

**Procedures**

The term “Procedures” means the Procedures of the Corporation adopted pursuant to Rule 33.

**Proprietary Account**

The term “Proprietary Account” means a Dealer Account, Cash Broker Account, or Repo Broker Account.

### **Proprietary Transaction**

The term “Proprietary Transaction” means a Transaction entered into by a Netting Member for its own benefit, rather than on behalf of an Executing Firm Customer or Sponsored Member. A Transaction entered into by a Netting Member for the benefit of an Affiliate is not a Proprietary Transaction.

### **Purchased GC Repo Securities**

The term “Purchased GC Repo Securities” means the GC Repo Securities transferred by the Sponsoring Member or Sponsored Member, as applicable, in settlement of the Start Leg of a Sponsored GC Trade, plus all cash and other GC Repo Securities transferred by such Sponsoring Member or Sponsored Member pursuant to Sections 8(b)(ii) and 8(b)(v) of Rule 3A, less any GC Repo Securities or cash received by the Sponsoring Member or Sponsored Member pursuant to Sections 8(b)(iii) and 8(b)(v) of Rule 3A.

### **Real Time**

The term “Real Time” means, with respect to a process performed by the Corporation, the performance of such process by the Corporation upon receipt of the requisite message(s) or instruction(s) from the Member(s) or submitter(s).

### **Receive Obligation**

The term “Receive Obligation” means a Netting Member’s obligation to receive Eligible Netting Securities from the Corporation at the appropriate Settlement Value (i) in satisfaction of all or a part of a Net Long Position, (ii) in satisfaction of a Same-Day Settling Trade or (iii) to implement a collateral substitution in connection with a Repo Transaction with a Right of Substitution.

### **Receive Scaling Factor**

The term “Receive Scaling Factor” means the percentage established by the Corporation which shall be used to calculate a Netting Member’s Individual Regular Amount.

### **Redemption Adjustment Payment**

The term “Redemption Adjustment Payment” means for a Net Settlement Position, the difference between the Redemption Value and the Settlement Value due and owing on each Eligible Netting Security that comprises such Net Settlement Position. The term “Redemption Adjustment Payment” means for the End Leg of a Repo Transaction, the difference between the Redemption Value and the Contract Value due and owing on each Eligible Netting Security that comprises such Repo Transaction. Notwithstanding the above, the term “Redemption Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

## **Redemption Value**

The term “Redemption Value” means, as regards a Net Settlement Position or a Deliver Obligation, the principal amount paid to the holder of such Net Settlement Position or Deliver Obligation in redeeming Eligible Netting Securities at the maturity for such securities.

## **Registered Clearing Agency**

The term “Registered Clearing Agency” means a Clearing Agency that is registered as such with the SEC.

## **Registered Clearing Agency Netting Member**

The term “Registered Clearing Agency Netting Member” means a Person that is admitted to membership in the Netting System as a Registered Clearing Agency Netting Member pursuant to the applicable qualifications set forth in Rule 2A.

## **Registered Investment Company**

The term “Registered Investment Company” means a Person that is an “Investment Company”, as such term is defined in Section 3 of the Investment Company Act of 1940, as amended and that is registered as such with the SEC.

## **Registered Investment Company Netting Member**

The term “Registered Investment Company Netting Member” means a Person that is admitted to membership in the Netting System as a Registered Investment Company Netting Member pursuant to the applicable qualifications set forth in Rule 2A.

## **Relative Inter-Tier Frequency**

The term “Relative Inter-Tier Frequency” means, for each Liquidity Tier, the quotient of (x) the sum of all Netting Members’ Observations allocable to such Liquidity Tier divided by (y) the sum of all Netting Members’ Observations.

## **Relative Intra-Tier Frequency**

The term “Relative Intra-Tier Frequency” means, for a certain Liquidity Tier, the quotient of (x) the number of a Netting Member’s Observations within such Liquidity Tier divided by (y) the sum of all Netting Members’ Observations allocable to such Liquidity Tier.

## **Relevant Securities**

The term “Relevant Securities” has the meaning assigned in Section 2a(a)(H)(1) of Rule 22A.

### **Remaining Financing Amount**

The term “Remaining Financing Amount” has the meaning assigned in Section 2a(b)(i)(E) of Rule 22A.

### **Repo Broker**

The term “Repo Broker” means an Inter-Dealer Broker Netting Member with respect to activity in its Repo Broker Account.

### **Repo Broker Account**

The term “Repo Broker Account” means a Broker Account maintained by the Corporation for an Inter-Dealer Broker Netting Member in its capacity as a Repo Broker to record Brokered Repo Transactions submitted to the Corporation by the Inter-Dealer Broker Netting Member.

### **Repo Interest Rate Differential**

The term “Repo Interest Rate Differential” means, on a particular Business Day, the product of: (1) the Contract Value of the Start Leg, (2) the difference between the Contract Repo Rate and the System Repo Rate, and (3) the number of remaining days until the End Leg, divided by 360.

### **Repo Party**

The term “Repo Party” means the Netting Member that either is, or has submitted data on behalf of, the party to a Repo Transaction that has agreed both to transfer Eligible Securities to another party and, at a later date, to take back either the same securities or other securities from that party.

### **Repo Start Date**

The term “Repo Start Date” means the settlement date for the Start Leg of a Repo Transaction.

### **Repo Transaction**

The term “Repo Transaction” means: (1) an agreement of a party to transfer Eligible Securities to another party in exchange for the receipt of cash, and the simultaneous agreement of the former party to later take back the same Eligible Securities (or any subsequently substituted Eligible Securities) from the latter party in exchange for the payment of cash, or (2) an agreement of a party to take in Eligible Securities from another party in exchange for the payment of cash, and the simultaneous agreement of the former party to later transfer back the same Eligible Securities (or any subsequently substituted Eligible Securities) to the latter party in exchange for the receipt of cash, as the context may indicate, the data on which have been submitted to the Corporation pursuant to these Rules.

A “Repo Transaction” includes a GCF Repo Transaction, unless the context indicates otherwise.

### **Report**

The term “Report” means any document, record, or other output prepared by the Corporation and made available to a Member in a format or medium prescribed by the Corporation, that provides information to such Member with regard to the services provided by, or the operations of, the Corporation.

### **Reportable Event**

The term “Reportable Event” means an event that would effect a change in control of a Netting Member or could have a substantial impact on such Member’s business and/or financial condition, including, but not limited to: (a) material organizational changes including mergers, acquisitions, changes in corporate form, name changes, changes in the ownership of a Netting Member or its Affiliates, and material changes in management, (b) material changes in business lines, including new business lines undertaken, and (c) status as a defendant in litigation which could reasonably impact the Netting Member’s financial condition or ability to conduct business.

### **Required Attestation**

The term “Required Attestation” has the meaning assigned in Section 2a(d) of Rule 22A.

### **Required Fund Deposit**

The term “Required Fund Deposit” means the amount a Netting Member is required to deposit to the Clearing Fund.

### **Required Fund Deposit Deadline**

The term “Required Fund Deposit Deadline” means, the deadline set forth by the Corporation for such purpose in its procedures, unless the Corporation has issued a notice extending such deadline pursuant to these Rules.

### **Required Fund Deposit Portion**

The term “Required Fund Deposit Portion” means each of the items listed in Section 2(a)(i)-(iv) of Rule 4.

### **Required Match Data**

The term “Required Match Data” means the data items on each side of a trade involving an Eligible Security that the Corporation requires, as stated in a schedule published by the Corporation, be matched in order for the trade to be compared pursuant to these Rules.

### **Reverse Repo Party**

The term “Reverse Repo Party” means the Netting Member that either is, or has submitted data on behalf of, the party to a Repo Transaction that has agreed both to take in Eligible Securities from another party and, at a later date, to transfer either the same securities or other securities back to that party at a later date.

### **Revised Net Long Position**

The term “Revised Net Long Position” shall have the meaning given that term in Section 5 of Rule 17.

### **Right of Substitution**

The term “Right of Substitution” means, as regards a Repo Transaction, the right of the Repo Party, during the period immediately after the Scheduled Settlement Date for the Start Leg of the Repo Transaction until the day prior to the Scheduled Settlement Date for the End Leg of the Repo Transaction, to substitute new collateral in replacement of existing collateral transferred to the Reverse Repo Party.

### **Rules**

The term “Rules” means these Rules of the Government Securities Division, as amended from time to time.

### **Same-Day Settling Trade**

The term “Same-Day Settling Trade” means (i) a Start Leg of a Netting Member’s Repo Transaction where the Scheduled Settlement Date of the Start Leg is the current Business Day, (ii) an As-Of Trade of a Netting Member where the Scheduled Settlement Date of the Start Leg is the previous Business Day and the End Leg is the current Business Day or thereafter, or (iii) a Sponsored Member Trade within the meaning of section (a)(ii) of that definition that meets the requirements of either (i) or (ii) above.

### **Scheduled Settlement Date**

The term “Scheduled Settlement Date” means, as regards a trade other than a Repo Transaction compared by the Corporation, the earliest Business Day on which such trade, including a trade underlying a Forward Net Settlement Position, is scheduled to settle, regardless of whether such trade actually settles on such Business Day. The term “Scheduled Settlement Date” means, as regards an End Leg or a Start Leg of a Repo Transaction compared by the Corporation, the earliest Business Day on which such Leg is scheduled to settle, regardless of whether such Leg actually settles on such Business Day.

### **SEC**

The term “SEC” means the Securities and Exchange Commission.

## **Securities Industry and Financial Markets Association**

The term “Securities Industry and Financial Markets Association” (“SIFMA”) means the Securities Industry and Financial Markets Association or any successor organization.

## **Securities Intermediary**

The term “Securities Intermediary” has the meaning given to the term “securities intermediary” in Section 8-102(a)(14) of the NYUCC.

## **Securities Settlement Obligations**

The term “Securities Settlement Obligations” means the obligations of a Netting Member, calculated pursuant to Rule 12, to deliver to the Corporation or to receive from the Corporation Eligible Securities in settlement of Net Settlement Positions.

## **Security**

The term “Security” shall have the meaning given that term in the Exchange Act and the rules and regulations thereunder. The term “Securities” shall mean more than one security.

## **Segregated Customer Margin**

The term “Segregated Customer Margin” means all securities and funds deposited by a Sponsoring Member or an Agent Clearing Member with the Corporation to satisfy its Segregated Customer Margin Requirement.

## **Segregated Customer Margin Custody Account**

The term “Segregated Customer Margin Custody Account” means a securities account within the meaning of the NYUCC maintained by the Corporation, in its capacity as securities intermediary as such term is used in the NYUCC, for an Agent Clearing Member or Sponsoring Member for the benefit of such Member’s Segregated Indirect Participants.

## **Segregated Customer Margin Requirement**

The term “Segregated Customer Margin Requirement” means the amount of cash or Eligible Clearing Fund Securities that an Agent Clearing Member or Sponsoring Member is required to deposit with the Corporation to support the obligations arising from Transactions recorded in its Segregated Indirect Participants Accounts. A Netting Member’s Segregated Customer Margin Requirement shall be the sum of the items listed in Section 2(a)(v) and (vi) of Rule 4. References to Segregated Customer Margin Requirement “for” or “with respect to” a particular Segregated Indirect Participants Account or Segregated Indirect Participant (or similar language) mean the portion of a Netting Member’s Segregated Customer Margin Requirement arising from such Account or Segregated Indirect Participant.



### **Segregated Indirect Participant**

The term “Segregated Indirect Participant” means a Sponsored Member or an Executing Firm Customer whose Transactions are recorded in a Segregated Indirect Participants Account.

### **Segregated Indirect Participants Account**

The term “Segregated Indirect Participants Account” means an Indirect Participants Account maintained by the Corporation for a Sponsoring Member or an Agent Clearing Member that has been designated as such by such Member pursuant to Rule 2B.

### **Self-Regulatory Organization**

The term “Self-Regulatory Organization” shall have the meaning given that term in Section 3(a)(26) of the Exchange Act. For purposes of these Rules, the term “Self-Regulatory Organization” shall also include foreign equivalents of those entities listed in Section 3(a)(26).

### **Settlement Agent**

The term “Settlement Agent” means the bank or trust company that the Corporation may, from time to time, designate to act as its agent for purposes of interfacing with NSS for funds-only settlement pursuant to Rule 13 (and as referenced in the Federal Reserve Banks Operating Circular 12).

### **Settlement Value**

The term “Settlement Value” means, as regards a Deliver Obligation or a Receive Obligation, the System Value for such Obligation as adjusted on a particular Business Day by the Delivery Differential Adjustment or, as regards a Deliver Obligation or a Receive Obligation for a Same-Day Settling Trade, the Contract Value for such obligation.

### **Short Transaction**

The term “Short Transaction” means, with regard to Eligible Netting Securities, a sale, Start Leg for the Repo Party, and End Leg for the Reverse Repo Party.

### **SIFMA MRA**

The term “SIFMA MRA” means the September 1996 Securities Industry and Financial Markets Association Master Repurchase Agreement, available at <http://www.sifma.org/services/standard-forms-and-documentation/mra,-gmra,-msla-and-msftas/>.

### **Single Batch Submission Method**

The term “Single Batch Submission Method” means a trade submission method that is used to submit a single batch of trade data to the Corporation at end of day pursuant to

communications links, formats, timeframes, and deadlines established by the Corporation for such purpose.

### **Specific CUSIP Number**

The term “Specific CUSIP Number” means a Committee on Uniform Securities Identification Procedures identifying number established for a specific security.

### **Sponsored GC Clearing Agent Bank**

The term “Sponsored GC Clearing Agent Bank” means a Clearing Agent Bank that has agreed to provide the Corporation, upon request, under mutually agreeable terms, with clearing services for Sponsored GC Trades.

### **Sponsored GC Pre-Payment Assessment**

The term “Sponsored GC Pre-Payment Assessment” means a \$250,000 assessment that shall be charged to a Sponsoring Member at the time the Sponsoring Member onboards into the Sponsored GC Service. Such assessment shall be credited by the Corporation against the Sponsoring Member’s fees for use of the Sponsored GC Service until the earlier of (i) the assessment being completely depleted and (ii) thirty-six (36) months after the Sponsoring Member onboards into the Sponsored GC Service.

### **Sponsored GC Service**

The term “Sponsored GC Service” means the service offered by the Corporation to clear tri-party repurchase agreement transactions between Sponsoring Members and Sponsored Members, as described in Rule 3A.

### **Sponsored GC Trade**

The term “Sponsored GC Trade” means, in connection with the Sponsored GC Service, a Sponsored Member Trade that is a Repo Transaction between a Sponsored Member and its Sponsoring Member involving securities represented by a Generic CUSIP Number the data on which are submitted to the Corporation by the Sponsoring Member pursuant to the provisions of Rule 6A, for Novation to the Corporation pursuant to Section 7(b)(ii) of Rule 3A.

### **Sponsored Member**

The term “Sponsored Member” means any Person that has been approved by the Corporation to be sponsored into membership by a Sponsoring Member pursuant to Rule 3A.

### **Sponsored Member Termination Date**

The term “Sponsored Member Termination Date” shall have the meaning given that term in Section 3 of Rule 3A.

### **Sponsored Member Trade**

The term “Sponsored Member Trade” means (a) a transaction that satisfies the requirements of Section 5 of Rule 3A and that is (i) between a Sponsored Member and its Sponsoring Member or (ii) between a Sponsored Member and a Netting Member or (b) a Sponsored GC Trade.

### **Sponsored Member Voluntary Termination Notice**

The term “Sponsored Member Voluntary Termination Notice” shall have the meaning given that term in Section 3 of Rule 3A.

### **Sponsoring Member**

The term “Sponsoring Member” means a Netting Member whose application to become a Sponsoring Member has been approved by the Corporation pursuant to Rule 3A.

### **Sponsoring Member Guaranty**

The term “Sponsoring Member Guaranty” shall mean a guaranty, stated in a manner acceptable to the Corporation, that a Sponsoring Member delivers to the Corporation whereby the Sponsoring Member guarantees to the Corporation the payment and performance by its Sponsored Members of their obligations under these Rules, including, without limitation, all of the securities and funds-only settlement obligations of its Sponsored Members under these Rules.

### **Sponsoring Member Omnibus Account**

The term “Sponsoring Member Omnibus Account” means an Account maintained by the Corporation for a Sponsoring Member to record Sponsored Member Trades submitted to the Corporation by the Sponsoring Member on behalf of its Sponsored Members.

### **Sponsoring Member Omnibus Account Required Fund Deposit**

The term “Sponsoring Member Omnibus Account Required Fund Deposit” means the Sponsoring Member’s Required Fund Deposit Portion that is calculated on the basis of the Sponsoring Member’s Sponsoring Member Omnibus Account(s) other than Segregated Indirect Participants Account(s).

### **Sponsoring Member Termination Date**

The term “Sponsoring Member Termination Date” shall have the meaning given that term in Section 2 of Rule 3A.

### **Sponsoring Member Voluntary Termination Notice**

The term “Sponsoring Member Voluntary Termination Notice” shall have the meaning given that term in Section 2 of Rule 3A.

## **Start Leg**

The term “Start Leg” means, as regards a Repo Transaction other than a GCF Repo Transaction (or CCIT Transaction as applicable) or a Sponsored GC Trade, the initial settlement aspects of the Transaction, involving the transfer of the underlying Eligible Netting Securities by the Netting Member that is, or is submitting data on behalf of, the funds borrower (through satisfaction of the applicable Deliver Obligation generated by the Corporation) and the taking in of such Eligible Securities by the Netting Member that is, or is submitting data on behalf of, the funds lender (if netting eligible, through satisfaction of the applicable Receive Obligation generated by the Corporation). The term “Start Leg” means, as regards a GCF Repo Transaction (or CCIT Transaction as applicable), the initial settlement aspects of the GCF Repo Transaction (or CCIT Transaction as applicable), involving the transfer of the underlying Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Borrower Position and the taking in of such Eligible Netting Securities by the Netting Member that is in the GCF Net Funds Lender Position. The term “Start Leg” means, as regards a Sponsored GC Trade, the initial settlement aspects of the Transaction, involving the transfer of GC Repo Securities by the Sponsoring Member or Sponsored Member, as applicable, that is the GC Funds Borrower and the taking in of such GC Repo Securities by the Sponsoring Member or Sponsored Member, as applicable, that is the GC Funds Lender.

## **Statutory Disqualification**

The term “Statutory Disqualification” shall have the meaning given that term in Section 3(a)(39) of the Exchange Act.

## **System Price**

The term “System Price” means the uniform price (expressed in dollars per unit of par value), not including accrued interest, established by the Corporation on each Business Day, based on current market information, for each Eligible Netting Security with a separate CUSIP Number. Notwithstanding the above, the System Price for the Generic CUSIP Number that underlies a GCF Net Settlement Position shall be equal to principal value.

## **System Repo Rate**

The term “System Repo Rate” means the uniform rate established by the Corporation on each Business Day, based on current market information, for each Repo Transaction, involving an Eligible Netting Security. The System Repo Rate for a Repo Transaction shall be established by the Corporation based on factors such as: (1) the length of time until Schedule Settlement Date for the End Leg of the Repo Transaction, (2) whether the underlying collateral is general or specific in nature, and (3) the market demand for such collateral.

## **System Value**

The term “System Value” means, as regards a Deliver Obligation (with the exception of compared Same-Day Settling Trades settled with the Corporation), a Receive Obligation (with the exception of compared Same-Day Settling Trades settled with the Corporation), a Net Settlement Position, Existing Securities Collateral, or New Securities Collateral, the amount in dollars equal to the par value of each Eligible Netting Security that comprises such Deliver Obligation, Receive Obligation, Net Settlement Position, Existing Securities Collateral, or New Securities Collateral, as applicable, multiplied by its System Price, plus interest that has accrued with regard to each such Eligible Netting Security up to the Business Day for which such dollar amount is calculated. The System Value of a Net Settlement Position that has remained unsettled on the maturity date for the Eligible Netting Securities that comprise such Net Settlement Position shall be the Redemption Value of such Securities.

## **Term GCF Repo Transaction**

The term “Term GCF Repo Transaction” means, on any particular Business Day, a GCF Repo Transaction for which settlement of the End Leg is scheduled to occur two or more Business Days after the scheduled settlement of the Start Leg.

## **Term Repo Transaction**

The term “Term Repo Transaction” means, on any particular Business Day, a Repo Transaction for which settlement of the End Leg is scheduled to occur two or more Business Days after the scheduled settlement of the Start Leg.

## **Termination Date**

The term “Termination Date” shall have the meaning given that term in Section 13 of Rule 3.

## **Tier 1 RBC Ratio**

The term “Tier 1 RBC Ratio” means the ratio of an entity’s tier 1 capital to its total risk-weighted assets, calculated in accordance with such entity’s regulatory and/or statutory requirements.

## **Tier One Netting Member**

The term “Tier One Member” means a Netting Member whose membership category has been designated as such by the Corporation pursuant to Rule 2A for loss allocation purposes.

**Tier Two Member**

The term “Tier Two Member” means a Netting Member whose membership category has been designated as such by the Corporation pursuant to Rule 2A for loss allocation purposes or a CCIT Member.

**TMPG**

The term “TMPG” means the Treasury Market Practices Group as described on the website of the Federal Reserve Bank of New York.

**Total Invoice Amount**

The term “Total Invoice Amount” means the aggregate amount of Invoice Amounts required to be paid to the Corporation by a Netting Member on a given Business Day.

**Transaction Adjustment Payment**

The term “Transaction Adjustment Payment” means the absolute value of the dollar difference between the Contract Values and the Market Values of the trades that comprise a Net Settlement Position that is scheduled to settle on the current Business Day. Notwithstanding the above, the term “Transaction Adjustment Payment” shall not apply to GCF Repo Transactions and CCIT Transactions.

**Transactions**

The term “Transactions” means Brokered Transactions and Bilateral Transactions.

**Treasury Department**

The term “Treasury Department” means the United States Department of the Treasury.

**Type of Account**

The terms “Type of Account” and “Type” mean any one of a Dealer Account, Broker Account, Sponsoring Member Omnibus Account, Agent Clearing Member Omnibus Account, or Segregated Indirect Participants Account.

**UMBS**

The term “UMBS” means a single-class mortgage-backed security backed by fixed-rate mortgage loans on one to four unit (single-family) properties issued by either Fannie Mae or Freddie Mac which has the same characteristics (such as payment delay, pooling prefixes and minimum pool submission amounts) regardless of whether Fannie Mae or Freddie Mac is the issuer.

### **Unadjusted GSD Margin Portfolio Amount**

The term “Unadjusted GSD Margin Portfolio Amount” shall have the meaning given such term in the Margin Component Schedule.

### **VaR Charge**

The term “VaR Charge” shall have the meaning given such term in the Margin Component Schedule.

### **Voluntary Termination Notice**

The term “Voluntary Termination Notice” shall have the meaning given that term in Section 13 of Rule 3.

### **Watch List<sup>π</sup>**

The term “Watch List” means, at any time and from time to time, the list of Members whose credit ratings derived from the Credit Risk Rating Matrix are 6 or 7, as well as Members that, based on the Corporation’s consideration of relevant factors, including those set forth in Section 12(d) of Rule 3, are deemed by the Corporation to pose a heightened risk to the Corporation and its Members.

### **Well Capitalized**

The term “Well Capitalized” shall have the meaning given that term in the capital adequacy rules and regulations of the Federal Deposit Insurance Corporation.

### **When Issued Transaction**

The term “When Issued Transaction” means any trade of an Eligible Treasury Security, the trade data on which has been submitted to the Corporation prior to the Issue Date.

### **Yield Comparison Trade**

The term “Yield Comparison Trade” means a trade involving Eligible Securities the data on which have been submitted by Members to the Corporation on a yield basis but have not yet been compared on a final money basis pursuant to Rule 5 or Rule 9.

### **Zero**

The term “Zero” means an Eligible Netting Security with a maturity at issuance of more than one year that makes no periodic interest payments and, instead, is sold at a discount from its face value.

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<sup>π</sup> Being placed on the Watch List may result in Clearing Fund-related consequences as well as other consequences under the Rules. Please refer to the Interpretive Guidance with Respect to Watch List Consequences in this rulebook.

## **RULE 2 – MEMBERS**

### Section 1 – General

The Corporation shall make its services, or certain of its services, available to Persons which (i) apply for membership to the Corporation for the use of its services, (ii) meet the applicable eligibility, qualifications and standards specified in these Rules, (iii) are approved by the Corporation, and (iv) if required, have contributed to the Clearing Fund as provided in Rule 4.

As described below, the Corporation's services may be made available to eligible Persons either through a direct membership with the Corporation, or indirectly through either (i) a sponsored membership, pursuant to Rule 3A or (ii) a relationship with an Agent Clearing Member, pursuant to Rule 8.

### Section 2 – Membership Types

The Corporation shall have the following membership types that have direct access to the Corporation's services:

#### (a) Netting Members

A Person may be approved by the Corporation to be a Netting Member pursuant to the applicable qualifications set forth in Rule 2A, which qualifications are generally based on the applicant's legal entity type and/or risk profile. All categories of Netting Members may access all services made available by the Corporation and shall be entitled to settle contracts through the Corporation and participate in the Comparison System and the Netting System, unless otherwise limited by the Corporation pursuant to the Rules.

References to Members and Netting Members in the Rules shall be applicable to all categories of Netting Members listed in Rule 2A, unless the context makes clear it refers to one or more specific member types.

Unless otherwise stated in Rule 2A, each category of Netting Member shall be a Tier One Netting Member. With respect to other categories of Netting Member that are not specified in Rule 2A but approved by the Corporation pursuant to Section 3(a)(ix) of Rule 2A, the Corporation shall make a determination as to whether such applicant shall be a Tier One Netting Member or Tier Two Member.

#### (b) Other Types of Memberships Available to Netting Members

A Netting Member may also be eligible to participate in the Corporation's services under the following additional types of membership.

##### (i) Agent Clearing Member

A Netting Member, other than an Inter-Dealer Broker Netting Member, may be approved by the Corporation to be an Agent Clearing Member pursuant to the applicable qualifications set forth in Rule 8.



Agent Clearing Members shall be permitted to submit to the Corporation Agent Clearing Transactions on behalf of one or more Executing Firm Customers pursuant to Rule 8.

Each Agent Clearing Member shall maintain one or more Agent Clearing Member Omnibus Accounts through which it shall process Agent Clearing Transactions pursuant to Rule 8.

(ii) Sponsoring Member

A Netting Member may be approved by the Corporation to be a Sponsoring Member pursuant to the applicable qualifications set forth in Rule 3A.

Sponsoring Members may enter into a sponsored membership relationship under which it sponsors an approved Sponsored Member into membership with the Corporation pursuant to Rule 3A.

Each Sponsoring Member shall maintain one or more Sponsoring Member Omnibus Accounts through which it shall process Sponsored Member Trades pursuant to Rule 3A.

(c) CCIT Members

A Person may be approved by the Corporation to be a CCIT Member pursuant to the applicable qualifications set forth in Rule 3B. CCIT Members may participate in the Corporation's CCIT Service as a cash lender as described in Rule 3B. CCIT Members are Tier Two Members.

(d) Funds-Only Settling Bank Members

A Person shall be eligible to be a Funds-Only Settling Bank Member if it is a bank, trust company or other entity that has been approved by the Corporation pursuant to the applicable qualifications set forth in Rule 13. Funds-Only Settling Bank Members may perform funds-only settlement services on behalf of one or more Netting Members as described in Rule 13.

(e) Comparison-Only Members

A Person may be approved by the Corporation to be a Comparison-Only Member pursuant to the applicable qualifications set forth in Rule 2A. Comparison-Only Members may participate only in the Comparison System of the Corporation as described in these Rules. A Person may not be a Comparison-Only Member and a Netting Member at the same time.

Section 3 – Indirect Access to the Corporation's Services

An eligible Person may access the Corporation's services indirectly through a sponsored membership pursuant to Rule 3A or a relationship with an Agent Clearing Member pursuant to Rule 8.

(a) Sponsored Members

A Person may be sponsored into membership with the Corporation by a Sponsoring Member if it has been approved by the Corporation to be a Sponsored Member pursuant to the applicable qualifications set forth in Rule 3A.

(b) Executing Firm Customer

A Person may access the Corporation's services as an Executing Firm Customer, as such term is defined in Rule 8, if an Agent Clearing Member submits to the Corporation on behalf of the Executing Firm Customer and in the manner described in Rule 8 data on trades entered into by the Executing Firm Customer. Executing Firm Customers are not Members of the Corporation, and the Corporation shall not have any liability or obligation to an Executing Firm Customer arising out of or with respect to any activity of such an Executing Firm Customer on behalf of whom an Agent Clearing Member submitted that activity to the Corporation.

Section 4 – Member Responsibilities

Except as otherwise provided in these Rules, a Member that compares and nets through the Corporation any contract or transaction on behalf of a Person that is not a Member of the Corporation shall, so far as the rights of the Corporation are concerned, be fully liable for the performance of all obligations, financial or otherwise, to the Corporation arising in connection with any activity that it submits to the Corporation on behalf of such Person pursuant to the Rules. Without limiting the generality of the foregoing, the Corporation shall not have any liability or obligation to any Person that is not a Member arising out of or with respect to any activity of such Person on behalf of whom a Member submitted that activity to the Corporation.

## **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 to become a Netting Member. The Corporation's determination to apply such requirement shall be based on whether one or more of the following conditions exist: (i) the Person is a newly formed entity with little or no operational history, (ii) the Person's operational staff lacks significant experience, (iii) if one or both of the prior two conditions exists, the Person has not engaged a service bureau or correspondent clearing member with which the Corporation has a relationship, or (iv) any other factor exists that the Corporation believes might suggest that the Person has insufficient operational capability.

### Section 2 – 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 operational 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.

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 3 – Eligibility for Membership: Netting Members

(a) A Person shall be eligible to apply to become a Netting Member if it meets the applicable eligibility criteria for one of the categories of Netting Members set forth below. If a Person qualifies for more than one category of Netting Member, the Corporation, in its sole discretion, may determine the category of Netting Member for which that Person will be considered.

Eligibility for each category of Netting Member shall be as follows:

(i) Bank Netting Member – 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 either participates in the Corporation through its U.S. branch or agency or meets the qualifications applicable to a Foreign Person in this Section 3.

(ii) Dealer Netting Member – A Person shall be eligible to apply to become a Dealer Netting Member if it is a Dealer, or is an equivalent of a Dealer in a non-U.S. jurisdiction, as determined by the Corporation in its sole discretion and meets the qualifications applicable to a Foreign Person in this Section 3, and is not a bank or trust company.

(iii) Futures Commission Merchant Netting Member – A Person shall be eligible to apply to become a Futures Commission Merchant Netting Member if it is a futures commission merchant, as such term is defined in the definitions section of the Commodity Exchange Act, is registered as such with the CFTC and is a member, and subject to the regulatory supervision, of the National Futures Association, or is an equivalent of such an entity in a non-U.S. jurisdiction, as determined by the Corporation in its sole discretion and meets the qualifications applicable to a Foreign Person in this Section 3.

(iv) Inter-Dealer Broker Netting Member – A Person shall be eligible to apply to become an Inter-Dealer Broker Netting Member if it is a Person that is in the business of buying and selling securities as agent on behalf of dealers and is either registered under Section 15 or Section 15C of the Exchange Act or is registered in a non-U.S. jurisdiction under a similar regulatory framework, as determined by the Corporation in its sole discretion and meets the qualifications applicable to a Foreign Person in this Section 3.

(v) Government Securities Issuer Netting Member – A Person shall be eligible to apply to become a Government Securities Issuer Netting Member if it is either (1) an entity that issues “government securities”, as that term is defined in subparagraphs (A), (B), and (C) of Section 3(a)(42) of the Exchange Act, (2) a Government Sponsored Enterprise, or (3) is an equivalent of either of these types of entities in a non-U.S. jurisdiction, as determined by the Corporation in its sole discretion and meets the qualifications applicable to a Foreign Person in this Section 3.

(vi) Insurance Company Netting Member – A Person shall be eligible to apply to become an Insurance Company Netting Member if it is an insurance company, as such term is defined in Section 2(a)(17) of the Investment Company Act of 1940, as amended, or is an equivalent of such an entity in a non-U.S. jurisdiction, as determined by the Corporation in its sole discretion and meets the qualifications applicable to a Foreign Person in this Section 3.

(vii) Registered Clearing Agency Netting Member – A Person shall be eligible to apply to become a Registered Clearing Agency Netting Member if it is a Registered Clearing Agency, or is clearing agency that is registered in a non-U.S. jurisdiction, as determined by the Corporation in its sole discretion and meets the qualifications applicable to a Foreign Person in this Section 3.

(viii) Registered Investment Company Netting Member – A Person shall be eligible to apply to become a Registered Investment Company Netting Member if it is a Registered Investment Company, or is an equivalent of such an entity in a non-U.S. jurisdiction, as determined by the Corporation in its sole discretion and meets the qualifications applicable to a Foreign Person in this Section 3. Registered Investment Company Netting Members are Tier Two Members.

(b) Foreign Persons and Other Applicants

(i) Foreign Person – A Foreign Person shall be eligible to apply to become a Netting Member if either (1) it qualifies under one of the categories of Netting Member listed in this Rule, or (2) the Corporation determines, in its sole discretion, that the Foreign Person may apply pursuant to section (b)(ii) below.

In addition to meeting the minimum membership standards of the applicable Netting Member category, in order for a Foreign Person to be eligible to apply to become a Netting Member, the Corporation, in its sole discretion, must determine that it: (1) has a home country regulator that has entered into a memorandum of understanding with the SEC regarding the sharing or exchange of information, and (2) maintains a presence in the United States, either directly or through an agent that is deemed suitable by the Corporation, in its sole discretion based on factors that include, but are not limited to, the availability of individuals fluent in English who are knowledgeable in the Foreign Person’s business and can assist the Corporation’s representatives as necessary, and assurances 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.

Where an applicable category of Netting Member is subject to minimum membership standards, including financial and other qualifications for membership, that are inconsistent with the minimum membership standards applicable to a Foreign Person applying to be a Netting Member, then the standards applicable to a Foreign Person shall apply to that applicant.

(ii) Other Applicants – A Person, including a Foreign Person, that does not meet the eligibility criteria for one of the categories of Netting Members set forth in (a) above may be eligible to apply to be a Netting Member if it has demonstrated that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services.

The Corporation shall apply such minimum membership standards, including financial and other qualifications for membership, as it may determine are reasonable and appropriate based on information provided by or concerning such an applicant to become a Netting Member.

The Corporation's determination of the minimum membership standards to apply to that applicant would be based on the risk profile of the applicant, as determined by the Corporation in its sole discretion and information related to (i) the applicant's business model, (ii) its regulatory framework and designated examining authority, (iii) its organizational structure and risk management framework, and (iv) its anticipated use of the Corporation's services.

A Person that is admitted to membership in the Netting System pursuant to this section (b)(ii) shall be a Netting Member under the Rules.

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

#### Section 4 – Membership Qualifications and Standards for Netting Members

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

(a) Comparison System Admission Standards – For an applicant that is already a Comparison-Only Member, the applicant continues to meet the requirements for becoming a Comparison-Only Member set forth in this Rule.

(b) Financial Responsibility – The applicant shall:

(i) have sufficient financial ability to make anticipated required deposits to the Clearing Fund and Segregated Customer Margin as provided for in Rule 4 and calculated pursuant to the Margin Component Schedule, 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) Bank Netting Member

(1) if the applicant is a bank or trust company chartered under the laws of the United States, or a State thereof, applying to become a Bank Netting Member, it must (i) have CET1 Capital of at least \$500 million and (ii) be Well Capitalized; and

(2) if the applicant is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction and applying to become a Bank Netting Member through its U.S. branch or agency, it must (i) have CET1 Capital of at least \$500 million, (ii) comply with the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any domestic systemically important bank (D-SIB) or global systemically important bank (G-SIB) buffer, if applicable) and capital ratios required by its home country regulator, or, if greater, with such minimum capital requirements or capital ratios standards promulgated by the Basel Committee on Banking Supervision and (iii) provide an attestation for itself, its parent bank and its parent bank holding company (as applicable) detailing the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by their home country regulator.

(B) Dealer Netting Member – If the applicant is registered with the SEC pursuant to Section 15 or 15C of the Exchange Act and is applying to become a Dealer Netting Member, it must have (1) Net Worth of at least \$25 million and (2) Excess Net Capital or an equivalent to Excess Net Capital (e.g., Excess Liquid Capital or Excess Adjusted Net Capital), depending on what the applicant is required to report on its regulatory filings, of at least \$10 million;

(C) Futures Commission Merchant Netting Member – If the applicant is applying to become a Futures Commission Merchant Netting Member, it must have (1) Net Worth of at least \$25 million and (2) Excess Adjusted Net Capital or an equivalent to Excess Adjusted Net Capital (e.g., Excess Net Capital or Excess Liquid Capital),



depending on what the applicant is required to report on its regulatory filings, of at least \$10 million;

- (D) Inter-Dealer Broker Netting Member – If the applicant is registered with the SEC pursuant to Section 15 or 15C of the Exchange Act and is applying to become an Inter-Dealer Broker Netting Member, it must have (1) Net Worth of at least \$25 million and (2) Excess Net Capital or an equivalent to Excess Net Capital (e.g., Excess Liquid Capital or Excess Adjusted Net Capital), depending on what the applicant is required to report on its regulatory filings, of at least \$10 million;
- (E) Foreign Person – If the applicant is a Foreign Person that is applying to become a Netting Member, it must, at a minimum, satisfy its home country regulator’s minimum financial requirements, in addition to the following, as applicable:
  - (1) In the case of a Foreign Person that is a broker or dealer, it must have total equity capital of at least \$25 million;
  - (2) In the case of a Foreign Person that is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction (and not applying to become a Bank Netting Member through a U.S. branch or agency), it must (i) have CET1 Capital of at least \$500 million, (ii) comply with the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by its home country regulator, or, if greater, with such minimum capital requirements or capital ratios standards promulgated by the Basel Committee on Banking Supervision and (iii) provide an attestation for itself and its parent bank holding company detailing the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by their home country regulator; and
  - (3) In the case of other Foreign Persons applying to be a Netting Member, the Corporation may, based on information provided by or concerning the applicant, assign minimum financial requirements for the applicant based on (i) how closely the applicant resembles another existing category of Netting Member and (ii) the applicant’s risk profile, which assigned minimum financial requirements will be promptly communicated to, and discussed with, the applicant.

In all cases, any Foreign Person applying to become a 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, certifications or assurances as the Corporation deems necessary to address jurisdictional and tax concerns.

- (F) Government Securities Issuer Netting Member – If the applicant is applying to become a Government Securities Issuer Netting Member, it must have equity capital of at least \$100 million.
- (G) Insurance Company Netting Member – If the applicant is applying to become an Insurance Company Netting Member, it must have: (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 Fitch Ratings (“Fitch”)) of at least “A-” or “A3”, as applicable, (3) no rating by S&P, Moody’s, and Fitch of less than “A-” or “A”, as applicable, (4) a risk-based capital ratio (the ratio of the applicant’s adjusted capital to its risk-based capital) of at least 200 percent, and (5) statutory capital (consisting of adjusted policyholders’ surplus plus the applicant’s asset valuation reserve) of no less than \$500 million;
- (H) Registered Investment Company Netting Member – If the applicant is applying to become a Registered Investment Company Netting Member, it must have minimum Net Assets of \$100 million; and
- (I) Other – If the applicant is not otherwise addressed in this Section 4(b)(ii), it must be in compliance with its regulator’s minimum financial requirements. The Corporation may, based on information provided by or concerning an applicant, also assign minimum financial requirements for the applicant based on (i) how closely the applicant resembles an existing category of Netting Member and (ii) the applicant’s risk profile, which assigned minimum financial requirements will be promptly communicated to, and discussed with, the applicant.

The foregoing financial responsibility standards are only the minimum requirements. 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, in its sole discretion, impose heightened or different financial responsibility standards on any applicant. If an applicant does not itself satisfy the required minimum financial responsibility standards, the Board may include for such purposes the financial resources of the parent company of the applicant

(including, in the case of an applicant that is a U.S. branch or agency, its parent bank), if the parent company has delivered to the Corporation a guaranty, satisfactory in form and substance to the Board, of the obligations of the applicant to the Corporation.

(c) Additional Requirements for FFI Members

The Corporation shall require each applicant that is an FFI Member to certify and periodically recertify to the Corporation that it is FATCA Compliant under such procedures as are set forth under FATCA, unless such requirements have been explicitly waived in writing by the Corporation, provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property. In addition, as part of its membership application, each applicant that shall be an FFI Member agrees to indemnify each Indemnified Person for any loss, liability or expense sustained by the Indemnified Person as a result of the applicant failing to be FATCA Compliant.

(d) 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.

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 Netting Member shall obtain and provide to the Corporation an LEI.

As part of its membership application, each applicant (as determined by the Corporation with regard to membership type) shall complete and deliver to the Corporation (1) a FATCA Certification, and (2) a Cybersecurity Confirmation.

Each applicant must also have the successful completion of network and connectivity testing at the current FICC standards (the scope of such testing to be determined by the Corporation in its sole discretion).

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 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 the Margin Component Schedule.

Any non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records. Each applicant shall maintain DTCC Confidential Information in confidence to the same extent and using the same means it uses to protect its own confidential information, but no less than a reasonable standard of care and shall not use DTCC Confidential Information or disclose DTCC Confidential Information to any third party except as necessary to perform such applicant's obligations under these Rules or as otherwise required by applicable law. Each applicant acknowledges that a breach of its confidentiality obligations under these Rules may result in serious and irreparable harm to the Corporation and/or DTCC for which there is no adequate remedy at law. In the event of such a breach by the applicant, the Corporation and/or DTCC shall be entitled to seek any temporary or permanent injunctive or other equitable relief in addition to any monetary damages hereunder.

#### 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 this Rule 2A 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. In addition, with regard to any applicant that shall be an FFI Member, such applicant must be FATCA Compliant.

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 Member agrees:

- (a) to abide by these Rules and to be bound by all the provisions thereof;
- (b) to pay to the Corporation in a timely manner the compensation provided for by these Rules for services rendered and such costs and fines as may be imposed in accordance with these Rules for the failure to comply therewith;
- (c) to be bound by any amendment to these 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 these Rules;
- (d) to continue to be bound by these Rules, notwithstanding that it may have terminated its membership, as to all matters and transactions occurring while it was a Member;
- (e) if it is 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 these Rules, 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 Member that is a Foreign Person, all agreements, opinions of counsel, and other legal documentation required by the Corporation.

## **RULE 2B – ACCOUNTS**

### Section 1 – Establishment of Proprietary Accounts

The Corporation can establish and maintain one or more of the following Proprietary Accounts to record the Netting Member's Proprietary Transactions:

- (i) A Dealer Account for purposes of recording Proprietary Transactions of the Netting Member (other than Brokered Transactions if the Netting Member is an Inter-Dealer Broker Netting Member);
- (ii) If the Netting Member is an Inter-Dealer Broker Netting Member, a Cash Broker Account for purposes of recording Brokered Transactions (other than Brokered Repo Transactions) of the Inter-Dealer Broker Netting Member; and
- (iii) If the Netting Member is an Inter-Dealer Broker Netting Member, a Repo Broker Account for purposes of recording the Brokered Repo Transactions of the Inter-Dealer Broker Netting Member.

The Corporation can establish more than one Proprietary Account of the same Type for the Netting Member (e.g., two Dealer Accounts).

### Section 2 – Establishment of Indirect Participants Accounts

The Corporation can establish and maintain one or more of the following Indirect Participants Accounts to record Transactions submitted to the Corporation on behalf of others (including the Netting Member's Affiliates):

- (i) If the Netting Member is a Sponsoring Member, a Sponsoring Member Omnibus Account for purposes of recording Sponsored Member Trades of the Sponsoring Member's Sponsored Members; and
- (ii) If the Netting Member is an Agent Clearing Member, an Agent Clearing Member Omnibus Account for purposes of recording Agent Clearing Transactions of the Agent Clearing Member's Executing Firm Customers.

A Netting Member may request that the Corporation establish more than one Indirect Participants Account of the same Type for the Netting Member.

### Section 3 – Segregation Designations for Indirect Participants Accounts

A Netting Member may designate any of its Indirect Participants Accounts as a Segregated Indirect Participants Account. Any such designation of an Account shall constitute a representation to the Corporation by the Netting Member that the Netting Member intends to meet all Segregated Customer Margin Requirements for such Account using cash or securities deposited by Segregated Indirect Participants with the Netting Member, except to the extent the Netting Member temporarily uses its own securities in accordance with the conditions set forth in Section (b)(1)(iii) of Note H to SEC Rule 15c3-3a. A Netting Member shall be deemed to repeat this representation

each time it deposits Segregated Customer Margin. Only Transactions in U.S. Treasury securities may be recorded in a Segregated Indirect Participants Account.

As a result, in calculating the Segregated Customer Margin Requirement for a Segregated Indirect Participants Account, the Corporation will not net the Transactions of multiple Segregated Indirect Participants against one another. However, the Corporation will net the Transactions recorded in such Account for purposes of calculating the Segregated Customer Margin Requirement to the extent those Transactions belong to the same Segregated Indirect Participant.

Unless otherwise expressly stated in the Rules, all references to a Sponsoring Member Omnibus Account and Agent Clearing Member Omnibus Account shall also apply to Segregated Indirect Participants Accounts.

#### Section 4 – Designation of Account When Submitting Transactions

When submitting a Transaction to the Corporation, a Member shall designate the Account in which the Transaction shall be recorded. Any such designation shall constitute a representation to the Corporation that the Transaction is of a type that may be recorded in such Account in accordance with the Rules.

In addition, when submitting a Transaction to the Corporation on behalf of a Sponsored Member or Executing Firm Customer, the Netting Member shall include an identifier of the applicable Sponsored Member or Executing Firm Customer, as required by the Schedule of Required Data Submission Items.



## **RULE 3 – ONGOING MEMBERSHIP REQUIREMENTS**

### Section 1 – Requirements

The eligibility, qualifications and standards set forth in Rule 2A in respect of an applicant shall continue to be met upon an applicant's admission as a Member and at all times while a Member. 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 each 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 Government Securities Dealer registered under Section 15C of the Exchange Act, (i) a copy of the Member's FOCUS Report or Report on Finances and Operations of Government Securities Brokers and Dealers ("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 Exchange Act Rule 17a-11 or 17 C.F.R. Section 405.3;

(c) if the Member is a U.S. bank or 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 Member'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 Member is a broker, dealer or bank established or organized under the laws of a non-U.S. jurisdiction and subject to regulation by its home country regulator in such jurisdiction, a copy of any reports submitted to such home country regulator;

(f) if the Netting Member is a Foreign Person other than a broker, dealer or bank subject to regulation by its home country regulator in such jurisdiction, financial information as requested by the Corporation;

(g) if the Member does not fall within clauses (b) through (f) above, a copy of the Member's unaudited financial information as specified by the Corporation for each 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 (including, in the case of a Member that is a U.S. branch or agency, its parent bank), 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.

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 Exchange Act 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.

A Member that is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction and a Bank Netting Member that is a U.S. branch or agency must (i) provide, no less than annually and upon request by the Corporation, an attestation for itself, its parent bank and its parent bank holding company (as applicable) detailing the minimum capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) and capital ratios required by their home country regulator and (ii) promptly notify the Corporation: (a) within two Business Days of any of their capital requirements (including, but not limited to, any capital conservation buffer, countercyclical buffer, and any D-SIB or G-SIB buffer, if applicable) or capital ratios falling below any minimum required by their home country regulator; and (b) within 15 calendar days of any such minimum capital requirement or capital ratio changing.

Moreover, Netting Members that are Foreign Persons and Bank Netting Members that are U.S. branches or agencies of non-U.S. banks or trust companies 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 an entity does not comply with the financial reporting and responsibility standards set by their home country regulator. Netting Members that are Foreign Persons and Bank Netting Members that are U.S. branches or agencies of non-U.S. banks or trust companies must also notify the Corporation in writing within 2 Business Days of becoming subject to a disciplinary action by their home country regulator.

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 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 the Margin Component Schedule.

In addition to all of the above, each Member shall complete and deliver to the Corporation a Cybersecurity Confirmation at least every two years, on a date that is set by the Corporation and following notice that is provided no later than 180 calendar days prior to such due date.

In addition, each Member shall maintain or upgrade their network technology, or communications technology or protocols on the systems that connect to the Corporation to the version being required and within the time periods as provided by Important Notice posted to the Corporation's website.

A Netting Member must have a current LEI on file with the Corporation at all times. The Netting Member shall indemnify the Corporation, and its employees, officers, directors, shareholders, agents, and Members (collectively, the "LEI Indemnified Parties"), for any and all losses, liabilities, expenses and Legal Actions suffered or incurred by the LEI Indemnified Parties arising from a Netting Member's failure to have its current LEI on file with the Corporation. "Legal Action" means and includes any claim, counterclaim, demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation before any federal, state or foreign court or other tribunal, or any investigative or regulatory agency or self-regulatory organization.

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

Any non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records. Each applicant and Member shall maintain DTCC Confidential Information in confidence to the same extent and using the same means it uses to protect its own confidential information, but no less than a reasonable standard of care and shall not use DTCC Confidential Information or disclose DTCC Confidential Information to any third party except as necessary to perform such applicant's or Member's obligations under these Rules or as otherwise required by applicable law. Each applicant and Member acknowledges that a breach of its confidentiality obligations under these Rules may result in serious and irreparable harm to the Corporation and/or DTCC for which there is no adequate remedy at law. In the event of such a breach by the applicant or Member, the Corporation and/or DTCC shall be entitled to seek any temporary or permanent injunctive or other equitable relief in addition to any monetary damages hereunder.

#### 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

(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 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.

(b) The Corporation has established standards for designating those Members who shall be required to participate in annual business continuity and disaster recovery testing that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that business continuity and disaster recovery plans are required to be activated. The standards shall take into account factors such as:

(1) activity-based thresholds; (2) significant operational issues of the Member during the twelve months prior to the designation; and (3) past performance of the Member with respect to operational testing. The specific standards adopted by the Corporation and any updates or modifications thereto shall be published to Members and applied on a prospective basis.

Upon notification that the Member has been designated to participate in the annual business continuity and disaster recovery testing, as described above, Members shall be required to fulfill, within the timeframes established by the Corporation, certain 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.

#### 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 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 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 that an investigation or proceeding to which it is or is becoming the subject of 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 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 for which the Corporation is responsible, 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, including, but not limited to, such information as the Corporation may request regarding the businesses and operations of the Member and its risk management practices with respect to services of the Corporation utilized by the Member for another Person or Persons, 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.

Beginning on the FATCA Compliance Date, each FFI Member shall inform the Corporation, both orally and in writing, if it (i) undergoes a change in circumstance that would affect its FATCA Certification or (ii) otherwise has reason to know that it is not, or will not be, FATCA Compliant, in each case, within two days of knowledge thereof.

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 (hereinafter, 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 out of compliance with an applicable membership standard:

(a) If a Bank Netting Member falls below the applicable minimum financial requirements as specified in Rule 2A or this Rule 3, 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 capital level specified in 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) 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.

(f) If a Netting Member that is a Foreign Person falls out of compliance with the minimum financial requirements that the Corporation has determined are applicable to it pursuant to these Rules, the consequences under this Section of such noncompliance shall be determined by the Corporation in its sole discretion.

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.

#### Section 9 – Compliance with Laws

(i) General

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").

(ii) 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 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.

(iii) FATCA

Beginning on the FATCA Compliance Date, each FFI Member must agree not to conduct any transaction or activity through the Corporation if such FFI Member is not FATCA Compliant, unless such requirement has been explicitly waived in writing by the Corporation with respect to the specific FFI Member, provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property.

All FFI Members are required, as applicable under FATCA, to certify and periodically recertify to the Corporation that they are FATCA Compliant by providing to the Corporation a FATCA Certification. Failure to do so in the manner and timeframes set forth by the Corporation from time to time will result in a fine, unless such requirement has been explicitly waived in writing by the Corporation with respect to the specific FFI Member, provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property.

An FFI Member agrees to indemnify the Corporation, its affiliates, and each of their respective shareholders, directors, officers, employees, agents and advisors (each, an “Indemnified Person”) for any loss, liability or expense sustained by the Indemnified Person as a result of such FFI Member failing to be FATCA Compliant.

Section 10 – Books and Records

The books and records of a Member and, in the case of a Registered Investment Company Netting Member, its Controlling Management, 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 or its Controlling Management’s normal business hours, as applicable. The Corporation shall be furnished with all such information about the business and transactions of the Member and, in the case of a Registered Investment Company Netting Member, its Controlling Management, as it may require; provided that (i) any non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records, and (ii) if the Member ceases membership, the Corporation shall have no right to inspect the Member’s or its Controlling Management’s books and records, as applicable, or to require information relating to transactions wholly subsequent to the time when the Member ceases membership.

## Section 11 – Ongoing Monitoring

(a) All Netting Members, Sponsoring Members, Agent Clearing Members and Funds-Only Settling Bank Members will be monitored and reviewed by the Corporation on an ongoing and periodic basis, which may include monitoring of news and market developments and review of financial reports and other public information.

(b) (i) A Member that is (A) a Bank Netting Member that files the Call Report, (B) a Dealer Netting Member or Inter-Dealer Broker Netting Member that files the FOCUS Report or the equivalent with its regulator, or (C) a Netting Member that is a Foreign Person and is a bank or trust company and that has audited financial data that is publicly available will be assigned a credit rating by the Corporation in accordance with the Credit Risk Rating Matrix. Such Member's credit rating will be reassessed each time the Member provides the Corporation with requested information pursuant to Section 7 of Rule 3, or as may be otherwise required under the Rules (including this Section 12 of Rule 3).

(ii) Because the factors used as part of the Credit Risk Rating Matrix may not identify all risks that a Member specified in paragraph (b)(i) of this Section 12 may present to the Corporation, the Corporation may, in its discretion, override such Member's credit rating derived from the Credit Risk Rating Matrix to downgrade the Member. This downgrading may result in the Member being placed on the Watch List based on relevant factors, including those set forth in paragraph (d) below. The Corporation may also take such additional actions with regard to the Member as are permitted by the Rules.

(c) Sponsoring Members, Funds-Only Settling Bank Members and Netting Members other than those specified in paragraph (b)(i) of this Section 12 will not be assigned a credit rating by the Credit Risk Rating Matrix but may be placed on the Watch List based on relevant factors, including those set forth in paragraph (d) below, as the Corporation deems necessary to protect the Corporation and its Members.

(d) The factors to be considered by the Corporation under paragraphs (b)(ii) and (c) of this Section 12 include, but are not limited to, (i) news reports and/or regulatory observations that raise reasonable concerns relating to the Member, (ii) reasonable concerns around the Member's liquidity arrangements, (iii) material changes to the Member's organizational structure, (iv) reasonable concerns of the Corporation about the Member's financial stability due to particular facts and circumstances, such as material litigation or other legal and/or regulatory risks, (v) failure of the Member to demonstrate satisfactory financial condition or operational capability or a reasonable concern of the Corporation regarding the Member's ability to maintain applicable membership standards, and (vi) failure of the Member to provide information required by the Corporation to assess risk exposure posed by the Member's activity (including information requested by the Corporation pursuant to Section 7 of this Rule 3).

(e) 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 the Margin Component Schedule (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, 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 retain any Excess Clearing Fund Deposits of a Netting Member that has been placed on the Watch List as provided in Section 10 of Rule 4. 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.

(f) A Member being placed on the Watch List shall result in a more thorough monitoring of the Member's financial condition and/or operational capability, which could include, for example, on-site visits or additional due diligence information requests from the Corporation. In addition, the Corporation may require a Member placed on the Watch List to make more frequent financial disclosures, including, without limitation, interim and/or pro forma reports. Members that are subject to placement on the Watch List are also reported to the Corporation's management committees and regularly reviewed by a cross-functional team comprised of senior management of the Corporation. The Corporation may also take such additional actions with regard to any Member (including a Member placed on the Watch List) as are permitted by the Rules.

#### Section 12 – 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 a written notice of such termination (hereinafter, the "Voluntary Termination Notice"). The Member shall specify in the Voluntary Termination Notice a desired date for its withdrawal from membership; provided, however, if the Member is terminating its membership in the Corporation, such date shall not be prior to the scheduled final settlement date of any remaining obligation owed by the Member to the Corporation as of the time such Voluntary Termination Notice is submitted to the Corporation, unless otherwise approved by the Corporation.

Such termination will not be effective until accepted by the Corporation, which shall be no later than 10 Business Days after the receipt of the Voluntary Termination Notice from such Member. 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. If any trade is submitted to the Corporation either by such Member or its authorized submitter that is scheduled to settle on or after the Termination

Date, such Member's Voluntary Termination Notice will be deemed void, and the Member will remain subject to these Rules as if it had not given such Voluntary Termination Notice.

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 8 of Rule 4. If a Member is a Tier One Netting Member and an Event Period were to occur after such Member has submitted its Voluntary Termination Notice but prior to the Termination Date, in order for such Member to benefit from its Loss Allocation Cap pursuant to Section 7 of Rule 4, the Member will need to comply with the provisions of Section 7b of Rule 4 and submit a Loss Allocation Withdrawal Notice, which notice, upon submission, shall supersede and void any pending Voluntary Termination Notice previously submitted by the Member.

## **RULE 3A – SPONSORING MEMBERS AND SPONSORED MEMBERS**

### Section 1 – General

The Corporation may permit the establishment of a sponsored membership relationship between a Netting Member that is approved as a Sponsoring Member and one or more Persons that are accepted by the Corporation as Sponsored Members of that particular Sponsoring Member.

The rights, liabilities and obligations of Sponsoring Members and Sponsored Members shall be governed by this Rule 3A. References to a “Member” in other Rules shall not apply to Sponsoring Members nor Sponsored Members, in their respective capacities as such, unless specifically noted as such in this Rule 3A or in such other Rules.

A Sponsoring Member shall continue to have all of the rights, liabilities and obligations set forth in these Rules and in any agreement between it and the Corporation pertaining to its status as a Netting Member, and such rights, liabilities and obligations shall be separate from its rights, liabilities and obligations as a Sponsoring Member except as contemplated under Sections 10, 11 and 12 of this Rule 3A and under the Sponsoring Member Guaranty.

### Section 2 – Qualifications of Sponsoring Members, the Application Process and Continuance Standards

(a) A Netting Member that is a Tier One Netting Member, other than an Inter-Dealer Broker Netting Member, shall be eligible to apply to become a Sponsoring Member. The Corporation may require that a Person be a Netting Member for a time period deemed necessary by the Corporation before that Person may be considered to become a Sponsoring Member.

(b) (i) Each Netting Member applicant to become a Sponsoring Member shall complete and deliver to the Corporation an application in such form as may be prescribed by the Corporation from time to time and any other information requested by the Corporation. The Corporation shall review an application to become a Sponsoring Member and approve such application if the Corporation determines that the applicant has met the applicable eligibility, qualifications and standards as specified in, or as applied pursuant to, this Rule.

(ii) The Corporation may impose financial requirements on a Netting Member applying to become a Sponsoring Member that are greater than financial requirements applicable to the applicant in its capacity as a Netting Member under Section 4(b) of Rule 2A, based upon the level of the anticipated positions and obligations of such applicant, the anticipated risk associated with the volume and types of transactions such applicant proposes to process through the Corporation as a Sponsoring Member, and the overall financial condition of such applicant. The Corporation shall regularly review Sponsoring Members regarding their compliance with such increased financial requirements.

(iii) If the Corporation denies the application of a Netting Member to become a Sponsoring Member, such denial shall be handled in the same way as set forth in Section 6 of Rule 2A with respect to membership applications.

(iv) Each Sponsoring Member, or any Netting Member applicant to become such, shall also furnish to the Corporation such adequate assurances of its financial responsibility and operational capability within the meaning of Section 7 of Rule 3 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 and settlement of securities transactions. The Corporation shall regularly review Sponsoring Members regarding their compliance with such adequate assurances, as appropriate. Any adequate assurances imposed on a Sponsoring Member by the Corporation after its approval shall be communicated in writing to the Sponsoring Member, and the Corporation shall thereafter regularly review such Sponsoring Member regarding its compliance with such adequate assurances, as appropriate.

(v) Each Sponsoring Member or Netting Member applicant must also have the successful completion of network and connectivity testing at the current FICC standards (the scope of such testing to be determined by the Corporation in its sole discretion).

(c) Each Netting Member whose application is approved to become a Sponsoring Member shall sign and deliver to the Corporation a Sponsoring Member Agreement whereby the Netting Member shall agree to any terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members. Each Netting Member to become a Sponsoring Member shall also sign and deliver to the Corporation a Sponsoring Member Guaranty and a related legal opinion in a form satisfactory to the Corporation.

Nothing in these Rules shall prohibit a Sponsoring Member from seeking reimbursement from a Sponsored Member for payments made by the Sponsoring Member (whether pursuant to the Sponsoring Member Guaranty, out of Clearing Fund deposits or otherwise) with respect to obligations as to which the Sponsored Member is a principal obligor under these Rules, or as otherwise may be agreed by the Sponsored Member and Sponsoring Member.

(d) Each Sponsoring Member shall submit to the Corporation, within the timeframes and in the formats required by the Corporation, the reports and information that all Netting Members are required to submit regardless of type of Netting Member and the reports and information required to be submitted for its respective type of Netting Member, all pursuant to Section 2 of Rule 3. Each Sponsoring Member shall submit the LEI for each of its Sponsored Member applicants as part of the application of such Sponsored Member applicant. Each Sponsoring Member shall provide the Corporation with an LEI for each of its Sponsored Members such that the Corporation shall have a current LEI for each Sponsored Member at all times. The Sponsoring Member shall indemnify the Corporation, and its employees, officers, directors, shareholders, agents, and Members (collectively, the "LEI Indemnified Parties"), for any and all losses, liabilities, expenses and Legal Actions suffered or incurred by the LEI Indemnified Parties arising from a Sponsoring Member's failure to have the current LEIs of its Sponsored Members on file with the Corporation. "Legal Action" means and includes any claim, counterclaim, demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation before any federal, state or foreign court or other tribunal, or any investigative or regulatory agency or self-regulatory organization.

(e) Each Member shall maintain or upgrade their network technology, or communications technology or protocols on the systems that connect to the Corporation to the version being required and within the time periods as provided by Important Notice posted to the Corporation's website.

(f) A Sponsoring Member's books and records, insofar as they relate to the Sponsored Member Trades submitted to the Corporation, shall be open to the inspection of the duly authorized representatives of the Corporation to the same extent provided in Section 10 of Rule 3 for other Members.

(g) A Sponsoring Member shall promptly inform the Corporation, in writing, if it is no longer in compliance with the relevant standards and qualifications for applying to become a Sponsoring Member set forth in this Rule 3A. Notification must take place immediately and in no event later than 2 business days from the date on which the Sponsoring Member first learns of its non-compliance. If the Sponsoring Member fails to maintain a standard, the Corporation will, if necessary, undertake appropriate action to determine the status of the Sponsoring Member and its continued eligibility as such. In addition, the Corporation may review the financial responsibility and operational capability of the Sponsoring Member, and otherwise require from the Sponsoring Member additional reports of its financial or operational condition at such intervals and in such detail as the Corporation shall determine. In addition, if the Corporation has reason to believe that a Sponsoring Member may fail to comply with any of the Rules applicable to Sponsoring Members, it may require the Sponsoring Member to provide it, within such timeframe, and in such detail, and pursuant to such manner as the Corporation shall determine, with assurances in writing of a credible nature that the Sponsoring Member shall not, in fact, violate any of these Rules.

With respect to any of its Sponsored Members, a Sponsoring Member shall also submit to the Corporation written notice (i) within 1 business day of becoming aware that a Sponsored Member is no longer in compliance with the requirements of subsection (a) of Section 3 of this Rule 3A, and (ii) at least 90 calendar days prior to the effective date of any Reportable Event applicable to a Sponsored Member, unless the Sponsoring Member demonstrates that it could not have reasonably done so, in which case such notice shall be provided as soon as possible.

The Corporation shall assess a fine pursuant to the applicable Fine Schedule in these Rules against any Sponsoring Member who fails to notify the Corporation as required by this subsection (g) of Section 2 of this Rule 3A.

In the event that a Sponsoring Member fails to maintain the relevant requirements of the Rules, the Sponsoring Member Agreement, or the Sponsoring Member Guaranty, the Corporation shall have the right to cease to act for the Sponsoring Member in its capacity as a Sponsoring Member pursuant to Section 14 of this Rule 3A, unless the Sponsoring Member requests that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the record of the Sponsoring Member, it is appropriate instead to establish for such Sponsoring Member a 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 Sponsoring Member must resume compliance with such requirements. In the event that the Sponsoring Member is unable to satisfy such requirements within the time period specified by

the Corporation, the Corporation shall, pursuant to these Rules, cease to act for the Sponsoring Member in its capacity as a Sponsoring Member pursuant to Section 14 of this Rule 3A.

(h) If the sum of the VaR Charges of a Sponsoring Member's Sponsoring Member Omnibus Account(s) and its Dealer Accounts exceeds its Netting Member Capital, the Sponsoring Member shall not be permitted to submit activity into its Sponsoring Member Omnibus Account(s), unless otherwise determined by the Corporation in order to promote orderly settlement.

(i) A Sponsoring Member may voluntarily elect to terminate its status as a Sponsoring Member, with respect to all Sponsored Members or with respect to one or more Sponsored Members from time to time, by providing the Corporation with a written notice of such termination (hereinafter, "Sponsoring Member Voluntary Termination Notice"). The Sponsoring Member shall specify in the Sponsoring Member Voluntary Termination Notice a desired date for the termination of the Sponsoring Member's status as such with respect to the Sponsored Member(s) as to which the Sponsoring Member has terminated such status (hereinafter, the "Former Sponsored Members"), which date shall not be prior to the scheduled final settlement date of any remaining obligation owed by the Sponsoring Member with respect to the Former Sponsored Members to the Corporation as of the time such Sponsoring Member Voluntary Termination Notice is submitted to the Corporation, unless otherwise approved by the Corporation. No later than 10 Business Days after the receipt of the Sponsoring Member Voluntary Termination Notice from such Sponsoring Member, the Corporation shall notify the Sponsoring Member that such notice has been accepted and the date the termination shall be effective (hereinafter, the "Sponsoring Member Termination Date").

If a Sponsoring Member has terminated its status as a Sponsoring Member with respect to all Sponsored Members, the Corporation shall post an Important Notice to all Members announcing the termination of the Sponsoring Member's status as a Sponsoring Member and the Sponsoring Member Termination Date.

As of the Sponsoring Member Termination Date, the Sponsoring Member shall no longer be eligible to submit trades on behalf of its Former Sponsored Members and each of its Former Sponsored Members shall cease to be a Sponsored Member unless it is the Sponsored Member of another Sponsoring Member. If any trade is submitted to the Corporation by the Sponsoring Member on behalf of its Former Sponsored Members that is scheduled to settle on or after the Sponsoring Member Termination Date, such Sponsoring Member's Sponsoring Member Voluntary Termination Notice will be deemed void, and the Sponsoring Member will remain subject to this Rule as if it had not given such Sponsoring Member Voluntary Termination Notice.

A Sponsoring Member's voluntary termination of its status as such, in whole or in part, shall not affect its obligations to the Corporation, or the rights of the Corporation, including under the Sponsoring Member Guaranty, with respect to Sponsored Member Trades submitted to the Corporation before the applicable Sponsoring Member Termination Date. Any Sponsored Member Trades which have been Novated by the Corporation shall continue to be processed by the Corporation.



(j) Any non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records. Each Sponsoring Member shall maintain DTCC Confidential Information in confidence to the same extent and using the same means it uses to protect its own confidential information, but no less than a reasonable standard of care and shall not use DTCC Confidential Information or disclose DTCC Confidential Information to any third party except as necessary to perform such Sponsoring Member's obligations under these Rules or as otherwise required by applicable law. Each Sponsoring Member acknowledges that a breach of its confidentiality obligations under these Rules may result in serious and irreparable harm to the Corporation and/or DTCC for which there is no adequate remedy at law. In the event of such a breach by the Sponsoring Member, the Corporation and/or DTCC shall be entitled to seek any temporary or permanent injunctive or other equitable relief in addition to any monetary damages hereunder.

### Section 3 – Qualifications of Sponsored Members, Approval Process and Continuance Standard

(a) A Person shall be eligible to become a Sponsored Member if it is sponsored into membership by a Sponsoring Member, as provided for in this Rule. A Sponsored Member may be a series of a limited liability company, statutory trust or other legal entity.

(b) Each time that a Sponsoring Member wishes to sponsor a Person into membership, it shall provide the Corporation with the LEI of the Person and the representation referred to in subsection (a)(ii) immediately above, as well as any additional information in such form as may be prescribed by the Corporation. The Corporation shall approve or disapprove Persons as Sponsored Members. If the Corporation denies the request of a Sponsoring Member to add a Person as a Sponsored Member, such denial shall be handled in the same manner as set forth in Section 6 of Rule 2A with respect to membership applications except that the written statement referred to therein shall be provided to both the Sponsoring Member and the Person seeking to become a Sponsored Member.

(c) Each Person to become a Sponsored Member shall sign and deliver to the Corporation a Sponsored Member Agreement whereby the Person shall agree to any terms and conditions deemed by the Corporation to be necessary in order to protect itself and its Members. Each Person to become a Sponsored Member that shall be an FFI Member must be FATCA Compliant and is subject to the requirements of Section 9(iii) of Rule 3.

(d) The Corporation may, pursuant to Section 13 of this Rule 3A, cease to act for a Sponsored Member that is no longer in compliance with the requirements of subsection (a) of this Section 3.

(e) A Sponsored Member may voluntarily elect to terminate its membership by providing the Corporation with a written notice of such termination (hereinafter, the "Sponsored Member Voluntary Termination Notice"). The Sponsored Member shall specify in the Sponsored Member Voluntary Termination Notice a desired date for the termination, which date shall not be prior to the scheduled final settlement date of any remaining obligation owed by the Sponsored Member to the Corporation as of the time such Sponsored Member Voluntary Termination Notice is submitted to the Corporation, unless otherwise approved by the Corporation. No later than 10

Business Days after the receipt of the Sponsored Member Voluntary Termination Notice from such Sponsored Member, the Corporation shall notify the Sponsored Member and all Sponsoring Members for that Sponsored Member that such notice has been accepted and the date the termination shall be effective (hereinafter the “Sponsoring Member Termination Date”).

The Corporation’s shall post an Important Notice to all Members announcing the termination of the Sponsored Member’s membership with the Corporation and the effective date of such termination (hereinafter the “Sponsored Member Termination Date”). As of the Sponsored Member Termination Date, the relevant Sponsoring Member shall no longer be eligible to submit trades on behalf of the Sponsored Member. If any trade is submitted to the Corporation by the relevant Sponsoring Member on behalf of the Sponsored Member that is scheduled to settle on or after the Sponsored Member Termination Date, such Sponsored Member’s Sponsored Member Voluntary Termination Notice will be deemed void, and the Sponsored Member will remain subject to this Rule as if it had not given such Sponsored Member Voluntary Termination Notice.

A Sponsored Member’s voluntary termination shall not affect its obligations to the Corporation, or the rights of the Corporation, including under the Sponsoring Member Guaranty, with respect to Sponsored Member Trades submitted to the Corporation before the Sponsored Member Termination Date, and the Sponsoring Member Guaranty shall remain in effect to cover all outstanding obligations of the Sponsored Member to the Corporation that are within the scope of such Sponsoring Member Guaranty.

#### Section 4 – Compliance with Laws

Each of the Sponsoring Members and Sponsored Members shall comply in all material respects with all applicable laws, including applicable laws relating to securities, taxation and money laundering, as well as global sanctions laws, in connection with the use of the Corporation’s services.

#### Section 5 – Sponsored Member Trades

Sponsored Member Trades (other than Sponsored GC Trades) may be any type of transaction eligible for submission to the Corporation for netting with the exception of Netting-Eligible Auction Purchases and GCF Repo Transactions.

Rule 14 (Forward Trades) shall apply to Sponsored Member Trades (other than Sponsored GC Trades) that are Forward Trades in the same manner in which it applies to Netting Members with the exception that the Report on Forward Net Settlement Positions shall be issued to the Sponsoring Member as processing agent for its Sponsored Members. The Corporation’s provision of such Report to the Sponsoring Member shall constitute satisfaction of the Corporation’s obligations to provide such Report to the affected Sponsored Members.

Rule 18 (Special Provisions for Repo Transactions) shall apply to Sponsored Member Trades (other than Sponsored GC Trades) that are Repo Transactions in the same manner in which it applies to Netting Members.

## Section 6 – Trade Submission and the Comparison System

(a) The Corporation’s Schedule of Timeframes shall be applicable to Sponsored Member Trades, other than Sponsored GC Trades to which the Corporation’s Schedule of Sponsored GC Trade Timeframes shall be applicable.

(b) The Corporation has established standards for designating those Members who shall be required to participate in annual business continuity and disaster recovery testing that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that business continuity and disaster recovery plans are required to be activated. The standards shall take into account factors such as: (1) activity-based thresholds; (2) significant operational issues of the Member during the twelve months prior to the designation; and (3) past performance of the Member with respect to operational testing. The specific standards adopted by the Corporation and any updates or modifications thereto shall be published to Members and applied on a prospective basis.

Upon notification that the Member has been designated to participate in the annual business continuity and disaster recovery testing, as described above, Members shall be required to fulfill, within the timeframes established by the Corporation, certain 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.

The comparison of Sponsored Member Trades shall be governed by Rule 5 and either: (i) Rule 6A, (ii) Rule 6B or (iii) Sections 1, 2, 4, 6 through 10 and 13 of Rule 6C depending upon the type of comparison for which the Sponsored Member Trades are submitted. The Sponsoring Member shall act as processing agent for performing all functions and receiving Reports and information set forth in these trade submission and comparison Rules on behalf of its Sponsored Members. The Corporation’s provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation’s obligations to provide such Reports and information to the affected Sponsored Members.

(c) The enhanced comparison processes regarding the presumed match of data set forth in Rule 10 shall apply to Sponsored Member Trades. A special enhanced comparison process shall be applicable to Sponsored Member Trades that are submitted for Bilateral Comparison as follows: If all other required fields are valid and match but the executing firm field on the side representing the Dealer Account of the Sponsoring Member has been omitted and the executing firm field on the side representing the Sponsoring Member Omnibus Account is valid, then the Corporation shall compare the Sponsored Member Trade based on the valid executing firm field.

## Section 7 – The Netting System and Novation

(a) The following provisions apply to Sponsored Member Trades other than Sponsored GC Trades:

(i) The Sponsored Member Trades of each Sponsored Member shall be Novated and netted in the same manner as set forth in Section 8 of Rule 5 and Sections 1, 4 and 6 of Rule 11 for Netting Member trades as long as such Sponsored Member Trades

meet the requirements of Section 2 of Rule 11. The Sponsoring Member shall act as processing agent for performing all functions and receiving Reports and information set forth in Rule 11 on behalf of its Sponsored Members. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members.

(ii) Net Settlement Positions of Sponsored Members that are comprised in whole or in part of Sponsored Member Trades that are Locked-In Trades shall be treated by the Corporation in the same manner as all other Net Settlement Positions.

(iii) Fail Deliver Obligations and Fail Receive Obligations per CUSIP shall be calculated at the level of the Sponsoring Member Omnibus Account in the same way as they are calculated for Netting Members pursuant to Rule 11. At the request of the Corporation, the Sponsoring Member shall inform the Corporation as to the manner in which the Sponsoring Member allocates a Fail Deliver Obligation or Fail Receive Obligation among its Sponsored Members. Fail charges shall be applied at the level of the Sponsoring Member Omnibus Account in the same way as they are applied to Netting Members pursuant to Rule 11.

(iv) Sponsored Member Trades shall be Novated in the same manner in which trades of Netting Members are Novated pursuant to Section 8 of Rule 5.

(b) The following provisions apply only to Sponsored GC Trades:

(i) Only the End Leg of a Sponsored GC Trade may be Novated to the Corporation. A Sponsored GC Trade may, but need not, have an Initial Haircut.

(ii) The End Leg of each Sponsored GC Trade shall be Novated in the same manner as set forth in Section 8 of Rule 5 as of the time that the following requirements have been satisfied on a given Business Day;

- (A) Trade data on the Sponsored GC Trade has been submitted to the Corporation by the Sponsoring Member pursuant to Rule 6A by the deadline set forth in the Corporation's Schedule of Sponsored GC Trade Timeframes;
- (B) The data on the Sponsored GC Trade has been compared in the Comparison System pursuant to the Rule 6A;
- (C) The Start Leg of such Sponsored GC Trade has fully settled at a Sponsored GC Clearing Agent Bank by the deadline set forth in the Corporation's Schedule of Sponsored GC Trade Timeframes;
- (D) Such Sponsored GC Clearing Agent Bank has, pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose, provided to the Corporation a report containing such data as the Corporation may

require from time to time, including information regarding the particular GC Repo Securities that were delivered in settlement of the Start Leg of the Sponsored GC Trade; and

- (E) The Corporation determines that the data contained in such report matches the data on the Sponsored GC Trade submitted by the relevant Sponsoring Member pursuant to Rule 6A.

(iii) On each Business Day, the Corporation will provide each Sponsoring Member with one or more Reports setting forth (A) each Sponsored GC Trade, the data on which has been compared in the Comparison System and (B) each Sponsored GC Trade, the End Leg of which has been Novated to the Corporation.

(iv) Each Sponsoring Member and Sponsored Member acknowledges and agrees that it has authorized each relevant Sponsored GC Clearing Agent Bank to provide the Corporation with all information and data as the Corporation may require or request from time to time in order to novate and process Sponsored GC Trades.

#### Section 8 – Securities Settlement

(a) The following provisions apply to Sponsored Member Trades other than Sponsored GC Trades:

(i) A Sponsored Member shall appoint its Sponsoring Member to act as processing agent with respect to the Sponsored Member's satisfaction of its securities settlement obligations and for performing all functions and receiving Reports and information set forth in the Sections of the Rules cited in Section 8(a)(iii) below. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members.

(ii) Netting at the Sponsored Member level shall occur as stated in Section 7(a) of this Rule 3A. The Corporation shall then, for operational purposes, calculate a single Net Settlement Position in each CUSIP for the Sponsoring Member Omnibus Account and associated Deliver Obligations and Receive Obligations.

(iii) Each Sponsored Member shall be responsible for satisfying its allocable portion (calculated for such Sponsored Member as stated in Section 7(a) of this Rule 3A of the Deliver Obligations and Receive Obligations established for the Sponsoring Member Omnibus Account, using its Sponsoring Member as a processing agent, in the same manner set forth in Sections 9 through 12 of Rule 11 and Sections 1 through 5, 7, 9, 10, and 11 of Rule 12 for Netting Members. With respect to Section 1 of Rule 12, the optional Pair-Off Service shall be available to Sponsored Member Trades within the meaning of section (a) of that definition. With respect to Section 5 of Rule 12, the Sponsoring Member shall inform the Corporation as to the manner in which a partial delivery, if any, was allocated among the Sponsored Members. Notwithstanding anything to the contrary in these Rules or any Sponsoring Member Guaranty, a Sponsoring Member's satisfaction of the net Deliver Obligations and Receive Obligations to the Corporation with respect to the

Sponsoring Member Omnibus Account of such Sponsoring Member prior to such Sponsoring Member's receipt of any Sponsored Member's payment or delivery of its allocable portion of such Deliver Obligations or Receive Obligations shall constitute performance by the Sponsoring Member under its Sponsoring Member Guaranty with respect to such Sponsored Member's allocable portion of the Sponsoring Member Omnibus Account Deliver Obligations and Receive Obligations, regardless of the manner or capacity in which the Sponsoring Member satisfies such net Deliver Obligations and Receive Obligations.

(iv) On each Business Day, each Deliver Obligation and Receive Obligation of the Sponsoring Member Omnibus Account shall be settled at Settlement Value reported on such Business Day for such Obligations. The Corporation's satisfaction of its securities settlement obligations with the Sponsoring Member Omnibus Account shall constitute satisfaction of the Corporation's obligation to settle with an individual Sponsored Member whose securities settlement obligations constitute an allocable portion of the Deliver Obligation or Receive Obligation of the Sponsoring Member Omnibus Account.

(v) Any financing costs incurred as described in Section 6 of Rule 12 due to Sponsored Member activity shall be the responsibility of the applicable Sponsoring Member. Section 8 of Rule 12 shall apply to Sponsoring Members and Sponsored Members in the same manner in which it applies to Netting Members.

(vi) The Corporation's buy-in provisions set forth in Section 13 of Rule 11 shall apply, the same manner in which they apply to Netting Member positions, to the Receive Obligations and Deliver Obligations established at the level of the Sponsoring Member Omnibus Account pursuant to subsection (a)(ii) of this Section 8.

(vii) As security for any and all obligations and liabilities of a Sponsored Member to the Corporation under the Rules, including, without limitation, all of the securities and funds-only settlement obligations of such Sponsored Member under the Rules, each such Sponsored Member grants to the Corporation a first priority perfected security interest in all assets and property placed by a Sponsored Member in the possession of the Corporation (or its agents acting on its behalf), including all securities and cash on deposit with the Corporation or its agents.

(b) The following provisions apply only to Sponsored GC Trades:

(i) GC Collateral Return Obligations and cash payment obligations associated with GC Collateral Return Entitlements must be satisfied by a GC Funds Lender and GC Funds Borrower, respectively, within the timeframes established for such by the Corporation in the Schedule of Sponsored GC Trade Timeframes. In addition, any failure by the GC Funds Borrower to satisfy its cash payment obligations associated with GC Collateral Return Entitlements within the timeframe established for such by the Corporation in the Schedule of Sponsored GC Trade Timeframes shall subject it to a late fee as if such GC Funds Borrower were a Net Funds Payor within the meaning of Section IX of the Fee Structure (Late Fee Related to GCF Repo Transactions).

(ii) If on any Business Day, the market value of a GC Funds Borrower's GC Collateral Return Entitlement from the previous Business Day (or the current Business Day) is less than the GC Start Leg Market Value, then such GC Funds Borrower shall deliver to the Corporation (and the Corporation shall deliver to the relevant GC Funds Lender) additional GC Comparable Securities and/or cash, such that the market value of the GC Funds Borrower's GC Collateral Return Entitlement (and the market value of the relevant GC Funds Lender's GC Collateral Return Obligation) is at least equal to the GC Start Leg Market Value. Such additional securities and/or cash must be delivered by the GC Funds Borrower within the timeframe set forth in the Schedule of Sponsored GC Trade Timeframes.

(iii) If on any Business Day, the market value of a GC Funds Lender's GC Collateral Return Obligation from the previous Business Day (or the current Business Day) is greater than the GC Start Leg Market Value, then such GC Funds Lender shall deliver to the Corporation (and the Corporation shall deliver to the relevant GC Funds Borrower) some of the Purchased GC Repo Securities, such that the market value of the GC Funds Lender's GC Collateral Return Obligation (and the market value of the relevant GC Funds Borrower's Collateral Return Entitlement) is at least equal to the GC Start Leg Market Value. Such Purchased GC Repo Securities must be delivered within the timeframe set forth in the Schedule of Sponsored GC Trade Timeframes.

(iv) Each GC Funds Borrower (or if the repo rate for the relevant Sponsored GC Trade is negative, the GC Funds Lender) shall, within the timeframe set forth in the Schedule of Sponsored GC Trade Timeframes, pay the daily accrued GC Daily Repo Interest to the Corporation (and the Corporation shall pay such GC Daily Repo Interest to the GC Funds Lender or GC Funds Borrower, as applicable).

(v) A GC Funds Borrower may substitute cash and/or GC Comparable Securities for any Purchased GC Repo Securities in accordance with the timeframe set forth in the Schedule of Sponsored GC Trade Timeframes.

(vi) The Corporation hereby directs each Sponsored Member and Sponsoring Member to satisfy any payment or delivery obligation due to the Corporation, except for any obligation to pay a Funds-Only Settlement Amount, by making the relevant payment or delivery to an account at the relevant Sponsored GC Clearing Agent Bank specified by the pre-Novation counterparty to the Sponsored Member or Sponsoring Member, as applicable, in accordance with such procedures as the Sponsored GC Clearing Agent Bank may specify from time to time. Each Sponsored Member and Sponsoring Member that is owed any such payment or delivery from the Corporation acknowledges and agrees that, if the pre-Novation counterparty to such Sponsored GC Trade makes the relevant payment or delivery as described in the prior sentence, the Corporation's obligation to make such payment or delivery shall be discharged and satisfied in full.

(vii) The market value of all GC Repo Securities shall be determined by the relevant Sponsored GC Clearing Agent Bank each Business Day.

(c) Notwithstanding the foregoing and any other activities the Sponsoring Member may perform in its capacity as agent for Sponsored Members, each Sponsored Member shall be principally obligated to the Corporation with respect to all securities settlement obligations under the Rules, and the Sponsoring Member shall not be a principal under the Rules with respect to settlement obligations of its Sponsored Members.

(d) The Corporation, when calculating Individual Total Amounts for a Sponsoring Member, may net any offsetting settlement obligations across the Sponsoring Member's proprietary positions and the positions of its Sponsored Members in its Sponsoring Member Omnibus Account(s).

#### Section 9 – Funds-Only Settlement

(a) The following provisions apply to Sponsored Member Trades other than Sponsored GC Trades: A Sponsored Member shall have the same Funds-Only Settlement Amount obligations as a Netting Member pursuant to Rule 13. However, if the parties to a Sponsored Member Trade agree for such Sponsored Member Trade to have an Initial Haircut, any Funds-Only Settlement Amount that is applicable to such Sponsored Member Trade and that includes a Collateral Mark shall, in lieu of such Collateral Mark, include any Haircut Deficit or Haircut Surplus. Any Haircut Deficit shall be a negative amount for the Member with a Net Long Position, and a positive amount for the Member with a Net Short Position. Any Haircut Surplus shall be a negative amount for the Member with a Net Short Position, and a positive amount for the Member with a Net Long Position. The Corporation shall not be under any obligation to verify the parties' agreement in respect of an Initial Haircut, and its calculation of any Initial Haircut shall be conclusive and binding on the parties. A Sponsored Member shall appoint its Sponsoring Member to act as processing agent for performing all functions and receiving Reports and information set forth in Rule 13. The Corporation's provision of such Reports and information to the Sponsoring Member shall constitute satisfaction of the Corporation's obligations to provide such Reports and information to the affected Sponsored Members. Notwithstanding the foregoing and any other activities the Sponsoring Member may perform in its capacity as agent for Sponsored Members, each Sponsored Member shall be principally obligated to the Corporation with respect to all funds-only settlement obligations under the Rules, and the Sponsoring Member shall not be a principal under the Rules with respect to settlement obligations of its Sponsored Members.

(b) The following provision shall apply only to Sponsored GC Trades: Each Sponsoring Member and Sponsored Member shall be obligated to pay to the Corporation, and/or shall be entitled to receive from the Corporation, the following amounts: Forward Mark Adjustment Payment and Interest Adjustment Payment. Such amounts shall be payable and receivable as though they were amounts described in Rule 13.

(c) The following provisions shall apply to all Sponsored Member Trades:

(i) The Corporation shall, for operational purposes, calculate a single Funds-Only Settlement Amount obligation for the Sponsoring Member Omnibus Account. Notwithstanding anything to the contrary in these Rules or any Sponsoring Member Guaranty, a Sponsoring Member's satisfaction of the net Funds-Only Settlement Amount obligation to the Corporation with respect to the Sponsoring Member Omnibus Account of



such Sponsoring Member prior to such Sponsoring Member's receipt of any Sponsored Member's payment of its allocable portion of such Funds-Only Settlement Amount obligation shall constitute performance by the Sponsoring Member under its Sponsoring Member Guaranty with respect to such Sponsored Member's allocable portion of the Sponsoring Member Omnibus Account Funds-Only Settlement Amount obligation, regardless of the manner or capacity in which the Sponsoring Member satisfies such net Funds-Only Settlement Amount obligation.

(ii) Each Sponsored Member shall be responsible for satisfying its allocable portion of the Funds-Only Settlement Amount calculated for the Sponsoring Member Omnibus Account, using its Sponsoring Member as a processing agent, in the same manner set forth in Rule 13 for Netting Members. The Corporation's satisfaction of its funds-only settlement obligations with the Sponsoring Member Omnibus Account shall constitute satisfaction of the Corporation's obligation to settle with an individual Sponsored Member whose Funds-Only Settlement obligations constitute an allocable portion of the Funds-Only Settlement Amount of the Sponsoring Member Omnibus Account.

(iii) A Sponsoring Member shall be subject to a fine pursuant to the Fine Schedule for Late Payment of Funds Settlement Debit in these Rules for any late payment of a Funds-Only Settlement Amount that is a debit obligation of any of its Sponsored Members.

(iv) Section 7 of Rule 13 shall apply to the Sponsored Member activity in the same manner in which it applies to Netting Member activity, except that the Sponsoring Member shall have all obligations arising thereunder even if caused by its Sponsored Members.

#### Section 10 – Clearing Fund Obligations

(a) To support the activity in its Sponsoring Member Omnibus Accounts, each Sponsoring Member shall, so long as such Member is a Sponsoring Member, be responsible for making and maintaining a deposit to the Clearing Fund equal to the Sponsoring Member Omnibus Account Required Fund Deposit or, in the case of a Sponsoring Member Omnibus Account that is designated as a Segregated Indirect Participants Account, depositing with the Corporation Segregated Customer Margin equal to the Segregated Customer Margin Requirement for such Account, in each case subject to the provisions of Rule 4 and calculated pursuant to the Margin Component Schedule. Deposits to the Clearing Fund shall be held by the Corporation or its designated agents, to be applied as provided in the Rules.

(b) For purposes of satisfying the Sponsoring Member's Clearing Fund requirements under the Rules for both its Netting Member activity and its Sponsoring Member activity, the Sponsoring Member's Dealer Accounts and its Sponsoring Member Omnibus Account shall be treated separately, as if they were accounts of separate entities. Notwithstanding the previous sentence, however, the Corporation shall have the right to apply a Sponsoring Member's Clearing Fund deposits to any obligations of that Sponsoring Member as otherwise permitted pursuant to Rule 4.

(c) Sections 3, 3a, 3b, 4, 5, 8, 9, 10 and 11 of Rule 4 shall apply to the Sponsoring Member Omnibus Account Required Fund Deposit with respect to obligations of a Sponsoring Member under the Rules, including its obligations arising under the Sponsoring Member Omnibus Account, and the obligations of a Sponsoring Member under its Sponsoring Member Guaranty to the same extent as such Sections apply to any Required Fund Deposit and any other obligations of a Member. For purposes of Section 4 of Rule 4, obligations and liabilities of a Netting Member to the Corporation that shall be secured by the Actual Deposit shall include, without limitation, a Netting Member's obligations as a Sponsoring Member under the Rules, including, without limitation, any obligation of any such Sponsoring Member to provide the Sponsoring Member Omnibus Account Required Fund Deposit or the Segregated Customer Margin Requirement, such Sponsoring Member's obligations arising under the Sponsoring Member Omnibus Account of such Sponsoring Member and such Sponsoring Member's obligations under its Sponsoring Member Guaranty.

(d) A Sponsoring Member shall be subject to a fine pursuant to the applicable Fine Schedule in these Rules for any late satisfaction of a Clearing Fund deficiency call or a call for Segregated Customer Margin.

(e) Sponsoring Members, with respect to their Sponsoring Member Omnibus Accounts, shall not be eligible to participate in any Cross-Margining Arrangements.

(f) For purposes of the application of Rule 4 and the Margin Component Schedule to a Sponsoring Member Omnibus Account, each Sponsored GC Trade shall be treated as a GCF Repo Transaction, each GC Funds Lender and GC Funds Borrower shall be treated as a GCF Counterparty, and each Sponsored GC Clearing Agent Bank shall be treated as a GCF Clearing Agent Bank.

#### Section 11 – Right of Offset

In the ordinary course, with respect to satisfaction of any Sponsored Member's obligations under the Rules, the Sponsoring Member's Dealer Accounts and its Sponsoring Member Omnibus Account shall be treated separately, as if they were Accounts of separate entities. Notwithstanding the previous sentence, however, the Corporation may, in its sole discretion, at any time any obligation of the Sponsoring Member arises under the Sponsoring Member Guaranty to pay or perform thereunder with respect to any Sponsored Member, exercise a right of offset and net any such obligation of the Sponsoring Member under its Sponsoring Member Guaranty against any obligations of the Corporation to the Sponsoring Member in respect of such Sponsoring Member's Dealer Accounts.

#### Section 12 – Loss Allocation Obligations

(a) Sponsored Members shall not be obligated for allocations, pursuant to Rule 4, of loss or liability incurred by the Corporation. To the extent that a loss or liability is determined by the Corporation to arise in connection with Sponsored Member Trades (i.e., in connection with the insolvency or default of a Sponsoring Member), the Sponsored Members shall not be responsible for or considered in the loss allocation calculation, but rather such loss shall be allocated to Tier One Netting Members in accordance with the principles set forth in Section 7 of Rule 4. Except

as expressly set forth in this Section 12, if a loss or liability of the Corporation is determined to arise in connection with the close-out or liquidation of a Sponsored Member Trade of a Sponsored Member that is an Off-the-Market Transaction because the Sponsored Member has provided an Initial Haircut, the Corporation shall allocate such loss or liability attributable to the Initial Haircut to such Sponsored Member in accordance with the provisions of Section 7 of Rule 4.

(b) To the extent the Corporation incurs a loss or liability from a Defaulting Member Event or a Declared Non-Default Loss Event and a loss allocation obligation arises that would be the responsibility of the Sponsoring Member Omnibus Account if the Sponsoring Member Omnibus Account were a Netting Member, the Corporation shall calculate such loss allocation obligation as if the affected Sponsored Members were subject to such allocations pursuant to Section 7 of Rule 4, but the Sponsoring Member shall be responsible for satisfying such obligations.

(c) With respect to an obligation to make payment due to any loss allocation amounts assessed to a Sponsoring Member pursuant to subsection (b) above, the Sponsoring Member may instead elect to terminate its membership in the Corporation pursuant to Section 7b of Rule 4 and thereby benefit from its Loss Allocation Cap pursuant to Section 7 of Rule 4; however, for the purpose of determining the Loss Allocation Cap for such Sponsoring Member, its Required Fund Deposit shall be the sum of its Required Fund Deposit and its Sponsoring Member's Omnibus Account Required Fund Deposit.

#### Section 13 – Restrictions on Access to Services by a Sponsored Member

(a) Based upon the judgment of the Corporation that adequate cause exists to do so, the Corporation may at any time upon providing notice to the Sponsored Member and its Sponsoring Member, suspend a Sponsored Member from any service provided by the Corporation either with respect to a particular transaction or transactions or with respect to transactions generally, or prohibit or limit such Sponsored Member with respect to access to services offered by the Corporation in the event that one or more of the factors set forth in Section 1(a) through (g) of Rule 21, with the Corporation making the determinations set forth therein, is present with respect to the Sponsored Member, and the Corporation, in its sole discretion, has reasonable grounds to believe that such action is appropriate either for the protection of the Corporation or other Members or to facilitate the orderly and continuous performance of the Corporation's services.

(b) Sections 1 through 6 of Rule 21 shall apply with respect to a Sponsored Member in the same way as they apply to Netting Members, including the Corporation's right to summarily suspend a Sponsored Member and to cease to act for such Sponsored Member pursuant to Section 22A, except that the Corporation shall make the determination referred to in Section 3 of Rule 21.

(c) If the Corporation determines to cease to act for the Sponsored Member, the provisions of Rule 22A shall apply in the same way as they would apply to a Netting Member.

#### Section 14 – Restrictions on Access to Services by a Sponsoring Member

(a) Based upon the judgment of the Corporation that adequate cause exists to do so, the Corporation may at any time upon providing notice to the Sponsoring Member, suspend a

Sponsoring Member in its capacity as a Sponsoring Member from any service provided by the Corporation either with respect to a particular transaction or transactions or with respect to transactions generally or prohibit or limit such Sponsoring Member with respect to access to services offered by the Corporation in the event that if one or more of the factors set forth in Section 1(a) through (g) of Rule 21, with the Corporation making the determinations set forth therein, is present with respect to the Sponsoring Member, and the Corporation, in its sole discretion, has reasonable grounds to believe that such action is appropriate either for the protection of the Corporation or other Members or to facilitate the orderly and continuous performance of the Corporation's services.

(b) Sections 1 through 6 of Rule 21 shall apply with respect to a Sponsoring Member in the same way as they apply to Netting Members, including the Corporation's right to summarily suspend the Sponsoring Member and to cease to act for such Sponsoring Member, except that the Corporation shall make the determination referred to in Section 3 of Rule 21.

(c) If the Corporation ceases to act for a Sponsoring Member in its capacity as a Sponsoring Member, Rule 22A shall apply and the Corporation shall decline to accept or process data from the Sponsoring Member on Sponsored Member Trades and the Corporation shall cease to act for all of the Sponsored Members of the affected Sponsoring Member. If the Corporation suspends the Sponsoring Member or ceases to act for the Sponsoring Member, the Corporation shall decline to accept or process data from the Sponsoring Member on Sponsored Member Trades and shall suspend the Sponsored Members of the affected Sponsoring Member for so long as and to the extent that the Corporation is ceasing to act for the Sponsoring Member. Any Sponsored Member Trades which have been Novated by the Corporation shall continue to be processed by the Corporation. The Corporation, in its sole discretion, shall determine whether to close-out the affected Sponsored Member Trades and/or permit the Sponsored Members to complete their settlement.

#### Section 15 – Insolvency of a Sponsored Member

(a) A Sponsored Member and its Sponsoring Member (to the extent it has knowledge thereof) shall be obligated to inform the Corporation that the Sponsored Member is insolvent or that the Sponsored Member will be unable to perform any of its material contracts, obligations or agreements in the same manner as required by Section 1 of Rule 22 for other Members. For purposes of this section, a Sponsoring Member shall be deemed to have knowledge that a Sponsored Member is insolvent or will be unable to perform on any of its material contracts, obligations or agreements if one or more duly authorized representatives of the Sponsoring Member, in its capacity as such, has knowledge of such matters. A Sponsored Member shall be treated by the Corporation in all respects as insolvent under the same circumstances set forth in Section 2 of Rule 22 for other Members. Section 3 of Rule 22 shall apply, in the same manner in which such Section applies to other Members, in the case where the Corporation treats a Sponsored Member as insolvent.

(b) In the event that the Corporation determines to treat a Sponsored Member as insolvent, the Corporation shall cease to act for the insolvent Sponsored Member and Rule 22A shall apply with respect to the close-out of the insolvent's Sponsored Member Trades.

## Section 16 – Insolvency of a Sponsoring Member

(a) A Sponsoring Member shall be obligated to inform the Corporation that it is insolvent or that it will be unable to perform any of its material contracts, obligations or agreements in the same manner as required by Section 1 of Rule 22 for other Members. A Sponsoring Member shall be treated by the Corporation in all respects as insolvent under the same circumstances set forth in Section 2 of Rule 22 for other Members. Section 3 of Rule 22 shall apply, in the same manner in which such Section applies to other Members, in the case where the Corporation treats a Sponsoring Member as insolvent.

(b) In the event that the Corporation determines to treat a Sponsoring Member as insolvent, the Corporation shall cease to act for the insolvent Sponsoring Member and decline to accept or process data from the Sponsoring Member, including Sponsored Member Trades, and the Corporation shall terminate the membership of all of the insolvent's Sponsored Members unless they are the Sponsored Members of another Sponsoring Member. Any Sponsored Member Trades which have been Novated by the Corporation shall continue to be processed by the Corporation. The Corporation, in its sole discretion, shall determine whether to close-out the affected Sponsored Member Trades and/or permit the Sponsored Members to complete their settlement.

## 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.

(b) Rule 22D (Wind-down of the Corporation), 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), Rule 48 (Disciplinary Proceedings), Rule 50 (Market Disruption and Force Majeure) and Rule 50A (Systems Disconnect: Threat of Significant Impact to the Corporation's Systems) shall apply to, or with respect to, Sponsored Members and Sponsoring Members.

(c) 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.

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

#### Section 18 – Liquidation of Sponsored Member and Related Sponsoring Member Positions

(a) The provisions of this Section 18, which shall supersede any conflicting provisions of this Rule 3A and Rule 22A, shall only apply (i) with respect to the liquidation of positions resulting from Sponsored Member Trades within the meaning of subsections (a)(i) and (b) of the Sponsored Member Trade definition, (ii) in the event a Sponsoring Member is not a Defaulting Member and the Corporation has not ceased to act for the Sponsoring Member and (iii) if a Corporation Default has not occurred. In addition, the Corporation may only cause the termination described in subsection (b) below if it has ceased to act for the Sponsored Member at issue and the Sponsoring Member has not performed the obligations of the Sponsored Member in respect of all positions guaranteed by such Sponsoring Member.

(b) Subject to the provisions of subsection (a) of this Section 18, on any Business Day, the Sponsoring Member or the Corporation may by written notice to the other cause the immediate termination of all, but not fewer than all, of the long and short Net Settlement Positions and Forward Net Settlement Positions of the Sponsored Member established in the Sponsoring Member's Sponsoring Member Omnibus Account. Any such notice shall also cause the immediate termination of all of the corresponding, offsetting long and short Net Settlement Positions and Forward Net Settlement Positions of the Sponsoring Member established in the Sponsoring Member's Dealer Account(s). Each such termination shall be effected by the Sponsoring Member's establishment of a final Net Settlement Position for each Eligible Netting Security with a distinct CUSIP number that shall equal the net of all outstanding deliver obligations and receive obligations of the parties thereto in each such Eligible Netting Security including those that arise from Forward Net Settlement Positions (hereinafter, the "Final Net Settlement Position").

(c) To liquidate the Final Net Settlement Positions of any Sponsored Member and the corresponding, offsetting Final Net Settlement Positions of the Sponsoring Member established pursuant to subsection (b) of this Section 18, a Sponsoring Member shall calculate a liquidation amount, which may be equal to zero and shall be deemed a Funds-Only Settlement Amount. The liquidation amount in respect of the Final Net Settlement Positions of a Sponsored Member (the "Sponsored Member Liquidation Amount") shall be due to or from the Corporation from or to the Sponsored Member. The liquidation amount in respect of the corresponding, offsetting Final Net Settlement Positions of the Sponsoring Member (the "Sponsoring Member Liquidation Amount") shall be due to or from the Corporation from or to the Sponsoring Member. If the Sponsored Member Liquidation Amount in respect of the Final Net Settlement Positions of a Sponsored Member is due to the Corporation, the Sponsoring Member Liquidation Amount in respect of the corresponding Final Net Settlement Positions of the Sponsoring Member shall be due to the Sponsoring Member. If the Sponsored Member Liquidation Amount in respect of the Final Net Settlement Positions of a Sponsored Member is due to the Sponsored Member, the Sponsoring

Member Liquidation Amount in respect of the Final Net Settlement Positions of the Sponsoring Member shall be due to the Corporation.

Any Sponsoring Member Liquidation Amount calculated by a Sponsoring Member pursuant to this subsection (c) may be based on prices obtained from a generally recognized source or the most recent closing bid or offer quotation from such a source and may include the losses (including costs such as fees, expenses and commissions) and/or gains realized by the Sponsoring Member in entering into replacement transactions and/or entering into or terminating hedge transactions in connection with or as a result of, and any other loss, damage, cost or expense directly arising or resulting from, the liquidation of the Sponsoring Member's Final Net Settlement Positions. The Sponsored Member Liquidation Amount in respect of Final Net Settlement Positions of a Sponsored Member shall equal the Sponsoring Member Liquidation Amount in respect of the corresponding Final Net Settlement Positions of the Sponsoring Member. The Sponsoring Member's calculation of any Sponsored Member Liquidation Amount or Sponsoring Member Liquidation Amount shall be conclusive and binding on all relevant parties, absent manifest error and subject to any right of the Corporation to indemnification under the Rules.

If a Sponsored Member Liquidation Amount is due to the Corporation from the Sponsored Member, the Sponsoring Member shall be obligated to pay such Sponsored Member Liquidation Amount under its Sponsoring Member Guaranty, which obligation shall, notwithstanding anything to the contrary in the Sponsoring Member Guaranty, be payable without demand and (automatically and without further action by any Person) be set off against the obligation of the Corporation to pay the corresponding Sponsoring Member Liquidation Amount to the Sponsoring Member.

If a Sponsored Member Liquidation Amount is due to the Sponsored Member from the Corporation, the Corporation's sole obligation in respect of any such Sponsored Member Liquidation Amount shall be to transfer such amount to the applicable account of the Sponsoring Member at the Funds-Only Settling Bank Member acting on behalf of a Sponsoring Member (the "Funds-Only Omnibus Account"). The Corporation hereby instructs the Sponsoring Member to discharge its obligation to pay the Corporation any Sponsoring Member Liquidation Amount by transferring such amount to the Sponsoring Member's Funds-Only Omnibus Account for application to the Corporation's obligation to pay the corresponding Sponsored Member Liquidation Amount to the Sponsored Member. To the extent that the Sponsoring Member transfers such funds to the Fund-Only Omnibus Account as provided in this paragraph, (i) the obligations of the Corporation in respect of the Sponsored Member Liquidation Amount shall be discharged and (ii) the obligations of the Sponsoring Member in respect of the corresponding Sponsoring Member Liquidation Amount shall be discharged. The Sponsored Member agrees to accept the transfer of such funds to the Funds-Only Omnibus Account in full satisfaction of the obligation of the Corporation to pay the Sponsored Member Liquidation Amount to the Sponsored Member.

(d) The Sponsoring Member shall indemnify the Corporation, and its employees, officers, directors, shareholders, agents, and Members (collectively, the "SMP Indemnified Parties"), for any and all losses, liability, or expenses of an SMP Indemnified Party arising from any claim by an affected Sponsored Member disputing the Sponsoring Member's calculation of

any Sponsored Member Liquidation Amount or Sponsoring Member Liquidation Amount pursuant to this Section 18.

(e) The Corporation hereby acknowledges that a Sponsoring Member may take a security interest in the deliver, receive, and related payment obligations owed by the Corporation to a Sponsored Member in respect of its transactions that have been Novated to the Corporation by such Sponsoring Member and established in its Sponsoring Member Omnibus Account, including, but not limited to, such Sponsored Member's rights to receive payment of any Sponsored Member Liquidation Amount pursuant to this Section 18 (the "Sponsored Member Rights"), and agrees that, if the provisions of this Section 18 apply, the Corporation's security interest in all assets and property placed by a Sponsored Member in the possession of the Corporation (or its agents acting on its behalf), including all securities and cash on deposit with the Corporation or its agents, granted in Section 8(g) of this Rule 3A, shall be subordinated to the security interest of the Sponsoring Member in the Sponsored Member Rights.



## **RULE 3B – CENTRALLY CLEARED INSTITUTIONAL TRIPARTY SERVICE**

### Section 1 – General

The rights, liabilities and obligations of CCIT Members shall be governed by this Rule 3B. References to a “Member” in other Rules shall not apply to CCIT Members, unless specifically noted as such in this Rule 3B or in such other Rules.

In order for a Netting Member to participate in the CCIT Service as a trading counterparty to CCIT Members in CCIT Transactions, the Netting Member must be a participant in the GCF Repo Service. In addition to the Rules governing Netting Members, Netting Members who submit CCIT Transactions shall be subject to the provisions of this Rule 3B and to such other Rules applicable to CCIT Transactions.

### Section 2 – Eligibility, Qualifications and Standards for Membership: CCIT Member

(a) The Corporation may approve an application of an eligible Person, other than a Registered Investment Company, to become a CCIT Member upon a determination that the applicant meets the following requirements:

(i) **Financial Responsibility** – The applicant has sufficient financial ability to meet all of its obligations to the Corporation in a timely manner.

(ii) **Minimum Financial Requirements** – The applicant has minimum Net Assets of \$100 million. The Corporation, 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.

(iii) **Operational Capability** – The applicant or its Joint Account Submitter, as applicable, 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 operational condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Members (including CCIT Members).

(iv) **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.

(v) **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:

- (A) 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 a non-U.S. examining authority or regulator;
- (B) the applicant or its Controlling Management has been responsible for (I) 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 (II) 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;
- (C) 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 (I) any criminal offense involving the purchase, sale or delivery of any security, bribery, perjury, burglary or conspiracy to commit any offense referred to in this subparagraph, (II) the larceny, theft, robbery, embezzlement, extortion, fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, securities or other property, (III) any violation of Sections 1341, 1342 or 1343 of Title 18, United States Code or (IV) 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;
- (D) 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, adviser 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
- (E) 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 an entity 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, entity or securities depository.

(vi) Enforceability Opinion – The applicant provides the Corporation with an opinion of counsel acceptable to the Corporation in its sole discretion that the Corporation’s Rules will be enforceable against such applicant if it becomes a CCIT Member.

(vii) Insolvency Opinion – The Corporation has (or is able to obtain from the applicant or otherwise) an opinion of counsel acceptable to the Corporation in its sole discretion that, in the event the Corporation ceases to act for the applicant after such applicant becomes a CCIT Member, the Corporation will be able to exercise the remedies described in these Rules, including those specified in Section 11(e) of this Rule 3B. The Corporation may determine in its discretion that the opinion described in this Section 2(a)(vii) is not required in respect of an applicant.

(b) Two or more CCIT Members may be represented by a Joint Account Submitter that has been approved by the Corporation subject to such CCIT Member signing and delivering a Joint Account Submitter Agreement to the Corporation in such form as may be prescribed by the Corporation. If the Corporation terminates the Joint Account Submitter Agreement, the Joint Account Submitter will no longer be permitted to represent the CCIT Members in the Joint Account. Each such CCIT Member will be required to assume the duties of the Joint Account Submitter or appoint a new Joint Account Submitter subject to the requirements of these Rules.

(c) In addition to the criteria set forth in subsection (a) 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 their Controlling Management that is or becomes subject to Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act).

### Section 3 – Membership Application Process to Become a CCIT Member

(a) Each applicant to become a CCIT 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 and shall also deliver to the Corporation the financial reports, other reports, opinions and other information as the Corporation determines appropriate.

(b) Each applicant to become a CCIT Member or its Joint Account Submitter, as applicable, must also fulfill, within the timeframes 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.

(c) Each applicant shall complete and deliver to the Corporation:

(i) a FATCA Certification as part of its membership application. Without limiting the generality of the foregoing, if an applicant is a FFI Member, the Corporation

shall require such applicant to certify and periodically to recertify to the Corporation that it is FATCA Compliant under such procedures as are set forth under FATCA, unless such requirements have been explicitly waived in writing by the Corporation; provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property. In addition, as part of its membership application, such applicant agrees to indemnify each Indemnified Person for any loss, liability or expense sustained by the Indemnified Person as a result of such applicant failing to be FATCA Compliant;

(ii) Each CCIT Member applicant must have the successful completion of network and connectivity testing at the current FICC standards (the scope of such testing to be determined by the Corporation in its sole discretion); and

(iii) a Cybersecurity Confirmation.

(d) Each applicant to become a CCIT Member shall obtain and provide to the Corporation an LEI.

(e) Any non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records. Each applicant and Member shall maintain DTCC Confidential Information in confidence to the same extent and using the same means it uses to protect its own confidential information, but no less than a reasonable standard of care and shall not use DTCC Confidential Information or disclose DTCC Confidential Information to any third party except as necessary to perform such applicant's or Member's obligations under these Rules or as otherwise required by applicable law. Each applicant and Member acknowledges that a breach of its confidentiality obligations under these Rules may result in serious and irreparable harm to the Corporation and/or DTCC for which there is no adequate remedy at law. In the event of such a breach by the applicant or Member, the Corporation and/or DTCC shall be entitled to seek any temporary or permanent injunctive or other equitable relief in addition to any monetary damages hereunder.

(f) In evaluating a membership application, the Corporation may:

(i) if applicable, contact the applicant's primary regulatory authority, 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;

(ii) examine the books, records and operational procedures of, and inspect the premises of, the applicant or its Controlling Management as they may be related to the business to be 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 Corporation shall approve an application to become a CCIT Member only upon a determination that the applicant meets the standards set forth in this Rule. In addition, with regard to any applicant that is an FFI Member, such applicant must be FATCA Compliant.

Notwithstanding that an application to become a CCIT Member shall have been approved by the Corporation, if a material change in the condition of the applicant or its Controlling Management occurs, which in the judgment of the Corporation could bring into question the applicant's ability to perform as a CCIT 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 Corporation of the applicant's financial responsibility and operational capability can be completed. As a result of such reconsideration, the Corporation may determine to withdraw approval of an application to become a CCIT Member or condition the approval upon the furnishing of additional information or assurances.

The Corporation may deny an application to become a CCIT Member upon the Corporation's determination that the Corporation 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 (including CCIT 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 Corporation's denial of an application to become a CCIT 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 (Hearing Procedures).

#### Section 4 – Membership Agreement

Each CCIT Member agrees:

- (a) to abide by these Rules and to be bound by all the provisions thereof;
- (b) to pay to the Corporation in a timely manner the compensation provided for by these Rules for services rendered and such costs and fines as may be imposed in accordance with these Rules for the failure to comply therewith;
- (c) to be bound by any amendment to these Rules 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 these Rules;
- (d) to continue to be bound by these Rules, notwithstanding that it may have terminated its membership, as to all matters and transactions occurring while it was a CCIT Member;

(e) to fulfill its settlement obligations to the Corporation in accordance with these Rules and pay or deliver to the Corporation in a timely manner all amounts due and any loss or liability allocated to it pursuant to these Rules;

(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;

(g) if the CCIT Member is represented at any time by a Joint Account Submitter and is participating through a Joint Account, (i) to cause the Joint Account Submitter to fulfill all obligations of a Joint Account Submitter under these Rules, (ii) that the failure of the Joint Account Submitter to fulfill the requirements of the CCIT Member and/or the Joint Account under these Rules shall not excuse such CCIT Member's obligations to the Corporation pursuant to the Rules and (iii) that the Joint Account may be liable for the failure of the Joint Account Submitter to fulfill the obligations of a Joint Account Submitter under these Rules;

(h) if the CCIT Member is represented at any time by a Joint Account Submitter and is participating through a Joint Account, (i) to specify its Joint Account Submitter in advance of such Joint Account Submitter submitting its first trade on behalf of the CCIT Member, (ii) to provide the Corporation with advance notice in writing of a change in its Joint Account Submitter and (iii) to not revoke the authority of its Joint Account Submitter without providing the Corporation with advance written notice; and

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

Each CCIT Member that plans to participate through a Joint Account must enter into a Joint Account Submitter Agreement with the Corporation.

Each CCIT Member that is represented by a Joint Account Submitter shall only be entitled to and liable for rights and obligations arising under or in connection with CCIT Transactions allocated to such CCIT Member. To the extent a Joint Account or Joint Account Submitter incurs obligations to the Corporation that are unallocated, each CCIT Member represented by such Joint Account Submitter shall only be liable for its pro rata share of such obligations.

The Corporation may terminate a Joint Account Submitter Agreement if: (i) the relevant Joint Account or any CCIT Member that participates in the Joint Account fails to satisfy the requirements applicable to it under these Rules; (ii) the Joint Account Submitter fails to satisfy the requirements of these Rules relating to such Joint Account Submitter; or (iii) the Corporation determines, in its sole discretion, that such action is necessary for the protection of the Corporation or its Members (including CCIT Members).

#### Section 5 – On-going Membership Requirements

(a) The eligibility, qualifications and standards set forth above in this Rule in respect of an applicant shall continue to be met upon an applicant's admission as a CCIT Member and at

all times while a CCIT Member. In addition, each CCIT Member shall comply with the ongoing requirements set forth below in this Section.

(b) Each CCIT Member shall submit to the Corporation the following:

(i) Each Member shall maintain or upgrade their network technology, or communications technology or protocols on the systems that connect to the Corporation to the version being required and within the time periods as provided by Important Notice posted to the Corporation's website;

(ii) disclosure on at least an annual basis regarding such CCIT Member's Net Assets, any financial statements the CCIT Member makes publicly available and such other reports, financial and other information as the Corporation from time to time may reasonably require. The time periods prescribed by the Corporation for such disclosure 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 CCIT Member's responsibility to retrieve all notices daily from the Corporation's website; and

(iii) a completed Cybersecurity Confirmation at least every two years, on a date that is set by the Corporation and following notice that is provided no later than 180 calendar days prior to such due date.

(c) Each CCIT Member shall submit to the Corporation written notice of any CCIT Reportable Event. A CCIT Reportable Event means:

(i) an event that would, after giving effect thereto, cause a material change in the control, ownership or management of the CCIT Member, or that could have a material impact on such CCIT Member's business and/or financial condition;

(ii) material changes in the CCIT Member's business lines, including new business lines undertaken; or

(iii) any litigation which could reasonably be anticipated to have a material negative effect on the CCIT Member's financial condition or ability to conduct business.

A CCIT Member must submit to the Corporation written notice of any CCIT Reportable Event at least 90 calendar days prior to the effective date of such CCIT Reportable Event, unless the CCIT Member demonstrates that it could not have reasonably done so, and provides notice, both orally and in writing, to the Corporation as soon as possible.

Each CCIT Member that is an FFI Member shall inform the Corporation, both orally and in writing, if it (i) undergoes a change in circumstance that would affect its FATCA Certification or (ii) otherwise has reason to know that it is not, or will not be, FATCA Compliant, in each case, within two days of knowledge thereof.

A CCIT Member must have a current LEI on file with the Corporation at all times. The CCIT Member shall indemnify the Corporation, and its employees, officers, directors, shareholders, agents, and Members (collectively, the "LEI Indemnified Parties"), for any and all

losses, liabilities, expenses and Legal Actions suffered or incurred by the LEI Indemnified Parties arising from a CCIT Member's failure to have its current LEI on file with the Corporation. "Legal Action" means and includes any claim, counterclaim, demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation before any federal, state or foreign court or other tribunal, or any investigative or regulatory agency or self-regulatory organization.

(d) A CCIT 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 be subject to the fine(s) noted under "Failure to Timely Provide Financial and Related Information" and "Reportable Events—Fine for Failure of Timely Notification", as applicable, in the Fine Schedules in these Rules.

(e) Operational Testing Requirements

(i) The Corporation may, from time to time, require CCIT Members or their Joint Account Submitters, as applicable, to fulfill, within the timeframes 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 such CCIT Members. The Corporation will assess a fine or terminate the membership of any CCIT Member that does not fulfill any such operational testing and related reporting requirements within the timeframes established by the Corporation. If a Joint Account Submitter does not fulfill any such operational testing and related reporting requirements within the timeframes established by the Corporation, the Corporation may terminate all Joint Account Submitter Agreements for any or all CCIT Members that such Joint Account Submitter represents.

(ii) The Corporation has established standards for designating those CCIT Members or Joint Account Submitters, as applicable, who shall be required to participate in annual business continuity and disaster recovery testing that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that business continuity and disaster recovery plans are required to be activated. The standards shall take into account factors such as: (A) activity-based thresholds; (B) significant operational issues of the CCIT Member during the twelve months prior to the designation; and (C) past performance of the CCIT Member or its Joint Account Submitter, as applicable, with respect to operational testing. The specific standards adopted by the Corporation and any updates or modifications thereto shall be published to CCIT Members and applied on a prospective basis.

Upon notification that the CCIT Member or its Joint Account Submitter, as applicable, has been designated to participate in the annual business continuity and disaster recovery testing, as described above, the CCIT Member or its Joint Account Submitter, as applicable, shall be required to fulfill, within the timeframes established by the Corporation, certain 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 determined by the Corporation).



(f) A CCIT 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 this Rule, including the criteria set forth in Section 2(a) of this Rule. Notification must take place within two Business Days from the date on which the CCIT Member first learns of its non-compliance. The Corporation shall assess a fine pursuant to the applicable Fine Schedule in these Rules against any CCIT Member which fails to so notify the Corporation. In addition, a CCIT Member shall notify the Corporation within two Business Days of learning that an investigation or proceeding to which it is or is becoming the subject of would cause the CCIT Member to fall out of compliance with any of the relevant qualifications and standards for membership set forth in this Rule. Notwithstanding the previous sentence, the CCIT Member shall not be required to notify the Corporation if doing so would cause the CCIT Member to violate an applicable law, rule or regulation. If, with respect to a CCIT Member: (i) 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; (ii) it violates any Rule of the Corporation or other agreement with the Corporation; (iii) it fails to satisfy in a timely manner any obligation to the Corporation; (iv) there is any CCIT Reportable Event relating to such Member; or (v) the Corporation otherwise deems it necessary or advisable, in order to protect the Corporation, its other Members (including CCIT Members), or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation or for which the Corporation is responsible, 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 CCIT Member and its continued eligibility. In addition, the Corporation may review the financial responsibility and operational capability of the CCIT Member and/or its Controlling Management to the extent provided in these Rules and otherwise require from the CCIT 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 CCIT Member should be placed on the Watch List by the Corporation consistent with the provisions of Section 5(l) of this Rule.

(g) In addition, if the Corporation has reason to believe that a CCIT Member may fail to comply with any of the Rules, it may require the CCIT 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 CCIT Member shall not, in fact, violate any of these Rules. Notwithstanding the previous sentence, each CCIT 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 (including CCIT Members), or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation or for which the Corporation is responsible, or to promote the prompt and accurate processing, clearance or settlement of securities transactions. Upon the request of a CCIT Member or applicant to become such, the Corporation may choose to confer with the CCIT 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 CCIT 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 in the context of the CCIT Member's use of the Corporation's services:

(i) imposing restrictions or modifications on the CCIT Member's use of the Corporation's services (whether generally or with respect to certain transactions); or

(ii) requiring additional reporting by the CCIT Member of its financial or operational condition at such intervals and in such detail as the Corporation shall determine.

(h) In the event that a CCIT Member fails to maintain the relevant requirements of any of these Rules, the Corporation shall, pursuant to these Rules, cease to act for the CCIT Member, unless the CCIT Member requests that such action not be taken and the Corporation determines that, depending upon the specific circumstances and the record of the CCIT Member, it is appropriate instead to establish for such CCIT Member a time period (hereinafter, 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 CCIT Member must resume compliance with such requirements. In the event that the CCIT Member is unable to satisfy such requirements within the Noncompliance Time Period, the Corporation shall, pursuant to these Rules, cease to act for the CCIT Member. If the Corporation takes any cease to act 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.

(i) Notwithstanding anything to the contrary in this Section, if the Corporation, in its sole discretion, determines that a CCIT Member's financial condition has significantly deteriorated during a Noncompliance Time Period, the Corporation immediately may, pursuant to these Rules, cease to act for the CCIT Member.

(j) Compliance with Laws

(i) General

In connection with their use of the Corporation's services, CCIT Members and their Joint Account Submitters, as applicable, must comply with all applicable laws, including applicable laws relating to securities, taxation, and money laundering, as well as global sanctions laws.

(ii) Global Sanctions

As part of their compliance with global sanctions regulations, CCIT Members and their Joint Account Submitters, as applicable, must not conduct any transaction or activity through the Corporation which they know to violate global sanctions regulations.

CCIT Members subject to the jurisdiction of the U.S. are required to periodically confirm that they and their Joint Account Submitters, as applicable, have 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 \$5,000.00 fine.

(iii) FATCA

Each CCIT Member that is an FFI Member must agree not to conduct any CCIT Transaction or activity through the Corporation if such CCIT Member is not FATCA Compliant, unless such requirement has been explicitly waived in writing by the Corporation with respect to the specific CCIT Member; provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property.

All such CCIT Members that are FFI Members are required, as applicable under FATCA, to certify and periodically recertify to the Corporation that they are FATCA Compliant by providing to the Corporation a FATCA Certification. Failure to do so in the manner and timeframes set forth by the Corporation from time to time will result in a fine, unless such requirement has been explicitly waived in writing by the Corporation with respect to the specific CCIT Member; provided, however, that no such waiver will be issued if it shall cause the Corporation to be obligated to withhold under FATCA on gross proceeds from the sale or other disposition of any property.

A CCIT Member that is an FFI Member shall indemnify each Indemnified Person for any loss, liability or expense sustained by the Indemnified Person as a result of such CCIT Member failing to be FATCA Compliant.

(k) A CCIT Member's and its Controlling Management's books and records, insofar as they relate to such CCIT Member's 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 CCIT Member's or its Controlling Management's normal business hours. The Corporation shall be furnished with all such information about the CCIT Member's and its Controlling Management's business and transactions as it may require; provided that (i) any non-public information furnished to the Corporation pursuant to this Rule shall be held in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records and (ii) if the CCIT Member ceases membership, the Corporation shall have no right to inspect the CCIT Member's or its Controlling Management's books and records or to require information relating to transactions wholly subsequent to the time when the CCIT Member ceases membership.

(l) CCIT 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. CCIT 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. Placement on the Watch List shall result in a more thorough monitoring of the CCIT Member's financial and/or operational condition, as applicable, and activities by the Corporation. The Corporation may require CCIT Members placed on the Watch List to make more frequent financial disclosures, possibly including interim and/or pro forma reports. A CCIT Member shall be placed on the Watch List if the Corporation takes any action against such CCIT Member pursuant to Section 5(f) of this Rule 3B. A CCIT 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 6 – Voluntary Termination

A CCIT Member may voluntarily elect to terminate its membership in the Corporation by providing the Corporation with a written notice of such termination (hereinafter, the “CCIT Member Voluntary Termination Notice”). The CCIT Member shall specify in the CCIT Member Voluntary Termination Notice a desired date for the termination, which date shall not be prior to the scheduled final settlement date of any remaining obligation owed by the CCIT Member to the Corporation as of the time such CCIT Member Voluntary Termination Notice is submitted to the Corporation, unless otherwise approved by the Corporation.

Such termination will not be effective until accepted by the Corporation, which shall be no later than 10 Business Days after the receipt of the CCIT Member Voluntary Termination Notice from such CCIT Member or in the case of a deemed voluntary termination described below, when the Corporation determines that the criteria for a deemed voluntary termination has been met. The Corporation’s acceptance shall be evidenced by an Important Notice to Members (including CCIT Members) announcing the CCIT Member’s termination and the effective date of the termination of the CCIT Member (hereinafter the “CCIT Member Termination Date”). As of the CCIT Member Termination Date, a CCIT 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 a Joint Account Submitter, unless the Board determines otherwise in order to ensure an orderly liquidation of the CCIT Member’s positions. If any trade is submitted to the Corporation either by such CCIT Member or a Joint Account Submitter that is scheduled to settle on or after the CCIT Member Termination Date, such CCIT Member’s CCIT Member Voluntary Termination Notice will be deemed void, and the CCIT Member will remain subject to this Rule as if it had not given such CCIT Member Voluntary Termination Notice. Notwithstanding the foregoing, a CCIT Member may be deemed to have voluntarily terminated its membership if the Corporation is unable to contact an authorized representative of the CCIT Member and there has been no activity in the account by the CCIT Member for at least 6 months.

A CCIT 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 CCIT Member Termination Date.

## Section 7 – Loss Allocation Obligations of CCIT Members

Section 7 (Loss Allocation Waterfall) of Rule 4 (Clearing Fund and Loss Allocation) shall apply to CCIT Members as Tier Two Members. CCIT Members shall be responsible for the total amount of loss allocated to them. With respect to CCIT Members with a Joint Account Submitter, loss allocation will be calculated at the Joint Account level and then applied pro rata to each CCIT Member in the Joint Account based on the trade settlement allocation instructions. If, at the time the Corporation calculates loss allocation, the trade settlement allocation instructions to the individual CCIT Member level have not yet been received by the Corporation, the CCIT Members in the Joint Account shall be required to provide the allocation to the Corporation within the timeframes set by the Corporation in its discretion.

## Section 8 – Obligations Under Rule 4 Regarding Netting Members That Participate in the CCIT Service

The provisions of Rule 4 (Clearing Fund and Loss Allocation) shall apply to the CCIT Service activity of Netting Members in the same way in which such provisions apply to Netting Members' GCF Repo Transaction activity.

## Section 9 – Trade Submission and the Comparison System

(a) CCIT Members (whether submitting individually or through a Joint Account) shall be permitted to submit only CCIT Transactions to the Corporation. CCIT Transactions must be in Generic CUSIP Numbers approved by the Corporation for GCF Repo Transactions.

(b) Each CCIT Member shall be required to maintain two accounts at the GCF Clearing Agent Bank(s) at which the Netting Members with whom the CCIT Member enters into CCIT Transactions maintain accounts. One account at such GCF Clearing Agent Bank shall be designated for the CCIT Member's activity in respect of CCIT Transactions (hereinafter, the "CCIT Account") and the second account shall be designated for Transactions (as defined in Section 14(a) of this Rule 3B) initiated by the Corporation pursuant to Section 14(a) of this Rule 3B (hereinafter, the "CCIT MRA Account"). In each case, such accounts shall be as designated by the Corporation for these purposes from time to time. If acting through a Joint Account, a CCIT Member shall cause its Joint Account Submitter to maintain both a CCIT Account and a CCIT MRA Account for the Joint Account at the GCF Clearing Agent Bank(s) at which the Netting Members with whom the CCIT Member enters into CCIT Transactions maintain accounts.

(c) The provisions of Rule 5 (Comparison System) shall apply to CCIT Transactions subject to the following:

(i) "Member", when used in Rule 5, shall include a CCIT Member or a Joint Account Submitter acting on behalf of a CCIT Member, as applicable.

(ii) With respect to Section 3 (Trade Submission Communication Methods) of Rule 5, CCIT Transactions may only be submitted using the Interactive Submission Method or the Corporation's web interface.

(iii) With respect to Section 4 (Submission Size Alternatives) of Rule 5, CCIT Transactions must be submitted exactly as executed.

CCIT Transactions may be submitted for Bilateral Comparison or Locked-In Comparison.

(d) Rule 6A (Bilateral Comparison) shall govern the comparison of CCIT Transactions that are submitted for Bilateral Comparison subject to the following:

(i) "Member", when used in Rule 6A, shall include a CCIT Member or a Joint Account Submitter acting on behalf of a CCIT Member, as applicable.

(ii) With respect to Section 1 (General) of Rule 6A, the Schedule of Required and Other Data Submission Items for GCF Repo Transactions shall apply to CCIT

Transactions. The Schedule of Required Match Data and the Schedule of Money Tolerances shall not apply to CCIT Transactions. With respect to the Schedule of Required and Other Data Submission Items for GCF Repo Transactions, the fields requiring Broker information shall not apply.

(iii) With respect to Section 2 (Submission Method Requirements) of Rule 6A, CCIT Transactions may only be submitted using the Interactive Submission Method or the Corporation's web interface.

(e) The following provisions of Rule 6C (Locked-In Comparison) shall govern the comparison of CCIT Transactions that are submitted on a Locked-In Trade basis: Sections 1 (General), 2 (Authorizations of Transmission to and Receipt by the Corporation of Data on Locked-In Trades), the first sentence in Section 4 (Submission Requirements), 5 (GCF Repo Transactions), 7 (Reporting of Locked-In Trades), 8 (Discretion to not Accept Data), 9 (Binding Nature of Comparison System Output on Locked-In Trades), 12 (Affirmation, Cancellation and Modification Requirements for Data on GCF Repo Transactions) and 13 (Timing of Comparison). For purposes of the application of these provisions to CCIT Transactions, CCIT Transactions shall be treated as GCF Repo Transactions. "Member", when used in applicable parts of Rule 6C, shall include a CCIT Member or, as applicable, a Joint Account Submitter acting on behalf of a CCIT Member.

(f) The Schedule of GCF Repo Timeframes shall apply to CCIT Transactions (whether submitted for Bilateral Comparison or Locked-In Comparison) and CCIT Members shall be subject to any applicable late fees (applied at the Joint Account level if applicable) noted in the Corporation's Fee Structure for failure to meet applicable deadlines. CCIT Members shall be subject to all consequences for not meeting the deadlines in the Schedules noted in Rule 20 (Special Provisions for GCF Repo Transactions) in the same way as such consequences apply to Netting Members.

#### Section 10 – Forward Trades

The provisions of Rule 14 (Forward Trades) shall apply to CCIT Transactions in the same way such provisions apply to GCF Repo Transactions.

#### Section 11 – Netting System and Settlement of CCIT Transactions

(a) Rule 20 (Special Provisions for GCF Repo Transactions) shall apply to the netting and settlement obligations of the Corporation and each party to a CCIT Transaction in the same way in which such provisions apply to GCF Repo Transactions subject to the following:

(i) when used, "Netting Member" or "Affected Netting/CCIT Member" shall include a CCIT Member or, as applicable, a Joint Account;

(ii) CCIT Members (whether acting individually or through a Joint Account) shall always be GCF Net Funds Lenders;

(iii) CCIT Members shall not be initiators of requests for collateral substitutions but shall be the recipients of such collateral substitutions; and

(iv) The CCIT Transaction activity of Netting Members shall be netted with such Netting Members' GCF Repo Service activity for one net obligation per Generic CUSIP Number approved for the GCF Repo Service.

(b) On each Business Day, CCIT Members submitting CCIT Transactions through a Joint Account shall cause their Joint Account Submitter to submit the trade settlement allocation with respect to trades settled by the Joint Account during that Business Day.

(c) Each CCIT Member hereby grants to the Corporation a security interest in all its right, title and interest, at any time acquired, in and to the securities and other property delivered to it by the Corporation pursuant to a CCIT Transaction from time to time credited to an account maintained by the CCIT Member or the Joint Account Submitter on its behalf pursuant to Section 9(b) of this Rule 3B as security for the prompt and complete payment and performance when due (whether at stated maturity or by acceleration or otherwise) of all obligations of the CCIT Member to the Corporation under each CCIT Transaction.

(d) Although the Corporation and each CCIT Member intends that each CCIT Transaction be a sale and purchase and not a loan, in the event any such CCIT Transaction is deemed to be a loan, the Corporation shall be deemed to have pledged to the relevant CCIT Member as security for the performance by the Corporation of its obligations under such CCIT Transaction, and shall be deemed to have granted to such CCIT Member a security interest in, the securities and other property delivered to it by the Corporation pursuant to such CCIT Transaction from time to time credited to the account maintained by the CCIT Member or the Joint Account Submitter on its behalf pursuant to Section 9(b) of this Rule 3B.

(e) In addition to and not by way of limitation of any provisions of these Rules, if the Corporation ceases to act for a CCIT Member, the Corporation may (i) exercise all rights and remedies available to a secured party under the Uniform Commercial Code, whether or not in effect in the applicable jurisdiction and (ii) instruct the relevant GCF Clearing Agent Bank to deliver to the Corporation the Eligible Securities that the CCIT Member is obligated to return to the Corporation against payment by the Corporation of the Contract Value.

Section 12 – [Reserved]

Section 13 – Funds-Only Settlement

(a) A CCIT Member, or Joint Account (as applicable), shall have the same Funds-Only Settlement Amount obligations as a Netting Member pursuant to Rule 13 (Funds-Only Settlement), and Rule 13 shall apply in its entirety to CCIT Members in the same way as it applies to Netting Members except that only the following components of Section 1 of Rule 13 shall apply to CCIT Members with respect to their CCIT Transactions:

- (i) Invoice Amount; and
- (ii) Miscellaneous Adjustment Amount.

(b) The following payments and marks of Section 1 of Rule 13 shall apply to Netting Members with respect to their CCIT Transactions (such payments and marks shall apply as they apply to GCF Repo Transactions except as noted below):

(i) GCF Transaction Adjustment Payment;

(ii) GCF Interest Rate Mark, provided that Netting Members shall be obligated to pay debits but shall not be entitled to collect credits for GCF Interest Rate Mark with respect to their CCIT Transactions;

(iii) GCF Forward Starting Interest Rate Mark, provided that Netting Members shall be obligated to pay debits but shall not be entitled to collect credits for GCF Forward Starting Interest Rate Mark with respect to their CCIT Transactions;

(iv) GCF Interest Adjustment Payment, as it relates to (ii) and (iii) above;

(v) Invoice Amount as it relates to CCIT Transactions; and

(vi) Miscellaneous Adjustment Amount as it relates to CCIT Transactions.

(c) CCIT Daily Repo Interest shall also apply to CCIT Members (or Joint Accounts as applicable) and Netting Members with respect to their CCIT Transactions.

(d) Notwithstanding the above, a CCIT Member may elect to pay its Funds-Only Settlement Amount debits directly to the Corporation using the invoicing process applicable to Comparison-Only Members under Rule 25 (Bills Rendered) in lieu of the process described in Section 5 of Rule 13. If the CCIT Member elects the invoicing process, the CCIT Member's Funds-Only Settling Bank shall no longer be responsible for processing Funds-Only Settlement Amounts that are debits for such CCIT Member.

#### Section 14 – Liquidity Requirements of CCIT Members

(a) In order to finance the Corporation's obligations in respect of certain Deliver Obligations in connection with CCIT Transactions in accordance with subsection (b) of this Section 14, the SIFMA MRA (without the referenced annexes) is hereby incorporated by reference in the Rules as a master repurchase agreement between the Corporation, as Seller, and each CCIT Member, as Buyer (hereinafter, the "CCIT MRA"); provided that, notwithstanding anything else set forth in the CCIT MRA:

(i) Transactions (for purposes of this Section 14(a), as defined in the CCIT MRA) shall only be initiated by the Corporation in accordance with this Rule 3B,

(ii) all Transactions shall be terminable only by demand of the Corporation and in accordance with this Rule 3B except as specified in subsection (c) below,

(iii) all Securities (for purposes of this Section 14(a), as defined in the CCIT MRA) shall be transferred by the Corporation in its sole discretion,



(iv) any and all notices, statements, demands or other communications under the CCIT MRA shall be given by a party to the other in accordance with the notice provisions set forth in the Rules,

(v) so long as the CCIT Member is a Member of the Corporation, the CCIT MRA may only be terminated by the Corporation except as specified in subsection (c) below,

(vi) there shall be no Events of Default (for purposes of this Section 14(a), as defined in the CCIT MRA) with respect to Seller other than as specified in this Section 14,

(vii) on any Business Day prior to the CCIT MRA Termination Date as defined in subsection (c) below, the Corporation may, by notice to Buyer, terminate any Transaction, in whole or in part, by specifying such Business Day as the Repurchase Date (for purposes of this Section 14(a), as defined in the CCIT MRA) for some or all of the Purchased Securities (for purposes of this Section 14(a), as defined in the CCIT MRA),

(viii) if the Corporation terminates a portion of a Transaction pursuant to clause (vii) of this paragraph:

- (A) the Repurchase Price (for purposes of this Section 14(a), as defined in the CCIT MRA) for the Purchased Securities to be repurchased on such date (hereinafter, the “Relevant Securities”) shall be an amount equal to the sum of the Purchase Price (for purposes of this Section 14(a), as defined in the CCIT MRA) for the Relevant Securities and the unpaid Price Differential (for purposes of this Section 14(a), as defined in the CCIT MRA) accrued on the Purchase Price for the Relevant Securities through such Business Day;
- (B) upon transfer of the Repurchase Price for the Relevant Securities, the Relevant Securities shall no longer constitute Purchased Securities; and
- (C) upon transfer of the Repurchase Price for the Relevant Securities, the Purchase Price for the Transaction shall be reduced by the Purchase Price for the Relevant Securities,

(ix) Section 19(a) of the CCIT MRA shall be amended by adding at the end thereof before the period “, and this Agreement and each Transaction is of a type set forth in Section 5390(c)(8)(D) of Title 12 of the United States Code, as amended”,

(x) Section 19(b) of the CCIT MRA shall be amended by adding at the end thereof before the period “, and a right to terminate, liquidate or accelerate as described in Section 5390(c)(8)(A) and (C) of Title 12 of the United States Code, as amended”,

(xi) Buyer’s Margin Percentage (for purposes of this Section 14(a), as defined in the CCIT MRA) shall be 102% for all Transactions, and

(xii) the Pricing Rate (as defined in the CCIT MRA) in respect of each Transaction shall be the rate that the Corporation reasonably determines approximates the average daily interest rate paid by a seller of the Purchased Securities under a cleared repurchase transaction.

(b) Once the Corporation has ceased to act for a Netting Member with whom a CCIT Member traded pursuant to these Rules, if any portions of such trades, as Novated pursuant to these Rules, remain outstanding, then, if the Corporation determines, in its sole discretion, that the procedures below are necessary to address certain of the Corporation's liquidity needs, the Corporation may initiate transactions under the CCIT MRA as provided below.

(i) The Corporation shall determine which CCIT Members had open CCIT Transactions originally with the Defaulting Member (each such CCIT Member hereinafter, an "Affected CCIT Member"),

(ii) The Corporation shall notify all Affected CCIT Members informing them that the Corporation will initiate repurchase agreements under the CCIT MRA,

(iii) The Corporation shall determine each Affected CCIT Member's pro rata share of the total principal dollar amount of such CCIT Transactions originally with the Defaulting Member in respect of which the Corporation needs financing, with such pro rata share being determined by reference to the total dollar amount of such Affected CCIT Member's trades with the Defaulting Member that remain unsettled (hereinafter, such Affected CCIT Member's "Financing Amount"),

(iv) The Corporation shall initiate repurchase transactions under the terms and conditions of the CCIT MRA with each Affected CCIT Member having a Purchase Price equal to such Affected CCIT Member's Financing Amount (each such repurchase transaction, hereinafter, a "CCIT MRA Transaction", shall be a "Transaction" under the CCIT MRA),

(v) The payment of the Purchase Price and the delivery of any Purchased Securities under each CCIT MRA Transaction shall be netted against the delivery obligations and related payment obligations under the original CCIT Transaction to which such CCIT MRA Transaction relates, and

(vi) Upon the initiation of a CCIT MRA Transaction, the Corporation shall cause the relevant GCF Clearing Agent Bank to transfer the Purchased Securities from an Affected CCIT Member's CCIT Account to such Affected CCIT Member's CCIT MRA Account.

(c) If (i) a Corporation Default has occurred during the term of a CCIT MRA Transaction or (ii) the Corporation has not repurchased all Purchased Securities (for purposes of this Section 14(c), as defined in the CCIT MRA) under the applicable CCIT MRA Transaction by (A) the end of the 30th calendar day after the Purchase Date (for purposes of this Section 14(c), as defined in the CCIT MRA) in the case of a CCIT MRA Transaction where the underlying security is a U.S. government agency debenture or U.S. Treasury bill, note or bond or (B) the end of the 60th calendar day after the Purchase Date in the case of a CCIT MRA Transaction where the

underlying security is a mortgage-backed security (each a “CCIT MRA Termination Date”), the Affected CCIT Member may exercise the rights of a “nondefaulting party” under Section 11 of the CCIT MRA as if an “Event of Default” with respect to Seller had occurred and such Affected CCIT Member had exercised the option referred to in Section 11(a) of the CCIT MRA.

(d) It shall be an “Event of Default” with respect to Buyer under a CCIT MRA if the Corporation ceases to act for the relevant Affected CCIT Member.

(e) All delivery obligations and related payment obligations under an original CCIT Transaction in respect of which the Corporation enters into a CCIT MRA Transaction in accordance with Section 14(b) above shall be deemed satisfied by operation of this Section 14, and settlement of any such original CCIT Transaction between the Corporation and any CCIT Member shall be final notwithstanding that the Eligible Securities are not required to be delivered to the Corporation in connection with such original CCIT Transaction by the CCIT Member who was a buyer in the original CCIT Transaction (such delivery being netted against delivery to Buyer under the CCIT MRA).

(f) The Corporation and any CCIT Member may agree to enter into repurchase transactions in addition to those initiated by the Corporation pursuant to Section 14(b) above. In furtherance of the foregoing, the SIFMA MRA is hereby incorporated by reference in the Rules as a master repurchase agreement between the Corporation, as Seller, and each CCIT Member, as Buyer (hereinafter, the “Uncommitted CCIT MRA”); provided that, notwithstanding anything else set forth in the Uncommitted CCIT MRA:

(i) Transactions (for purposes of this Section 14(f), as defined in the Uncommitted CCIT MRA) shall only be initiated by the Corporation in accordance with this Rule 3B,

(ii) all Transactions shall be terminable only by demand of the Corporation and in accordance with this Rule 3B,

(iii) all Securities (for purposes of this Section 14(f), as defined in the Uncommitted CCIT MRA) shall be transferred by the Corporation in its sole discretion,

(iv) any and all notices, statements, demands or other communications under the Uncommitted CCIT MRA shall be given by a party to the other in accordance with the notice provisions set forth in the Rules,

(v) there shall be no Events of Default (for purposes of this Section 14(f), as defined in the Uncommitted CCIT MRA) with respect to Seller other than a Corporation Default,

(vi) Section 19(a) of the Uncommitted CCIT MRA shall be amended by adding at the end thereof before the period “, and this Agreement and each Transaction is of a type set forth in Section 5390(c)(8)(D) of Title 12 of the United States Code, as amended”, and

(vii) Section 19(b) of the Uncommitted CCIT MRA shall be amended by adding at the end thereof before the period “, and a right to terminate, liquidate or accelerate as

described in Section 5390(c)(8)(A) and (C) of Title 12 of the United States Code, as amended”.

#### Section 15 – Restrictions on Access to Services by a CCIT Member, Insolvency of a CCIT Member and Wind-Down of a CCIT Member

The provisions of Rules 21 (Restrictions on Access to Services), 21A (Wind-Down of a Netting Member) and 22 (Insolvency of a Member) shall apply to CCIT Members in the same way as such provisions apply to Netting Members.

#### Section 16 – Procedures for When the Corporation Ceases to Act for a CCIT Member

Rule 22A (Procedures for When the Corporation Ceases to Act) shall apply when the Corporation ceases to act for a CCIT Member in the same way as such Rule applies to Netting Members, except that with respect to Section 2(b), the CCIT Member for whom the Corporation has ceased to act shall be required to return each Eligible Security that the CCIT Member is obligated to return to the Corporation against payment by the Corporation of the Contract Value.

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

(a) Rule 1 (Definitions), Rule 22B (Corporation Default), Rule 22C (Interpretation in Relation to the Federal Deposit Insurance Corporation Act of 1991), Rule 22D (Wind-down of the Corporation), Rule 23 (Fine Payments), Rule 25 (Bills Rendered), Rule 27 (Admission to Premises of the Corporation, Powers of Attorney, Etc.), Rule 28 (Forms), Rule 29 (Release of Clearing Data), 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), 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), Rule 48 (Disciplinary Proceedings), Rule 50 (Market Disruption and Force Majeure) and Rule 50A (Systems Disconnect: Threat of Significant Impact to the Corporation’s Systems) shall apply to CCIT Members with respect to CCIT Transactions in the same way as these provisions apply to Netting Members.

(b) With respect to Rule 49 (DTCC Shareholders Agreement), CCIT Members shall be Voluntary Purchaser Participants.

(c) All Schedules that are cited in, or pertain to, the Rules cited in this Rule 3B as applying to CCIT Members shall apply to CCIT Members.

(d) Any Statements of Policy or Interpretations contained in the Rules applicable to the CCIT Service shall apply to CCIT Members unless expressly stated otherwise.

## **RULE 4 – CLEARING FUND AND LOSS ALLOCATION**

### Section 1 – Required Fund Deposit

Each Netting Member shall make and maintain on an ongoing basis a deposit to the Clearing Fund. The amount of each Netting Member's required Clearing Fund deposit shall be determined by the Corporation in accordance with this Rule and the Margin Component Schedule and shall be referred to as the Required Fund Deposit. The timing of payment of the Required Fund Deposit shall be determined in accordance with the provisions of Section 9 of this Rule.

A Netting Member may in its discretion maintain additional deposits at the Corporation, subject to any requirements the Corporation may establish for such excess amounts pursuant to, and subject to the requirements set forth in, Section 10 of this Rule. For purposes of these Rules, such additional deposits shall be deemed to be part of the Clearing Fund and the Netting Member's Actual Deposit but shall not be deemed to be part of the Netting Member's Required Fund Deposit. The Corporation shall not be required to segregate each Netting Member's Actual Deposit, but shall maintain books and records concerning the assets that constitute each Netting Member's Actual Deposit.

### Section 1a – Segregated Customer Margin

Each Netting Member shall deposit Segregated Customer Margin with the Corporation in an amount equal to its Segregated Customer Margin Requirement, which requirement shall be determined in accordance with this Rule and the Margin Component Schedule. The timing of the satisfaction of the Segregated Customer Margin Requirement shall be determined in accordance with the provisions of Section 9 of this Rule.

The Corporation shall establish and maintain on its books and records a Segregated Customer Margin Custody Account corresponding to each Segregated Indirect Participants Account. All Segregated Customer Margin deposited with the Corporation to support the obligations arising under the Transactions recorded in a Segregated Indirect Participants Account shall be credited to the corresponding Segregated Customer Margin Custody Account. The Segregated Customer Margin credited to a Segregated Customer Margin Custody Account shall be used exclusively to secure Transactions recorded in the corresponding Segregated Indirect Participants Account and satisfy payment and delivery obligations owing to the Corporation (including liquidating or otherwise using such Segregated Customer Margin to obtain relevant cash or securities) in connection with a default in respect of such Transactions. Each Segregated Customer Margin Custody Account shall be titled or otherwise designated on the Corporation's books and records a "Special Clearing Account for the Exclusive Benefits of the Customers of [the relevant Sponsoring Member or Agent Clearing Member]." The Corporation will provide to each Netting Member that is a Registered Broker or Registered Dealer and has designated an Account as a Segregated Indirect Participants Account, a notice that Segregated Customer Margin deposited by the Netting Member with the Corporation is being held by the Corporation for the exclusive benefit of the Segregated Indirect Participants of the Netting Member in accordance with the regulations of the SEC and is being kept separate from any other accounts maintained by the Netting Member or any other Member at the Corporation.

All assets credited to each Segregated Customer Margin Custody Account shall be treated as “financial assets” within the meaning of Article 8 of the NYUCC. New York is the “securities intermediary’s jurisdiction” for purposes of the NYUCC and New York law shall govern all issues specified in Article 2(1) of the Hague Securities Convention.

The Corporation shall hold all Segregated Customer Margin in an account of the Corporation at a bank within the meaning of the Exchange Act that is insured by the Federal Deposit Insurance Corporation and is a qualified custodian under the Investment Company Act of 1940, as amended, or at the Federal Reserve Bank of New York, which account shall be segregated from any other account of the Corporation and shall be used exclusively to hold Segregated Customer Margin. Each such account shall be subject to a written notice of the bank or Federal Reserve Bank provided to and retained by the Corporation that the Segregated Customer Margin in the account is being held by the bank or Federal Reserve Bank pursuant to SEC Rule 15c3-3 and is being kept separate from and not commingled with any other accounts maintained by the Corporation or any other person at the bank or Federal Reserve Bank. Each such account shall also be subject to a written contract between the Corporation and the bank or Federal Reserve Bank which provides that the Segregated Customer Margin in the account is subject to no right, charge, security interest, lien, or claim of any kind in favor of the bank or Federal Reserve Bank or any person claiming through the bank or Federal Reserve Bank.

#### Section 1b – Margin Portfolios

(a) A Margin Portfolio shall consist of such Accounts of the Member as the Member shall designate in accordance with the Rules. Each Margin Portfolio shall not contain more than one Type of Account. Sponsoring Member Omnibus Accounts that are designated as Segregated Indirect Participants Accounts shall not be included in the same Margin Portfolio as Agent Clearing Member Omnibus Accounts that have been designated as Segregated Indirect Participants Accounts.

(b) The Corporation shall calculate a Member’s Required Fund Deposit with reference to the Margin Portfolios of the Member (other than those consisting of Segregated Indirect Participants Accounts) as set forth in the Margin Component Schedule. The Corporation shall calculate a Member’s Segregated Customer Margin Requirement for a given Segregated Indirect Participants Account as the sum of the requirements applicable to each Segregated Indirect Participant whose Transactions are recorded in such Account, as though each such Segregated Indirect Participant were a separate Netting Member with a single Margin Portfolio consisting of such Transactions, in accordance with the Margin Component Schedule.

#### Section 2 – Required Fund Deposit Requirements and Segregated Customer Margin Requirements

(a) Each Business Day, each Netting Member shall be required to deposit with the Corporation its Required Fund Deposit and Segregated Customer Margin Requirement consisting of:

Required Fund Deposit:

- (i) an amount calculated with respect to the Netting Member’s Margin Portfolios that include one or more Dealer Accounts;

- (ii) an amount calculated with respect to the Netting Member's Margin Portfolios that includes one or more Broker Accounts;
- (iii) an amount calculated with respect to the Netting Member's Margin Portfolios that include one or more Agent Clearing Member Omnibus Accounts other than Agent Clearing Member Omnibus Accounts that have been designated as Segregated Indirect Participants Accounts;
- (iv) an amount calculated with respect to the Netting Member's Margin Portfolios that include one or more Sponsoring Member Omnibus Accounts other than Sponsoring Member Omnibus Accounts that have been designated as Segregated Indirect Participants Accounts;

Segregated Customer Margin Requirement:

- (v) an amount calculated with respect to the Netting Member's Segregated Indirect Participants Accounts constituting Sponsoring Member Omnibus Accounts; and
- (vi) an amount calculated with respect to the Netting Member's Segregated Indirect Participants Accounts constituting Agent Clearing Member Omnibus Accounts.

Section 2a – Required Fund Deposit

(a) Each Required Fund Deposit Portion shall be made to the Corporation through a separate Deposit ID established by the Netting Member; provided, however, that an Inter-Dealer Netting Member that maintains both Broker Account(s) and Dealer Account(s) may utilize the same Deposit ID for amounts deposited pursuant to Section 2(a)(i) and (ii) of this Rule 4.

(b) A Netting Member's Required Fund Deposit shall be reported to Netting Members twice daily and such Reports shall specify the amounts owed for each of the Required Fund Deposit Portions listed in Section 2(a) above.

Payment shall be due by the Required Fund Deposit Deadline and shall be made through a separate Deposit ID established by the Netting Member for each separate and applicable Required Fund Deposit Portion.

Such payment shall not be due on a given day if: (a) the difference between the amount of a Member's Required Fund Deposit Portion as reported on that day, and the amount then on deposit towards satisfaction thereof is less than both (i) \$250,000, and (ii) 25 percent of the amount then on deposit; and (b) the Member is not on the Watch List.

(c) The initial Required Fund Deposit of each Netting Member, other than an Inter-Dealer Broker Netting Member, shall be set by the Corporation based upon the expected nature and level of such Member's activity.

### Section 2b – Segregated Customer Margin Requirement

(a) Each Netting Member shall deposit any Segregated Customer Margin with the Corporation by the Required Fund Deposit Deadline through a separate Deposit ID established by the Netting Member for each Segregated Indirect Participants Account.

(b) The Corporation shall report the Segregated Customer Margin Requirements to each Netting Member twice daily in a Report which shall specify the Segregated Customer Margin Requirement for each Segregated Indirect Participants Account.

### Section 3 – Form of Deposit

(a) Subject to the requirements of this Section 3, Section 3a and Section 3b, a Netting Member's deposits to the Clearing Fund may be in the form of: (i) cash, or (ii) an open account indebtedness fully secured by Eligible Clearing Fund Securities. Subject to the requirements of this Section 3, Section 3a and Section 3b, Segregated Customer Margin may be in the form of cash or Eligible Clearing Fund Securities.

(b) The following requirements shall apply to each Member's Required Fund Deposit Portion.

(i) A minimum of 40 percent of any Required Fund Deposit Portion shall be made in the form of cash and/or Eligible Clearing Fund Treasury Securities.

(ii) The lesser of \$5,000,000 or 10 percent of any Required Fund Deposit Portion, with a minimum of \$1 million, must be made and maintained in cash, with the remaining portion of the Required Fund Deposit Portion to be made and maintained in the form specified in this Section 3.

(c) The following requirements shall apply to each Segregated Customer Margin Requirement for a particular Segregated Indirect Participants Account.

(i) A minimum of 40 percent of the Segregated Customer Margin Requirement for such Account shall be satisfied with cash and/or Eligible Clearing Fund Treasury Securities.

(ii) A minimum of the product of \$1 million and the number of Segregated Indirect Participants whose Transactions are recorded in such Segregated Indirect Participants Account must be made and maintained in cash.

Notwithstanding anything to the contrary in this Rule, the Corporation may require a Netting Member's Required Fund Deposit or Segregated Customer Margin Requirement to be in proportions of cash, Eligible Clearing Fund Securities and Eligible Letters of Credit that the Corporation determines to be necessary to protect itself and its Members from Legal Risk.



### Section 3a – Special Provisions Related to Deposits of Cash

Cash deposits to the Clearing Fund and Segregated Customer Margin consisting of cash shall be made in immediately-available funds. The Corporation may invest any cash in the Clearing Fund, including (i) cash deposited by a Netting Member as part of its Actual Deposit, (ii) the proceeds of (x) any loans made to the Corporation secured by the pledge by the Corporation of Eligible Clearing Fund Securities pledged to the Corporation or (y) any sales of Eligible Clearing Fund Securities pledged to the Corporation, (iii) cash receipts from any investment of, repurchase or reverse repurchase agreements relating to, or liquidation of, Clearing Fund assets, and (iv) cash payments on Eligible Letters of Credit (collectively, “Clearing Fund Cash”) in accordance with the Clearing Agency Investment Policy adopted by the Corporation.

Each Netting Member shall be entitled to any interest earned or paid on Clearing Fund cash deposits. Any interest earned on Segregated Customer Margin consisting of cash shall be paid to the Netting Member for the benefit of, and as agent for, its Segregated Indirect Participants.

### Section 3b – Special Provisions Related to Eligible Clearing Fund Securities

All Eligible Clearing Fund Securities pledged to secure Clearing Fund deposits or constituting Segregated Customer Margin shall, for collateral valuation purposes, be subject to a haircut and may be subject to a concentration limit. The Corporation shall determine the applicable haircuts and any concentration limits from time to time in accordance with its internal policy and governance process, based on factors determined to be relevant by the Corporation, which may include, for example, backtesting results and the Corporation’s assessment of market conditions, in order to set appropriately conservative haircuts and/or concentration limits for the Eligible Clearing Fund Securities and minimize backtesting deficiency occurrences. The haircuts and any concentration limits prescribed by the Corporation shall be set forth in a haircut schedule that is published on the Corporation’s website. It shall be the Member’s responsibility to retrieve the haircut schedule. The Corporation will provide Members with at a minimum one Business Day’s advance notice of any change in the haircut schedule.

Eligible Clearing Fund Securities that are used to secure an open account indebtedness and Segregated Customer Margin consisting of Eligible Clearing Fund Securities must be pledged to the Corporation on such terms and conditions as it may require, and be delivered to the Corporation or to the Corporation’s account at a financial institution designated by the Corporation. The valuation of such Eligible Clearing Fund Securities shall be at current market value, which shall be determined by the Corporation not less frequently than on a daily basis, less an applicable haircut. The Corporation has the right, in its discretion, to refuse to accept a particular type of Eligible Clearing Fund Security as a permissible form of Clearing Fund deposit or Segregated Customer Margin.

Upon appropriate notice to the Corporation, pursuant to procedures that the Corporation establishes for such purpose, and subject to reasonable time constraints imposed by the Corporation based on its operational and administrative capacities, a Netting Member may substitute and/or withdraw Eligible Clearing Fund Securities from pledge and deposit, provided that the Netting Member has, effective immediately prior to the withdrawal, taken appropriate action to maintain its Required Fund Deposit and satisfy its Segregated Customer Margin

Requirement. Notwithstanding the above sentence, the Corporation may decline to permit a substitution or withdrawal on a given Business Day later than one hour prior to the close of the securities Fedwire on such day. Any interest on Eligible Clearing Fund Securities deposited by a Netting Member to secure a Clearing Fund open account indebtedness or as Segregated Customer Margin that is received by the Corporation shall be credited to the Netting Member's cash deposits to the Clearing Fund or the associated Segregated Customer Margin Custody Account, as applicable, except in the case of Clearing Fund in the event of a default by such Netting Member on any obligations to the Corporation under these Rules, in which case the Corporation may exercise its rights under Section 6 of this Rule.

#### Section 4 – Lien

(a) As security for any and all obligations and liabilities of a Netting Member to the Corporation, including, without limitation, any obligation or liability of a Netting Member pursuant to a Cross-Margining Agreement, any Reimbursement Obligation of a Cross-Margining Participant to the Corporation pursuant to Section 3 of Rule 43, any obligation of a Cross-Margining Beneficiary Participant to reimburse the Corporation pursuant to Section 7 of Rule 43, any obligation of a Cross-Guaranty Defaulting Member to reimburse the Corporation pursuant to Section 2 of Rule 41 or any obligation of a Cross-Guaranty Beneficiary Member to reimburse the Corporation pursuant to Section 5 of Rule 41, each such Netting Member grants to the Corporation a first priority perfected security interest in its right, title and interest in and to any Eligible Clearing Fund Securities, funds and assets pledged to the Corporation to secure the Netting Member's open account indebtedness or placed by a Netting Member in the possession of the Corporation (or its agents acting on its behalf), including all securities and cash on deposit with the Corporation or its agents pursuant to this Rule and Rule 13, any Eligible Letters of Credit issued on behalf of a Netting Member in favor of the Corporation, except for Segregated Customer Margin (collectively, the Netting Member's "Actual Deposit"). The Corporation shall be entitled to exercise the rights of a pledgee under common law and a secured party under Articles 8 and 9 of the New York Uniform Commercial Code with respect to such assets.

(b) As security for any and all obligations and liabilities of a Netting Member, any Sponsored Member, and any Executing Firm Customer to the Corporation arising out of or in connection with any Segregated Indirect Participants Accounts of such Netting Member or Transactions recorded therein, each such Netting Member grants to the Corporation a first priority perfected security interest in its right, title and interest in all Segregated Customer Margin, each Segregated Customer Margin Custody Account, and all distributions thereon and proceeds thereof. The Corporation shall be entitled to exercise the rights of a pledgee under common law and a secured party under Articles 8 and 9 of the NYUCC with respect to such assets.

#### Section 5 – Use of Clearing Fund and Segregated Customer Margin

The Clearing Fund shall only be used by the Corporation (i) to secure each Member's performance of obligations to the Corporation, including, without limitation, each Member's obligations with respect to any loss allocations as set forth in Section 7 of this Rule and any obligations arising from a Cross-Guaranty Agreement pursuant to Rule 41 or a Cross-Margining Agreement pursuant to Rule 43, (ii) to provide liquidity to the Corporation to meet its settlement obligations, including, without limitation, through the direct use of cash in the Clearing Fund or

through the pledge or rehypothecation of pledged Eligible Clearing Fund Securities in order to secure liquidity, and (iii) for investment as set forth in Section 3a of this Rule.

Each time the Corporation uses any part of the Clearing Fund pursuant to clause (ii) in the preceding paragraph for more than 30 calendar days, the Corporation, at the Close of Business on the 30th calendar day (or on the first Business Day thereafter) from the day of such use, shall consider the amount used but not yet repaid as a loss to the Clearing Fund incurred as a result of a Defaulting Member Event and immediately allocate such loss in accordance with Section 7 of this Rule.

On each Business Day, the Corporation shall calculate the portion of Segregated Customer Margin that supports each Segregated Indirect Participant's Transactions. The Corporation shall only use that portion (i) to secure the Transactions of such Segregated Indirect Participant recorded in the corresponding Segregated Indirect Participants Account and satisfy payment and delivery obligations owing to the Corporation (including liquidating or otherwise using such Segregated Customer Margin to obtain relevant cash or securities) in connection with a default in respect of such Transactions; and (ii) for investment in U.S. Treasury securities with a maturity of one year or less. The Corporation may not use Segregated Customer Margin supporting one Segregated Indirect Participant's Transactions to secure or satisfy payment or delivery obligations in connection with another Segregated Indirect Participant's Transactions or any other Transactions of any other person.

#### Section 6 – Application of Clearing Fund Deposits and Other Amounts to Defaulting Members' Obligations

Any loss or liability incurred by the Corporation as the result of the failure of a Defaulting Member to fulfill its obligations to the Corporation shall be satisfied as set forth in this Section 6.

The Corporation shall apply (a) any Clearing Fund deposits, Funds-Only Settlement Amounts, and any other collateral or assets held by the Corporation securing such Defaulting Member's obligations to the Corporation, (b) any proceeds of any of the foregoing, and (c) the following additional resources set forth in paragraphs (i) and (ii) below as are applicable to the Defaulting Member:

- (i) If the Defaulting Member is a Cross-Margining Participant, the Corporation shall apply any amounts available from an FCO under a Cross-Margining Guaranty either upon receipt or at the time described in Section 5(b) of Rule 43.
- (ii) If the Defaulting Member is a Cross-Guaranty Defaulting Member, the Corporation shall apply any amounts available under a Cross-Guaranty Agreement (subject to an applicable Cross-Margining Agreement) either upon receipt or at the time described in Section 3(b) of Rule 41.

If the Corporation applies a Defaulting Member's Clearing Fund deposits as permitted by this Rule, the Corporation may take any and all actions with respect to the Defaulting Member's Actual Deposit, including the assignment, transfer, and sale of any Eligible Clearing Fund Securities, that the Corporation determines is appropriate.

In the event that the Corporation makes a payment to an FCO under a Cross-Margining Guaranty and the Cross-Margining Participant that incurs a Reimbursement Obligation representing the amount of such payment fails to promptly satisfy the Reimbursement Obligation, the Corporation may in its discretion, and without treating such Cross-Margining Participant as a Defaulting Member, treat such payment as a loss to be allocated in accordance with this Section and Section 7 of this Rule.

#### Section 7 – Loss Allocation Waterfall, Off-the-Market Transactions

For the purposes of this Rule, the following terms shall have the following meanings:

“Defaulting Member” shall mean a Member for which the Corporation has ceased to act pursuant to Rule 21 or Rule 22.

“Defaulting Member Event” shall mean the determination by the Corporation to cease to act for a Member pursuant to Rule 21 or Rule 22.

“Declared Non-Default Loss Event” shall mean the determination by the Board of Directors that a loss or liability incident to the clearance and settlement business of the Corporation may be a significant and substantial loss or liability that may materially impair the ability of the Corporation to provide clearance and settlement services in an orderly manner and will potentially generate losses to be mutualized among Members in order to ensure that the Corporation may continue to offer clearance and settlement services in an orderly manner.

Each Member shall be obligated to the Corporation for the entire amount of any loss or liability incurred by the Corporation arising out of or relating to any Defaulting Member Event with respect to such Member. To the extent that such loss or liability is not satisfied pursuant to Section 6 of this Rule 4, the Corporation shall apply a Corporate Contribution thereto and charge the remaining amount of such loss or liability ratably to other Members, as further provided below.

If the Corporation incurs a loss or liability arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, the Corporation shall address the loss or liability as follows:

The Corporation shall apply the Corporate Contribution to losses and liabilities that arise out of or relate to one or more Defaulting Member Events and/or Declared Non-Default Loss Events that occur within an Event Period. If losses and liabilities with respect to such Event Period remain unsatisfied following application of the Corporate Contribution, the Corporation shall allocate such losses and liabilities to Members, subject to the requirements and limitations below.

If the loss or liability with respect to an Event Period results from one or more Defaulting Member Events, the Corporation shall determine the amount of such loss or liability that is attributable to Tier One Netting Members and the amount of such loss or liability that is attributable to Tier Two Members. If the loss or liability with respect to an Event Period results from one or more Declared Non-Default Loss Events, the amount of such loss or liability shall be attributable to Tier One Netting Members. Tier Two Members shall not be subject to loss allocation with respect to Declared Non-Default Loss Events.

To the extent that a loss or liability of the Corporation is determined by the Corporation to arise in connection with the close-out or liquidation of an Off-the-Market Transaction in the portfolio of a Defaulting Member, it shall be allocated directly and entirely to the Member that was the counterparty to such Off-the-Market Transaction.

No loss allocation under this Rule shall constitute a waiver of any claim the Corporation may have against a Member for any losses or liabilities, including, without limitation, any loss or liability to which the Member is subject under these Rules. If the Corporation allocates losses or liabilities pursuant to this Rule and subsequently recovers amounts against such allocated losses or liabilities, in whole or in part, the net amount of the recovery shall be credited to the Persons, including the Corporation, against whom the losses were charged in proportion to the amounts charged against them.

### **Tier One Netting Members**

Defaulting Member Events and/or Declared Non-Default Loss Events that occur within a period of ten (10) Business Days (hereinafter, an “Event Period”) shall be grouped together for purposes of applying the limits on loss allocation set forth in this Rule.

In the case of a Defaulting Member Event, an Event Period begins on the day the Corporation notifies Members that it has ceased to act for the Defaulting Member (or the next Business Day, if such day is not a Business Day).

In the case of a Declared Non-Default Loss Event, an Event Period begins on the day that the Corporation notifies Members of the Declared Non-Default Loss Event (or the next Business Day, if such day is not a Business Day), which notification shall be issued promptly following any such determination. If a subsequent Defaulting Member Event or Declared Non-Default Loss Event occurs during an Event Period, any losses or liabilities arising out of or relating to any such subsequent event shall be resolved as losses or liabilities that are part of the same Event Period, without extending the duration of such Event Period.

Each Tier One Netting Member that is a Tier One Netting Member on the first day of an Event Period shall be obligated to pay its pro rata share of losses and liabilities arising out of or relating to each Defaulting Member Event (other than a Defaulting Member Event with respect to which it is the Defaulting Member) and each Declared Non-Default Loss Event occurring during the Event Period. Any Tier One Netting Member for which the Corporation ceases to act on a non-Business Day, triggering an Event Period that commences on the next Business Day, shall be deemed to be a Tier One Netting Member on the first day of that Event Period.

A loss allocation “round” means a series of loss allocations relating to an Event Period, the aggregate amount of which is limited by the sum of the Loss Allocation Caps of affected Tier One Netting Members (a “round cap”). When the aggregate amount of losses allocated in a round equals the round cap, any additional losses relating to the applicable Event Period would be allocated in one or more subsequent rounds, in each case subject to a round cap for that round. The Corporation may continue the loss allocation process in successive rounds until all losses from the Event Period are allocated among Tier One Netting Members who have not submitted a Loss Allocation Withdrawal Notice in accordance with Section 7b of this Rule.

Each loss allocation shall be communicated to Tier One Netting Members by the issuance of a notice that advises the Tier One Netting Members of the amount being allocated to them (hereinafter, the “Loss Allocation Notice”). Each Tier One Netting Member’s pro rata share of losses and liabilities to be allocated in any round shall be equal to (i) the average of its Required Fund Deposit for the seventy (70) Business Days preceding the first day of the applicable Event Period or such shorter period of time that the Tier One Netting Member has been a Tier One Netting Member (each Tier One Netting Member’s “Average RFD”), divided by (ii) the sum of Average RFD amounts of all Tier One Netting Members subject to loss allocation in such round.

Each Loss Allocation Notice shall specify the relevant Event Period and the round to which it relates. The first Loss Allocation Notice in any first, second, or subsequent round shall expressly state that such Loss Allocation Notice reflects the beginning of the first, second, or subsequent round, as the case may be, and that each Tier One Netting Member in that round has five (5) Business Days from the issuance of such first Loss Allocation Notice for the round to notify the Corporation of its election to withdraw from membership pursuant to Section 7b of this Rule, and thereby benefit from its Loss Allocation Cap. The “Loss Allocation Cap” of a Tier One Netting Member shall be equal to the greater of (x) its Required Fund Deposit on the first day of the applicable Event Period and (y) its Average RFD.

After a first round of loss allocations with respect to an Event Period, only Tier One Netting Members that have not submitted a Loss Allocation Withdrawal Notice in accordance with Section 7b of this Rule shall be subject to further loss allocation with respect to that Event Period.

Notwithstanding the foregoing, however, an Inter-Dealer Broker Netting Member with respect to activity in its Broker Account(s), shall not be subject to an aggregate loss allocation in an amount greater than \$5 million pursuant to this Section 7 for losses and liabilities resulting from an Event Period.

For purposes of calculating the pro rata share of losses and liabilities and the Loss Allocation Cap pursuant to the previous paragraph, the Corporation shall not count toward a Tier One Netting Member’s Required Fund Deposit any increased Clearing Fund deposit that the Tier One Netting Member may be subject to pursuant to Section 2(d) of this Rule.

Tier One Netting Members shall pay to the Corporation the amount specified in any first round Loss Allocation Notice on the second Business Day after the Corporation issues any such notice. Tier One Netting Members shall pay to the Corporation the amount specified in any subsequent round Loss Allocation Notice on the second Business Day after the Corporation issues such notice, unless the Tier One Netting Member has timely notified (or will timely notify) the Corporation of its election to withdraw from membership with respect to a prior loss allocation round, pursuant to Section 7b of this Rule.

To the extent that a Tier One Netting Member’s Loss Allocation Cap exceeds the Tier One Netting Member’s Required Fund Deposit on the first day of the applicable Event Period, the Corporation may, in its discretion, retain any excess amounts on deposit from the Tier One Netting Member, up to the Tier One Netting Member’s Loss Allocation Cap.

If a Tier One Netting Member fails to make payment to the Corporation in respect of a Loss Allocation Notice by the time such payment is due, the Corporation shall have the right to proceed against such Tier One Netting Member as a Defaulting Member that has failed to satisfy an obligation in accordance with Section 6 of this Rule.

If a Tier One Netting Member notifies the Corporation of its election to withdraw from membership pursuant to Section 7b of this Rule, the Tier One Netting Member shall comply with the provisions of Section 7b of this Rule. If, after notifying the Corporation of its election to withdraw from membership pursuant to Section 7b of this Rule, the Tier One Netting Member fails to comply with the provisions of Section 7b of this Rule, its notice of withdrawal shall be deemed void and any further losses resulting from the applicable Event Period may be allocated against it as if it had not given such notice.

A Tier One Netting Member that elects to withdraw pursuant to Section 7b of this Rule shall not be eligible to re-apply to become a Comparison-Only Member or a Netting Member unless, prior to submitting such application, it makes the payment(s) to the Corporation that would have been due pursuant to Section 7 of this Rule as if the Tier One Netting Member had not withdrawn, together with interest on that amount at the average of the Federal Funds Rate plus one percent, calculated from the date on which the Event Period began.

## **Tier Two Members**

To the extent there is a loss or liability payable by Tier Two Members, such loss or liability shall be allocated to Tier Two Members.

If the Tier Two Members are not CCIT Members (hereinafter, the “Tier Two Non-CCIT Members”), the allocation will be based upon their trading activity with the Defaulting Member that resulted in a loss or liability. The Corporation shall assess such loss or liability against the Tier Two Non-CCIT Members ratably based upon their loss or liability as a percentage of the entire amount of the loss or liability attributable to such Tier Two Non-CCIT Members. Such Tier Two Non-CCIT Members with a bilateral liquidation profit will not be allocated any portion of the loss or liability otherwise attributable to Tier Two Members.

If the Tier Two Members are CCIT Members (hereinafter, the “Tier Two CCIT Members”), the allocation will be based upon their open trading activity with the Defaulting Member that resulted in a loss or liability. The Corporation shall assess such loss or liability against the Tier Two CCIT Members ratably based upon a percentage of the loss or liability attributable to each Tier Two CCIT Member’s specific Generic CUSIP that it had open with the Defaulting Member. Such Tier Two CCIT Members with a bilateral liquidation profit will not be allocated any portion of the loss or liability otherwise attributable to Tier Two Members.

If a Tier Two Member fails to make payment to the Corporation in respect of a Loss Allocation Notice by the time such payment is due, the Corporation shall have the right to proceed against such Tier Two Member as a Defaulting Member that has failed to satisfy an obligation in accordance with Section 6 of this Rule.

### Section 7a – Corporate Contribution

For any loss allocation pursuant to Section 7 of this Rule, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, the Corporation’s corporate contribution to losses or liabilities that are incurred by the Corporation with respect to an Event Period (hereinafter, the “Corporate Contribution”) shall be an amount that is equal to fifty (50) percent of the amount calculated by the Corporation in respect of its General Business Risk Capital Requirement as of the end of the calendar quarter immediately preceding the Event Period. The Corporation’s General Business Risk Capital Requirement, as defined in its Clearing Agency Policy on Capital Requirements, is, at a minimum, equal to the regulatory capital that the Corporation is required to maintain in compliance with Rule 17Ad-22(e)(15) under the Exchange Act. If the Corporate Contribution is applied by the Corporation against a loss or liability relating to an Event Period, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, the Corporate Contribution for any subsequent Event Periods occurring during the two hundred fifty (250) Business Days thereafter shall be reduced to the remaining unused portion of the Corporate Contribution amount that applied for the first Event Period. The Corporation shall notify Members of any such reduction to the Corporate Contribution. The Corporation shall maintain one Corporate Contribution, the amount of which is available to both the Government Securities Division and the Mortgage-Backed Securities Division, and would be applied against a loss or liability in either Division in the order in which such loss or liability occurs. In the event of a loss or liability relating to an Event Period, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, attributable to only one Division, the Corporate Contribution shall be applied to that Division up to the amount then available. If a loss or liability relating to an Event Period, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, occurs simultaneously at both Divisions, the Corporate Contribution shall be applied to the respective Division in the same proportion that the aggregate Average RFDs of all members in that Division bears to the aggregate Average RFDs of all members in both Divisions.

Nothing in these Rules shall prevent the Corporation from voluntarily applying amounts greater than the Corporate Contribution against any loss or liability of the Corporation, whether arising out of or relating to a Defaulting Member Event or a Declared Non-Default Loss Event, if the Board of Directors, in its sole discretion, believes such to be appropriate under the factual situation existing at the time.

### Section 7b – Withdrawal Following Loss Allocation

If a Tier One Netting Member timely notifies the Corporation of its election to withdraw from membership in respect of a loss allocation round as set forth in Section 7 of this Rule (hereinafter, the “Loss Allocation Withdrawal Notice”), the Tier One Netting Member shall:

- (i) specify in the Loss Allocation Withdrawal Notice an effective date for its withdrawal from membership, which date shall not be prior to the scheduled final settlement date of any remaining obligation owed by the Tier One Netting Member to the Corporation, unless otherwise approved by the Corporation; and



- (ii) as of the time of such Tier One Netting Member's submission of the Loss Allocation Withdrawal Notice to the Corporation, cease submitting transactions to the Corporation for processing, clearance or settlement, unless otherwise approved by the Corporation.

A Tier One Netting Member that withdraws in compliance with the requirements of this section shall nevertheless remain obligated for its pro rata share of losses and liabilities with respect to any Event Period for which it is otherwise obligated hereunder; however, its aggregate obligation shall be limited to the amount of its Loss Allocation Cap (as fixed in the round for which it withdrew).

If the Tier One Netting Member fails to comply with the requirements in this section, its Loss Allocation Withdrawal Notice will be deemed void, and the Tier One Netting Member will remain subject to further loss allocations pursuant to Section 7 of this Rule as if it had not given such Loss Allocation Withdrawal Notice.

#### Section 8 – Return of Members' Clearing Fund Deposits

If a Member gives notice to the Corporation of its election to withdraw from membership, the Member's Actual Deposit in the form of (i) cash or securities shall be returned to it within thirty (30) calendar days and (ii) Eligible Letters of Credit shall be returned to it within ninety (90) calendar days, after all of its transactions have settled and all matured and contingent obligations to the Corporation for which the Member was responsible while a Member have been satisfied.

Notwithstanding anything else contained in these Rules, the Corporation may retain an amount equal to any Cross-Guaranty Repayment Deposit and/or Cross-Margining Repayment Deposit of any Member until such time as the Corporation determines that such Member is no longer liable to the Corporation under Rule 41 "Cross Guaranty Agreements" and/or Rule 43 "Cross-Margining Arrangements", to reimburse the Corporation for any Cross-Guaranty Repayment or Cross-Margining Repayment, respectively, that the Corporation may be obligated to make under any relevant Cross-Guaranty Agreement or Cross-Margining Agreement.

#### Section 9 – Initial Required Fund Deposit and Segregated Customer Margin Requirement and Changes in Members' Required Fund Deposit and Segregated Customer Margin Requirements

The initial Required Fund Deposit and Segregated Customer Margin Requirement (if applicable) of a Netting Member shall be required to be deposited into the Clearing Fund or deposited with the Corporation no later than 5 Business Days prior to the Business Day on which such Person becomes a Netting Member in accordance with the Corporation's procedures.

A Netting Member must increase the amount of its deposit to the Clearing Fund (by the deposit of cash, Eligible Netting Securities, and/or Eligible Letters of Credit subject to the requirements of this Rule) and deposit Segregated Customer Margin by the Required Fund Deposit Deadline on any Business Day that such Netting Member's Actual Deposit or Segregated Customer Margin is less than its Required Fund Deposit or Segregated Customer Margin Requirement, as applicable, as set forth in the Report listing such, subject to the conditions included in this Rule 4. If there is an increase in a Netting Member's Required Fund Deposit or Segregated Customer Margin Requirement, at the time the increase becomes effective, the Netting Member's obligations to the Corporation shall be determined in accordance with the increased

Required Fund Deposit or Segregated Customer Margin Requirement whether or not the Netting Member has satisfied such increased amount.

If the Corporation applies a Netting Member's Clearing Fund deposits as permitted pursuant to this Rule, the Corporation may take any and all actions with respect to the Netting Member's Actual Deposit, including assignment, transfer, and sale of any Eligible Clearing Fund Securities, that the Corporation determines is appropriate. If such application or the use of any Segregated Customer Margin in accordance with these Rules results in any deficiency in the Netting Member's Required Fund Deposit or Segregated Customer Margin Requirement, the Netting Member shall immediately replenish it. If the Netting Member fails to do so, the Corporation may take disciplinary action against such Netting Member pursuant to Rule 21 or Rule 48. Any disciplinary action that the Corporation takes pursuant to Rule 21 or Rule 48 or the voluntary or involuntary cessation of membership shall not affect the Netting Member's obligations to the Corporation or any remedy to which the Corporation may be entitled under applicable law.

The Corporation retains discretion to extend the Required Fund Deposit Deadline on any Business Day if there are operational or system difficulties that would reasonably prevent Members from satisfying Required Fund Deposit or Segregated Customer Margin Requirement deficits by the time specified in the Corporation's procedures.

Notwithstanding the foregoing, the Corporation may require a Netting Member or Netting Members generally to deposit additional amounts to their Clearing Fund deposit on an intraday basis if the Corporation believes such action is necessary to protect itself and its Members.

#### Section 10 – Excess Clearing Fund Deposits or Segregated Customer Margin

The Corporation shall determine, twice each Business Day whether the amount deposited by a Member in the Clearing Fund is in excess of its Required Fund Deposit ("Excess Clearing Fund Deposit"); and shall separately determine whether the amount of Segregated Customer Margin supporting a Segregated Indirect Participant's Transactions is in excess of the Segregated Customer Margin Requirement for such Segregated Indirect Participant ("Excess Segregated Customer Margin"). On any day that the Corporation has determined that an Excess Clearing Fund Deposit or Excess Segregated Customer Margin exists, the Corporation will, in the form and manner required by the Corporation, notify each such Member of such excess.

The provisions of this section shall not limit the rights or remedies of the Corporation as provided in Section 7 of Rule 3.

(a) Subject to the Corporation's rights under these Rules to require additional amounts to be deposited by a Member, upon a Member's request, and in accordance with such procedures as the Corporation may set forth from time to time, the Corporation shall return to the Member its Excess Clearing Fund Deposits (subject to the minimum amount of cash required to be maintained in the Clearing Fund) and/or pledged Eligible Clearing Fund Securities (valued at their collateral value on the day of such withdrawal) as the Member requests. Notwithstanding the foregoing, at the discretion of the Corporation, some or all of the Excess Clearing Fund Deposit may not be returned if the Member has an outstanding payment obligation to the Corporation, if the

Corporation determines that the Member's anticipated Funds-Only Settlement Amounts or Net Settlement Positions in the near future may reasonably be expected to be materially different than those of the recent past, or if the Member is on the Watch List.

In addition, the return of an Excess Clearing Fund Deposit amount to any Member is subject to the following limitations: (1) such return of Excess Clearing Fund Deposit shall not be done in a manner that would cause the Member to violate any other Section of these Rules; (2) Excess Clearing Fund Deposit shall not be returned to a Member to the extent that such return would reduce the amount of the Member's Cross-Guaranty Repayment Deposit to the Clearing Fund below the amount required to be maintained pursuant to Section 4 of Rule 41; and (3) Excess Clearing Fund Deposit shall not be returned to a Member to the extent that such return would reduce the amount of the Member's Cross-Margining Repayment Deposit to the Clearing Fund below the amount required to be maintained pursuant to Section 6 of Rule 43.

(b) Upon a Member's request, and in accordance with such procedures as the Corporation may set forth from time to time, the Corporation shall return to the Member its Excess Segregated Customer Margin subject to the minimum amount of cash or Eligible Clearing Fund Securities required to be maintained pursuant to the Rules (valued at their collateral value on the day of such withdrawal) as the Member requests. Except to the extent required by applicable law or authorized by the SEC, the Corporation shall not retain Excess Segregated Customer Margin due to any obligations of the Member unrelated to a Segregated Indirect Participants Account of such Member.

Notwithstanding the foregoing, the Corporation may, at its discretion, retain some or all of the Excess Segregated Customer Margin if the Member has an outstanding payment or margin obligation to the Corporation with respect to the Transactions of any Segregated Indirect Participant; provided, however, that the Corporation shall no longer retain the Excess Segregated Customer Margin with respect to the Transactions of a Segregated Indirect Participant when the Corporation has determined, in its sole discretion, that such outstanding payment or margin obligation is unrelated to the Transactions of that Segregated Indirect Participant.

#### Section 11 – Corporation's Authority to Pledge and Assign

In furtherance of the rights of the Corporation pursuant to these Rules, the Corporation shall have full power and authority to pledge, repledge, hypothecate, transfer, create a security interest in, or assign any and all Actual Deposits and any proceeds thereof for the purpose of securing loans made to the Corporation (the party making any such loan to the Corporation hereinafter referred to as the "Lender"); provided that the proceeds of such loans are used for a purpose permissible under Section 3 and Section 5 of this Rule. Such loans shall be on terms and conditions deemed necessary or advisable by the Corporation (including collateralization thereof) in its sole discretion, and may be in amounts greater, and extend for periods of time longer, than the obligations, if any, of any Member to the Corporation for which such property and Eligible Letters of Credit (if any) were pledged to or deposited with the Corporation. Notwithstanding the above, the Corporation shall remain obligated to each such Member to return, and to allow substitution for or withdrawal of, cash, and Eligible Clearing Fund Securities, and Eligible Letters of Credit (if any) pledged or deposited by such Member as a Clearing Fund deposit, or otherwise to collateralize such Member's obligations to the Corporation, under the circumstances and within

the timeframes specified in these Rules. In the event of any conflict or inconsistency between this Rule 4 and any agreement between the Corporation and any Member, this Rule 4 shall govern and prevail.

Section 12 – Clearance and Settlement Business of the Corporation

For purposes of this Rule 4, references to the clearance and settlement business of the Corporation shall include its business as a Securities Intermediary.

## **RULE 5 – COMPARISON SYSTEM**

### Section 1 – General

Trade comparison, which consists of the reporting, validating, and, in some cases, matching by the Corporation of the long and short sides of a securities trade, including a Repo Transaction, to ensure that the details of such trade are in agreement between the parties, is the first step in the clearance and settlement process for securities transactions. A Member of the Comparison System must submit to the Corporation for comparison trade data on all of its trades that are of the type processed by the Corporation (including trades executed and settled on the same day), calling for delivery of Eligible Securities, between it or an Executing Firm on whose behalf it is acting, and another Member or an Executing Firm on whose behalf it or another Member is acting. If the Corporation determines that a Comparison-Only Member has, without good cause, violated its obligations pursuant to this section, such Comparison-Only Member may be reported to the appropriate regulatory body, placed on the Watch List and/or subject to an additional fee. In addition, the Corporation may discipline a Comparison-Only Member for a violation of this section in accordance with Rule 48.

Trade data may be entered via any means permitted by the Corporation, and must include such identifying detail as the Corporation may require. As trade data are submitted to the Corporation, the Corporation shall generate output indicating that such trade data: (1) is compared, (2) is uncomparing, (3) comparison is requested with regard to an advisory, and/or (4) has been deleted from the Comparison System.

### Section 2 – Three Types of Comparison

Trade data may be submitted to the Corporation for Bilateral Comparison (Rule 6A), Demand Comparison (Rule 6B), or Locked-In Comparison (Rule 6C).

### Section 3 – Trade Submission Communication Methods

Trade data may be submitted to the Corporation using the Interactive Submission Method, the Multiple Batch Submission Method, or the Single Batch Submission Method. Members and other authorized submitters must use the trade submission method(s) required by the Corporation with respect to each type of comparison.

### Section 4 – Submission Size Alternatives

The following requirements shall apply to all trades that are submitted to the Corporation by a Member.

A trade with a par value of \$50 million or less must be submitted to the Corporation in the full size and in the exact amount in which the trade was executed. Trades for over \$50 million must be submitted in an equivalent number of \$50 million trades and a single tail for the remaining amount.

Notwithstanding the above: (i) GCF Repo Transactions and Sponsored GC Trades must be submitted exactly as executed, and (ii) when the Corporation deems it appropriate and advises

Members of such, Members using the Interactive Submission Method may submit Full-Sized Trades exactly as executed, for amounts over \$50 million.

The Corporation may discipline a Member for a violation of this section in accordance with Rule 48.

#### Section 5 – General Responsibilities of Members in the Comparison System

Trade data submitted to the Corporation by a Member or on behalf of a Member by an authorized submitter shall be submitted in the form and manner, and in accordance with the timeframes, prescribed by, or pursuant to, these Rules or otherwise by the Corporation.

The name of a Member printed, stamped or written on any form, document or other item issued by it pursuant to this Rule shall be deemed to have been adopted by it as its signature and shall be valid and binding upon it in all respects as though it had manually affixed its signature to such form, document or other item.

Each Member shall promptly review each Report it receives from the Corporation pursuant to this Rule. Any errors, omissions, or similar problems noted by a Member with respect to a Report must be promptly reported to the Corporation.

Any trade the data on which are submitted to the Corporation by a Member pursuant to these Rules which is not netted and settled through the Netting System pursuant to these Rules shall be settled directly between the parties. Notwithstanding the previous sentence, settlement of Same-Day Settling Trades shall be processed as per Section 11 of Rule 12.

#### Section 6 – Binding Nature of Comparisons

Comparisons generated by the Corporation, whether for data submitted on a yield basis or on a price basis, shall constitute the sole comparison for all trades in Eligible Securities for which Members have submitted data and which the Corporation has identified as Compared Trades. Each comparison generated by the Corporation as to any Compared Trade shall evidence a valid, binding and enforceable contract in respect of such Compared Trade. Any confirmations, comparison or other documentary evidence of any such Compared Trade, other than the comparison generated by the Corporation, shall not affect the existence or terms and conditions of such a valid, binding and enforceable contract in respect of such Compared Trade. Notwithstanding the previous sentence, the comparison by the Corporation of a trade involving unmatched commission amounts pursuant to the Rules, while evidencing a valid, binding, and enforceable contract between the parties to the trade to the same degree as if the commission amounts matched, shall not constitute a final, binding determination by the Corporation as to the correct commission amount owing on such trade. The Broker that submitted data on such trade shall have an ongoing obligation to the Dealer that submitted data on such trade to respond promptly to such Dealer's commission difference inquiries, and to act in good faith to promptly resolve any such alleged differences.

#### Section 7 – Deletion of Trade Data by the Corporation

Trade data submitted to the Corporation shall pend in the Comparison System until the data either is compared or is deleted by the Corporation in accordance with a schedule for such deletion

as is published by the Corporation from time to time, unless cancelled by Member or trade submitter action as provided for in these Rules.

#### Section 8 – Novation of Compared Trades

(a) Each Compared Trade that meets the requirements of Section 2 of Rule 11 and was entered into in good faith shall be Novated to the Corporation at the time at which comparison of such Compared Trade occurs pursuant to Rules 6A, 6B or 6C. Such Novation shall consist of the termination of the deliver, receive and related payment obligations between the Netting Members, or between a CCIT Member (or Joint Account) and a Netting Member, with respect to the Compared Trade (including, if such Compared Trade is a Repo Transaction, any Right of Substitution established by the parties) and their replacement with identical obligations to and from the Corporation in accordance with these Rules.

(b) Each Same-Day Settling Trade that becomes a Compared Trade and was entered into in good faith shall be Novated to the Corporation at the time at which the comparison of such trade occurs pursuant to Rules 6A or 6B, as applicable, provided the trade meets the requirements of Section 11(ii) of Rule 12. Such Novation shall consist of the termination of the deliver, receive and related payment obligations between the Netting Members and their replacement with identical obligations to and from the Corporation in accordance with these Rules.

(c) If a trade becomes uncomparing or is cancelled pursuant to these Rules, the deliver, receive, and related payment obligations between the Corporation and the Netting Members and, as applicable, CCIT Member (or Joint Account), created by the Novation of such trade shall be terminated and cancelled, and no amounts shall be owing between the Corporation and the Netting Members or CCIT Member (or Joint Account) on account of such trade. If a Compared Trade is modified pursuant to these Rules after Novation and such modification does not cause such trade to become uncomparing, such modification shall cause a corresponding modification to the deliver, receive and related payment obligations of the relevant Netting Members and, as applicable, CCIT Member (or Joint Account), to and from the Corporation.

(d) At the time a Compared Trade is Novated to the Corporation, such Compared Trade shall cease to be bound by any bilateral agreement between the parties to such Compared Trade with respect to the delivery, receive and related payment obligations. If a Compared Trade becomes uncomparing or is cancelled pursuant to these Rules, such trade shall be governed by the same bilateral agreement that governed the trade before it was Novated to the Corporation.

#### Section 9 – As-Of Trades

Data on As-Of Trades may be submitted for comparison at any time prior to the maturity date for the Eligible Securities that underlie the trade.

## **RULE 6A – BILATERAL COMPARISON**

### Section 1 – General

Bilateral Comparison requires the matching by the Corporation of data submitted by two Members (or by an authorized submitter of one or both Members). A Member of the Comparison System may submit to the Corporation for Bilateral Comparison trade data on any Transaction, prior to its maturity date, calling for delivery of Eligible Securities, between a Member of the Comparison System or an Executing Firm Customer on whose behalf it is acting, and another Member of the Comparison System or an Executing Firm Customer on whose behalf it or another Member is acting. The Corporation will, in accordance with these Rules, handle the comparison of Transactions reflected in the trade data so submitted to it.

In order for the Corporation to process a trade for Bilateral Comparison, the Corporation must receive data from the long and short sides of the trade (or, if one or both of the counterparties are not Members or are Sponsored Members, the Corporation must receive the data from the Agent Clearing Member(s) or Sponsoring Members acting on its or their behalf). For a Bilateral Comparison to be generated by the Corporation, except as otherwise provided in Rule 10, Rule 22A, the Schedule of Required Match Data, or the Schedule of Money Tolerances, there must be an exact match of all Required Match Data submitted on the trade, except for contra-participant identifying information if the Corporation, acting upon the request of, and with instructions deemed appropriate by the Corporation from, a Member translates an internal contra-party identifying number submitted by such Member to a standard Member identification number established by the Corporation. Except as otherwise provided in Rule 10, if there is a money difference in a Required Match Data item within the tolerance specifications set by the Corporation in the Schedule of Money Tolerances that are relevant to the trade, the Corporation shall accept the delivering party's amount. Notwithstanding anything to the contrary in the previous sentence, the Corporation, in its sole discretion, may establish minimum amounts, maximum amounts, and other parameters for the acceptance of data submitted to the Corporation.

Items identified as uncomparing by the Corporation reflect trades submitted by a Member for which the counterparty Member either did not submit data or did not submit data which matched in all respects, except as otherwise provided in these Rules. Comparison requested (advisory) data represents trades submitted by another Member against a Member.

### Section 2 – Submission Method Requirements

Trade data may be submitted to the Corporation for Bilateral Comparison using the Interactive Submission Method, Multiple Batch Submission Method, or Single Batch Submission Method. A Member may use a different submission method than its counterparty or the Agent Clearing Member acting on the counterparty's behalf.

### Section 3 – Cancellation and Modification of Trade Data by Members

A Member that has submitted to the Corporation trade data for Bilateral Comparison that have not been compared may cancel such data from the Comparison System, or may modify such



data, by providing appropriate instructions to the Corporation, pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose.

Trade data submitted for Bilateral Comparison that have been compared may be cancelled from the Comparison System upon receipt by the Corporation of appropriate instructions, submitted pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose, from both Members that submitted data on the trade.

Trade data submitted for Bilateral Comparison that have been compared may be modified upon receipt by the Corporation of appropriate instructions, submitted pursuant to the communication links, formats, timeframes, and deadlines established by the Corporation for such purpose, from both Members that submitted data on the trade, except that a Compared Trade cannot be modified unilaterally by a Member if the modification would cause the trade to become uncomparing.

#### Section 4 – Timing of Comparison

The comparison of trade data submitted to the Corporation for Bilateral Comparison shall be deemed to have occurred at the point in time at which the Corporation makes available to the Members on both sides of the Transaction a Report indicating that such trade data have been compared.

## **RULE 6B – DEMAND COMPARISON**

### Section 1 – General

In order for the Corporation to process a trade for Demand Comparison, the Corporation must receive the trade data from a Demand Trade Source.

The Corporation has designated the Repo Brokers as Demand Trade Sources with respect to Brokered Repo Transactions (other than GCF Repo Transactions) that are submitted to the Corporation by the deadline established for this purpose in the Schedule of Timeframes. Brokered Repo Transactions (other than GCF Repo Transactions) submitted by the deadline noted in the previous sentence will be processed for Demand Comparison. With respect to such transactions, Repo Parties remain subject to Section 1 of Rule 5 which requires the Repo Party to also submit the transaction data to the Corporation. Brokered Repo Transactions submitted after the deadline noted in the first sentence of this paragraph will be processed for Bilateral Comparison.

### Section 2 – Authorization of Transmission and Receipt by the Corporation of Data on Demand Trades

With the exception of Brokered Repo Transactions (other than GCF Repo Transactions) that are required to be submitted for Demand Comparison as per Section 1 of this Rule, each Member that wishes to have a Demand Trade Source submit trade data on its behalf shall provide the Corporation, prior to the time of the making of such Demand Trade and in the form and manner required by the Corporation, with authorization for the Corporation to receive from the Demand Trade Source data on the Demand Trade. The Corporation shall not accept data from a Demand Trade Source with regard to a Member unless the Corporation previously has received such authorization from such Member.

Moreover, each Member that makes a Demand Trade shall provide the Demand Trade Source, prior to or at the time of the making of such Demand Trade and in the form and manner required by such Demand Trade Source, with sufficient authorization for the Demand Trade Source to transmit to the Corporation such data on the Demand Trade as the Corporation deems necessary.

### Section 3 – Submission Requirements

A Demand Trade shall be eligible for comparison by the Corporation if the submission contains all of the required data and is submitted pursuant to communications links, formats, timeframes, and deadlines established by the Corporation for such purpose. A Demand Trade Source must submit data on Demand Trades to the Corporation using the computer-to-computer Interactive Submission Method or such other means as the Corporation shall require from time to time after providing appropriate notice to Members.

### Section 4 – DK Notices

A Member may transmit a DK Notice to the Corporation with respect to a Demand Trade that has been submitted to the Corporation on the Member's behalf and which the Member believes

is invalid or incorrect. The receipt of a DK Notice by the Corporation with respect to a Demand Trade in the form and manner, and within the applicable timeframe for such, as established by the Corporation, shall cause the trade to become uncomparated. A Member who does not submit a DK Notice with respect to a Demand Trade remains responsible for such trade under these Rules.

A Member that transmitted a DK Notice erroneously with respect to a trade submitted for Demand Comparison may withdraw the DK Notice in order to enable comparison. Such withdrawal of a DK Notice must be made in the form and manner, and within the applicable timeframe for such, as established by the Corporation for such purpose.

#### Section 5 – Modification and Cancellation of Data

A Demand Trade Source that has submitted trade data to the Corporation for Demand Comparison may have such data cancelled from the Comparison System, or may modify such data, by providing appropriate instructions to the Corporation, in the form and manner, and within the applicable timeframe for such, as established by the Corporation for such purpose. Such unilateral modification or cancellation on the part of the Demand Trade Source may be made only until such time as the trade has been matched in the Corporation's real-time trade matching system or the Member receives comparison output from the Corporation.

A Demand Trade Source may modify a trade against which a DK Notice has been submitted in order to enable comparison. Such modification must occur by use of the appropriate instruction and within the applicable timeframe for such, as established by the Corporation for such purpose.

#### Section 6 – Reporting of Demand Trades

Data on Demand Trades shall be reported by the Corporation to Members as part of its Comparison System output with an indication that such data have been received from a Demand Trade Source.

#### Section 7 – Discretion of the Corporation Not to Accept Data or to Modify, Add or Cancel Data

In its sole discretion, the Corporation may decline to accept from a Demand Trade Source data on the Demand Trades of a particular Member or Members.

Notwithstanding anything to the contrary in the Rules, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally modify, add, or cancel data on any Demand Trade.

#### Section 8 – Binding Nature of Comparison System Output on Demand Trades

Comparison System output made available by the Corporation on Demand Trades of a Member shall evidence a valid, binding and enforceable Compared Trade for purposes of these Rules, notwithstanding that such data may not be matched with corresponding data submitted to the Corporation by such Member.

### Section 9 – Timing of Comparison

The comparison of trade data submitted to the Corporation for Demand Comparison that meets the requirements set forth in this Rule shall be deemed to have occurred upon receipt of such trade data from the Demand Trade Source by the Corporation.

## **RULE 6C – LOCKED-IN COMPARISON**

### Section 1 – General

In order for the Corporation to process a trade for Locked-In Comparison, the Corporation must receive the trade data from a Locked-In Trade Source.

### Section 2 – Authorizations of Transmission to and Receipt by the Corporation of Data on Locked-In Trades

Except with respect to Auction Purchases, which are governed by Section 3 of this Rule, each Member that wishes to have a Locked-In Trade Source submit trade data on its behalf shall provide the Corporation, prior to the time of the making of such Locked-In Trade and in the form and manner required by the Corporation, with authorization for the Corporation to receive from the Locked-In Trade Source data on the Locked-In Trade. The Corporation shall not accept data from a Locked-In Trade Source with regard to a Member unless the Corporation previously has received such authorization from such Member. With regard to GCF Repo Transactions, the Corporation shall not accept data from a GCF-Authorized Inter-Dealer Broker regarding any such GCF Repo Transaction unless the Corporation previously has received authorization to do so from each of the two GCF Counterparties to the GCF-Authorized Inter-Dealer Broker on such GCF Repo Transaction.

Moreover, each member that makes a Locked-In Trade shall provide the Locked-In Trade Source, prior to or at the time of the making of such trade and in the form and manner required by such Locked-In Trade Source, with sufficient authorization for the Locked-In Trade Source to transmit to the Corporation such data as the Corporation deems necessary on the Locked-In Trade.

### Section 3 – Authorizations of Transmission to and Receipt by the Corporation of Data on Netting-Eligible Auction Purchases

With respect to Treasury Department auctions, a Netting Member that makes a Netting-Eligible Auction Purchase shall provide the Corporation and the Federal Reserve Bank through which it makes such Auction Purchase, prior to the time of the making of such Auction Purchase and in the form and manner required by the Treasury Department or the Federal Reserve Bank, as fiscal agent of the United States, and agreed to by the Corporation, with authorization for the Federal Reserve Bank to transmit to the Corporation, and the Corporation to receive from the Federal Reserve Bank, data on the Member's Auction Purchase. The Corporation shall not accept data from the Federal Reserve Bank with regard to a Member, unless the Corporation previously has received this authorization from the Member.

### Section 4 – Submission Requirements

A Locked-In Trade shall be eligible for comparison by the Corporation if the submission contains all of the required data and is submitted pursuant to communications links, formats, time frames, and deadlines established by the Corporation for such purpose. Except with respect to Netting-Eligible Auction Purchases, GCF Repo Transactions, and any other type of locked-in arrangement exempted from this requirement by the Corporation, a Locked-In Trade Source must

submit data on Locked-In Trades using the computer-to-computer Interactive Submission Method or such other means as the Corporation shall require from time to time after providing appropriate notice to the Members.

#### Section 5 – GCF Repo Transactions

A GCF Repo Transaction shall be eligible for comparison by the Corporation subject to the following conditions: (a) the data on such GCF Repo Transaction are submitted to the Corporation by a GCF-Authorized Inter-Dealer Broker; (b) the data are submitted pursuant to communications links, formats, timeframes and deadlines established by the Corporation for such purpose; (c) the data submission meets the requirements set forth in the Schedule of Required and Other Data Submission Items for GCF Repo Transactions; (d) the data submission meets the authorization requirements of Section 2 of this Rule; (e) the data submission meets the netting-eligibility requirements provided for in Section 2 of Rule 11; and (f) each of the two GCF Counterparties that are the counterparties to the GCF-Authorized Inter-Dealer Broker on such GCF Repo Transaction has a clearing arrangement with a bank authorized by the Corporation for such purpose.

#### Section 6 – DK Notices

Except with respect to Netting-Eligible Auction Purchases, and GCF Repo Transactions, a Member may transmit a DK Notice to the Corporation with respect to a Locked-In Trade that has been submitted to the Corporation on its behalf and which the Member believes is invalid or incorrect. The receipt of a DK Notice by the Corporation with respect to a Locked-In Trade in the form and manner, and within the applicable timeframe for such, as established by the Corporation, shall be deemed to be a request for cancellation which the Corporation shall forward to the Locked-In Trade Source. The Corporation shall make such cancellation from the Comparison System only if it receives instructions from the Locked-In Trade Source to do so in the form and manner, and subject to the applicable timeframes for such, as established by the Corporation for such purpose. In response to a DK Notice, the Locked-In Trade Source may modify the trade data in order to remove the DK status.

A Member that transmitted a DK Notice erroneously with respect to a Locked-In Trade may withdraw the DK Notice, as long as the Locked-In Trade Source has not already cancelled the Locked-In Trade. Such withdrawal of a DK Notice must be made in the form and manner, and within the applicable timeframe for such, as established by the Corporation for such purpose.

#### Section 7 – Reporting of Locked-In Trades

Data on Locked-In Trades shall be reported by the Corporation to Members as part of its Comparison System output with an indication that such data have been received from a Locked-In Trade Source.

#### Section 8 – Discretion to not Accept Data

In its sole discretion, the Corporation may decline to accept from a Locked-In Trade Source data on the Locked-In Trades of a particular Member or Members, including Netting-Eligible

Auction Purchases (subject to applicable Treasury Department regulations regarding Netting-Eligible Auction Purchases).

#### Section 9 – Binding Nature of Comparison System Output on Locked-In Trades

Comparison System output made available by the Corporation on Locked-In Trades of a Member based on data received from a Locked-In Trade Source shall evidence a valid, binding and enforceable Compared Trade for purposes of these Rules, notwithstanding that such data are not matched with corresponding data submitted to the Corporation by such Member.

#### Section 10 – Modification and Cancellation of Data

A Locked-In Trade Source that has submitted to the Corporation trade data may have such data cancelled from the Comparison System, or may modify such data, by providing appropriate instructions to the Corporation, in the format and subject to the time schedules required by the Corporation.

A cancellation of a Locked-In Trade by a Locked-In Trade Source in response to a DK Notice submitted by a Member, as provided in the preceding paragraph or as provided below shall cause the trade to become uncomparing.

If the Locked-In Trade Source from which a Locked-In Trade derives is a party to such Locked-In Trade, the data on the Locked-In Trade may be cancelled from the Comparison System, or may be modified, only by the provision to the Corporation of appropriate instructions from the Locked-In Trade Source.

If the Locked-In Trade Source from which a Locked-In Trade derives is not a party to such Locked-In Trade, the data on the Locked-In Trade may be cancelled from the Comparison System, or modified, upon receipt by the Corporation, in the format and subject to the time schedules required by the Corporation, of appropriate, matching instructions from each Member that is, or is submitting on behalf of a party to such Locked-In Trade, and such matching instructions shall supersede any instructions to the contrary received by the Corporation from the Locked-In Trade Source.

This Section shall not apply to Netting-Eligible Auction Purchases or GCF Repo Transactions. The cancellation and modification of data regarding such Auction Purchases are governed by the provisions of Section 11 of this Rule. The affirmation, cancellation and modification of data regarding GCF Repo Transactions are governed by the provisions of Section 12 of this Rule.

Notwithstanding anything to the contrary in this Section, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally modify, add, or cancel data on any Locked-In Trade.

## Section 11 – Modification and Cancellation of Data on Netting-Eligible Auction Purchases and Related When Issued Transactions

A Federal Reserve Bank that has submitted data regarding a Netting-Eligible Auction Purchase to the Corporation may have such data cancelled from the Comparison System or may modify such data, by providing appropriate instructions to the Corporation. If a Federal Reserve Bank instructs the Corporation to cancel or modify data regarding a Netting-Eligible Auction Purchase, the Corporation shall promptly make available, in its Comparison System output, the cancellation or modification to the Member that made such Auction Purchase.

In addition, a Member that has made a Netting-Eligible Auction Purchase in connection with a Treasury Department auction may request, through the Corporation, that the appropriate Federal Reserve Bank cancel or modify the data regarding such Auction Purchase. The Corporation shall make such a Member-requested cancellation or modification to its Comparison System, only if it receives instructions from a Federal Reserve Bank to do so.

Any cancellation of a Netting-Eligible Auction Purchase pursuant to this section shall cause the Netting-Eligible Auction Purchase to become uncomparing.

The Corporation shall have the right to unilaterally modify, add or cancel data on any When Issued Transaction, in the event (i) a Treasury Department auction is cancelled or indefinitely postponed, (ii) the original Issue Date (settlement date) of a Treasury Department auction is changed, (iii) the original maturity date for a security auctioned or to be auctioned in a Treasury Department auction is changed, (iv) the original issuance amount in a Treasury Department auction is reduced, (v) a security auctioned in a Treasury Department auction that is the subject of a When Issued Transaction is not issued, or (vi) any event occurs with respect to a Treasury auction that creates an obligation to substitute securities or otherwise alter the terms of the trade pursuant to guidelines published by the Securities Industry and Financial Markets Association.

Notwithstanding anything to the contrary in this Section, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally modify, add, or cancel data on any Netting-Eligible Auction Purchase (subject to applicable Treasury Department regulations regarding Netting-Eligible Auction Purchases).

Notwithstanding anything to the contrary in this Section, in the event that a security auctioned in a Treasury Department auction is not issued, the Corporation shall have the authority to unilaterally modify, add, or cancel data on any Netting-Eligible Auction Purchase involving that security (subject to applicable Treasury Department regulations regarding Netting-Eligible Auction Purchases).

## Section 12 – Affirmation, Cancellation, and Modification Requirements for Data on GCF Repo Transactions

Upon receipt by the Corporation of data on a GCF Repo Transaction, the Corporation shall promptly provide each of the two GCF Counterparties with such data. Each GCF Counterparty shall have the obligation to review such data, and either affirm or cancel such data, within the timeframe, and pursuant to procedures, established by the Corporation for such purpose. If a GCF Counterparty affirms such data within the timeframe established by the Corporation for such



purpose, the GCF Repo Transaction shall remain compared by the Corporation. If a GCF Counterparty cancels such data within the timeframe established by the Corporation for such purpose, the GCF Repo Transaction shall be canceled and deleted by the Corporation.

If a GCF Counterparty does not either affirm or cancel such data within the timeframe established by the Corporation for such purpose, such GCF Counterparty shall be deemed to have affirmed such data. Should a GCF Repo Transaction be affirmed in this manner, the GCF-Authorized Inter-Dealer Broker that submitted data on such GCF Repo Transaction nonetheless shall have an ongoing obligation to the GCF-Counterparty to respond promptly to such GCF-Counterparty's inquiries regarding trade data errors, and to act in good faith to promptly resolve any such alleged errors.

During the time period between receipt by the Corporation of data on a GCF Repo Transaction and its affirmation pursuant to the above paragraph, such data may be unilaterally cancelled by either: (a) the GCF-Authorized Inter-Dealer Broker as regards either or both sides of the GCF Repo Transaction, or (b) a GCF Counterparty as regards the side of the GCF Repo Transaction involving it and the GCF-Authorized Inter-Dealer Broker.

After data on a GCF Repo Transaction has been affirmed, such data may be cancelled only by the combined action of the GCF-Authorized Inter-Dealer Broker and a GCF Counterparty as regards their side of the GCF Repo Transactions; one of the two parties must request a cancellation and the other must approve such request.

Any data input field on an unaffirmed GCF Repo Transaction may be modified unilaterally by a GCF-Authorized Inter-Dealer Broker. A GCF Counterparty may not modify any data on a GCF Repo Transaction except for the external reference number that has been assigned to such GCF Repo Transaction by the Corporation. If a GCF Counterparty modifies the external reference number that has been assigned to a GCF Repo Transaction by the Corporation, such action shall be the equivalent of an affirmation of the GCF Repo Transaction by such GCF Counterparty.

Notwithstanding anything to the contrary in this Section, the Corporation shall have the authority, in order to correct or avoid an error, to unilaterally correct, add, or cancel data on a GCF Repo Transaction.

Any cancellation of a GCF Repo Transaction pursuant to this section shall cause the GCF Repo Transaction to become uncomparing.

### Section 13 – Timing of Comparison

The comparison of trade data submitted to the Corporation for Locked-In Comparison that meets the requirements of this rule shall be deemed to have occurred upon the receipt of such trade data from the Locked-In Trade Source by the Corporation.

## **RULE 7 – REPO TRANSACTIONS**

### Section 1 – General

The comparison by the Corporation of Repo Transactions shall be subject to the special provisions of this Rule, which shall supersede any conflicting provisions of any other Rule, except, as regards Brokered Repo Transactions, the provisions of Rules 7 and 19.

### Section 2 – Comparison of General Collateral Repo Transactions

The comparison of General Collateral Repo Transactions shall be performed by the Corporation in the same manner as the comparison of all other Repo Transactions is performed pursuant to these Rules, except that: (a) the comparison of security type shall be based on a match of Generic CUSIP Numbers, and (b) there need not be a match of par amounts.

## **RULE 8 – AGENT CLEARING SERVICE**

### Section 1 – General

Notwithstanding anything to the contrary in these Rules, and subject to this Rule 8, a Netting Member that has qualified as an Agent Clearing Member pursuant to Section 2 below may submit to the Corporation trade data on any transaction calling for the delivery of Eligible Securities to which an Executing Firm Customer on whose behalf it is acting is a counterparty.

### Section 2 – Qualifications of Agent Clearing Members and the Application Process

(a) A Netting Member, other than an Inter-Dealer Broker Netting Member, shall be eligible to apply to become an “Agent Clearing Member” as such term is used in the Rules.

(b) Each applicant to be an Agent Clearing Member shall complete and deliver to the Corporation an application in such form as may be prescribed by the Corporation from time to time. In connection with such application, an applicant shall provide to the Corporation information regarding its customers, past and/or projected volumes of its customer activity, and its controls for monitoring and mitigating risks, including risks presented by those customers. The applicant shall be required to provide any other information that the Corporation reasonable requests.

(c) The Corporation may require that a Person be a Netting Member for a time period deemed necessary by the Corporation before that Person may be considered to become an Agent Clearing Member.

### Section 3 – Executing Firm Customer Relationships

(a) A Person shall be an “Executing Firm Customer”, as such term is used in the Rules, if an Agent Clearing Member submits to the Corporation on behalf of the Executing Firm Customer and in the manner described in this Rule 8 data on trades entered into by the Executing Firm Customer.

(b) Agent Clearing Members shall provide the following to the Corporation with respect to each Executing Firm Customer for which that Agent Clearing Member proposes to act pursuant to this Rule 8: (i) the legal entity name and executing firm symbol of the Executing Firm Customer; (ii) written authorization of the Executing Firm Customer authorizing the Agent Clearing Member to submit trade data to the Corporation on its behalf and the effective date of such authorization; (iii) an LEI for the Executing Firm Customer; (iv) confirmation that the Executing Firm Customer and the Agent Clearing Member have entered into an agreement that binds the Executing Firm Customer to the applicable provisions of the Rules, as required by paragraph (e) below; and (v) confirmation that the Executing Firm Customer understands, acknowledges and agrees to each of the Executing Firm Customer Acknowledgments set forth in, and as required by Section 6 of this Rule 8.

(c) The Corporation shall not act upon any instruction from an Agent Clearing Member on behalf of an Executing Firm Customer until it has received the information in this paragraph

from the Agent Clearing Member with respect to such Executing Firm Customer in a form acceptable to the Corporation, in its sole discretion, no later than 3 Business Days prior to the commencement of such Agent Clearing Member's initial data submission on behalf of such Executing Firm Customer.

(d) Each Agent Clearing Member shall provide the Corporation with an LEI for each of its Executing Firm Customers such that the Corporation shall have a current LEI for each Executing Firm Customer at all times. The Corporation shall have a current LEI for each Executing Firm Customer at all times. The Agent Clearing Member shall indemnify the Corporation, and its employees, officers, directors, shareholders, agents, and Members (collectively, the "LEI Indemnified Parties"), for any and all losses, liabilities, expenses and Legal Actions suffered or incurred by the LEI Indemnified Parties arising from an Agent Clearing Member's failure to have the current LEIs of its Executing Firm Customers on file with the Corporation. "Legal Action" means and includes any claim, counterclaim, demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation before any federal, state or foreign court or other tribunal, or any investigative or regulatory agency or self-regulatory organization.

(e) Subject to the provisions of the Rules, the Agent Clearing Service may be provided by an Agent Clearing Member to its Executing Firm Customers on any terms and conditions mutually agreed to by the Agent Clearing Member and such customers; provided, that each Agent Clearing Member shall, before providing the Agent Clearing Service to any Executing Firm Customer, enter into an agreement with that Executing Firm Customer that binds the Executing Firm Customer to the provisions of the Rules applicable to Agent Clearing Transactions and Executing Firm Customers.

(f) Nothing in the Rules shall prohibit an Agent Clearing Member from seeking reimbursement from an Executing Firm Customer for payments made by the Agent Clearing Member under the Rules, or as otherwise may be agreed between the Agent Clearing Member and the Executing Firm Customer.

(g) An Agent Clearing Member may provide written notice to the Corporation that it will no longer submit to the Corporation trades on behalf of an Executing Firm Customer.

#### Section 4 – Agent Clearing Transactions

Transactions that may be submitted by an Agent Clearing Member on behalf of its Executing Firm Customers shall include any type of transaction eligible for submission to the Corporation for comparison, netting and/or settlement calling for the delivery of Eligible Securities, with the exception of Netting Eligible Auction Purchases, GCF Repo Transactions and CCIT Transactions ("Agent Clearing Transactions").

#### Section 5 – Rights and Obligations of Agent Clearing Members

(a) An Agent Clearing Member shall be permitted to submit to the Corporation for Novation Agent Clearing Transactions entered into by one or more Executing Firm Customers on whose behalf it is acting as agent. Any such submission shall be in accordance with the Rules. Without limiting the generality of the foregoing, each Agent Clearing Member shall comply in all material respects with all applicable laws, including applicable laws relating to securities, taxation

and money laundering, as well as global sanctions laws, in connection with the use of the Corporation's services.

(b) The Agent Clearing Member shall act solely as agent of its Executing Firm Customers in connection with the clearing of Agent Clearing Transactions; provided, that the Agent Clearing Member shall remain fully liable for the performance of all obligations, financial or otherwise, to the Corporation arising in connection with Agent Clearing Transactions, including, for example, receiving all Reports and other information related to such Agent Clearing Transactions; and provided further, that the liabilities and obligations of the Corporation with respect to Agent Clearing Transactions shall extend only to the Agent Clearing Member. Without limiting the generality of the foregoing, the Corporation shall have no liability or obligation to any Executing Firm Customer, including, but not limited to, any liability or obligation arising out of or with respect to any Agent Clearing Transaction entered into by such Executing Firm Customer and submitted to the Corporation by the Agent Clearing Member.

(c) Except as expressly set forth herein, the obligations of the Agent Clearing Member under the Rules and any agreement between the Agent Clearing Member and the Corporation continue to apply to the same extent as such Rules and agreements apply to that Agent Clearing Member in its capacity as a Netting Member.

(d) An Agent Clearing Member that has submitted to the Corporation pursuant to these Rules an Agent Clearing Transaction on behalf of an Executing Firm Customer shall be obligated to the Corporation pursuant to these Rules (including, if the trade is netted and settled through the Netting System, as regards the calculation of payment of Required Fund Deposit and Funds-Only Settlement Amounts) in connection with such trade to the same degree as if the Agent Clearing Member itself had executed such trade.

(e) Each Agent Clearing Member shall submit to the Corporation, within the timeframes and in the formats required by the Corporation, the reports and information that all Netting Members are required to submit regardless of type of Netting Member and the reports and information required to be submitted for its respective type of Netting Member, all pursuant to Section 2 of Rule 3. Such reports and information shall include, for example, information regarding its Executing Firm Customers, projected volumes of Agent Clearing Transactions, and its controls for monitoring and mitigating risks, including risks presented by Executing Firm Customers.

#### Section 6 – Executing Firm Customer Acknowledgments

Each Agent Clearing Member on behalf of each of its Executing Firm Customers agrees that such Executing Firm Customer, by participating in and entering into Agent Clearing Transactions through the Agent Clearing Member, understands, acknowledges, and agrees that:

(a) the service provided by the Corporation with regard to the Agent Clearing Service will be subject to and governed by the Rules;

(b) the Rules shall govern the Novation of Agent Clearing Transactions, and at the time of Novation of an Agent Clearing Transaction, the Executing Firm Customer on whose behalf it was submitted will be bound by the Agent Clearing Transaction automatically and without any further action by the Executing Firm Customer or by its Agent Clearing Member, and the

Executing Firm Customer agrees to be bound by the applicable provisions of the Rules in all respects;

(c) the Corporation shall be under no obligation to deal directly with the Executing Firm Customer, and the Corporation may deal exclusively with the Executing Firm Customer's Agent Clearing Member;

(d) the Corporation shall have no obligations to the Executing Firm Customer with respect to any Agent Clearing Transactions submitted by an Agent Clearing Member on behalf of the Executing Firm Customer, including with respect to any payment or delivery obligations; and

(e) the Executing Firm Customer shall have no right to receive from the Corporation, or any right to assert a claim against the Corporation with respect to, nor shall the Corporation be liable to the Executing Firm Customer for, any payment or delivery obligation in connection with any Agent Clearing Transactions submitted by an Agent Clearing Member on behalf of the Executing Firm Customer, and the Corporation shall make any such payments or redeliveries solely to the relevant Agent Clearing Member.

#### Section 7 – Agent Clearing Transactions Processing Rules

(a) All Agent Clearing Transactions submitted by an Agent Clearing Member to the Corporation for clearing on behalf of an Executing Firm Customer must be submitted through an Agent Clearing Member Omnibus Account and must contain the identity of that Executing Firm Customer. If the identity of an Executing Firm Customer is omitted on any trade that is submitted by an Agent Clearing Member, the trade will be rejected by the Corporation.

(b) For purposes of these Rules, Agent Clearing Transactions shall be processed in the same manner as non-customer transactions submitted to the Corporation, as such processing and settlement is described in these Rules, unless otherwise specifically stated in this Rule 8. All Agent Clearing Transactions submitted by an Agent Clearing Member shall be netted with other activity in the Agent Clearing Member Omnibus Account.

(c) Clearing Transactions that are submitted for Bilateral Comparison shall be processed in the manner set forth in Rule 6A, provided, however, that, if all other required fields are valid and match but the contra-party executing firm field on the side representing the contra-party has been omitted and the executing firm field on the side representing the Agent Clearing Member is valid, then the Corporation shall compare the Agent Clearing Transaction based on the valid executing firm field.

(d) Notwithstanding the provisions of Rule 11, (i) an Agent Clearing Transaction eligible for netting and settlement through the Netting System shall not be netted and settled through the Netting System if the Agent Clearing Member has provided the Corporation with notice, in a form and manner satisfactory to the Corporation, that it does not wish to have trades submitted by it on behalf of that Executing Firm Customer be netted and settled through the Netting System; and (ii) an Agent Clearing Transaction eligible for netting and settlement through the Netting System shall not be netted and settled through the Netting System if the Agent Clearing Member had submitted data on a side of the trade on behalf of an Executing Firm Customer whose

trades it had provided the Corporation with notice pursuant to these Rules that it did not wish to be netted and settled through the Netting System.

(e) Notwithstanding the provisions of Rule 12, (i) an Agent Clearing Transaction that is a Same-Day Settling Trade eligible for settlement shall not be settled if the Agent Clearing Member has provided the Corporation notice, in a form and manner satisfactory to the Corporation, that it does not wish to have trades submitted by it on behalf of the Executing Firm Customer settled through the Comparison System; and (ii) an Agent Clearing Transaction that is a Same-Day Settling Trade eligible for settlement shall not be settled if either the Agent Clearing Member had submitted data on a side of the trade on behalf of an Executing Firm Customer whose trades it had provided the Corporation with notice pursuant to these Rules that it did not wish to be settled.

(f) To the extent the Corporation incurs a loss or liability from a Defaulting Member Event or a Declared Non-Default Loss Event and a loss allocation obligation arises that would be the responsibility of an Agent Clearing Member, the Corporation shall calculate such loss allocation obligation as if the affected Executing Firm Customers were subject to such allocations pursuant to Section 7 of Rule 4, but the Agent Clearing Member shall, as principal, be responsible for satisfying such obligations.

(g) Agent Clearing Members shall make and maintain an Agent Clearing Member Omnibus Account Required Fund Deposit pursuant to Rule 4 and calculated pursuant to the Margin Component Schedule. For purposes of satisfying such requirements, the Agent Clearing Member's Agent Clearing Member Omnibus Account through which it processes Agent Clearing Transactions shall be treated separately from any other Accounts maintained by the Agent Clearing Member, as if they were accounts of separate entities. Notwithstanding the previous sentence, however, and other than with respect to any Segregated Indirect Participants Accounts, the Corporation shall have the right to apply an Agent Clearing Member's Clearing Fund deposits to any obligations of that Agent Clearing Member as otherwise permitted pursuant to Rule 4.

(h) Comparison output made available by the Corporation to Agent Clearing Members shall, as appropriate, identify the Executing Firm Customer for any Agent Clearing Transactions.

## **RULE 9 – YIELD TO PRICE CONVERSION**

### Section 1 – General

The conversion by the Corporation of data on Eligible Conversion Trades from a yield basis to a price basis, and the comparison of such converted data, is subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of Rules 5, 6A, 6B, or 6C.

### Section 2 – Conversion

The Corporation shall convert from a yield basis to a price basis data submitted to the Corporation by a Member on an Eligible Conversion Trade in accordance with the then applicable formulas for conversion of yields to equivalent prices that have been established by the Department of the Treasury. The annual coupon rate used by the Corporation to calculate the price of such trades shall be an assumed rate that shall be determined by the Corporation on a per-CUSIP basis using the applicable par-weighted average yield, unless the Corporation, in its sole discretion, determines that an alternate method of determination of the assumed coupon rate is more appropriate; such assumed rate shall be adjusted down to the nearest one-eighth of one percent. This assumed rate shall be adjusted prior to and on the Final Price Date by increments of one-eighth of a percentage point based on changes in the applicable par-weighted average yield, or otherwise as deemed appropriate by the Corporation in its sole discretion.

On the Final Price Date, or as soon as possible thereafter, each assumed coupon rate set by the Corporation shall be adjusted to the applicable actual coupon rate. On and after the Final Price Date, the Corporation shall convert from a yield basis to a price basis data submitted to the Corporation by a Member on an Eligible Conversion Trade based on the actual coupon for the Eligible Securities that underlie the trade.

The conversion by the Corporation from a yield basis to a price basis of data on an Eligible Conversion Trade submitted to the Corporation prior to the Final Price Date for such trade by a Member shall: (1) if such trade is eligible for netting by the Corporation pursuant to these Rules, be deemed to have occurred during the same processing cycle during which such data are compared by the Corporation on a yield basis, and (2) if such trade is not eligible for netting by the Corporation pursuant to these Rules, be deemed to have occurred on Final Price Date. The conversion by the Corporation from a yield basis to a price basis of data on an Eligible Conversion Trade submitted to the Corporation by a Member on or after the Final Price Date for such trade shall be deemed to have occurred on the Business Day of receipt by the Corporation of such submission.

### Section 3 – Comparison

After the Final Price Date, the comparison of trade data submitted to the Corporation by a Member on a yield basis may be established by the Corporation as the result of the matching of data after its conversion by the Corporation to a price basis with data submitted by another Member either: (1) on a yield basis that has been converted to a price basis by the Corporation, or (2) on a price basis.



#### Section 4 – Report of Comparison Involving Converted Data

On each Business Day, the Corporation shall report to its Members, through an appropriate indication in its Comparison System output, each of the compared trades of a Member that is a Converted Trade.

## **RULE 10 – ENHANCED COMPARISON PROCESSES PRESUMED MATCH DATA**

### Section 1 – Commission Data

If: (1) trade data have been submitted to the Corporation by two Members, one of which is a Broker and the other of which is a Dealer, (2) such data meet all of the Corporation's criteria for comparison other than the matching of the information submitted regarding the amount of commission that is payable on such trade, and (3) such Dealer has submitted a commission amount that does not match the commission amount owing on such trade that was submitted by such Broker, the trade shall be compared by the Corporation based on the commission amount being equal to that amount submitted by such Broker. A Broker may provide the Corporation with revised information as to commission amount and/or final money on a trade, within a tolerance specified by the Corporation in the Schedule of Money Tolerances.

Notwithstanding the above, if such Dealer has provided notice to the Corporation, in a form and manner satisfactory to the Corporation, that it is able to and will submit commission amounts to the Corporation and does not wish to have a trade the data on which it has submitted to the Corporation be compared unless there is matching commission information, the Corporation shall not compare such trade if there is not a match of commission information.

The comparison by the Corporation of a trade involving unmatched commission amounts pursuant to this Section, while evidencing a valid, binding, and enforceable contract between the parties to the trade to the same degree as if the commission amounts matched, shall not constitute a final, binding determination by the Corporation as to the correct commission amount owing on such trade. The Broker that submitted data on such trade shall have an ongoing obligation to the Dealer that submitted data on such trade to respond promptly to such Dealer's commission difference inquiries, and to act in good faith to promptly resolve any such alleged differences.

On each Business Day, with regard to each trade with a commission difference that is compared as of such day pursuant to this Section, the Corporation shall provide Members in its Comparison System output with information as to the unmatched commission amounts.

### Section 2 – Affiliated Members

Members that are Affiliates may submit written authorization to the Corporation stating that each Affiliate wishes to be presumed to be the correct contra-party to a side of a trade, if this presumption would allow the data on a trade that has differing contra member identifying numbers to match. Such written authorization must be in a form and manner satisfactory to the Corporation and may vary on a product-by-product basis. If a trade between two contra-parties (hereinafter, the "First Member" and "Second Member") submitted to the Corporation does not match because the First Member submitted the contra member identifying number of the Second Member's Affiliate instead of the Second Member, the Corporation shall compare the trade based on the Second Member's trade submission as if the First Member submitted the contra member identifying number of the Second Member and the Corporation has received the written authorization referred to in this paragraph from the Second Member and the Second Member's Affiliate.

### Section 3 – Summarization of Par Amounts

If the data on a trade do not compare because the information submitted regarding par amount, viewed on an individual buy/sell basis, does not match, the Corporation may, in its discretion, compare the trade based on a match of either the total of the par amounts on two or more buy sides equaling the par amount(s) on one or more sell sides, or the total of the par amounts on two or more sell sides equaling the par amount(s) on one or more buy sides. This Section shall not apply to Repo Transactions.

If the data on a Full-Sized Trade do not compare because: (i) one side of a trade submitted a Full-Sized Trade and the other side of the trade did not, and (ii) the Corporation was not able to compare the trade pursuant to the procedures referred to in Section 4 of Rule 5, the Corporation may, in its discretion, perform a par summarization or similar process in order to attempt to match the trade.

### Section 4 – Trade Date Information

If the data on a trade do not compare because the information submitted regarding trade date does not match, the Corporation shall, compare the trade based on a presumption that the earlier trade date submitted is the correct trade date.

Notwithstanding the above, if the First Member submits a side of a buy/sell transaction to the Corporation, and the Second Member as contra-party submits more than one (1) side of a buy/sell transaction with similar trade data to the Corporation where the trade date does not match, the Corporation shall compare the side of the buy/sell transaction submitted by the First Member with a side of a buy/sell transaction submitted by the Second Member where the trade date on the Second Member's buy/sell transaction is closest in date range to the trade date submitted by the First Member.

The enhanced comparison process referenced in this Section shall not apply to Repo Transactions when such process is performed at end of day.

### Section 5 – Money Tolerances

If the data of a Required Match Data item on a trade do not compare because the dollar amount(s) submitted by two Members differs, the Corporation shall compare the trade if the difference in the Required Match Data item is within the tolerance specifications set by the Corporation in the Schedule of Money Tolerances.

### Section 6 – Timing and Cumulative Effect of Presumptions

Notwithstanding anything to the contrary in this Rule, the Corporation may apply more than one presumption of a match of data to generate a comparison of a trade.

The Corporation shall perform the enhanced comparison processes regarding the presumed match of data set forth in Sections 1, 2, 5 and 6 of this Rule 10 in Real Time. The Corporation shall also perform the enhanced comparison processes regarding the presumed match of data set

forth in Sections 1, 2, 3, 4, 5 and 6 of this Rule 10 at end of day, with the exception that, at end of day, Sections 4 and 5 shall not apply to Repo Transactions.

## **RULE 11 – NETTING SYSTEM**

### Section 1 – General

The Netting System is a system for aggregating and matching offsetting obligations resulting from trades, including Repo Transactions, submitted by or on behalf of Netting Members in Eligible Netting Securities. Each Business Day, the Corporation will calculate and report to each Netting Member, in a manner that does not disclose to any Netting Member, with respect to any Net Settlement Position or Forward Net Settlement Position, the identity of any other Netting Member, each Net Settlement Position and Forward Net Settlement Position of a Member. With respect to each such Net Settlement Position, the Corporation will report to the Member the extent to which the Member is obligated to deliver Eligible Netting Securities to the Corporation and/or to receive Eligible Netting Securities from the Corporation, in accordance with each such Net Settlement Position.

The provisions of this Rule apply to Brokered Repo Transactions, except to the extent that they are inconsistent with the provisions of Rule 19.

### Section 2 – Eligibility for Netting

A trade, other than a Repo Transaction, is eligible for netting and settlement through the Netting System if it meets all of the following requirements:

- (a) the trade is a Compared Trade;
- (b) the number of Business Days between the Scheduled Settlement Date for the trade, and the Business Day on which the Report of comparison of the data on the trade is issued to Members is not greater than the maximum number of Business Days established by the Corporation for such purpose and published in a schedule made available to Members, unless the Corporation determines a different timeframe to be appropriate;
- (c) the data on the trade are listed on a Report that has been made available to Netting Members;
- (d) netting of the trade will occur on or before its Scheduled Settlement Date;
- (e) data on each side of the trade have been submitted to the Corporation by a Netting Member, in accordance with these Rules, or the trade is a Demand Trade or a Locked-In Trade; and
- (f) the underlying securities are Eligible Netting Securities.

Except to the extent that, for a Brokered Repo Transaction, there is a conflict with the provisions of Rule 19 (in which case the provisions of Rule 19 govern), a Start Leg of a Repo Transaction, and an End Leg of a Repo Transaction, each is eligible for netting and settlement through the Netting System if it meets all of the following requirements:

- (i) the Repo Transaction is a Compared Trade;
- (ii) if the Repo Transaction has a Forward-Settling Start Leg, the number of calendar days between the Scheduled Settlement Date for the associated End Leg and the Business Day on which the data on the trade are submitted is not greater than the maximum number of Business Days established by the Corporation for such purpose and published in a schedule made available to Members, unless the Corporation determines a different timeframe to be appropriate;
- (iii) if the Start Leg of the Repo Transaction has settled, the number of calendar days between the Scheduled Settlement Date for the End Leg and the Business Day on which the data on the trade are submitted is not greater than the maximum number of Business Days established by the Corporation for such purpose and published in a schedule made available to Members, unless the Corporation determines a different timeframe to be appropriate;
- (iv) the data on the trade are listed on a Report that has been made available to Netting Members;
- (v) netting of the Start Leg (other than a Same-Day Settling Trade, which shall not be netted) or the End Leg will occur before the opening of the Netting System on its Scheduled Settlement Date; and
- (vi) the underlying securities are Eligible Netting Securities.

Same-Day Settling Trades will settle on a trade-for-trade basis at Contract Value unless such Same-Day Settling Trades fail to settle. In the event that such Same-Day Settling Trades fail to settle, they will be netted for settlement on the next Business Day. Those that fail to settle will be subject to the fails charge pursuant to Rule 11, Section 14.

Notwithstanding anything to the contrary above, an Auction Purchase is eligible for netting and settlement through the Netting System only if it is a Netting-Eligible Auction Purchase.

Notwithstanding the above, the Corporation may, in its sole discretion, exclude any trade or trades from the Netting System, including Netting-Eligible Auction Purchases (subject to the terms and conditions agreed to by the Corporation and the Treasury Department or Freddie Mac, as applicable, regarding Auction Purchases), by Netting Member or by Eligible Netting Security.

### Section 3 – Obligation to Submit Trades

Each Netting Member must submit to the Corporation for comparison and netting, pursuant to these Rules, data on all of its trades, (including trades executed and settled on the same day and trades executed between it or an Executing Firm Customer on whose behalf it is acting) with other Netting Members (or an Executing Firm Customer on whose behalf it or another Member is acting) that are eligible for netting pursuant to these Rules, except that this requirement is not applicable to a Netting Member's Repo Transactions (a Netting Member's obligation to submit to the Corporation data on its Repo Transactions is governed by Rule 18).

Each Netting Member must also submit to the Corporation for netting and settlement pursuant to these Rules data on each trade (hereinafter an "Eligible Trade") executed by a Covered

Affiliate that satisfies the following criteria: (i) the trade is eligible for netting pursuant to these Rules, and (ii) the trade is executed with another Netting Member or with a Covered Affiliate of another Netting Member. For purposes of this Section the term “executed” shall include trades that are cleared and guaranteed as to their settlement by the Covered Affiliate.

The preceding paragraph shall not apply to: (i) a trade that is executed between a Member and its Affiliates or between Affiliates of the same Member (an “Affiliate Trade”), (ii) a trade of a Covered Affiliate that has executed less than an average of 30 Eligible Trades plus Eligible Repo Transactions (as defined in Section 3 of Rule 18) (excluding Affiliate Trades) per business day per month within the prior twelve-month period, or (iii) a trade the submission of which to the Corporation would cause the Member to be in violation of any applicable law, rule or regulation.

All trade data required to be submitted to the Corporation under this Section must be submitted on a trade-by-trade basis with the original terms of the trades unaltered. A Member or any of its Affiliates may not engage in the Pre-Netting of Trades prior to their submission to the Corporation in contravention of this section. In addition, a Member or any of its Affiliates may not engage in any practice designed to contravene the prohibition against the Pre-Netting of Trades.

If the Corporation determines that a Netting Member has, without good cause, violated its obligations pursuant to this Section, such Netting Member may be reported to the appropriate regulatory body, placed on the Watch List and/or subject to an additional fee. In addition, the Corporation may discipline a Netting Member for a violation of this section in accordance with Rule 48.

Notwithstanding the above, the trade submission requirements related to Repo Transactions are governed by Rule 18.

#### Section 4 – Calculation of Net Settlement Positions

On each Business Day, for each Eligible Netting Security with a separate CUSIP number, except as otherwise provided in Rule 14 with respect to Forward Trades that comprise one or more Forward Net Settlement Positions, the Corporation will establish a Net Settlement Position for trades, and Fail Deliver Obligations and Fail Receive Obligations of a Netting Member that have not previously been settled, by comparing the aggregate par value amount of each Long Transaction and/or Fail Receive Obligation in an Eligible Netting Security by the Netting Member (hereinafter, the “Long Total”) and each Short Transaction and/or Fail Deliver Obligation in an Eligible Netting Security by the Netting Member (hereinafter, the “Short Total”). If the Long Total exceeds the Short Total, the resulting difference will constitute the Net Long Position. If the Short Total exceeds the Long Total, the resulting difference will constitute the Net Short Position. All Net Settlement Positions shall be reported, by CUSIP Number, by the Corporation in a Report issued and made available to each Netting Member by the time stated in the Schedule of Timeframes.

#### Section 5 – Allocation of Deliver and Receive Obligations

On each Business Day, except as otherwise provided in Rule 14 with regard to Forward Trades that comprise Forward Net Settlement Positions, the Corporation will establish Deliver

Obligations and Receive Obligations as necessary to accomplish the settlement of Net Settlement Positions. Deliver Obligations and Receive Obligations shall be allocated by the Corporation on an equitable basis to Netting Members with corresponding Receive Obligations and Deliver Obligations that involve Eligible Netting Securities with the same CUSIP Number. A single Net Settlement Position may result in the establishment of more than one Deliver Obligation or Receive Obligation in an Eligible Netting Security. Each Deliver Obligation and Receive Obligation of a Netting Member shall be listed in the Report that, pursuant to Section 4 of this Rule, will be issued on each Business Day to each Netting Member.

#### Section 6 – Netting of Obligations

Net Settlement Positions and resultant Deliver Obligations and Receive Obligations of a Netting Member, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a correction of compared data made pursuant to these Rules, shall be fixed at the time the Report of such Net Settlement Positions and Deliver Obligations is made available by the Corporation to a Netting Member, as provided in Section 10 of this Rule. At that time, all deliver, receive, and related payment obligations between such Netting Member and the Corporation that were created by the trades, Novated pursuant to Section 8 of Rule 5, and that comprise a Net Settlement Position or Net Settlement Positions are terminated and replaced by the Deliver Obligations, Receive Obligations, and related payment obligations for such Members that are listed in the Report.

Notwithstanding anything to the contrary in the above paragraph, a Right of Substitution applicable to a Repo Transaction that constitutes all or part of a Net Settlement Position shall be recognized by the Corporation pursuant to these Rules.

#### Section 7 – Settlement at the Settlement Value

On each Business Day, each Deliver Obligation and Receive Obligation of a Netting Member shall be settled at the Settlement Value reported on such Business Day for such Obligation.

#### Section 8 – Fail Deliver Obligations and Fail Receive Obligations

On each Business Day, from their Scheduled Settlement Date, Fail Deliver Obligations and Fail Receive Obligations, as applicable, shall, pursuant to Rule 13, be marked to market, taking into account accrued interest, until the Actual Settlement Date for such Fail Deliver Obligations and Fail Receive Obligations. Notwithstanding the above, the Corporation, in its sole discretion in order to promote an orderly settlement process, may elect to not mark to market, pursuant to Rule 13, a Fail Receive Obligation where the Eligible Netting Securities that comprise such Fail Receive Obligation have been appropriately delivered to the Corporation pursuant to these Rules and the Corporation has not re-delivered such Eligible Netting Securities and, as a result, has held them overnight. Fail Deliver Obligations and Fail Receive Obligations shall be netted with any other Receive Obligations and Deliver Obligations.

The Corporation shall be obligated to deliver Eligible Netting Securities to a Netting Member with a Net Long Position as required by this Rule in order to settle such Net Long Position; however, the Corporation shall not be obligated to attempt to make any such delivery or



deliveries until the Business Day on which the Corporation has received, as the result of a delivery to it from a Netting Member with a Net Short Position, Eligible Netting Securities with the same CUSIP number that: (1) are at least equal in quantity to such Net Long Position, and (2) have not, pursuant to this Rule, been allocated for delivery by the Corporation to another Netting Member.

#### Section 9 – Obligation to Make Settlement

Each Netting Member shall be obligated to satisfy all of its securities settlement and funds-only settlement obligations pursuant to these Rules on each day on which both the Corporation and the Federal Reserve Bank of New York are open for business, regardless of the days on which any third party, including a clearing bank or depository institution acting on behalf of such Member, is open for business.

#### Section 10 – Receipt of Netting Output

On each Business Day, Reports shall be deemed to have been made available by the Corporation to a Netting Member at the time at which the Corporation has both completed its processing cycle for the preparation of such Reports and has released such Reports to the Corporation's data output facility or facilities, unless the Corporation has notified such Member on such Business Day of a delay in the Corporation's making available such Reports or output to the Member.

The inability of a Netting Member, because of automation problems that it incurs or for any other reason, to receive a Report that has been made available to it by the Corporation shall not excuse or otherwise affect such Member's obligations pursuant to these Rules. A Netting Member shall be obligated to accept Reports from the Corporation in at least one (1) of the formats or mediums prescribed by the Corporation, that is usable by such Member.

#### Section 11 -- Responsibility for Third Party Actions

No improper or unauthorized action, or failure to act, of a third party acting on behalf of a Netting Member (including, but not limited to, a service bureau) shall excuse or otherwise affect such Member's obligations pursuant to this Rule.

#### Section 12 – Obligation to Inform the Corporation

Each Netting Member shall be obligated to inform the Corporation promptly if any of the following events were to occur:

- (a) difficulty in providing, or inability to provide, data input to the Corporation, or difficulty in receiving, or inability to receive, Reports from the Corporation, in the manner, or within the timeframes, that such Member ordinarily inputs or receives such information;
- (b) the receipt by such Member from the Corporation of a Report that it believes contains erroneous information, omits material information, or has any other type of problem; and,

(c) potential difficulty in satisfying, or inability to satisfy, in a timely manner any of its obligations with respect to the delivery or receipt of securities, or the payment of monies, that arise pursuant to these Rules.

### Section 13 – Buy-in Notices

If a Netting Member (hereinafter, the “Notifying Netting Member”) submits to the Corporation a retransmitted notice of a buy-in with respect to Eligible Netting Securities that comprise a Fail Receive Obligation (hereinafter, the “Allocated Fail Receive Obligation”), the Corporation shall promptly retransmit such notice, on a random basis, to a Netting Member or Members (hereinafter, the “Allocated Netting Member”) with a Fail Deliver Obligation or Fail Deliver Obligations (hereinafter, the “Allocated Fail Deliver Obligation”):

(a) that is comprised of Eligible Netting Securities having the same CUSIP number as the Eligible Netting Securities that are the subject of the notice,

(b) that is equal to or greater than, in size, the Allocated Fail Receive Obligation (or, if there is no such Allocated Fail Receive Obligation at least equal in size to the Allocated Fail Deliver Obligation, the largest such Allocated Fail Deliver Obligations), and

(c) that has been unsettled for the longest period of time. The Corporation shall have no obligation to execute on such notice, by buying in securities or in any other manner. If, in accordance with the Buy-in Regulations, a Netting Member that has submitted a notice of retransmitted buy-in informs the Corporation that it has executed on such notice by buying in the Eligible Netting Securities that are the subject of such notice, and provides evidence satisfactory to the Corporation of the price (hereinafter, the “Buy-in Price”) at which such Eligible Netting Securities were bought in by such Member, the Corporation shall promptly notify the Allocated Netting Member of such.

Notwithstanding anything to the contrary in this Rule or in Rules 12 or 13:

(d) the Notifying Netting Member’s obligation to settle with the Corporation the Allocated Fail Receive Obligation pursuant to these Rules through receipt of the underlying Eligible Netting Securities, and the Allocated Netting Member’s obligation to settle with the Corporation the Allocated Fail Deliver Obligation pursuant to these Rules through delivery of the underlying Eligible Netting Securities, each are terminated as of the time of such notification by the Corporation, and

(e) for purposes of settlement pursuant to Rule 13 of the funds-only settlement obligations of the Notifying Netting Member with respect to the Allocated Fail Receive Obligation, and the funds-only settlement obligations of the Allocated Netting Member with respect to the Allocated Fail Deliver Obligation, the Allocated Fail Receive Obligation and the Allocated Fail Deliver Obligation shall be deemed to have been settled among such Members and the Corporation in accordance with this Rule and Rule 12, with the System Value for such purpose being deemed to be, for each Position, equal to the Buy-in Price.

## Section 14 – Fails Charge

If a Netting Member does not satisfy a Deliver Obligation of Treasury securities or debentures issued by Fannie Mae, Freddie Mac or the Federal Home Loan Banks on a particular Business Day, the Corporation shall apply a debit charge on the funds amount associated with the Netting Member's failed position (hereinafter, the "fails charge"). If a Netting Member fails to receive Securities representing its Receive Obligation of Treasury securities or debentures issued by Fannie Mae, Freddie Mac or the Federal Home Loan Banks on a particular Business Day, the Corporation shall credit the Member in the amount of the fails charge.

The fails charge shall be the product of the (i) funds associated with a failed position and (ii) the greater of (a) 1 percent or (b) 3 percent per annum minus the target level for the Federal Funds Rate that is effective at 5 p.m. EST on the Business Day prior to the originally scheduled settlement date, capped at 3 percent per annum. If the FOMC specifies a target range in lieu of a target level, the lower limit of the target range announced by the FOMC would be used in the calculation of the fails charge. Further, if the FOMC were to terminate its policy of specifying or announcing a target level or range for the Federal Funds Rate, then the rate that is used for the calculation of the fails charge would be a successor rate and source recommended by the TMPG.

In the event that the Corporation is the failing party because the Corporation received Securities too near the close of Fedwire for redelivery or for any other reason, the fail charge will be distributed pro rata to the Netting Members based upon usage of the Corporation's services.

At the end of each calendar month, the Corporation shall accrue a Netting Member's debits and credits and the resulting amount (either a debit or credit) shall be included in the Member's monthly bill.

The Board shall have the right, in its sole discretion, to revoke application of the charge if industry events or practices warrant such revocation.

The Corporation shall not be under any obligation to pay fails charge proceeds in the event of a default (i.e., if the Defaulting Member does not pay its fails charge, Members due to receive fails charge proceeds will have those proceeds reduced pro-rata by the Defaulting Member's unpaid amount).

## **RULE 11A – RESERVED**

This Rule is reserved for future use.

## **RULE 12 – SECURITIES SETTLEMENT**

### Section 1 – General

Deliver Obligations of a Netting Member must be satisfied by delivery of the appropriate Eligible Netting Securities from a clearing bank or banks designated by the Member for such purpose to a clearing bank or banks designated by the Corporation for such purpose. Receive Obligations of a Netting Member must be satisfied by receipt of the appropriate Eligible Netting Securities by a clearing bank or banks designated by the Member for such purpose from a clearing bank or banks designated by the Corporation for such purpose.

All deliveries of Eligible Netting Securities in satisfaction of Deliver Obligations, and all receipts of Eligible Netting Securities in satisfaction of Receive Obligations, must be made against simultaneous payment or receipt in Federal funds at the Settlement Value for each such Obligation for the Business Day of such delivery or receipt.

All deliveries of Eligible Netting Securities in satisfaction of Deliver Obligations shall be identified by standard industry delivery codes indicating a new origination delivery. Reversal codes shall not be used to identify any delivery of securities to the Corporation without the express prior permission of the Corporation.

The Corporation shall offer a voluntary automated Pair-Off Service for Netting Members (other than Repo Brokers) who choose to participate. The Pair-Off Service shall apply to all eligible activity of a participating Netting Member. The Pair-Off Service shall consist of the matching and offset of a participating Netting Member's outstanding Deliver Obligations and outstanding Receive Obligations in equal par amounts in the same Eligible Netting Security. The participating Netting Member shall receive a debit or credit Pair-Off Adjustment Amount (which the Corporation may collect as a Miscellaneous Adjustment Amount), as applicable, of the difference in the Settlement Values of the applicable Deliver Obligations and Receive Obligations in the funds-only settlement process under Rule 13. The Corporation may delay or suspend the Pair-Off Service on any Business Day due to FRB extensions and/or system or operational issues. The Corporation shall notify Members of any such occurrence.

Any Securities Settlement Obligations remaining after the pair-off of eligible Securities Settlement Obligations will constitute either a Fail Deliver Obligation or Fail Receive Obligation, as the context requires.

### Section 2 – Designation of Clearing Banks

The Corporation shall notify each Person, no later than ten Business Days prior to its becoming a Netting Member, of the clearing bank or banks that the Corporation will use to deliver Eligible Netting Securities to Netting Members and to receive Eligible Netting Securities from Netting Members, and, by product, of the types of Eligible Netting Securities that each such clearing bank will so deliver and receive. Thereafter, the Corporation shall notify each Netting Member of any change in the Corporation's designation of the clearing bank or banks that will act on the Corporation's behalf, or in the product that any such clearing bank is designated to deliver or to receive, no later than ten Business Days prior to the effective date of such change.

A Person must notify the Corporation, in such manner as the Corporation may prescribe, no later than ten Business Days prior to its becoming a Netting Member, of the clearing bank or banks that it has designated to act on its behalf, pursuant to this Rule, in the delivery of Eligible Netting Securities to the Corporation and in the receipt of Eligible Netting Securities from the Corporation. Each Netting Member must notify the Corporation of any change in such designation, no later than ten Business Days prior to the effective date of such change. Such designation is subject to the Corporation's determination, in its reasonable judgment, that such clearing bank or banks (a) has and will maintain access to Fedwire, (b) has and will maintain the operational capability to interact satisfactorily with the clearing bank or banks that act on behalf of the Corporation, and (c) has agreed to act on behalf of such Netting Member in accordance with this Rule.

### Section 3 – Instructions to Clearing Banks

On each Business Day, the Corporation shall make available to each Netting Member a Report that provides information (for example, type of obligation (Deliver or Receive), name and reference number of clearing bank or banks, and CUSIP number, settlement date, par value, final dollar value, and other information descriptive of an Eligible Netting Security) that the Corporation deems sufficient to enable such Member to be able to settle its Net Settlement Positions on such Business Day. Each such Member, based on the information provided in such Report, shall promptly provide appropriate instructions to its clearing bank or banks to deliver to the Corporation on that Business Day as provided in these Rules, and/or to receive from the Corporation on that Business Day as provided in these Rules, on behalf of the Member, Eligible Netting Securities of specified types and amounts, against payment or receipt at the appropriate Settlement Value, exactly as set forth in such Report.

### Section 4 – Fail Deliver Obligations and Fail Receive Obligations

Each Fail Deliver Obligation and Fail Receive Obligation shall be maintained by the Corporation on each Business Day subsequent to its Scheduled Settlement Date until and including the Actual Settlement Date for such Fail Deliver Obligation and Fail Receive Obligation.

### Section 5 – Partial Deliveries

In its sole discretion, the Corporation may accept a delivery from a Netting Member with a Net Short Position of only a portion of the Eligible Netting Securities that comprise such Net Short Position. The Corporation will do so only upon obtaining the consent of a Netting Member or Members with a Net Long Position or Net Long Positions comprised of Eligible Netting Securities with the same CUSIP number to a receipt by the Netting Member or Members from the Corporation of a like amount of such securities. If a partial delivery of Eligible Netting Securities by a Netting Member is accepted by the Corporation, the remaining securities that were not delivered to the Corporation will constitute a Fail Deliver Obligation.

### Section 6 – Financing Costs

If a Netting Member with a Net Short Position delivers Eligible Netting Securities to the Corporation and the Corporation is unable, because the delivery was made near the close of Fedwire or for any other reason, to redeliver such securities on the same Business Day to a Netting

Member or Members with Net Long Positions in such securities and, as a result, the Corporation incurs costs, expenses, or charges related to financing such securities (hereinafter, the “financing costs”), the Netting Members, as a group, shall be obligated to pay, or to reimburse the Corporation, for such financing costs. Such payment or reimbursement of financing costs shall be allocated by the Corporation pro rata, based on usage of the Corporation’s services. Notwithstanding the above, if the Corporation, in its sole discretion, determines that a Netting Member has, on a frequent basis and without good cause, caused the Corporation to incur financing costs, the Corporation shall notify the Member of such determination, and such Member (hereinafter, the “Late Delivering Member”) shall be obligated to pay for, or to reimburse the Corporation for, the entire amount of any financing costs incurred by the Corporation on or after the date of such notification as the result of a delivery of Eligible Netting Securities made by the Late Delivering Member to the Corporation pursuant to this Rule, until the Board determines that such is no longer appropriate. A Late Delivering Member also may be subject to fine by the Corporation, if the Corporation determines that such is appropriate in order to promote an orderly settlement process.

Notwithstanding the above, if the Corporation, as the result of a violation by a Netting Member of the Rules, is obligated to obtain overnight financing for securities, the Netting Member shall be obligated to pay for, or to reimburse the Corporation for, the entire amount of any financing cost incurred by the Corporation.

#### Section 7 – Obligation to Receive Securities

If the Corporation has, in accordance with this Rule, delivered Eligible Netting Securities to a Netting Member with a Net Long Position, such Member shall be obligated to accept delivery of all such securities at the Settlement Value for the Receive Obligation or Receive Obligations that comprise such Net Long Position. If such Member fails to do so (hereinafter, the “Non-Receiving Member”), it shall be obligated to pay, or to reimburse the Corporation for, all costs, expenses, and charges incurred by the Corporation as the result thereof, and it may be subject to a fine by the Corporation if the Corporation, in its sole discretion, determines that such failure to accept securities was done without good cause.

The Corporation may, but shall have no obligation to, accept receipt, and otherwise shall return, Eligible Netting Securities delivered to it that either are securities that have not been designated by Report to be delivered to the Corporation on such Business Day (hereinafter, the “Exception Securities”) or are securities (hereinafter, the “Mispriced Securities”) that have been delivered to it at other than the appropriate Settlement Value for the Deliver Obligation or Deliver Obligations composed by such Eligible Netting Securities. If a Netting Member makes such a delivery to the Corporation (hereinafter, an “Exception Delivery”), such Member shall pay, or reimburse the Corporation, for any costs, expenses, and charges incurred by the Corporation as the result of such Exception Delivery, and such Member may be subject to fine by the Corporation if the Corporation, in its sole discretion, determines that the Member (hereinafter, the “Exception Delivering Member”) has, on a frequent basis without good cause, made Exception Deliveries to the Corporation.

If the Corporation accepts an Exception Delivery of Exception Securities, the Exception Delivering Member shall be deemed to have loaned such Exception Securities to the Corporation,

and such Exception Securities shall constitute a Net Long Position of such Member. The Corporation shall, as soon as practicable, redeliver to such Member a like amount of Eligible Netting Securities with the same CUSIP number, with such redelivery to be made at the Settlement Value of the Receive Obligation or Receive Obligations composed by such Eligible Netting Securities as of the Business Day on which the Exception Delivery was made. If the Corporation accepts an Exception Delivery of Mispriced Securities, an appropriate Clearance Difference Amount adjustment shall be made, pursuant to Rule 13, between the Corporation and the Netting Member that made such Exception Delivery. Until redelivery of such Exception Securities, the Corporation shall have all of the incidents of ownership of the Exception Securities, including both the right to transfer such Exception Securities and the right to pledge, repledge, assign or create a security interest in such Exception Securities to secure financing obtained by the Corporation to receive or carry such Exception Securities or for any other purpose.

#### Section 8 – Obligation to Facilitate Financing

If the Corporation deems it appropriate, in its sole discretion, in order to obtain financing necessary for the provision of the securities settlement services contemplated by these Rules, including, without limitation, fail financing of an outstanding Receive Obligation or Receive Obligations arising out of the delivery by Netting Members to the Corporation of Eligible Netting Securities, the Corporation may: (i) create, and each Netting Member shall not take any action to adversely affect the creation of, such security interests in Eligible Netting Securities in favor of any entity or entities, including any depository institution, from which the Corporation, in its sole discretion, deems it necessary or desirable to obtain and maintain such financing and/or (ii) enter into repurchase transactions involving Eligible Netting Securities with any Netting Member or Clearing Agent Bank, and each Netting Member shall not take any action to adversely affect such repurchase transactions. Any such financing obtained by the Corporation may be on terms and conditions deemed necessary or advisable by the Corporation in its sole discretion. Any such security interests or repurchase transaction obligations created by the Corporation in or with respect to any Eligible Netting Securities may be to obtain an amount greater, and may extend for a period of time longer, than the obligation of any Netting Member to the Corporation relating to such Eligible Netting Securities. Notwithstanding the above, the Corporation shall remain obligated to make delivery to Members of Eligible Netting Securities under the circumstances and within the timeframes specified in these Rules.

If an Inter-Dealer Broker Netting Member obtains financing of a Net Settlement Position, it must obtain such financing by entering into overnight repurchase transactions only with a Netting Member or Clearing Agent Bank.

#### Section 9 – Relationship with Clearing Banks

No improper or unauthorized action, or failure to act, by a clearing bank acting on behalf of a Netting Member shall excuse or otherwise affect the obligations of a Netting Member to the Corporation pursuant to these Rules.

If a Netting Member terminates an autocharge agreement that it, along with its clearing bank, has provided to a Federal Reserve Bank, as Fiscal agent of the United States, the Netting Member shall promptly inform the Corporation of such. Also, if a Netting Member is informed by



its clearing bank that such clearing bank has terminated an autocharge agreement that Member and the bank have provided to a Federal Reserve Bank, as fiscal agent of the United States, the Netting Member shall promptly inform the Corporation of such. Moreover, if a Netting Member uses a clearing bank that also provides clearing services for the Corporation, the Netting Member hereby consents to the disclosure by such clearing bank to the Corporation of the following: (a) that the clearing bank has terminated an autocharge agreement that it and the Netting Member have provided to a Federal Reserve Bank, as fiscal agent of the United States, and (b) that the bank has been informed by the Netting Member that an autocharge agreement that the Netting Member and the clearing bank have provided to the Federal Reserve Bank, as fiscal agent of the United States, has been terminated.

#### Section 10 – Definition of “Good Cause”

As used in this Rule, “good cause” means a causal event or occurrence that the Corporation, in its sole discretion, determines to have been beyond the reasonable control of a Netting Member; depending upon the specific circumstances, this may include an extended failure of Fedwire or the inability of a clearing bank acting on behalf of a Netting Member or the Corporation to gain access to Fedwire.

#### Section 11 – Settlement of Same-Day Settling Trades with the Corporation

(i) Settlement of Same-Day Settling Trades with the Corporation shall be voluntary for Repo Brokers and shall be mandatory for all other Netting Members.

(ii) Eligibility for Settlement

A Same-Day Settling Trade is eligible for settlement with the Corporation if it meets all of the following requirements:

(a) the Same-Day Settling Trade is a Compared Trade;

(b) the data on the Same-Day Settling Trade are listed on a Report that has been made available to Netting Members;

(c) (i) the End Leg of the Same-Day Settling Trade meets the eligibility requirements for netting in Rule 11, or (ii) the Repo Transaction is an As-Of Trade and its End Leg settles on the current Business Day or thereafter;

(d) the underlying securities are Eligible Netting Securities, and

(e) regarding the form and manner in which Same-Day Settling Trades are submitted to the Corporation, the Same-Day Settling Trade is submitted in equal and identical size and shapes between Netting Members. For the avoidance of doubt, “identical size and shapes” means that each counterparty submit trade data reflecting equal par amounts and number of sides.

The Corporation shall attempt to settle, on a reasonable efforts basis, any Same-Day Settling Trades that are compared in the timeframe specified by the Corporation in notices made

available to Members from time to time, provided (i) the Corporation is able to contact the counterparties to the trade and the Corporation's Clearing Agent Bank and (ii) the Corporation's Clearing Agent Bank and the counterparties to the trade agree to settle such trade. The foregoing sentence shall only apply to Same-Day Settling Trades of Members that clear at the Corporation's Clearing Agent Bank. Reasonable efforts basis shall mean that the Corporation will attempt to contact the counterparties to the trade and the Corporation's Clearing Agent Bank to confirm that they agree to settle such trade.

For those Members that do not clear at the Corporation's Clearing Agent Bank, the Corporation shall attempt to settle, on a reasonable efforts basis, Same-Day Settling Trades that are compared after the time specified by the Corporation in notices made available to Members from time to time during the reversal period of the Fedwire Securities Service, provided (i) the Corporation is able to contact the Corporation's Clearing Agent Bank, (ii) the Corporation is able to contact the counterparties to the trade to confirm that they agree to settle the trade, and (iii) the Corporation's Clearing Agent Bank, the Member's Clearing Agent Bank, and the Federal Reserve Bank of New York each permit settlement of the trade. Reasonable efforts basis shall mean the Corporation will attempt to contact the counterparties to the trade and the Corporation's Clearing Agent Bank to confirm that they agree to settle such trade.

Notwithstanding the above, the Corporation may, in its sole discretion, exclude any Same-Day Settling Trade or Same-Day Settling Trades from the Comparison System, by Netting Member or by Eligible Netting Security, including cancelling any Same-Day Settling Trade that does not meet the eligibility requirements set forth in this Rule.

(iii) Settlement

Same-Day Settling Trades that are Novated and that meet the eligibility requirements by the Corporation pursuant to Section 11(ii) of Rule 12 shall settle with the Corporation on a trade-by-trade basis. The Deliver Obligations of a Netting Member with respect to such transactions must be satisfied by delivery of the appropriate Eligible Netting Securities from a clearing bank or banks designated by the Member for such purpose to a clearing bank or banks designated by the Corporation for such purpose. The Receive Obligations of a Netting Member with respect to such transactions must be satisfied by receipt of the appropriate Eligible Netting Securities by a clearing bank or banks designated by the Member for such purpose from a clearing bank or banks designated by the Corporation for such purpose.

All deliveries of Eligible Netting Securities in satisfaction of the Deliver Obligations referenced in the previous paragraph, and all receipts of Eligible Netting Securities in satisfaction of the Receive Obligations referenced in the previous paragraph, must be made against simultaneous payment or receipt at the Contract Value for each such obligation for the Business Day.

All deliveries of Eligible Netting Securities in satisfaction of the Deliver Obligations discussed in this section shall be identified by standard industry deliver codes indicating a new origination delivery. Reversal codes shall not be used to identify any delivery of securities to the Corporation without the express prior permission of the Corporation.

If a Novated Same-Day Settling Trade becomes uncomparated or is cancelled pursuant to these Rules, the deliver, receive, and related payment obligations between the Corporation and the Netting Members created by the Novation of such trade shall be terminated and cancelled, and no amounts shall be owing between the Corporation and the Netting Members on account of such trade. In the event that such transaction is uncomparated or cancelled after the satisfaction of the deliver, receive, and related payment obligations between the Corporation and the applicable Netting Members, the Corporation shall establish reverse Securities Settlement Obligations in the form of a Receive Obligation or Deliver Obligation for the amount of the Contract Value of the uncomparated or cancelled Same-Day Settling Trade between the Corporation and the applicable Netting Members. If such Receive Obligation or Deliver Obligation fails to settle, it shall be netted for settlement on the next Business Day. Those that fail to settle will be subject to the fails charge pursuant to Rule 11, Section 14.

Sections 6, 7, 8 and 9 of Rule 12 shall be applicable in connection with the settlement of Same-Day Settling Trades with the Corporation.

## **RULE 13 – FUNDS-ONLY SETTLEMENT**

### Section 1 – General

One or more times on each Business Day, each Netting Member, as appropriate in accordance with this Rule, shall be obligated to pay to the Corporation, and/or shall be entitled to collect from the Corporation, the following (determined separately, where applicable, for the Market Professional Cross-Margining Account of a Netting Member):

(a) With regard to every Net Settlement Position, other than a Forward Net Settlement Position, either pay to the Corporation a Debit Transaction Adjustment Payment or collect from the Corporation a Credit Transaction Adjustment Payment;

(b) With regard to certain Deliver Obligation and Receive Obligation, either pay to the Corporation a Debit Delivery Differential Adjustment Payment or collect from the Corporation a Credit Delivery Differential Adjustment Payment;

(c) With regard to every Forward Net Settlement Position, either pay to the Corporation a Debit Forward Mark Adjustment Payment or collect from the Corporation a Credit Forward Mark Adjustment Payment;

(d) With regard to each of its Debit Forward Mark Adjustment Payments, collect from the Corporation a related Credit Interest Adjustment Payment, and with regard to each of its Credit Forward Mark Adjustment Payments, pay to the Corporation a related Debit Interest Adjustment Payment;

(e) With regard to every Fail Deliver Obligation and Fail Receive Obligation, either pay to the Corporation a Debit Fail Mark Adjustment Payment or collect from the Corporation a Credit Fail Mark Adjustment Payment;

(f) With regard to every Fail Deliver Obligation and Fail Receive Obligation on a coupon payment date for the Eligible Netting Securities that comprise such Fail Deliver Obligation and Fail Receive Obligation: (1) if the Member has a Fail Deliver Obligation, it shall pay to the Corporation a Debit Coupon Adjustment Payment, and (2) if the Member has a Fail Receive Obligation, it shall collect from the Corporation a Credit Coupon Adjustment Payment;

(g) With regard to every Coupon-Eligible End Leg on a coupon payment date for the Position, it shall pay to the Corporation a Debit Coupon Adjustment Payment, and (2) if the Member is in a Net Long Position, it shall collect from the Corporation a Credit Coupon Adjustment Payment;

(h) With regard to every Net Settlement Position or End Leg of a Repo Transaction on the maturity date for the Eligible Netting Security that comprises such Net Settlement Position or Repo Transaction: (1) if the Redemption Adjustment Payment is a positive amount, then the Member shall collect a Credit Redemption Adjustment Payment from the Corporation, and (2) if the Redemption Adjustment Payment is a negative amount, then Member shall pay to the Corporation a Debit Redemption Adjustment Payment;

(i) With regard to any settlement made pursuant to Rule 12 where there is a difference between the Settlement Value at which a Deliver Obligation or Receive Obligation was obligated to have been made and the dollar value at which such Obligation actually was settled, either pay to the Corporation a Debit Clearance Difference Amount or collect from the Corporation a Credit Clearance Difference Amount;

(j) With regard to every GCF Net Settlement Position, either pay to the Corporation a Debit GCF Transaction Adjustment Payment or collect from the Corporation a Credit GCF Transaction Adjustment Payment;

(k) With regard to any GCF Repo Transaction that is not scheduled to settle on that day, either pay to the Corporation a Debit GCF Forward Mark Adjustment Payment or collect from the Corporation a Credit GCF Forward Mark Adjustment Payment;

(l) With regard to each of its Debit GCF Forward Mark Adjustment Payments, collect from the Corporation a related Credit GCF Interest Adjustment Payment, and with regard to each of its Credit GCF Forward Mark Adjustment Payments, pay to the Corporation a related Debit GCF Interest Adjustment Payment;

(m) With regard to any fees due and owing by a Netting Member to the Corporation it shall pay to the Corporation an Invoice Amount; and

(n) With regard to any other cash payments owing from a Netting Member to the Corporation or entitled to be collected by a Netting Member from the Corporation, the Miscellaneous Adjustment Amount.

Notwithstanding anything to the contrary in Rule 1 or in this Rule, a Netting Member or a Locked-In Trade Source (hereinafter, the "Exempt Member/Source") that is not obligated, pursuant to these Rules, to pay to the Corporation some or all of the Debit Forward Mark Adjustment Payments that ordinarily would be associated with its Forward Net Settlement Positions shall not be entitled to collect from the Corporation any Credit Forward Mark Adjustment Payments.

Notwithstanding anything to the contrary in Rule 1 or in this Rule, if a Member's has engaged in transactions involving Eligible Netting Securities with an Exempt Member/Source, the Corporation's obligation to pay to such Member a Credit Forward Mark Adjustment Payment, or Credit Forward Mark Adjustment Payments associated with such transactions shall be limited by, and shall be no greater than, the Amount of Debit Forward Mark Adjustment Payment or Payments payable to the Corporation under these Rules from the Exempt Member/Source.

Notwithstanding anything to the contrary in Rule 1 or in this Rule, if a Member has engaged in transactions involving Eligible Netting Securities with an Exempt Member/Source, the Corporation's obligation to pay to such Member a Credit Interest Adjustment Payment on Debit Forward Mark Adjustment Payments associated with resultant Forward Net Settlement Positions shall be limited by, and shall be no longer greater than, the amount of interest earned by the Corporation on such Debit Forward Mark Adjustment Payments.

Notwithstanding anything to the contrary in these Rules, if a Netting Member that has submitted an Off-the-Market Transaction to the Corporation has not paid to the Corporation, in a timely manner in accordance with these Rules, either a Debit Transaction Adjustment Payment or a Debit Forward Mark Adjustment Payment that is associated with the Off-the-Market Transaction, the Corporation may, in its sole discretion, not pay any Credit Transaction Adjustment Payment or a Credit Forward Mark Adjustment Payment associated with that Off-the-Market Transaction to the Netting Member or Members that otherwise would receive such Payment or Payments from the Corporation pursuant to these Rules.

Except as otherwise provided in Section 3, all funds-only payment obligations and collection rights that arise pursuant to this Rule shall be satisfied each Business Day on a net total basis through payment or collection, as set forth in Section 2 of this Rule, of the Funds-Only Settlement Amount.

#### Section 2 – Calculation of Funds-Only Settlement Amount

One or more times on each Business Day, the Corporation shall make available to each Netting Member and to the Funds-Only Settling Bank Member acting on behalf of the Member a Report stating the Funds-Only Settlement Amount that is either to be paid from such Member to the Corporation on such Business Day or to be collected by such Member from the Corporation on such Business Day. The Funds-Only Settling Bank Member shall also receive the Funds-Only Settlement amounts of all of the Netting Members for which it is acting and the Net Funds-Only Settlement Figure.

The Funds-Only Settlement Amount of each Netting Member shall be determined by calculating the net total, for a particular cycle, if applicable, of the following: (a) the Net Transaction Adjustment Payment; (b) the Net Delivery Differential Adjustment Payment; (c) the Net Forward Mark Adjustment Payment; (d) the return of the previous cycle's Net Forward Mark Adjustment Payment; (e) the Net Interest Adjustment Payment; (f) the Net Fail Mark Adjustment Payment; (g) the Net Coupon Adjustment Payment; (h) the Net Clearance Difference Amount; (i) the Net GCF Transaction Adjustment Payment; (j) the Net GCF Forward Mark Adjustment Payment; (k) the Net GCF Interest Adjustment Payment; (l) the Total Invoice Amount; (m) the Miscellaneous Adjustment Amount; (n) the Net Redemption Adjustment Payment; (o) the Opening Balance; and (p) the Collected/Paid Amount. If such net total is a negative amount, such amount shall be owing by the Member to the Corporation; if such net total is a positive amount, such amount shall be owing by the Corporation to the Member. The amount of each component, as listed above, of the Funds-Only Settlement Amount shall be reported on each Business Day to each Netting Member. The components of the Funds-Only Settlement Amount that are calculated at end of day and then collected or paid start of day, as applicable, on the following Business Day, are the amounts listed in (a) through (p) of this paragraph.

The Corporation shall determine an intraday Funds-Only Settlement Amount by calculating a net total, for a particular cycle, if applicable, of the following: (a) the Net Forward Mark Adjustment Payment, (b) the return of the previous cycle's Net Forward Mark Adjustment Payment, and (c) the Miscellaneous Adjustment Amount. If such amount is a positive amount, such amount shall be owing by the Corporation to the Member. The amount of such component, as listed above, of the intraday Funds-Only Settlement Amount shall be reported on each Business

Day to each Netting Member. In addition, Repo Parties will also be subject to this provision with respect to their pending (non-DK'ed) Demand Trades with Repo Brokers. The components of the Funds-Only Settlement Amount that are calculated and collected or paid intraday, as applicable, are the amounts listed in (a) through (c) of this paragraph.

One or more times on each Business Day, each Netting Member shall be obligated to fulfill its Funds-Only Settlement Amount payment obligation, as established pursuant to these Rules and indicated in the Netting System output made available to such Member, regardless of the fact that an adjustment has been made, or the possibility that an adjustment may later be made, by the Corporation to such Amount pursuant to these Rules (including adjustments made as the result of a correction of compared data or a change in coupon rate).

### Section 3 – [Reserved]

### Section 4 – Funds-Only Settling Bank Members

(a) Each Netting Member shall be required to appoint a Funds-Only Settling Bank to perform the Netting Member's Funds-Only Settlement Amount obligations via the process set forth in Section 5 of this Rule. A Netting Member must at all times have a Funds-Only Settling Bank validly appointed and acting on its behalf. The Netting Member and the Funds-Only Settling Bank shall execute an "Appointment of Funds-Only Settling Bank and Funds-Only Settling Bank Agreement" whereby the Funds-Only Settling Bank undertakes to perform funds-only settlement services for the Netting Member which also is a party thereto.

(b) The following entities shall be eligible to become Funds-Only Settling Bank Members and to act as Funds-Only Settling Banks for Netting Members:

(i) A bank or trust company that is a DTC Settling Bank may apply to become a Funds-Only Settling Bank Member by signing the agreements described in subsection (d) below.

(ii) A Netting Member that is a bank, trust company or other entity and that has direct access to a relevant FRB and the NSS may apply to become a Funds-Only Settling Bank Member by signing the agreements described in subsection (d) below.

(iii) A Mortgage-Backed Securities Division Cash Settling Bank may apply to become a Funds-Only Settling Bank Member by signing the agreements described in subsection (d) below.

(iv) A bank or trust company that does not fall into (i), (ii) or (iii) and has direct access to a relevant FRB and the NSS may apply to become a Funds-Only Settling Bank Member by submitting the requisite application, signing the agreements described in subsection (d) below and submitting such other information required by the Corporation. The Corporation shall approve an application to become a Funds-Only Settling Bank Member pursuant to this subsection (iv) only upon a determination by the Corporation that the applicant meets the standards of financial responsibility and operational capability as the Corporation may require for this purpose as specified in important notices issued by the Corporation.

(c) On an ongoing basis:

(i) Funds-Only Settling Bank Members approved as such pursuant to subsection (b)(i) above shall be required to maintain their status as a DTC Settling Bank or re-apply under subsections (b)(ii), (b)(iii) or (b)(iv).

(ii) Funds-Only Settling Banks approved as such pursuant to subsection (b)(ii) above must maintain their status as a Netting Member or re-apply under subsections (b)(i), (b)(iii) or (b)(iv).

(iii) Funds-Only Settling Banks approved as such pursuant to subsection (b)(iii) above must maintain their status as a Mortgage-Backed Securities Division Cash Settling Bank or re-apply under subsections (b)(i), (b)(ii) or (b)(iv).

(iv) Funds-Only Settling Banks approved as such pursuant to subsection (b)(iv) above must maintain the financial responsibility and operational capability standards as the Corporation may require pursuant to subsection (b)(iv) above. If required by the Corporation, such Funds-Only Settling Banks shall submit the financial and other information (if applicable) specified by the Corporation in notices issued by the Corporation from time to time. Such information must be submitted within the timeframes specified in guidelines issued by the Corporation from time to time.

(v) All Funds-Only Settling Banks that, in accordance with such entity's regulatory and/or statutory requirements, calculate a Tier 1 RBC Ratio must have a Tier 1 RBC Ratio equal to or greater than the Tier 1 RBC Ratio that would be required for such Funds-Only Settling Bank to be Well Capitalized.

(d) Each Funds-Only Settling Bank Member:

(i) agrees:

(1) to abide by these Rules applicable to Funds-Only Settling Bank Members and to be bound by all provisions thereof and that the Corporation shall have all the rights and remedies contemplated by the Rules;

(2) to have a current LEI on file with the Corporation at all times.<sup>‡</sup>

(3) to be bound by any amendment to these Rules with respect to any transaction occurring subsequent to such time such amendment takes effect as fully as though such amendment were now a part of these Rules.

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<sup>‡</sup> Existing Funds-Only Settling Bank Members shall have 60 calendar days from the date that Funds-Only Settling Bank Members are notified by Important Notice to submit their LEIs. This footnote shall sunset at the end of the 60-calendar day period.



- (ii) shall sign and deliver to the Corporation:
  - (1) the “Appointment of Funds-Only Settling Bank and Funds-Only Settling Bank Agreement”;
  - (2) the agreement(s) authorizing the Corporation’s Settlement Agent to utilize NSS for funds-only settlement as the relevant FRB may require; and
  - (3) a Cybersecurity Confirmation.

(e) Notwithstanding that an applicant qualifies under subsection (b) above, if a material change in condition at the applicant occurs which could bring into question the entity’s ability to perform as a Funds-Only Settling Bank, and such material change becomes known to the Corporation prior to the applicant commencing as a Funds-Only Settling Bank Member, the Corporation shall have the right to stay commencement of the applicant acting as a Funds-Only Settling Bank until a reconsideration of the applicant’s financial responsibility and/or operational capability (if applicable) can be completed. As a result of such reconsideration, the Corporation may determine to withdraw approval or condition the approval upon the furnishing of additional information or assurances.

(f) Before denying an application to become a Funds-Only Settling Bank 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 to determine whether the application should be denied, such request to be filed by the applicant pursuant to Rule 37.

(g) A Funds-Only Settling Bank shall not terminate its status as a Funds-Only Settling Bank and shall not terminate its representation of a Netting Member without having given 10 Business Days advance written notice thereof to the Corporation; 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 affected Netting Members must appoint new Funds-Only Settling Banks prior to the termination.

(h) Based on its judgment that adequate cause exists to do so, the Corporation may at any time terminate an entity’s membership status as a Funds-Only Settling Bank Member and its right to act as a Funds-Only Settling Bank.

(i) A Funds-Only Settling Bank’s books and records, insofar as they relate to the Corporation’s funds-only settlement process, shall be open to the inspection of the duly authorized representatives of the Corporation upon reasonable prior notice and during the Funds-Only Settling Bank’s normal business hours.

(j) Each Funds-Only Settling Bank shall comply in all material respects with all applicable laws, including applicable laws relating to securities, taxation and money laundering in connection with its acting as a Funds-Only Settling Bank.

(k) Each Funds-Only Settling Bank shall fulfill, within the timeframe 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 test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation from time to time to ensure the continuing operational capability of the Funds-Only Settling Bank.

(l) Each Funds-Only Settling Bank shall complete and deliver to the Corporation a Cybersecurity Confirmation at least every two years, on a date that is set by the Corporation and following notice that is provided no later than 180 calendar days prior to such due date.

(m) In addition to this Rule 13 and applicable provisions of Rule 1, the following Rules and any relevant schedules cited therein shall apply to Funds-Only Settling Bank Members in the same manner as they apply to Netting Members: Rule 22D (Wind-down of the Corporation), Rule 29 (Release of Clearing Data), Rule 32 (Signatures), Rule 33 (Procedures), Rule 36 (Rule Changes), Rule 37 (Hearing Procedures), Rule 38 (Governing Law and Captions), Rule 39 (Limitations of Liability), Rule 42 (Suspension of Rules), Rule 44 (Action by the Corporation), Rule 45 (Notices), Rule 46 (Interpretation of Terms), Rule 47 (Interpretation of Rules), Rule 48 (Disciplinary Proceedings), Rule 50 (Market Disruption and Force Majeure) and Rule 50A (Systems Disconnect: Threat of Significant Impact to the Corporation's Systems).

#### Section 5 – Funds-Only Settlement Amount Payment Process

All payments of Funds-Only Settlement Amounts by a Netting Member to the Corporation, and all collections of Funds-Only Settlement Amounts by a Netting Member from the Corporation, shall be done through the Funds-Only Settling Banks pursuant to the following process:

(a) As stated in Section 2 above, one or more times on each Business Day, the Corporation shall make available to the Funds-Only Settling Banks the Funds-Only Settlement Amounts of all of the Netting Members for which the Banks are acting and the Banks' Net Funds-Only Settlement Figures. If the Funds-Only Settling Bank's Net Funds-Only Settlement Figure is a debit, it shall pay such amount to the Corporation in the manner provided in this Section by the deadline established by the Corporation in Section 6 of this Rule. If the Funds-Only Settling Bank's Net Funds-Only Settlement Figure is a credit, it shall receive such amount from the Corporation in the manner provided in this Section by the deadline established by the Corporation in Section 6 of this Rule.

(b) By the Acknowledgement Cutoff Time, the Funds-Only Settling Banks, without exception, must acknowledge to the Corporation via the designated terminal system their Net Funds-Only Settlement Figures and (1) their intention to settle with the Corporation their Net Funds-Only Settlement Figures, or (2) their refusal to settle for one or more particular Netting Members. The Acknowledgement Cutoff Time shall be the later of: (i) 30 minutes after the Funds-Only Settling Bank has been notified that such payment is due, or (ii) 30 minutes prior to the payment deadlines established by the Corporation. Notwithstanding the foregoing, a Funds-Only Settling Bank that is a Netting Member and settles solely for its own account may not refuse to settle for itself but may opt to not acknowledge its Funds-Only Settlement Amount; if such Funds-Only Settling Bank chooses to opt out, it shall not be subject to subsections (k) and (l) below.

(c) If the Funds-Only Settling Bank sends refusal messages and its new Net Funds-Only Settlement Figure is a credit, it must send a message to the Settlement Agent after the refusal message acknowledging that amount. This new Net Funds-Only Settlement Figure shall be subject to subsection (k) below. If its new Net Funds-Only Settlement Figure is a debit, the Funds-Only Settling Bank must send a message to the Settlement Agent after the refusal messages acknowledging its intention to settle the new amount with the Corporation by the payment deadline.

(d) A refusal to settle by the Funds-Only Settling Bank for a particular Netting Member is a refusal to settle all Accounts of the Netting Member. The Funds-Only Settling Bank cannot refuse to settle only some of the Accounts of the Member if the Member has multiple Accounts at the Corporation.

(e) If the Funds-Only Settling Bank does not acknowledge, or sends a refusal regarding, the Netting Member's Funds-Only Settlement Amount that is a debit or if the Bank acknowledges the amount but then does not settle the payment, the Netting Member shall remain obligated, pursuant to the Rules, to pay such Amount by the payment deadline and shall do so by causing such payment to be made to the depository institution designated by the Corporation from time to time to receive such payment.

(f) A Funds-Only Settling Bank with a Net Funds-Only Settlement Figure that is a debit that has sent an acknowledgement to the Corporation must settle such amount pursuant to the process set forth herein by the payment deadline established by the Corporation in Section 6 of this Rule.

(g) DTC provides the Corporation with services with respect to the Corporation's Funds-Only Settlement process as described herein and in accordance with the Rules. DTC will act as Settlement Agent for the Corporation and for the Corporation's Funds-Only Settling Banks with respect to the FRB's NSS, as the means of effecting Funds-Only Settlement.

(h) A Funds-Only Settling Bank that cannot send an acknowledgement or refusal message to the Settlement Agent due to an operational issue may instruct the Settlement Agent to act on its behalf.

(i) The Settlement Agent uses the most recent contact information provided by the Funds-Only Settling Bank to the Settlement Agent. Each Funds-Only Settling Bank must ensure that it maintains up-to-date and accurate contact details with the Settlement Agent on an ongoing basis when previously provided contact details are no longer accurate, to facilitate the Settlement Agent's ability to contact a Funds-Only Settling Bank regarding this settlement process and any settlement issues.

(j) Funds-Only Settling Banks must settle their Net Funds-Only Settlement Figures via the FRB's NSS. The Settlement Agent will send a pre-advice to each Funds-Only Settling Bank, notifying it that the Settlement Agent is about to send its NSS transmission to the FRB. NSS will allow the Corporation's Settlement Agent to instruct the relevant FRB to debit or credit, as applicable, the Funds-Only Settling Bank's account at the FRB by the requisite amount.

(k) If a Funds-Only Settling Bank does not, by the Acknowledgement Cutoff Time, either: (i) affirmatively acknowledge its Net Funds-Only Settlement Figure or (ii) notify the Settlement Agent that it refuses to settle for one or more Netting Members for which it is the designated Funds-Only Settling Bank, then, at the Acknowledgement Cutoff Time, the Funds-Only Settling Bank is deemed to have acknowledged its Net Funds-Only Settlement Figure. If the Net Funds-Only Settlement Figure is a debit, then the Funds-Only Settling Bank's FRB account will be charged; if the Net Funds-Only Settlement Figure is a credit, then the Funds-Only Settling Bank's FRB account will be credited. This subsection (k) does not apply to a Funds-Only Settling Bank that settles solely for its own account and opts not to acknowledge its Net Funds-Only Settlement Figure.

(l) The Settlement Agent will attempt to contact the Funds-Only Settling Bank if no acknowledgement or notice of a refusal to settle on behalf of one or more Netting Members for which it is designated as the Funds-Only Settling Bank is received by the Acknowledgement Cutoff Time. If (x) the Settlement Agent is able to contact the Funds-Only Settling Bank, and (y) the Funds-Only Settling Bank notifies the Settlement Agent that it cannot, at that time, acknowledge or refuse their Net Funds-Only Settlement Figure, then the Funds-Only Settling Bank will not be deemed to have acknowledged its Net Funds-Only Settlement Figure. If the Funds-Only Settling Bank cannot be reached, the Funds-Only Settling Bank will be deemed to have acknowledged its Net Funds-Only Settlement Figure.

The Corporation may exclude a Funds-Only Settling Bank's balance from the NSS file if the Funds-Only Settling Bank (i) does not acknowledge its Net Funds-Only Settlement Figure by the Acknowledgement Cutoff Time or does not acknowledge its new Net Funds-Only Settlement Figure pursuant to subsection (c) above by the Acknowledgement Cutoff Time and (ii) is not deemed to have acknowledged its Net Funds-Only Settlement Figure or its new Net Funds-Only Settlement Figure pursuant to subsection (c) above because the Funds-Only Settling Bank has notified the Settlement Agent that it is unable to affirmatively acknowledge its Net Funds-Only Settlement Figure or that it refuses to settle on behalf of a Member.

This subsection (l) does not apply to a Funds-Only Settling Bank that settles solely for its own account and opts to not acknowledge its Net Funds-Only Settlement Figure.

(m) If a Funds-Only Settling Bank is experiencing extenuating circumstances and, as a result, needs to opt out of NSS for one Business Day, the Funds-Only Settling Bank must notify the Settlement Agent prior to the Acknowledgement Cutoff Time. The Netting Member shall remain obligated, pursuant to the Rules, to pay such its Funds-Only Settlement Amount that is a debit by the payment deadline and shall do so by causing such payment to be made to the depository institution designated by the Corporation from time to time to receive such payment.

(n) If the Funds-Only Settling Bank's account at the FRB has insufficient funds, the Settlement Agent will receive notification from the FRB that the account was not debited. The affected Netting Member(s) must then promptly wire the requisite funds to the depository institution designated by the Corporation for this purpose by the payment deadline.

(o) In the event a Funds-Only Settling Bank fails to settle in the manner and at the time prescribed by the Corporation, due to insolvency or other cause, each Netting Member represented

by that Funds-Only Settling Bank shall be obligated to the Corporation for its Funds-Only Settlement Amount and such payment must be made by the payment deadline; however, if the Corporation has made payment to the failed Funds-Only Settling Bank the Corporation shall have no obligation to any Netting Member for a Funds-Only Settlement Amount that is a credit.

(p) The Netting Member must remain at all times in compliance with the Rules, notwithstanding any circumstances related to its Funds-Only Settling Bank or NSS. Netting Members must at all times be prepared to wire payment to the depository institution designated by the Corporation for this purpose if its Funds-Only Settlement Amount is not satisfied via the NSS process. If the Corporation does not receive a Netting Member's Funds-Only Settlement Amount that is a debit by the payment deadline, the Member shall be subject to the applicable fine and any other disciplinary consequences under these Rules.

(q) Each Funds-Only Settling Bank shall monitor its FRB account to ensure accuracy of debits and credits made through the NSS process.

(r) Under FRB Operating Circular No. 12, FICC's Settlement Agent has certain processing responsibilities in allocating an indemnity claim made by an FRB as a result of processing the Corporation's funds-only settlement via NSS. The Corporation shall apportion the entirety of such liability to the Netting Members for whom the Funds-Only Settling Bank to which the indemnity claim relates was acting. Such liability for each applicable Netting Member shall be in proportion to the amount of such Members' Funds-Only Settlement Amounts on the Business Day in question. If for any reason such allocation is not sufficient to fully satisfy the FRB indemnity claim, then the remaining loss shall be treated as a loss that is otherwise incident to the clearance and settlement business of the Corporation and allocated accordingly pursuant to Section 7 of Rule 4.

(s) No improper or unauthorized action, or failure to act, by a Funds-Only Settling Bank or other depository institution on behalf of a Netting Member shall excuse or otherwise affect such Netting Member's obligations to the Corporation pursuant to this Rule.

#### Section 6 – Acknowledgement and Payment Deadlines for Funds-Only Settlement Amounts

(a) The acknowledgement required to be made by the Funds-Only Settling Banks regarding their Net Funds-Only Settlement Figures pursuant to Section 5 of this Rule shall be made by the Acknowledgement Cutoff Time subject to Section 5(l) of this Rule.

(b) A Netting Member that has an obligation, pursuant to this Rule, to pay a Funds-Only Settlement Amount to the Corporation shall cause such payment to be made, pursuant to the process set forth in Section 5 of this Rule, in Federal funds, by the time stated in the Schedule of Timeframes.

(c) When a Netting Member is entitled, pursuant to this Rule, to collect a Funds-Only Settlement Amount from the Corporation, the Corporation shall cause such payment to be made, in Federal funds, pursuant to the process set forth in Section 5 of this Rule, by the time stated in the Schedule of Timeframes.

(d) A Funds-Only Settlement Amount payment shall be settlement. A Funds-Only Settlement Amount payment shall be final, irrevocable, and unconditional no later than when such payment is made, pursuant to the process set forth in Section 5 of this Rule, in federal funds, by the time stated in the Schedule of Timeframes and the Interpretive Guidance with Respect to Settlement Finality in the Rules.

(e) The Corporation and each Netting Member agree that upon payment or collection of a Funds-Only Settlement Amount, such payment obligations described in this Rule 13 shall be discharged and satisfied in full.

The obligations of the Corporation pursuant to this Rule shall not be affected by the late collection or non-collection by it of any Funds-Only Settlement Amount of which payment is owing from any Netting Member.

#### Section 7 – Liability of a Netting Member

Each Netting Member shall pay, or reimburse the Corporation, for all losses, costs, expenses, and charges (including attorney’s fees) incurred by the Corporation as the result of any failure of such Netting Member to fulfill its obligations to the Corporation pursuant to this Rule.

If a Netting Member (hereinafter, the “Defaulting Netting Member”) fails to pay to the Corporation in a timely manner any portion of a Funds-Only Settlement Amount as required pursuant to this Rule (hereinafter, the “Unpaid Balance”), the Corporation, in its sole discretion, may apply to payment of the Unpaid Balance all or a portion of any monies owing by the Corporation to the Defaulting Netting Member, and/or all or a portion of such Member’s deposits to the Clearing Fund or other collateral of such Member held by the Corporation. If the Corporation satisfies all or a portion of the Unpaid Balance through use of the Corporation’s own funds or funds borrowed from third parties, the Defaulting Member shall be liable, in addition to the amount of the Unpaid Balance, for the costs of any such borrowing, including, without limitation, interest from the Business Day on which the failure to pay the Unpaid Balance occurred until and including the Business Day on which the Member pays to the Corporation the Unpaid Balance (or, if later, the Business Day on which funds borrowed from a third party are repaid by the Corporation to such party). The interest rate applicable to funds advanced by the Corporation pursuant to this Section shall be the Federal Funds Rate plus one percent.

If the Corporation, in its sole discretion, determines that a Netting Member has, without good cause, failed to pay to the Corporation in a timely manner pursuant to this Rule a Funds-Only Settlement Amount, it may impose a fine upon such Member. As used in this Section, “good cause” means a causal event or occurrence that the Corporation, in its sole discretion, determines was beyond the reasonable control of a Netting Member; depending upon the specific circumstances, this may include an extended failure of Fedwire or the inability to gain access to Fedwire by a depository institution acting on behalf of either a Netting Member or the Corporation. The failure to pay the Corporation in a timely manner by a depository institution acting on behalf of a Netting Member including the Netting Member’s Funds-Only Settling Bank, shall not automatically constitute “good cause.”

## **RULE 14 – FORWARD TRADES**

### Section 1 – General

The netting, settlement, and margining of Forward Trades and Forward Net Settlement Positions are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule.

### Section 2 – Forward Net Settlement Positions

Each Forward Net Settlement Position of a Netting Member shall be reported, by CUSIP Number, by the Corporation in a Report issued by the time stated in the Schedule of Timeframes for each Business Day during the Forward Period applicable to such Forward Net Settlement Position to such Member. Such Forward Net Settlement Positions shall be established by the Corporation by comparing the aggregate par value amount of each purchase and each sale of the Eligible Netting Securities with a distinct CUSIP Number that comprise the Forward Trades that underlie such Forward Net Settlement Positions from the first day during the Forward Period on which such trades are compared until the current Business Day on which such Forward Net Settlement Position is being established.

A new Forward Net Settlement Position shall be established on each successive Business Day during the Forward Period applicable to such Forward Net Settlement Position. Each Forward Net Settlement Position automatically converts into a Net Settlement Position on the Scheduled Settlement Day for such Forward Net Settlement Positions. Except as otherwise provided for in Rule 22A with regard to an insolvent Member or member for which that Corporation has otherwise ceased to act, the Corporation will not establish or report Deliver Obligations or Receive Obligations with regard to a Forward Net Settlement Position.

### Section 3 – Netting

Forward Net Settlement Positions of a Netting Member, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a correction of compared data made pursuant to these Rules, shall be fixed at the time the Report of such Forward Net Settlement Positions is made available by the Corporation to a Netting Member, as provided in Section 10 of Rule 11. At that time, all deliver, receive, and related payment obligations between such Netting Member and the Corporation that were created by the Forward Trades, Novated by the Corporation pursuant to Section 8 of Rule 5, and that comprise each Forward Net Settlement Position are terminated and replaced by the Deliver Obligations, Receive Obligations, and related payment obligations that will be established and reported by the Corporation with respect to each such Forward Net Settlement Position on and, as applicable, after the Scheduled Settlement Date for such Forward Net Settlement Positions.

Notwithstanding anything to the contrary in the above paragraph, a Right of Substitution applicable to a Repo Transaction that constitutes all or part of a Forward Net Settlement Position shall be recognized by the Corporation pursuant to these Rules.

## **RULE 15 – SPECIAL PROVISIONS FOR INTER-DEALER BROKER NETTING MEMBERS**

At the request of the Corporation, each Inter-Dealer Broker Netting Member shall submit to the Corporation, data on all of its trades in Eligible Netting Securities, including trades done with customers. Such request may include such data as is necessary to indicate, by reference number, a buy side that matches in par amount, and is bound to, one or more sell sides, and vice versa. Moreover, for every trade done by an Inter-Dealer Broker Netting Member involving an Eligible Netting Security, including trades done with customers, the identity of each buy side and sell side counterparty shall be disclosed to the Corporation, in the form and manner prescribed by the Corporation for such disclosure. The requirements of this paragraph shall not apply to Repo Transactions.

If an Inter-Dealer Broker Netting Member fails to comply with the requirements of this Section, the Corporation, in its sole discretion, may treat such Member for purposes of these Rules as if it were a Dealer Netting Member, upon providing notice of such to the Member.

Notwithstanding anything to the contrary elsewhere in these Rules, including Rule 1, trades by an Inter-Dealer Broker Netting Member with a customer that clears all of its trades in Eligible Netting Securities through one or more Netting Members (excluding Netting Members that are Inter-Dealer Broker Netting Members), each of which in turn submits all of such trades of the Inter-Dealer Broker Netting Member to the Corporation for netting and settlement through the Netting System, shall be treated by the Corporation for purposes of determining the status of the Inter-Dealer Broker Netting Member as if they were trades with a Netting Member.



## **RULE 16 – NETTING OF LOCKED-IN TRADES**

### Section 1 – General

The obligations of the Corporation and each Netting Member regarding Demand Trades and Locked-In Trades that are eligible for netting and settlement through the Netting System are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule, except Rules 17 through 20.

### Section 2 – Net Settlement Positions Comprised of Locked-In Trades

Net Settlement Positions that are comprised in whole or in part of Demand Trades and/or Locked-In Trades shall, except as otherwise provided in Rule 17, be treated by the Corporation in the same manner as all other Net Settlement Positions.

## **RULE 17 – NETTING AND SETTLEMENT OF NETTING-ELIGIBLE AUCTION PURCHASES**

### Section 1 – General

The netting and settlement of Netting-Eligible Auction Purchases shall be subject generally to the provisions of Rules 11 through 16; however, the provisions of this Rule shall supersede any conflicting provisions of any other Rule.

### Section 2 – Provision of Appropriate Deliver Instructions

A Netting Member that makes a Netting-Eligible Auction Purchase in connection with a Treasury Department auction shall provide the Federal Reserve Bank through which it makes such Auction Purchase, prior to the time of the making of such Auction Purchase and in the form and manner required by the Treasury Department or the Federal Reserve Bank, as fiscal agent of the United States, with appropriate instructions providing that such Auction Purchase shall be delivered to the agent bank or banks designated by the Corporation to act on its behalf with regard to such Auction Purchase, in lieu of being delivered to such Member, or to its agent bank or banks, for inclusion in the Corporation's netting process.

### Section 3 – Redeliveries of Auction Purchases

Notwithstanding anything to the contrary elsewhere in these Rules, the Settlement Value of a Receive Obligation that reflects the initial redelivery by the Corporation of a Netting-Eligible Auction Purchase or Netting-Eligible Auction Purchases received from a Federal Reserve Bank to a Member in satisfaction of all or a part of a Net Long Position of Such Member shall be the greater of: (a) that Business Day's System Value for such Receive Obligation, or (b) the Average Auction Price for such Auction Purchase or Auction Purchases.

### Section 4 – Exception to Obligation of the Corporation to Accept Delivery and Make Payment for Netting-Eligible Auction Purchases

The Corporation shall be obligated (through its appropriate agent bank in the case of Treasury Department auctions) to accept delivery of and make payment for any Netting-Eligible Auction Purchase that has been reported by the Corporation to a Netting Member, pursuant to Rule 6C, as if the Corporation had made the Auction Purchase. Notwithstanding this, if: (1) the Netting Member has a Net Long Position comprised in whole or part of Eligible Netting Securities with the same CUSIP Number as the Netting-Eligible Auction Purchase (hereinafter, the "Residual Long Position"), (2) the Corporation has reasonable cause to believe, based on information it has received, that the Netting Member cannot or will not take delivery from the Corporation of such Residual Long Position and pay for it in accordance with these Rules, and (3) the Corporation has determined, from its analysis and prevailing market conditions that there is reasonable cause to believe that it would incur a loss upon liquidation of a Residual Long Position after application of the margin deposited by the Netting Member and the liquidation of the Netting Member's other positions, then the Corporation shall have the right, prior to 8:30 a.m. (New York Time) on Issue Date, or later if approved by the Treasury Department to notify the Federal Reserve Bank from which such Auction Purchase was made that it will not accept delivery of, and make payment for,

the Netting Member's Auction Purchase up to the amount of the Netting Member's Residual Long Position. If the Corporation exercises its right to refuse delivery under this Section, it shall promptly inform the affected Netting Member that it has done so.

The Corporation shall also not be required to accept delivery of and make payment for any Netting-Eligible Auction Purchase that has been reported by the Corporation to a Netting Member, pursuant to Rule 6C, if the security auctioned in a Treasury Department auction that is the subject of the Netting-Eligible Auction Purchase is not issued.

As between the Corporation and the Netting Member, the Corporation's determinations under this Section shall be final.

#### Section 5 – Priority of Allocation of Auction Purchase Deliveries

The first priority of allocation of deliveries by the Corporation of Netting-Eligible Auction Purchases received from a Federal Reserve Bank, shall be, on a CUSIP Number-by-CUSIP Number basis, to ensure that every Netting Member with a Net Long Position (including a Revised Net Long Position) comprised in whole or part of Netting-Eligible Auction Purchases receives from the Corporation an amount of Auction Purchases equal to the lesser of such Member's Net Long Position or the amount of its Auction Purchases.

The second priority of allocation of deliveries by the Corporation of Netting-Eligible Auction Purchases received from a Federal Reserve Bank, shall be, on a CUSIP Number-by-CUSIP Number basis, to deliver such Auction Purchases, on an equal basis in \$50 million increments, to each Member with a Net Long Position that remains unfilled.

#### Section 6 – Responsibility for Netting-Eligible Auction Purchases

A Netting Member shall be responsible pursuant to the Rules for a Locked-In Trade submitted with respect to it by a Federal Reserve Bank even if the data contains errors or omissions, and the Netting Member shall be liable as principal to the Corporation for all Locked-In Trades reported to the Corporation by a Federal Reserve Bank.

## **RULE 18 – SPECIAL PROVISIONS FOR REPO TRANSACTIONS**

### Section 1 – General

The obligations of the Corporation and each Netting Member regarding Repo Transactions are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule, except Rules 19 and 20.

### Section 2 – Obligation to Submit Repo Transactions

Each Netting Member that has requested to add the repo netting service operated by the Corporation, must submit to the Corporation, or to either another Registered Clearing Agency or a Clearing Agency that has been exempted from registration as a Clearing Agency by the SEC, for comparison and netting, data on all of its Repo Transactions, including Repo Transactions executed by an Executing Firm Customer on whose behalf it is acting, with any other Netting Member or Executing Firm Customer on whose behalf it or another Netting Member is acting, if such Repo Transactions are eligible for netting pursuant to these Rules.

Each Netting Member must also submit to the Corporation for netting and settlement pursuant to these Rules data on each Repo Transaction (hereinafter, an “Eligible Repo Transaction”) executed by a Covered Affiliate that satisfies the following criteria: (i) the Repo Transaction is eligible for netting pursuant to these Rules, and (ii) the Repo Transaction is executed with another Netting Member or with a Covered Affiliate of another Netting Member. For purposes of this Section, the term “executed” shall include Repo Transactions that are cleared and guaranteed as to their settlement by the Covered Affiliate.

The preceding paragraph shall not apply to: (i) a Repo Transaction that is executed between a Member and its Affiliates or between Affiliates of the same Member (hereinafter, an “Affiliate Trade”), (ii) a trade of a Covered Affiliate that has executed less than an average of 30 Eligible Trades (as defined in Section 3 of Rule 11) plus Eligible Repo Transactions (excluding Affiliate Trades) per business day per month within the prior twelve-month period meeting such criteria, or (iii) a Repo Transaction the submission of which to the Corporation would cause the Member to be in violation of any applicable law, rule or regulation.

All trade data required to be submitted to the Corporation under this Section must be submitted on a trade-by-trade basis with the original terms of the trades unaltered. A Member or any of its Affiliates may not engage in the Pre-Netting of Trades prior to their submission to the Corporation in contravention of this section. In addition, a Member or any of its Affiliates may not engage in any practice designed to contravene the prohibition against the Pre-Netting of Trades.

If the Corporation determines that a Netting Member has, without good cause, violated its obligations pursuant to this section, such Netting Member may be reported to the appropriate regulatory body and/or placed on the Watch List. In addition, the Corporation may discipline a Netting Member for a violation of this section in accordance with Rule 48.

### Section 3 – Collateral Substitutions

All collateral substitutions pertaining to Repo Transactions must be performed through the Corporation, and the requisite collateral substitution requests must be submitted to the Corporation in accordance with the requirements, procedures and timeframes established by the Corporation from time to time.

With regard to any Repo Transaction that comprises a Net Settlement Position and carries with it a Right of Substitution, a substitution of the Eligible Netting Securities collateral that underlies the Repo Transaction shall be processed by the Corporation pursuant to the following procedures and requirements:

(a) A notification for a request for substitution that contains the required data items in the Schedule of Required and Accepted Data Submission Items for a Substitution of Existing Securities Collateral, has been submitted to the Corporation by either: (i) the Netting Member who is the Repo Party that submitted the data on the Repo Transaction, or (ii) by a Demand Trade Source or a Locked-In Trade Source approved by the Corporation to provide such data.

(b) The notification, in the form and manner required by the Corporation, of the intent to substitute, has been submitted to the Corporation through the use of its designated messaging utility. The Corporation shall not accept notifications or amendments thereto in any other form and manner unless the Corporation has approved in advance such other form and manner. This notification or any amendments thereto may be submitted: (i) solely by a Repo Broker that was a party to the Repo Transaction, (ii) if the Repo Transaction is not a brokered one, by the Repo Party, or (iii) by a Demand Trade Source or a Locked-In Trade Source approved by the Corporation to provide such notification.

(c) The Repo Broker, the Repo Party, the Demand Trade Source or the Locked-In Trade Source referred to in subsection (b) above has submitted to the Corporation by the deadline published by the Corporation unless the deadline is extended by the Corporation, either in the notification described in subsection (b) of this Section 3 or otherwise as permitted by the Corporation, data on the nature of the New Securities Collateral, as specified in the Schedule of Required and Accepted Data Submission Items for a Substitution for New Securities Collateral, and any other detail deemed necessary, in the sole determination of the Corporation, to allow the Corporation to process the substitution.

(d) The required substitution requests with all necessary details have been submitted to the Corporation by the deadlines published by the Corporation unless the deadline is extended by the Corporation.

(e) All deliveries of Existing Securities Collateral or New Securities Collateral pursuant to this Rule shall be made in the same manner that Deliver and Receive Obligations of a Netting Member are required to be satisfied pursuant to Rule 12.

(f) Upon receipt of a request for such substitution where the information regarding the New Securities Collateral has not been provided to the Corporation, a Generic CUSIP Number will be applied to the substitution until the information regarding the New Securities Collateral has

been provided. Until such time as the Corporation has been notified of a substitution of the New Securities Collateral to be substituted, the Corporation shall base margining with respect to the New Securities Collateral on the applicable Generic CUSIP Number using the methodology that is used for securities whose volatility is less amenable to statistical analysis set forth in the Margin Component Schedule.

The Corporation shall have no obligation to ensure the acceptability to the Reverse Repo Party of any New Securities Collateral transferred pursuant to this Section, nor shall the Corporation record, authenticate or monitor the number of collateral substitutions performed in accordance with the Right of Substitution.

#### Section 4 – General Collateral Forward-Starting Repos

In order for a submitted General Collateral Repo Transaction that is also a Forward-Starting Repo Transaction to be included in a Member's Net Settlement Position of the Repo Start Date, such member must inform the Corporation, in the form and manner as specified by the Corporation from time to time, and by the Close of Business on the Business Day prior to the Repo Start Date, of the Specific CUSIP Number(s) and par value(s) of the securities allocated to such transaction. If such Member does not so inform the Corporation of such information, the Corporation shall remove the General Collateral Repo Transaction from its books. This paragraph does not apply to GCF Repo Transactions.

#### Section 5 – Repo Transactions with Maturing Collateral

If a Repo Party has transferred Existing Securities Collateral that matures prior to the Scheduled Settlement Date for the End Leg of the Repo Transaction, such Member shall be obligated to substitute for such Existing Securities Collateral, by no later than the Close of Business on the Business Day prior to such maturity date, New Securities Collateral, in accordance with the terms of the transaction. Upon failure of such Member to timely make the required substitution, the Corporation shall remove the Repo Transaction from its books.

## **RULE 19 – SPECIAL PROVISIONS FOR BROKERED REPO TRANSACTIONS**

### Section 1 – General

The provisions of this Rule 19 shall apply to the Brokered Repo Transactions of each Inter-Dealer Broker Netting Member acting as a Repo Broker and each Netting Member that is a counterparty to such Brokered Repo Transactions.

### Section 2 – Responsibilities of Repo Brokers

A Repo Broker shall submit to the Corporation data on a Brokered Repo Transaction only upon written agreement, and compliance, with the following conditions: (a) the Repo Broker's establishment of a separate account, with a separate Fedwire address, at a clearing bank that will be used exclusively for the settlement by the parties to the transaction of the Start Leg, and (b) the Repo Broker's granting of the necessary permissions to allow this account to be subject to review by the Corporation. The requirements of subsections (a) and (b) above shall not apply to Repo Brokers that elect to settle their Same-Day Settling Trades with the Corporation.

A Repo Broker that submits to the Corporation data on Brokered Repo Transactions shall be responsible for responding promptly and in good faith to notifications submitted by the Corporation and/or Netting Member counterparties to it of errors with such data, by modifying or canceling and replacing any incorrect data.

### Section 3 – Responsibilities of Netting Members With Respect to Their Brokered Repo Transactions

A Netting Member whose counterparty is a Repo Broker must submit, or have submitted on its behalf, to the Corporation, or to either another Registered Clearing Agency or a Clearing Agency that has been exempted from registration as a Clearing Agency by the SEC, in a timely and accurate manner, data on all of its Brokered Repo Transactions. Notwithstanding anything to the contrary elsewhere in these Rules, if the Netting Member fails, without good cause as determined by the Corporation, to submit data on their Brokered Repo Transaction to the Corporation on a timely or accurate basis, the Corporation may treat the Brokered Repo Transaction as compared based on the data submission received from the Repo Broker's counterparty for purposes of assessing all Clearing Fund deposit and Funds-Only Settlement Amount payment consequences of the Transaction, as well as the respective Receive Obligations(s) and/or Deliver Obligations(s) of the parties to the Transaction.

### Section 4 – Calculation of Funds-Only Settlement Amounts for Repo Brokers

Repo Brokers must satisfy, each business day, their Funds-Only Settlement Amount obligations including Forward Mark Adjustment Payments, according to the following parameters:

- (i) Any Debit Forward Mark Adjustment Payment or Credit Forward Mark Adjustment Payment up to a dollar amount cap (the "Cap") that will be determined by the

Corporation from time to time, shall be automatically collected from, or paid to the Repo Broker, as applicable.

(ii) If the Repo Broker represents to the Corporation that it is unable to pay the amount of a Debit Forward Mark Adjustment Payment in excess of the Cap, the Corporation may, in its sole discretion, finance such amount. In such case, the Repo Broker shall be responsible for: (i) any costs incurred by the Corporation in arranging the financing (i.e., an administrative fee set forth in the Fee Structure) and (ii) reimbursing the Corporation for the financing costs incurred. The Repo Broker's Clearing Fund deposit shall secure such financing.

(iii) The Corporation may, in its sole discretion, retain any amount of a Credit Forward Mark Adjustment Payment that is in excess of the Cap.

Repo Brokers maintaining more than one Repo Broker Account must aggregate Debit Forward Mark Adjustment Payments and Credit Forward Mark Adjustment Payments in those Accounts for purposes of the Cap. The Corporation will retain the right to assess any and all Funds-Only Settlement amounts to the Netting Member counterparty of the Repo Broker in accordance with Section 3 above.

#### Section 5 – Assumption of Blind Brokered Fails

With respect to a fail of the Start Leg of a Brokered Repo Transaction (notwithstanding Section 2(v) of Rule 11) or End Leg of a Brokered Repo Transaction (notwithstanding Section 2(v) of Rule 11), the Corporation may, in its sole discretion in order to facilitate the settlement of such Leg, assume responsibility for such fail from the Repo Broker whether or not the Transaction has been compared. If the Corporation assumes responsibility for such Transaction, it shall become part of the counterparty's Fail Deliver Obligation or Fail Receive Obligation as the case may be. This Section 5 will only apply to Repo Brokers that do not elect to settle Same-Day Settling Trades with the Corporation.



## **RULE 20 – SPECIAL PROVISIONS FOR GCF REPO TRANSACTIONS**

### Section 1 – General

The netting and settlement obligations of the Corporation and each Netting Member regarding GCF Repo Transactions are subject to the special provisions of this Rule, and such provisions supersede any conflicting provisions of any other Rule. Registered Investment Company Netting Members shall not be permitted to participate in the Corporation’s GCF Repo Service.

### Section 2 – Netting

On each Business Day, the Corporation shall net all of a Netting Member’s GCF Repo Transactions in a particular Generic CUSIP Number. GCF Repo Transactions shall be netted only with other GCF Repo Transactions. On each Business Day, for each separate Generic CUSIP Number, the Corporation shall establish a GCF Net Settlement Position for the outstanding GCF Repo Transactions of a Netting Member, by comparing the aggregate par value amount of each GCF Repo Transaction in which the Netting Member is a lender of cash and a borrower of securities or cash collateral (hereinafter, the “Cash Lender Total”) and each GCF Repo Transaction in which the Netting Member is a borrower of cash and a lender of securities or cash collateral (hereinafter, the “Cash Borrower Total”). If the Cash Lender Total exceeds the Cash Borrower Total, the resulting difference will constitute a GCF Net Funds Lender Position. If the Cash Borrower Total exceeds the Cash Lender Total, the resulting difference will constitute the GCF Net Funds Borrower Position. All GCF Net Settlement Positions shall be reported, by Generic CUSIP Number, by the Corporation promptly to each Netting Member.

Except as otherwise provided for in this Rule, GCF Net Settlement Positions shall be treated by the Corporation in the same manner as all other Net Settlement Positions for purposes of these Rules.

### Section 3 – Collateral Allocation and Cash Obligations Associated with Collateral Allocation Entitlements

On each Business Day, the Corporation shall establish collateral allocation requirements for each of a Netting Member's GCF Net Funds Borrower Positions and GCF Net Funds Lender Positions such that: (a) for every GCF Net Funds Borrower Position, the Netting Member shall have a Collateral Allocation Obligation equal to such GCF Net Funds Borrower Position, and (b) for every GCF Net Funds Lender Position, the Netting Member shall have a Collateral Allocation Entitlement equal to such GCF Net Funds Lender Position. Every Collateral Allocation Entitlement and Collateral Allocation Obligation that is established by the Corporation on a particular Business Day shall be netted on the next Business Day with such day’s Collateral Allocation Entitlement and/or Collateral Allocation Obligation, within a timeframe for such established by the Corporation (referred to as net-of-net settlement). Collateral Allocation Obligations and cash obligations associated with Collateral Allocation Entitlements must be satisfied by a Netting Member within the timeframes established for such by the Corporation in the Schedule of GCF Repo Timeframes.

If a Netting Member does not satisfy its consequent Collateral Allocation Obligation by the applicable deadline for such Collateral Allocation Obligation as set forth in the Schedule of GCF Repo Timeframes, such Netting Member shall be subject to a late fee. In addition, the Corporation shall process Collateral Allocation Obligations that are submitted after the applicable deadline on a good faith basis only. If the Netting Member does not satisfy its consequent Collateral Allocation Obligation, such Netting Member shall be deemed to have failed on such GCF Net Funds Borrower Position, the consequence of which shall be that the Member shall not be entitled to receive the funds borrowed, but shall owe interest on such funds amount. If a Net Funds Payor does not satisfy its cash obligations by the applicable deadline set forth in the Schedule of GCF Repo Timeframes, such Net Funds Payor shall be subject to a late fee. If the Net Funds Payor does not satisfy its cash obligation by the close of the Fedwire Funds Service, it shall be subject to an additional late fee and shall be required to satisfy any outstanding cash obligation promptly upon the opening of the Fedwire Funds Service the next Business Day. Failure to do so may result in disciplinary action, including termination of membership.

A Netting Member that has, on a particular Business Day, a Collateral Allocation Obligation, may satisfy such Collateral Allocation Obligation by posting with the Corporation, pursuant to these Rules: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Collateral Allocation Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

If on any Business Day, at the time set forth in the Schedule of GCF Repo Timeframes, a Netting Member's Collateral Allocation Obligation from the previous Business Day is greater than the value of the securities and cash delivered by such Netting Member to satisfy such Collateral Allocation Obligation, then such Netting Member shall deliver to the Corporation additional (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Collateral Allocation Obligations must be satisfied with the posting of Comparable Securities and/or cash only) and/or (iv) cash such that the total value of the securities and cash delivered by such Netting Member to satisfy such Collateral Allocation Obligation is greater than or equal to such Collateral Allocation Obligation. Such additional securities and/or cash must be delivered to the Corporation within the timeframe set forth in the Schedule of GCF Repo Timeframes.

If a Net Funds Payor who is otherwise in good standing with the Corporation does not satisfy its cash obligation or only satisfies a portion of its cash obligation within the timeframe established for such by the Corporation in the Schedule of GCF Repo Timeframes, the Corporation shall proceed as follows:

- (i) The Corporation shall first consider whether the GCF Clearing Agent Bank of the Net Funds Payor who failed to satisfy its cash obligation will provide overnight financing and/or whether the Corporation shall use an end-of-day borrowing of Clearing Fund cash in an amount up to the lesser of \$1 billion or 20 percent (20%) of available Clearing Fund Cash (hereinafter, the "EOD Clearing Fund Cash"). The Corporation shall not set a priority between the use of EOD Clearing Fund Cash and uncommitted financing

from the GCF Clearing Agent Bank. Any cash from these resources shall be applied to the unsettled cash entitlements of the Net Funds Receivers on a pro rata basis. The pro-ration will be based upon the percentage of each Net Fund Receiver's unsettled obligation versus the total amount of all unsettled cash obligations.

(ii) If an unsettled cash obligation still remains, Net Funds Receivers with unsettled positions at the GCF Clearing Agent Bank of the Net Funds Payor who did not fulfill its cash obligation shall be required to enter into overnight reverse repurchase agreements under the GCF Repo Allocation Waterfall MRA as described in Section 3b of this Rule. The amount of such reverse repurchase agreement shall be at the remaining unsettled amount per Net Funds Receiver.

The associated overnight interest of the reverse repurchase agreements will be debited from the Net Funds Payor and credited to the applicable Net Funds Receivers in the Funds-Only Settlement process as a Miscellaneous Adjustment Amount.

Any resulting costs incurred by the Corporation and/or the Net Funds Receivers from the implementation of any actions pursuant to clause (i) or (ii) above would be debited from the Net Funds Payor whose shortfall caused the liquidity need. The Net Funds Receivers requesting compensation in this regard would be required to provide proof of commercially reasonable expenses and would need to submit a formal claim to the Corporation. Upon approval by the Corporation, the Net Funds Receiver would receive a credit that would be processed in the Funds-Only Settlement process as a Miscellaneous Adjustment Amount. The debit for the Net Funds Payor would be processed in the same way.

Unless the Corporation has restricted the Member's access to services pursuant to Rule 21 or Rule 21A or has ceased to act for the Member pursuant to Rule 21 or Rule 21A, the Net Funds Payor shall be permitted to continue to submit activity to the Corporation.

A Netting Member that had a Collateral Allocation Entitlement may not withdraw the securities or cash collateral that it receives from its account at the GCF Clearing Agent Bank and shall have the obligation to settle the new net settlement amount on the next Business Day and the right to receive back from the Corporation the net funds amount that it paid on the previous Business Day. The Corporation shall charge such Netting Member for any actual damages directly suffered by the other Netting Member as a result of not receiving back the same securities, and shall remit any amounts received to the other Netting Member. Such damages must be sufficiently demonstrated to the satisfaction of the Corporation and may not include special, consequential or punitive damages. A Netting Member that had a Collateral Allocation Obligation shall have the obligation to settle the new settlement amount on the next Business Day and the right to receive back from the Corporation the net securities or cash collateral that it posted on the previous Business Day. Notwithstanding the foregoing, if the Netting Member is not able, due to reasons beyond its control and despite exercising best efforts, to return any collateral due back to the Corporation, the Netting Member may return: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

Notwithstanding the paragraphs immediately above in this Section 3 of Rule 20, Treasury floating rate notes may not be used to satisfy Collateral Allocation Obligations or substitutions with respect to Treasury Inflation-Protected Securities, Separate Trading of Registered Interest and Principal Securities, or fixed-rate mortgage-backed securities issued by Fannie Mae, Freddie Mac or Ginnie Mae.

Notwithstanding anything to the contrary in these Rules, on any particular Business Day, the Corporation, in its sole discretion, may increase the amount of a Netting Member's Collateral Allocation Obligation by as much as ten percent of such Collateral Allocation Obligation.

For purposes of this Rule 20, the reference to "U.S. Treasury bills, notes or bonds" shall not include Treasury floating rate notes, Treasury Inflation-Protected Securities or Separate Trading of Registered Interest and Principal Securities.

Section 3a – [RESERVED]

Section 3b – Obligation of Net Funds Receivers to Enter into Overnight Reverse Repurchase Agreements with the Corporation

If a Net Funds Payor satisfies only a portion of its cash obligation or does not satisfy any of its cash obligation and/or the Corporation is only able to raise a portion of the unsettled cash amount or is not able to raise any of the unsettled cash amount to cover such cash obligation, the Net Funds Receivers at the GCF Clearing Agent Bank of the Net Funds Payor who did not fulfill its obligation (hereinafter, the "Affected Netting/CCIT Members") shall be required to enter into overnight reverse repurchase agreements with the Corporation, as described herein, on the Generic CUSIP Number for which such Net Funds Payor failed to fulfill its cash obligation. The amount of such reverse repurchase agreement shall be at the remaining unsettled amount per Affected Netting/CCIT Member.

The September 1996 Securities Industry and Financial Markets Association Master Repurchase Agreement (without the referenced annexes, other than in the case of any Netting Member that is a Registered Investment Company, Annex VII) is hereby incorporated by reference in the Rules as a master repurchase agreement between the Corporation, as Seller, and each Affected Netting/CCIT Member, as Buyer (hereinafter, the "GCF Repo Allocation Waterfall MRA"); *provided* that, notwithstanding anything else in the GCF Repo Allocation Waterfall MRA:

- (i) Transactions (for purposes of this Section 3b, as defined in the GCF Repo Allocation Waterfall MRA) shall only be initiated by the Corporation in accordance with this Rule,
- (ii) all Transactions shall be terminable only by demand of the Corporation and in accordance with this Rule,
- (iii) all Securities (for purposes of this Section 3b, as defined in the GCF Repo Allocation Waterfall MRA) shall be transferred in the Corporation's sole discretion,

(iv) any and all notices, statements, demands or other communications under the GCF Repo Allocation Waterfall MRA shall be given by a party to the other in accordance with the notice provisions set forth in the Rules,

(v) so long as the Affected Netting/CCIT Member is a Netting Member or CCIT Member, as applicable, of the Corporation, the GCF Repo Allocation Waterfall MRA may only be terminated by the Corporation,

(vi) there shall be no Events of Default (as defined in the GCF Repo Allocation Waterfall MRA) with respect to the Seller other than a Corporation Default,

(vii) it shall be an “Event of Default” with respect to Buyer under a GCF Repo Allocation Waterfall MRA if the Corporation ceases to act for the relevant Affected Netting/CCIT Member,

(viii) Section 19(a) of the GCF Repo Allocation Waterfall MRA shall be amended by adding at the end thereof and before the period “, and this Agreement and each Transaction is of a type set forth in Section 5390(c)(8)(D) of Title 12 of the United States Code, as amended,”

(ix) Section 19(b) of the GCF Repo Allocation Waterfall MRA shall be amended by adding at the end thereof before the period “, and a right to terminate, liquidate or accelerate as described in Section 5390(c)(8)(A) and (C) of Title 12 of the United States Code, as amended.”

Once the Corporation has determined that it will require financing in order to satisfy a cash obligation to a Netting Member or CCIT Member in a Net Funds Receiver Position, it shall notify each Affected Netting/CCIT Member of the principal amount of the relevant Generic CUSIP Number subject to the applicable overnight reverse repurchase transaction (hereinafter, the “Financed Securities”) and the corresponding purchase price (hereinafter, the “Financing Amount”). Upon notification by the Corporation, the Corporation shall initiate such overnight reverse repurchase transactions with Affected Netting/CCIT Members under the terms and conditions of the GCF Repo Allocation Waterfall MRA.

All Collateral Allocation Obligations in respect of Financed Securities shall be deemed satisfied by operation of this Rule and settlement of any original transaction between the Corporation and the Affected Netting/CCIT Member shall be final notwithstanding that the Financed Securities are not required to be allocated for the benefit of the Corporation in connection with the original transaction by the Affected Netting/CCIT Member who is a buyer in a reverse repurchase transaction (such Collateral Allocation Obligation being netted against delivery to the buyer under the GCF Repo Allocation Waterfall MRA).

#### Section 4 – Right of Substitution

On any Business Day (within the timeframes established by the Corporation by notice to all Members), a Netting Member that posted with the Corporation securities in satisfaction of its Collateral Allocation Obligation on the previous Business Day may substitute for any securities so delivered on such day cash, or (i) Comparable Securities, (ii) Other Acceptable Securities, or

(iii) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, substitution may be with Comparable Securities and/or cash).

On any Business Day (within the timeframes established by the Corporation by notice to all Members), a Netting Member that posted with the Corporation cash in satisfaction of its Collateral Allocation Obligation on the previous Business Day may substitute for any securities so delivered on such day (i) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, substitution may be with Comparable Securities), (ii) Comparable Securities, or (iii) Other Acceptable Securities.

For the avoidance of doubt, Dealers will be able to substitute any previously delivered collateral during the day and until such time as their new Collateral Allocation Obligations for that day are fully satisfied and finalized with the GCF Clearing Agent Bank.

#### Section 5 – Novation

GCF Net Settlement Positions and resultant Collateral Allocation Entitlements and Collateral Allocation Obligations, either as originally established by the Corporation or as may be adjusted by the Corporation as the result of a modification of data made pursuant to these Rules, shall be fixed at the time the Report of such GCF Net Settlement Positions, Collateral Allocation Entitlements, and Collateral Allocation Obligations is made available by the Corporation to a Netting Member. At that time, all deliver, receive, and related payment and Collateral Allocation Obligations between such Netting Member and the Corporation that were created by the GCF Repo Transactions, Novated by the Corporation pursuant to Section 8 of Rule 5, and that comprise a GCF Net Settlement Position or GCF Net Settlement Positions are terminated and replaced by the Collateral Allocation Entitlements and Collateral Allocation Obligations and related payment obligations for such Members that are listed in the Report.

## **RULE 21 – RESTRICTIONS ON ACCESS TO SERVICES**

### Section 1 – Cause for Action by the Corporation

Based upon the judgment of the Board that adequate cause exists to do so, or as otherwise provided for in Rule 3, the Corporation may, at any time, upon providing notice to the Member, suspend a Member from any service provided by the Corporation either with respect to a particular transaction or transactions or with respect to transactions generally, or prohibit or limit such Member with respect to access to services offered by the Corporation in the event that:

(a) the Member has failed to perform any of its obligations to the Corporation arising under these Rules or under the Procedures or has materially violated any Rule or Procedure of, or any agreement with, the Corporation or those of an FCO with which the Corporation has entered into a Cross-Margining Agreement;

(b) the Member has failed to make to the Corporation, or to an FCO with which the Corporation has entered into a Cross-Margining Agreement, on a timely basis, any required payment, or deposit or delivery provided for in these Rules or in the Procedures, or those of the applicable FCO, including any fee, fine other charge, and a delivery of securities;

(c) the Board has determined that the Member is no longer in compliance with any provision of (i) the admission standards provided in Rule 2A that would be applicable to it if it were an applicant for membership, including consideration of the disqualification criteria contained in Rule 2A, or (ii) the continuance standards provided in Rule 3 applicable to it, including any operational testing and related reporting requirements and including consideration of the disqualification criteria contained in Rule 2A;

(d) the Board has reasonable grounds to believe that the Member, or its Controlling Management has been responsible for fraudulent or dishonest conduct or breach of fiduciary duty or has made a material misstatement or omitted to state a material fact in any statement to the Corporation or to any officer or employee of the Corporation in connection with its application to become a Member, or thereafter, in connection with any transaction processed or service furnished by the Corporation;

(e) the Board has reasonable grounds to believe that the Member is in or is approaching significant financial or operational difficulty or otherwise will be unable to meet its obligations to the Corporation;

(f) a GCF Clearing Agent Bank has determined to cease to extend credit to the Member;

(g) the Board otherwise has reasonable grounds to believe that such suspension, prohibition or limitation is necessary either for the protection of the Corporation or any of the other Members or to facilitate the orderly and continuous performance of the Corporation's services.

The Board may determine that adequate cause for suspension, prohibition or limitation does not exist, either unconditionally or on an appropriate temporary or other conditional basis, if

the Board determines that any standard specified in this Section, as applied to a Member or its Controlling Management is unduly or disproportionately severe or that the conduct of such Member or its Controlling Management has been such as not to make it against the interests of the Corporation, other Members, or the public for the Corporation to continue to act for such Member.

#### Section 2 – Restriction on Access or Suspension

Before the Corporation suspends a Member with respect to a particular transaction or transactions or prohibits or limits such Member's access to services offered by the Corporation pursuant to this Rule, the Corporation shall notify such Member as soon as practicable that it has taken such action, and such notice shall set forth the specific grounds under consideration upon which any suspension, prohibition or limitation of access may be based and shall contain notice to the Member of its right to request a hearing, pursuant to Rule 37. Any such hearing requested pursuant to Rule 37 shall be held as promptly as possible after such statement is furnished. If the Corporation takes any action pursuant to this Section, it shall notify the SEC as soon as practicable.

#### Section 3 – Summary Suspension

Notwithstanding Section 2 of this Rule, the Board may summarily suspend a Member with respect to a particular transaction(s) or transactions generally or summarily prohibit or a limit a Member's access to services offered by the Corporation in the event that the Member meets one or more of the criteria in Section 1 of this Rule and the Corporation determines, in its discretion, that such action is necessary for the protection of the Corporation or its members.

In the event that any Member has been summarily suspended, the Corporation may cease to act for such Member in accordance with Rule 22A, except as otherwise provided by these Rules. Any summary action which may be taken by the Board pursuant to this Section may instead be taken by one or more designees of the Board in the event that a quorum of the Board is unable to meet, provided that any summary action taken by one or more designees must be confirmed by the Board within 3 business days.

Any Member that has been summarily suspended or whose access has been summarily prohibited or limited pursuant to this Section shall be promptly furnished a written statement of the grounds for the decision and shall be notified of its right to request a hearing pursuant to Rule 37, except that the request for a hearing must be in writing and filed within 2 business days of receipt from the Corporation of such statement. Any such hearing requested pursuant to Rule 37 shall be held as promptly as possible after the Corporation has taken summary action against the Member pursuant to this Rule.

#### Section 4 – Action by the Corporation

Any action taken by the Corporation pursuant to this Rule may include, but shall not be limited to, any one or more of the following actions:

- (a) ceasing to act for the Member pursuant to Rule 22A;
- (b) limiting or excluding the Member's participation in one or more transactions or services which are available to the Member.



### Section 5 – Rights and Remedies

After the Corporation has taken action pursuant to this Rule with respect to a Member with respect to either a particular transaction or transactions generally, the Corporation shall nevertheless have the same rights and remedies in respect of any monies or securities due from such Member, or any liability incurred as the result of such Member's action, or on behalf of such Member, as though the Corporation had not taken such action.

### Section 6 – Report of Actions

A written report of any actions taken by the Corporation pursuant to this Rule, and the reasons therefore, shall be promptly made and filed with the SEC and with the Corporation's records.

## **RULE 21A – WIND-DOWN OF A NETTING MEMBER**

When a Netting Member notifies the Corporation that it intends to wind down its activities, the Corporation may, in its sole discretion, in order to protect itself and its participants, determine that such Member is a “Wind-Down Member”. In that event and, without limiting any other rights of the Corporation under these Rules and Procedures, the Corporation may impose conditions on, or take actions with respect to, the Wind-Down Member as provided below.

As soon as practicable after the Corporation determines that a Member is a Wind-Down Member, the Corporation shall notify the Wind-Down Member, all other Members and the SEC of such determination.

The Corporation may, in its discretion, impose conditions on, or take actions with respect to, the Wind-Down Member as appropriate to mitigate risk the Corporation perceives may be presented by the Wind-Down Member, including but not limited to, the following:

- (i) Permitting the Wind-Down Member to submit to the Corporation only transactions that serve to support the wind-down;
- (ii) Permitting the Wind-Down Member to continue use of one or more of the Corporation’s services, notwithstanding that it may not meet some or all of the financial or operational requirements for continuance as a Netting Member;
  - (i) Restricting or modifying the Wind-Down Member’s use of any or all of the Corporation’s services (whether generally, or with respect to certain transactions);
  - (ii) Requiring additional assurances of the financial responsibility or operational capability of the Wind-Down Member through, for example, submission of a guaranty of the Wind-Down Member’s obligations to the Corporation by an entity acceptable to the Corporation and/or additional reporting by the Wind-Down Member;
  - (iii) Agreeing to complete one or more trades to which the Wind-Down Member is a party prior to the time the Corporation otherwise would Novate such trade pursuant to these Rules;
  - (iv) Requiring the Wind-Down Member to post increased Clearing Fund deposits and/or 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;
  - (v) Prohibiting the Wind-Down Member from withdrawing Clearing Fund on deposit in excess of its Required Fund Deposit; or
  - (vi) Calculating the Required Fund Deposit of the Wind-Down Member in a manner different from that provided in the Margin Component Schedule, in order to more appropriately reflect the risk presented by the Wind-Down Member to the Corporation, such as, for example, not applying certain components of the Required Fund Deposit calculation; or

(vii) Liquidating by buying-in or selling-out, as applicable, any open positions of the Wind-Down Member, for the benefit of such Wind-Down Member with any profit or loss resulting therefrom being debited or credited, as applicable, to the settlement account of the Wind-Down Member

If the Corporation takes, or mandates, any action pursuant to this Rule, the Corporation shall, as soon as practicable thereafter, notify the SEC and such other Members as it deems proper due to the nature of such action, and shall inform Members as to whether the Corporation shall relieve Members from the loss allocation obligations of Rule 4 with respect to transactions that Members enter into with the Wind-Down Member.

Notwithstanding the foregoing, the Corporation shall not be restricted from exercising any of its rights in these Rules or in any agreements between itself and the Member at any time, including the Corporation's right at any time to cease to act for the Wind-Down Member pursuant to Rules 21, 22 or 22A.

## **RULE 22 – INSOLVENCY OF A MEMBER**

### Section 1 – Obligation to Inform of Insolvency

A Member that (a) fails to perform any of its material contracts, obligations or agreements, (b) determines that it will be unable to perform any of its material contracts, obligations or agreements or (c) is insolvent, shall immediately notify the Corporation orally and in writing of such. Until a Member has so notified the Corporation, the Member, by submitting to the Corporation trade data with regard to transactions to which such Member is a party, shall be deemed to represent and warrant that it (d) is able to perform, and has not failed to perform, its material contracts and obligations, and (e) is not insolvent.

### Section 2 – Determination of Insolvency

- (a) A Member shall be treated by the Corporation in all respects as insolvent:
- (i) upon receipt of the notice specified in Section 1 of this Rule, provided, however, that a Member shall not be treated as insolvent in the event such Member (without being deemed to have admitted its liability thereunder) provides or posts a bond, indemnity, or guaranty from a third party that the Board, in its sole discretion, deems satisfactory to ensure the performance of the Member's obligations;
  - (ii) in the event that the Member is determined to be insolvent by the Board, or by any Designated Examining Authority, Appropriate Regulatory Agency, or other examining authority or regulator with jurisdiction over such Member or any Self-Regulatory Organization or other self-regulatory organization that such Member is a member of;
  - (iii) if the Member is a member of the Securities Investor Protection Corporation, in the event that a court of competent jurisdiction finds that the Member meets any one of the conditions set forth in clauses (A), (B), (C), or (D) of Section 5(b)(1) of the Securities Investor Protection Act of 1970;
  - (iv) in the event of the entry or the making of a decree or order by a court, regulator or other supervisory authority of competent jurisdiction (A) adjudging the Member as bankrupt or insolvent, (B) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of the Member under the Bankruptcy Code or any other applicable Federal, State or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law, (C) appointing a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator (or other similar official) for the Member or for any substantial part of its property, (D) ordering the winding up or liquidation of its affairs, or (E) consenting to the institution by the Member of proceedings to be adjudicated as a bankrupt or insolvent; or
  - (v) the filing by the Member of a petition, or any case or proceeding, seeking reorganization or relief under the Bankruptcy Code or any other applicable Federal, State

or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law, or the consent by the Member to the filing of any such petition, case or proceeding or to the appointment of a receiver, custodian, liquidator, assignee, trustee, sequestrator or other similar official for the Member or for any substantial part of its property, or the making by the Member of an assignment for the benefit of its creditors, or the admission by the Member in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Member in furtherance of any such action.

(b) The provisions of Section 2(a) of this Rule 22 shall be applicable to a Member that is a Cross-Margining Participant and, in addition, a Cross-Margining Participant may also be treated as insolvent under any circumstances specified in Rule 43.

(c) A Member may also be treated as insolvent by the Corporation, in its sole discretion, if a GCF Clearing Agent Bank determines to cease to extend credit to such Member.

(d) A Member that has entered into a Cross-Margining Agreement with the Corporation may be treated as insolvent by the Corporation, in its sole discretion, if it or a Cross-Margining Affiliate defaults in its obligations to an FCO with which the Corporation has a Cross-Margining Agreement.

### Section 3 – Ceasing to Act for the Member

Except as otherwise may be determined by the Board in any particular case, the Corporation shall cease to act for the insolvent Member, as detailed in Rule 22A.

## **RULE 22A – PROCEDURES FOR WHEN THE CORPORATION CEASES TO ACT**

### Section 1 – Notification

When the Corporation has ceased to act for a Member, it shall provide Members and the SEC with notice stating the Corporation's decision to cease to act for the Member. The Corporation may provide in such notice or a subsequent notice the steps to be taken as well as how pending transactions shall be affected.

### Section 2 – Action by the Corporation

Except as otherwise may be determined by the Board in any particular case, from and after the time the Corporation ceases to act for a Member, the following shall apply:

(a) Notwithstanding anything to the contrary in the Schedule for Deletion of Trade Data Submitted to the Comparison System that is published from time to time by the Corporation, trades to which the Member is a party the data on which have been submitted to the Corporation that have not been deemed Compared Trades upon receipt by the Corporation pursuant to these Rules or that have not been reported by the Corporation to Members as Compared Trades shall be deleted from the Comparison System, unless otherwise determined by the Board in order to promote an orderly settlement.

(b) Except as otherwise provided in Rules 17 and 18, all long and short Net Settlement Positions, and Forward Net Settlement Positions of the Member outstanding at the time the Corporation ceases to act for the Member that have been reported by the Corporation to Members pursuant to Rule 11 and Rule 14 shall be closed out by (i) for each Eligible Netting Security with a distinct CUSIP Number, establishing a final Net Settlement Position (hereinafter, the "Final Net Settlement Position") that shall be equal to the net of all outstanding Deliver Obligations and Receive Obligations of the Member in each Security, including Fail Deliver Obligations and Fail Receive Obligations and those that are determined by the Corporation to arise from Forward Net Settlement Positions, and (ii) buying, borrowing, or reversing in or selling, lending or repoing out the Securities deliverable by or to such insolvent Member, and/or borrowing or lending monies, in order to close out the Final Net Settlement Position established for each Security. If a Member also has a Market Professional Cross-Margining Account, any resulting gains upon liquidation of the Member's proprietary Account shall be used to offset any resulting liquidation loss in the Market Professional Cross-Margining Account. This close-out procedure shall be completed as promptly as practicable after the Corporation has given notice pursuant to Section 1 of this Rule Corporation's determination to cease to act, unless the Board determines that the immediate close-out of Final Net Settlement Positions in a Security may be disadvantageous to the Corporation or may promote a disorderly market in that Security, in which case the Corporation may suspend the operation of this close-out provision until such later time as is determined by the Board, except that the Board may not suspend the operation of such close-out procedure for a period longer than 30 calendar days without the approval of such by the SEC. If, in the aggregate, the close-out of all of the Final Net Settlement Positions established for a Member results in the Corporation incurring any loss or liability, such loss or liability shall be allocated as provided in Rule 4. If, in the aggregate, the close-out of all of the Final Net Settlement Positions established for a Member

results in a profit to the Corporation (after the Corporation has fulfilled its obligations under any Cross-Margining Agreements and Limited Cross-Guarantee Agreements), such profit shall be credited to the Member, or to a duly-appointed legal representative of the Member.

Subsequent to the close-out of a Member's Final Net Settlement Positions, the Corporation shall, in accordance with these Rules, ensure the timely settlement of all Deliver Obligations, Receive Obligations, and related payment obligations, that would have arisen had the Corporation not ceased to act, in accordance with the terms of the transactions that comprise such obligations. Notwithstanding the foregoing, if the Member was a GCF Net Funds Lender and had a Deliver Obligation of GCF-eligible mortgage-backed securities in connection with a GCF Repo Transaction, the Corporation shall be authorized to satisfy the Deliver Obligation with: (i) Comparable Securities, and/or (ii) U.S. Treasury bills, notes or bonds. In the alternative, the Corporation may, in its sole discretion, permit a GCF Net Funds Borrower to purchase Comparable Securities and/or U.S. Treasury bills, notes, or bonds in return for a cash payment by the Corporation equal to the price paid by the GCF Net Funds Borrower for the Comparable Securities and/or the U.S. Treasury bills, notes, or bonds; provided, however, that if the Corporation in its sole discretion determines that the price paid by the GCF Net Funds Borrower was unreasonably high, the Corporation shall be entitled to pay the GCF Net Funds Borrower a reasonable price (as determined by an independent third party pricing source) for the Comparable Securities and/or the U.S. Treasury bills, notes or bonds.

If the Corporation takes any action pursuant to this Section, it shall notify the SEC of such by the Close of Business on the Business Day on which such action is taken.

#### Section 2a – Liquidity Requirements of Netting Members

##### (a) Master Repurchase Agreements

In order to finance the Corporation's obligations related to Netting Members' Deliver Obligations in accordance with paragraphs (b) and (c) below, the SIFMA MRA (without the referenced annexes, other than in the case of any Netting Member that is a registered investment company, Annex VII) is hereby incorporated by reference in the Rules as a master repurchase agreement between the Corporation, as Seller, and each Netting Member, as Buyer (the "CCLF MRA"); *provided* that, notwithstanding anything else set forth in the CCLF MRA:

- (A) CCLF Transactions (for purposes of this Section 2a, as defined in the CCLF MRA) shall only be initiated by the Corporation in accordance with this Rule 22A,
- (B) all CCLF Transactions shall be terminable only by demand of the Corporation and in accordance with this Rule 22A except as specified in paragraph (L) below,
- (C) all Securities (for purposes of this Section 2a, as defined in the CCLF MRA) shall be transferred by the Corporation in its sole discretion,

- (D) any and all notices, statements, demands or other communications under the CCLF MRA shall be given by a party to the other in accordance with the notice provisions set forth in the Rules,
- (E) so long as the Netting Member is a Member of the Corporation, the CCLF MRA may only be terminated by the Corporation,
- (F) there shall be no Events of Default (for purposes of this Section 2a, as defined in the CCLF MRA) with respect to the Seller other than a Corporation Default,
- (G) on any Business Day prior to the CCLF MRA Termination Date as defined in paragraph (L) below, the Corporation may, by notice to Buyer, terminate any CCLF Transaction, in whole or in part, by specifying such Business Day as the Repurchase Date (for purposes of this Section 2a, as defined in the CCLF MRA) for some or all of the Purchased Securities (for purposes of this Section 2a, as defined in the CCLF MRA),
- (H) if the Corporation terminates a portion of a CCLF Transaction pursuant to clause (G) of this paragraph:
  - (1) the Repurchase Price (for purposes of this Section 2a, as defined in the CCLF MRA) for the Purchased Securities to be repurchased on such date (the “Relevant Securities”) shall be an amount equal to the sum of the Purchase Price (for purposes of this Section 2a, as defined in the CCLF MRA) for the Relevant Securities and the unpaid Price Differential (for purposes of this Section 2a, as defined in the CCLF MRA) accrued on the Purchase Price for the Relevant Securities through such Business Day;
  - (2) upon transfer of the Repurchase Price for the Relevant Securities, the Relevant Securities shall no longer constitute Purchased Securities; and
  - (3) upon transfer of the Repurchase Price for the Relevant Securities, the Purchase Price for the CCLF Transaction shall be reduced by the Purchase Price for the Relevant Securities,
- (I) It shall be an “Event of Default” with respect to Buyer under a CCLF MRA if the Corporation ceases to act for the relevant Affected Member,
- (J) Section 19(a) of the CCLF MRA shall be amended by adding at the end thereof before the period “, and this Agreement and each CCLF Transaction is of a type set forth in Section 5390(c)(8)(D) of Title 12 of the United States Code, as amended”,



- (K) Section 19(b) of the CCLF MRA shall be amended by adding at the end thereof before the period “, and a right to terminate, liquidate or accelerate as described in Section 5390(c)(8)(A) and (C) of Title 12 of the United States Code, as amended”, and
- (L) If (x) a Corporation Default has occurred during the term of a CCLF Transaction or (y) the Corporation has not repurchased all Purchased Securities (for purposes of this Section 2a, as defined in the CCLF MRA) under the applicable CCLF Transaction by (A) the end of the 30th calendar day after the Purchase Date (for purposes of this Section 2a, as defined in the CCLF MRA) in the case of a CCLF Transaction where the underlying security is a U.S. government agency debenture or U.S. Treasury bill, note or bond or (B) the end of the 60th calendar day after the Purchase Date in the case of a CCLF Transaction where the underlying security is a mortgage-backed security (the “CCLF MRA Termination Date”), the Affected Member may exercise the rights of a “nondefaulting party” under Section 11 of the CCLF MRA as if an “Event of Default” with respect to the Seller had occurred and such Affected Member had exercised the option referred to in Section 11(a) of the CCLF MRA.

(b) Capped Contingency Liquidity Facility (“CCLF”)

(i) In the event that the Corporation ceases to act for a Netting Member pursuant to this Rule 22A and determines, in its sole discretion, that it does not have the ability to obtain sufficient liquidity from other resources in order to satisfy the obligations of a Defaulting Member, the Corporation may declare a CCLF Event. Upon such declaration, the following shall occur:

- (A) The Corporation shall issue an Important Notice to all Netting Members informing them of the CCLF Event with respect to the Defaulting Member and advising such Netting Members to review their most recent liquidity funding reports to determine their respective Individual Total Amount;
- (B) The Corporation shall determine (x) which Netting Members had Deliver Obligations to the Corporation, the securities in respect of which were destined for the Defaulting Member (each such Netting Member, a “Direct Affected Member”) and (y) the cash obligations of the Corporation to such Direct Affected Member in respect of which the Corporation needs financing (such Direct Affected Member’s “Financing Amount”);
- (C) The Corporation shall notify each Direct Affected Member of the amount and description of the Eligible Netting Securities to which the Direct Affected Member’s Financing Amount relates (such Direct Affected Member’s “Financed Securities”) and whether such

Affected Member is to deliver any such Financed Securities to the Corporation;

- (D) The Corporation shall initiate CCLF Transactions with each Direct Affected Member having an aggregate purchase price up to such Affected Member's Financing Amount, but in no event in excess of such Direct Affected Member's Individual Total Amount;
- (E) In the event that a Direct Affected Member's Financing Amount exceeds its Individual Total Amount (the "Remaining Financing Amount"), the Corporation shall advise (x) each other Direct Affected Member whose Financing Amount is less than its Individual Total Amount, and (y) each Netting Member that has not otherwise entered into CCLF Transactions with the Corporation (the "Indirect Affected Members," and together with the Direct Affected Members, "Affected Members") that the Corporation intends to initiate CCLF Transactions with such Affected Members based on such Affected Members' funding availability within their Individual Total Amounts. Each such CCLF Transaction shall have an aggregate purchase price equal to all or a portion of the Remaining Financing Amount, but in no event in excess of the Affected Member's Individual Total Amount (after taking into account all CCLF Transactions in connection with the subject CCLF Event);
- (F) At any time and from time to time, if a Remaining Financing Amount exists, the Corporation may, in its sole discretion, enter into CCLF Transactions with Affected Members based on such Affected Members' funding availability within their Individual Total Amount (but in no event shall such CCLF Transactions in respect of an individual Affected Member exceed such Affected Member's Individual Total Amount (after taking all CCLF Transactions in connection with any and all existing CCLF Events into account));
- (G) Each CCLF Transaction shall remain open until the earlier of (x) such time that the Corporation has executed a transaction liquidating the Financed Securities (a "Liquidating Trade"), (y) such time that the Corporation has obtained liquidity through its available liquid resources or (z) the CCLF MRA Termination Date; and
- (H) Upon the Corporation's execution of the Liquidating Trade, the Corporation shall notify each Netting Member party to a related CCLF Transaction of the Corporation's termination of such CCLF Transaction and shall instruct each such Netting Member to deliver the related securities to the Corporation in order to complete settlement on the contractual settlement date of the Liquidating Trade. The Corporation shall endeavor to terminate the CCLF Transactions based on the order that the Corporation enters into

Liquidating Trades for the Financed Securities, subject to the Corporation's risk management objective to minimize liquidation losses on the Financed Securities and minimize disruption to the fixed income markets.

All Delivery Obligations in respect of Financed Securities shall be deemed satisfied by operation of this Rule, and settlement of any original transaction between the Corporation and any Direct Affected Member shall be final notwithstanding that the Financed Securities are not required to be delivered to the Corporation in connection with such original transaction by the Direct Affected Member who was a buyer in the original transaction (such delivery being netted against delivery to the buyer under the CCLF MRA).

(ii) The Corporation shall conduct a study every six months, or at such intervals as the Corporation deems appropriate, to determine the following parameters:

- (A) Historical Cover 1 Liquidity Requirement,
- (B) the Liquidity Buffer,
- (C) the Receive Scaling Factor,
- (D) the Deliver Scaling Factor,
- (E) the Aggregate Total Amount,
- (F) the Aggregate Regular Amount, and
- (G) the Aggregate Supplemental Amount.

(iii) Based on the determinations referred to in (ii) above, the Corporation shall calculate the Individual Regular Amount for each Netting Member as the sum of subsections (A) and (B) below.

- (A) The Corporation shall (x) divide the absolute value of a Netting Member's Receive Obligations by the absolute value of the aggregate Receive Obligations of all Netting Members, then (y) multiply such resulting value by the Aggregate Regular Amount, then (z) multiply the resulting product by the Receive Scaling Factor.
- (B) The Corporation shall (x) divide the absolute value of a Netting Member's Deliver Obligations by the absolute value of the aggregate Deliver Obligations of all Netting Members, then (y) multiply such resulting value by the Aggregate Regular Amount, then (z) multiply the resulting product by the Deliver Scaling Factor.

(iv) Based on the determinations referred to in (ii) above, the Corporation shall calculate the Individual Supplemental Amount for each Netting Member by:

- (A) apportioning an amount of the Aggregate Supplemental Amount to each Liquidity Tier based on the Relative Inter-Tier Frequency of Liquidity Needs,
- (B) apportioning each Netting Member's portion of the Aggregate Supplemental Amount assigned to each of that Netting Member's Liquidity Tiers based on the Relative Intra-Tier Frequency in which that Netting Member's Liquidity Needs have reached the respective Liquidity Tier, and
- (C) summing each Netting Member's apportionment across Liquidity Tiers.

(v) Each Netting Member's Individual Total Amount is the sum of its Individual Regular Amount and its Individual Supplemental Amount. FICC shall provide each Netting Member with its Individual Total Amount every six months (the "Reset Period").

(vi) Every three months, or at such times as the Corporation deems appropriate, the Corporation shall assess the parameters set forth in (ii) above and may change any such parameter to ensure that the Corporation is able to satisfy its liquidity needs or to achieve the purposes of this Section 2a. If any Netting Member's Individual Total Amount is increased as a result of this paragraph (vi), such increase shall be effective as of the next Reset Period.

(vii) On a daily basis, or at such times as the Corporation deems appropriate, the Corporation may increase the Aggregate Total Amount to ensure that such amount is sufficient to satisfy its liquidity needs. If any Netting Member's Individual Total Amount is increased as a result of this paragraph (vii), such increase shall not be effective until ten (10) Business Days after the Corporation has made an Important Notice available to such Netting Member regarding such increase.

(c) Information to Netting Members

On each Business Day, the Corporation shall make a liquidity funding report available to each Netting Member. Each Netting Member's report shall include the following:

- (i) the Netting Member's Individual Regular Amount and Individual Supplemental Amount;
- (ii) the Corporation's Aggregate Total Amount, Aggregate Regular Amount and Aggregate Supplemental Amount; and

(iii) the daily liquidity coverage necessary to meet the Corporation's liquidity requirements.

This liquidity funding report shall be provided for informational purposes only. In the event that the Corporation declares a CCLF Event, Netting Members shall be required to enter into CCLF Transactions up to their Individual Total Amount as calculated by the Corporation.

(d) Required Attestation

On at least an annual basis, or upon demand by the Corporation, each Netting Member shall attest that its Individual Total Amount has been incorporated into its liquidity plans (such attestation, the "Required Attestation"). The Required Attestation must be signed by two authorized officers of the Netting Member (or otherwise be satisfactory in form and substance to the Corporation) and contain the following certifications: (1) such officers have read and understand the Rules, (2) the Netting Member's Individual Total Amount has been incorporated into the Netting Member's liquidity planning, (3) the Netting Member acknowledges and agrees that its Individual Total Amount may be changed pursuant to Section 2a(b)(ii) through (v) of this Rule or otherwise upon ten (10) Business Days' Notice, (4) the Netting Member will incorporate any changes to its Individual Total Amount into its liquidity planning, and (5) the Netting Member shall, through periodic discussions with its financing sources and other methods, continually reassess its liquidity plans and related operational plans, including in the event of any changes to such Netting Member's Individual Total Amount, to ensure such Netting Member's ability to meet its Individual Total Amount.

(e) Required Acknowledgements

The Corporation may require Netting Members to provide certain acknowledgements to the Corporation, in such form and at such times as the Corporation may determine from time to time, concerning the Netting Member's understanding of and ability to meet its Capped Contingency Liquidity Facility obligations. Such written acknowledgements include, but are not limited to, an acknowledgement from each Netting Member whose Capped Contingency Liquidity Facility obligations increase by an amount exceeding certain thresholds established by the Corporation following any ad hoc resizing of the Capped Contingency Liquidity Facility confirming such Netting Member's ability to meet the increased obligation. The Corporation will inform Netting Members of any such required acknowledgements, including specific thresholds for any required acknowledgement, by Important Notice.

Section 3 – Report of Actions

A written report of the actions taken by the Corporation pursuant to this Rule, and the reasons therefore, shall be promptly made and filed with the SEC and with the Corporation's records.

## 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 procedures of Section 2(b)(i) of Rule 22A (interpreted in all such cases as if each Member were a Defaulting Member) and taking into account the loss allocation provisions in 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.

(b) Notwithstanding anything to the contrary in the Rules, the following events shall constitute a Corporation Default:

(i) Failure by the Corporation to make, when due, any undisputed payment or delivery to a Member required to be made by it under these Rules and such failure is not remedied within 7 days after notice of such failure is given to the Corporation by the affected Member; *provided* that this clause (i) shall not apply to (A) obligations of the Corporation to Wind-Down Members, Defaulting Members or Members for whom the Corporation has otherwise ceased to act pursuant to Rule 22A; (B) any payment or delivery which the Corporation satisfies by alternate means as provided in these Rules; or (C) any obligation of the Corporation that is not a payment or delivery obligation of the Government Securities Division to a Member under these Rules; or

(ii) The Corporation (A) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (B) institutes a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or presents a petition for its winding-up or liquidation or makes a general assignment for the benefit of creditors; (C) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation and, in each case, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or (D) seeks or becomes subject to the appointment of a receiver, trustee or other similar official pursuant to the federal securities

laws or Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act for it or for all or substantially all its assets.

## **RULE 22C – INTERPRETATION IN RELATION TO THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT OF 1991**

The Corporation and the Members intend that these Rules be interpreted in relation to certain terms (identified below) that are defined or used in the Federal Deposit Insurance Corporation Act of 1991, as amended, as follows:

The Corporation is a “clearing organization”;

Any obligation of a Member or the Corporation to make any payments or delivery to the other is a “covered clearing obligation” and a “covered contractual payment obligation”;

An entitlement of a Member or the Corporation to receive a payment or delivery from the other is a “covered contractual payment entitlement”;

The Corporation and each Member is a “member” of the “clearing organization”;

The amount by which the covered contractual payment entitlements of a Member or the Corporation exceed the covered contractual payment obligations of such Member or the Corporation after netting pursuant to Rule 22A or Rule 22B is its “net entitlement”;

The amount by which the covered contractual payment obligations of a Member or the Corporation exceed the covered contractual payment entitlements of such Member or the Corporation after netting pursuant to Rule 22A or Rule 22B is its “net obligation”; and

These Rules, together with all other agreements between the Corporation and a Member; are a “netting contract”, the margin, Clearing Fund and other provisions of these Rules granting an interest in any funds or property of a Member to the Corporation and each Cross-Margining Arrangement and associated agreement and guaranty constitute a “security agreement or arrangement or other credit enhancement” related to such netting contract. The close-out and netting process described in Rule 22A or Rule 22B constitutes the “terminat[ion], liquidat[ion], accelerat[ion], and nett[ing]” of obligations, and the taking of any action by the Corporation under Section 11(e) of Rule 3B shall constitute an exercise of remedies under a “security agreement or arrangement or other credit enhancement” related to a netting contract.



## **RULE 22D – WIND-DOWN OF THE CORPORATION**

### Section 1. Defined Terms

(a) For purposes of this Rule 22D:

“Bridge Entity” has the meaning given to such term in the definition of “Transferee” in this Section 1(a).

“Business” means the Critical Services and any Non-Critical Services of the Corporation included in a Transfer.

“Comparability Period” means a period of time following the Transfer, to be agreed between the Corporation and a Transferee, during which the Business transferred from the Corporation to the Transferee shall be operated by the Transferee in a manner comparable to the manner in which the Business was previously operated by the Corporation, as more specifically set forth in Section 9 of this Rule 22D.

“Corporation Default Rule” means Rule 22B of the Rules of the Government Securities Division of the Corporation.

“Critical Services” means the services of the Corporation described in the Rules and Procedures of the Government Securities Division of the Corporation and the rules, procedures and other regulations of the Mortgage-Backed Securities Division of the Corporation that have been identified as critical services in the Recovery and Wind-down Plan.

“Delinquent Limited Member” means a Limited Member that is delinquent in the performance of any of its obligations to the Corporation (as determined by the Corporation).

“Delinquent Member” means a Member that is delinquent in the performance of any of its obligations to the Corporation (as determined by the Corporation).

“Eligible Limited Member” means a Limited Member other than a Non-Eligible Limited Member.

“Eligible Member” means a Member other than a Non-Eligible Member.

“Failover Entity” has the meaning given to such term in the definition of “Transferee” in this Section 1(a).

“Guaranteed Transaction” means a transaction that is processed through the facilities of the Government Securities Division of the Corporation that has been subject to Novation.

“Last Settlement Date” has the meaning given to such term in Section 2(c)(3) of this Rule 22D.

“Last Transaction Acceptance Date” has the meaning given to such term in Section 2(c)(2) of this Rule 22D.

“Limited Member” means a Comparison-Only Member, Sponsored Member or CCIT Member of the Government Securities Division of the Corporation or a Comparison-Only Member, Sponsored Member or CCIT Member of the Government Securities Division of the Transferee, as the context requires.

“Limited Member Agreement” means the form of agreement between a Limited Member and the Corporation or between a Limited Member and the Transferee, as the context requires, providing, inter alia, for the Limited Member to be bound by the Rules and Procedures of the Government Securities Division of the Corporation or the Rules and Procedures of the Government Securities Division of the Transferee, as applicable to such Limited Member.

“Member” means a Netting Member or Sponsoring Member of the Government Securities Division of the Corporation or a Netting Member or Sponsoring Member of the Government Securities Division of the Transferee, as the context requires.

“Member Agreement” means the form of agreement between a Member and the Corporation or between a Member and the Transferee, as the context requires, providing, inter alia, for the Member to be bound by the Rules and Procedures of the Government Securities Division of the Corporation or the Rules and Procedures of the Government Securities Division of the Transferee, as applicable to such Member.

“Non-Critical Services” means the services of the Corporation described in the Rules and Procedures of the Government Securities Division of the Corporation and the rules, procedures and other regulations of the Mortgage-Backed Securities Division of the Corporation other than the Critical Services.

“Non-Eligible Limited Member” means a Limited Member that is a Delinquent Limited Member or Withdrawing Limited Member.

“Non-Eligible Member” means a Member that is a Delinquent Member or Withdrawing Member.

“Recovery and Wind-down Plan” means the plan for the recovery and orderly wind-down of the Corporation necessitated by credit losses, liquidity shortfalls, losses from general business risk or any other losses, adopted by the Corporation pursuant to Rule 17Ad-22(e)(3)(ii) under the Exchange Act.

“Recovery Plan” means the portion of the Recovery and Wind-down Plan addressing recovery.

“Risk Reducing Transaction” means a Guaranteed Transaction that offsets one or more other Guaranteed Transactions, and thereby reduces the potential exposure of the Corporation with respect to such Guaranteed Transactions.

“Rules and Procedures” means the Rules and Procedures of the Government Securities Division of the Corporation or the Rules and Procedures of the Government Securities Division of the Transferee, as the context requires.

“Settling Bank” means a Funds-Only Settling Bank or Funds-Only Settling Bank Member for Members and Limited Members of the Government Securities Division of the Corporation or a Funds-Only Settling Bank or Funds-Only Settling Bank Member for Members and Limited Members of the Government Securities Division of the Transferee, as the context requires.

“Settling Bank Agreement” means the form of agreement between a Settling Bank and the Corporation or between a Settling Bank and the Transferee, as the context requires, providing, inter alia, for the Settling Bank to be bound by the Rules and Procedures of the Government Securities Division of the Corporation or the Rules and Procedures of the Government Securities Division of the Transferee, as applicable to such Settling Bank.

“Third Party Entity” has the meaning given to such term in the definition of “Transferee” in this Section 1(a).

“Transfer” means a transfer of the Business of the Corporation pursuant to the Wind-down Plan.

“Transferee” means an entity to which the Business of the Corporation is transferred pursuant to the Wind-down Plan, and may include (i) a failover entity established by DTCC (a “Failover Entity”), (ii) a then-existing or newly-established third party entity (a “Third Party Entity”) or (iii) a bridge entity formed to operate the Business on an interim basis (a “Bridge Entity”). The Transferee shall be an entity that is legally, financially and operationally qualified to continue to operate the Business that is to be transferred from the Corporation to the Transferee.

“Transferee Documents” means the Rules and Procedures, Member Agreement, Limited Member Agreement and Settling Bank Agreement of the Government Securities Division of the Transferee.

“Transfer Notice” has the meaning given to such term in Section 3 of this Rule 22D.

“Transfer Time” has the meaning given to such term in Section 2(c)(1) of this Rule 22D.

“Wind-down Plan” means the portion of the Recovery and Wind-down Plan addressing wind-down.

“Withdrawing Limited Member” means a Limited Member of the Government Securities Division of the Corporation that has given notice to the Corporation of its election to withdraw as a Limited Member but that, at the Transfer Time, has not yet ceased to be a Limited Member (as determined by the Corporation).

“Withdrawing Member” means a Member of the Government Securities Division of the Corporation that has given notice to the Corporation of its election to withdraw as a Member but that, at the Transfer Time, has not yet ceased to be a Member (as determined by the Corporation).

(b) Capitalized terms that are used in this Rule 22D but not defined in Section 1(a) above shall have the meanings given to such terms in other Rules and Procedures of the Government Securities Division of the Corporation.

## Section 2. Initiation of Wind-down Plan

(a) The Board of Directors may authorize the initiation of the Wind-down Plan and a transfer of the Business from the Corporation to a Transferee if the Board of Directors determines, in the exercise of its business judgment and subject to its fiduciary duties:

- (1) that the application of some or all of the recovery tools set forth in the Recovery Plan, necessitated by credit losses, liquidity shortfalls, losses from general business risk or any other losses:
  - A. has not restored the Corporation to viability as a going concern, able to continue to provide its Critical Services to Members and Limited Members of the Government Securities Division of the Corporation and Mortgage-Backed Securities Division Participants in a safe and efficient manner; or
  - B. will not likely restore the Corporation to viability as a going concern, able to continue to provide its Critical Services to Members and Limited Members of the Government Securities Division of the Corporation and Mortgage-Backed Securities Division Participants in a safe and efficient manner; and
- (2) that the implementation of the Wind-down Plan and a Transfer of the Business from the Corporation to a Transferee is in the best interests of the Corporation, its shareholders and creditors, Members and Limited Members of the Government Securities Division of the Corporation, Mortgage-Backed Securities Division Participants and the US financial markets.

(b) The Board of Directors shall identify:

- (1) the Critical Services and any Non-Critical Services that shall be transferred from the Corporation to the Transferee at the Transfer Time; and
- (2) any Non-Critical Services that shall not be transferred from the Corporation to the Transferee.

The Critical Services and any Non-Critical Services that are transferred from the Corporation to the Transferee at the Transfer Time shall be provided by the Transferee following the Transfer Time. Any Non-Critical Services that are not transferred from the Corporation to the Transferee shall be terminated at the Transfer Time.

(c) The Board of Directors shall establish:

- (1) the date and time (the “Transfer Time”) of the Transfer;
- (2) the last day that transactions may be submitted to the Government Securities Division of the Corporation for processing (the “Last Transaction Acceptance Date”); and

- (3) the last day that transactions submitted to the Government Securities Division of the Corporation for processing will be settled (the “Last Settlement Date”).

The Government Securities Division of the Corporation shall not accept any transactions (i) for processing after the Last Transaction Acceptance Date or (ii) which have a Scheduled Settlement Date that occurs after the Last Settlement Date. All transactions to be processed and/or settled after the Transfer Time shall be submitted to the Government Securities Division of the Transferee in accordance with the Rules and Procedures of the Government Securities Division of the Transferee, and the Corporation shall have no responsibility for such transactions.

(d) To the extent that the Board of Directors deems it to be practicable based on the available resources of the Corporation, the Board of Directors may provide for pending transactions to be run off and settled prior to the Transfer Time, with the objective of facilitating the settlement of transactions in the ordinary course. In furtherance of this objective, so long as a Corporation Default has not occurred, the Board of Directors may provide for how such transactions accepted by the Government Securities Division of the Corporation on or prior to the Last Transaction Acceptance Date shall be processed and settled, including:

- (1) whether such transactions must be Risk Reducing Transactions; and
- (2) whether such transactions will be processed (i) in the ordinary course or (ii) in accordance with any special or exception processing procedures that will apply through the close of business on the Last Settlement Date.

### Section 3. Notice of Transfer of the Business

If the Board of Directors determines to implement a Transfer of the Business from the Corporation to a Transferee in accordance with this Rule 22D and the terms and conditions of the Wind-down Plan, the Corporation shall, in such manner as may be provided by the Rules and Procedures of the Government Securities Division of the Corporation and subject to any required regulatory or judicial approval or consent:

(a) provide Members, Limited Members and Settling Banks with a notice (a “Transfer Notice”) setting forth:

- (1) the decision taken by the Board of Directors to Transfer the Business from the Corporation to the Transferee and a brief statement of the reasons therefor;
- (2) the name of the Transferee and basic information about the Transferee;
- (3) a description of the material financial and operational terms of the Transfer;
- (4) the (i) Transfer Time, (ii) Last Transaction Acceptance Date and (iii) Last Settlement Date;

- (5) a summary of the matters described in Sections 4 through 8 of this Rule 22D;
- (6) a list setting forth (i) which Members and Limited Members are Eligible Members and Limited Members and (ii) which Members and Limited Members are Non-Eligible Members and Limited Members; and
- (7) a list setting forth (i) the Critical Services and any Non-Critical Services that will be transferred from the Corporation to the Transferee at the Transfer Time and (ii) any Non-Critical Services that will not be transferred from the Corporation to the Transferee; and

(b) make available to Members, Limited Members and Settling Banks a copy of the Transferee Documents.

No delay or failure on the part of the Corporation to provide a Transfer Notice or make available a copy of the Transferee Documents to any Member, Limited Member or Settling Bank shall alter the timing or effectiveness of the Transfer. The Corporation shall also furnish the Transfer Notice and a copy of the Transferee Documents to its regulators.

#### Section 4. Transfer of Members, Limited Members and Settling Banks

Prior to the Transfer Time, the Corporation shall enter into arrangements with a Transferee that is a Failover Entity, or shall use commercially reasonable efforts to enter into arrangements with a Transferee that is a Third Party Entity or Bridge Entity, providing in either case that, at the Transfer Time, by operation of this Rule 22D and with no further action required by any party:

(a) each Eligible Member of the Government Securities Division of the Corporation shall become (i) a Member of the Government Securities Division of the Transferee and (ii) a party to a Member Agreement with the Transferee;

(b) each Eligible Limited Member of the Government Securities Division of the Corporation shall become (i) a Limited Member of the Government Securities Division of the Transferee and (ii) a party to a Limited Member Agreement with the Transferee; and

(c) each Settling Bank for Members and Limited Members of the Government Securities Division of the Corporation shall become (i) a Settling Bank for Members and Limited Members of the Government Securities Division of the Transferee and (ii) a party to a Settling Bank Agreement with the Transferee.

#### Section 5. Status of Members, Limited Members and Settling Banks

Prior to the Transfer Time, the Corporation shall enter into arrangements with a Transferee that is a Failover Entity, or shall use commercially reasonable efforts to enter into arrangements with a Transferee that is a Third Party Entity or Bridge Entity, providing in either case that, from and after the Transfer Time:

(a) An Eligible Member of the Government Securities Division of the Corporation that has become a Member of the Government Securities Division of the Transferee shall have all of the rights and be subject to all of the obligations of a Member set forth in the Rules and Procedures of the Government Securities Division of the Transferee, including the legal, financial, operational and collateral requirements of the Government Securities Division of the Transferee applicable to such Member.

(b) An Eligible Limited Member of the Government Securities Division of the Corporation that has become a Limited Member of the Government Securities Division of the Transferee shall have all of the rights and be subject to all of the obligations of a Limited Member set forth in the Rules and Procedures of the Government Securities Division of the Transferee, including the legal, financial and operational requirements of the Government Securities Division of the Transferee applicable to such Limited Member.

(c) A Settling Bank for Members and Limited Members of the Government Securities Division of the Corporation that has become a Settling Bank for Members and Limited Members of the Government Securities Division of the Transferee shall have all of the rights and be subject to all of the obligations of a Settling Bank set forth in the Rules and Procedures of the Government Securities Division of the Transferee, including the operational requirements of the Government Securities Division of the Transferee applicable to such Settling Bank.

#### Section 6. Right of Non-Eligible Members and Limited Members to Apply to the Transferee

Nothing contained in this Rule 22D shall:

(a) preclude a Non-Eligible Member of the Government Securities Division of the Corporation from applying after the Transfer Time to become a Member of the Government Securities Division of the Transferee in accordance with such eligibility requirements and procedures as may be prescribed by the Transferee, but such Non-Eligible Member shall not have the benefit of the automatic admission arrangements provided in Section 4(a) of this Rule 22D; or

(b) preclude a Non-Eligible Limited Member of the Government Securities Division of the Corporation from applying after the Transfer Time to become a Limited Member of the Government Securities Division of the Transferee in accordance with such eligibility requirements and procedures as may be prescribed by the Transferee, but such Non-Eligible Limited Member shall not have the benefit of the automatic admission arrangements provided in Section 4(b) of this Rule 22D.

#### Section 7. Right to Withdraw from the Transferee

Nothing contained in this Rule 22D shall:

(a) preclude an Eligible Member of the Government Securities Division of the Corporation that has become a Member of the Government Securities Division of the Transferee pursuant to Section 4(a) of this Rule 22D from electing to withdraw as a Member from the Government Securities Division of the Transferee at any time after the Transfer Time, subject to the Rules and Procedures of the Government Securities Division of the Transferee;

(b) preclude an Eligible Limited Member of the Government Securities Division of the Corporation that has become a Limited Member of the Government Securities Division of the Transferee pursuant to Section 4(b) of this Rule 22D from electing to withdraw as a Limited Member from the Government Securities Division of the Transferee at any time after the Transfer Time, subject to the Rules and Procedures of the Government Securities Division of the Transferee; or

(c) preclude a Settling Bank for Members and Limited Members of the Government Securities Division of the Corporation that has become a Settling Bank for Members and Limited Members of the Government Securities Division of the Transferee pursuant to Section 4(c) of this Rule 22D from electing to withdraw as a Settling Bank from the Government Securities Division of the Transferee at any time after the Transfer Time, subject to the Rules and Procedures of the Government Securities Division of the Transferee.

#### Section 8. Disposition of Pending Transactions

At the Transfer Time, any pending transactions shall be treated as provided in the Corporation Default Rule.

#### Section 9. Certain Ex Ante Matters

Prior to the Transfer Time, the Corporation shall enter into arrangements with a Transferee that is a Failover Entity, or shall use commercially reasonable efforts to enter into arrangements with a Transferee that is a Third Party Entity or Bridge Entity, providing in either case that, with respect to the Critical Services and any Non-Critical Services that are transferred from the Corporation to the Transferee, for at least the duration of the Comparability Period, in order to facilitate a smooth Transfer of the Business from the Corporation to the Transferee:

(a) the Rules and Procedures, Member Agreement, Limited Member Agreement and Settling Bank Agreement of the Government Securities Division of the Transferee shall be comparable in substance and effect to the Rules and Procedures, Member Agreement, Limited Member Agreement and Settling Bank Agreement of the Government Securities Division of the Corporation;

(b) the rights and obligations of Members, Limited Members and Settling Banks under the Rules and Procedures of the Government Securities Division of the Transferee shall be comparable in substance and effect to the rights and obligations of Members, Limited Members and Settling Banks under the Rules and Procedures of the Government Securities Division of the Corporation; and

(c) the Critical Services and any Non-Critical Services provided by the Transferee shall be provided in a manner that is comparable in substance and effect to the manner in which such Critical Services and Non-Critical Services were provided by the Corporation.

#### Section 10. Subordination of Claims

In the event of any insolvency of the Corporation following the commencement of any Event Period (as defined in Rule 4 of the Rules of the Government Securities Division of the



Corporation), the unsecured claims (if any) of Members and Limited Members of the Government Securities Division of the Corporation that failed to pay or perform any obligation to the Corporation or elected to withdraw as Members or Limited Members from and after such time shall (i) rank pari passu with each other and (ii) be subordinate to the claims of other unsecured creditors of the Corporation.

#### Section 11. Further Assurances; Additional Powers; Miscellaneous Matters

(a) Members, Limited Members and Settling Banks of the Government Securities Division of the Corporation shall assist and cooperate with the Corporation to effectuate any Transfer of the Business from the Corporation to a Transferee, including without limitation (i) by complying with the terms and conditions of this Rule 22D and their obligations hereunder and (ii) by providing the Corporation and the Transferee with such financial and operational information as they may request. The Corporation may provide to a Transferee any financial and operational information it has with respect to Members, Limited Members and Settling Banks of the Government Securities Division of the Corporation as may be necessary and appropriate to effectuate an orderly Transfer of the Business from the Corporation to the Transferee.

(b) The Corporation may take such other actions and enter into such other arrangements (on behalf of itself and Members, Limited Members and Settling Banks of the Government Securities Division of the Corporation) as may be necessary and appropriate to effectuate an orderly Transfer of the Business from the Corporation to a Transferee, and otherwise accomplish the purposes of the Wind-down Plan.

(c) As a condition to receiving, and by virtue of accepting, the continuing benefits of being Members, Limited Members and Settling Banks of the Government Securities Division of the Corporation, such Members, Limited Members and Settling Banks (i) hereby expressly agree to the arrangements set forth in this Rule 22D relating to their becoming Members, Limited Members and Settling Banks, as the case may be, of the Government Securities Division of the Transferee in the circumstances described herein and (ii) hereby expressly grant to the Corporation an irrevocable power of attorney to execute and deliver on their behalf such documents and instruments as the Transferee may request for this purpose. As Members, Limited Members and Settling Banks of the Government Securities Division of the Corporation, such Members, Limited Members and Settling Banks are subject to the Rules and Procedures.

(d) No actions taken or omitted to be taken by the Corporation pursuant to this Rule 22D shall be deemed to constitute a default by the Corporation in the performance of any of its other obligations to Members, Limited Members and Settling Banks pursuant to any other Rules and Procedures.

(e) The Corporation shall have no liability to any Members, Limited Members or Settling Banks for any actions taken or omitted to be taken by the Corporation pursuant to this Rule 22D.

(f) The Corporation shall have no liability to any third parties, including any customers or clients of any Members, Limited Members or Settling Banks, for any actions taken or omitted to be taken by the Corporation pursuant to this Rule 22D.

(g) In connection with the Transfer of the Business from the Corporation to the Transferee, (i) the Corporation shall assign all of its Member Agreements, Limited Member Agreements and Settling Bank Agreements to the Transferee and (ii) the Transferee shall assume such Member Agreements, Limited Member Agreements and Settling Bank Agreements.

(h) All rights of the Corporation that are not assigned to the Transferee in connection with the Transfer of the Business from the Corporation to the Transferee, including any claims of the Corporation against Members, Limited Members and Settling Banks arising at any time prior to the Transfer Time, shall remain rights of the Corporation, enforceable by the Corporation in accordance with their terms and subject to applicable law (including insolvency law).

(i) All obligations and liabilities of the Corporation that are not assigned to and assumed by the Transferee in connection with the Transfer of the Business from the Corporation to the Transferee shall remain obligations and liabilities of the Corporation, enforceable against the Corporation in accordance with their terms and subject to applicable law (including insolvency law).

(j) In the event of any conflict between the provisions of this Rule 22D and any other Rules and Procedures, the provisions of this Rule 22D shall prevail.

## **RULE 23 – FINE PAYMENTS**

The Corporation may impose a fine on a Member or Limited Member pursuant to these Rules. Fines shall be payable in the manner and at such time as determined by the Corporation from time to time.

## **RULE 24 – CHARGES FOR SERVICES RENDERED**

### Section 1

Members shall pay such fees and charges to the Corporation as shall be specified by the Corporation or in the Procedures and approved by the Board of Directors on a reasonable and non-discriminatory basis.

Sponsoring Members shall be responsible for all fees pertaining to their Sponsoring Member activity as set forth in the Corporation's Fee Structure.

CCIT Members shall be responsible for all fees pertaining to their CCIT Member activity as set forth in the Corporation's Fee Structure. Such fees will be applied at the Joint Account level where applicable.

Agent Clearing Members shall be responsible for all fees related to their Agent Clearing Member activity as set forth in the Corporation's Fee Structure.

### Section 2

A Member may be charged for any unusual expenses caused directly or indirectly by such Member, including, in the case of a Sponsoring Member and an Agent Clearing Member, such expenses caused directly or indirectly by its Sponsored Members or Executing Firm Customers (as applicable), and including but without limitation, the cost of producing records pursuant to a court order or other legal process in any litigation or other legal proceeding to which such Member, Sponsored Member or Executing Firm Customer (as applicable) is a party or in which such records relating to such Member, Sponsored Member or Executing Firm Customer (as applicable) are so required to be produced, whether such production is required at the instance of such Member, Sponsored Member or Executing Firm Customer (as applicable) or of any other party other than the Corporation.

## **RULE 25 – BILLS RENDERED**

On or before the fifth Business Day of each month, the Corporation will render bills to Members and to Sponsoring Members regarding their aggregate Sponsoring Member activity, which may reflect adjustments to prior bills, for charges on account of the actual business of a prior month, and for fines imposed during any month. Unless otherwise permitted by the Corporation, for each Comparison-Only Member, payment of such bill is due upon its receipt, and for each Netting Member or Sponsoring Member, such Member shall be obligated to pay the amount of the bill on the tenth Business Day of such month as a part of satisfying its Funds-Only Settlement Amount obligation.

Sponsoring Members shall receive bills for their aggregate Sponsoring Member activity as set forth in the Fee Structure.

**RULE 26 – RESERVED**

This Rule is reserved for future use

## **RULE 27 – ADMISSION TO PREMISES OF THE CORPORATION, POWERS OF ATTORNEY, ETC.**

No person will be permitted to enter the premises of the Corporation as the representative of any Member unless he has first been approved by the Corporation and has been issued such credentials as the Corporation may from time to time prescribe and such credentials have not been canceled or revoked. Such credentials must be shown on demand and to gain entry to the Corporation's premises, must be prominently displayed while on said premises, and may limit the portions of the premises to which access is permitted thereunder. Any credentials issued pursuant to this Rule may be revoked at any time by the Corporation in its discretion, and prompt notice of such revocation shall be given to the employer of the person whose credentials have been so revoked.

Any Member shall, if any person in its employ to whom any credentials have been issued pursuant to this Rule or to whom a power of attorney or other authorization has been given to act for it in connection with the work of the Corporation shall for any reason cease to be so employed, give to the Corporation immediate notice in writing of such termination of employment and if any such power of attorney or other authorization is otherwise revoked or canceled, shall likewise give to the Corporation immediate notice in writing of such revocation or cancellation. All credentials issued pursuant to this Rule shall be immediately surrendered to the Corporation upon their revocation by the Corporation or by the employer or upon the termination of the employment of the holder thereof.

Unless revoked by the Corporation, all credentials, authorizations, and powers of attorney issued pursuant to this Rule or in connection with the work of the Corporation shall remain in full force and effect until the Corporation shall have received written notice of the revocation thereof or of the termination of the holder's employment.

## **RULE 28 – FORMS**

In connection with any transactions or matters handled through, with or by the Corporation under or pursuant to the Rules, such forms of lists, notices and other documents shall be used as the Corporation may from time to time prescribe, and additions to, changes in and elimination of any such forms may be made by the Corporation at any time in its discretion. In addition, any information required to be delivered to the Corporation by use of any such forms may be delivered by the use of any media as shall be prescribed in the Procedures or by the Corporation from time to time.



## **RULE 29 – RELEASE OF CLEARING DATA**

(a) Absent valid legal process or as provided elsewhere in this Rule, the Corporation will only release Clearing Data relating to transactions of a particular Member to: (i) such Member and its Cross-Margining Affiliate, as applicable, (ii) such Member's Sponsoring Member, if such Member is a Sponsored Member, (iii) the Securities and Exchange Commission, (iv) the Federal Reserve Bank of New York for market surveillance purposes, or to an FCO and its regulators pursuant to a Cross-Margining Arrangement.

(b) The Corporation, in its sole discretion, may release Clearing Data relating to transactions of Members to regulatory organizations and self-regulatory organizations, as defined in the Securities Exchange Act of 1934, as amended, or other comparable Federal or State statutes, as well as to clearing organizations affiliated with or designated by contract markets trading specific futures products under the oversight of the Commodity Futures Trading Commission. Provided, however, that nothing in this Rule shall prevent the Corporation from releasing Clearing Data to others, provided that such data shall be in a form as to prevent the disclosure, whether patently or in easily discernible format, of proprietary and/or confidential financial, operational or trading data of a particular Member or inappropriately arranged groups of Members.

(c) With respect to the foregoing, the release of any Clearing Data shall be conditioned upon either (i) a written request, or (ii) the execution of a written agreement with the Corporation, whichever is appropriate in the Corporation's discretion and the Corporation, in its discretion, shall establish the conditions under which such data shall be released and the fees, if any, to be paid for such data.

(d) The term "Clearing Data" shall mean, for the purposes of this Rule, transaction data which is received by the Corporation in the clearance and/or settlement processes of the Corporation, or such data, reports or summaries thereof, which may be produced as a result of processing such transaction data.

(e) The foregoing notwithstanding, this Rule is not intended to, nor shall it be deemed to be in contravention, or a limitation, of the Corporation's obligations, as a self-regulatory organization, to cooperate and share data with other regulatory and self-regulatory organizations for regulatory purposes.

(f) Notwithstanding anything to the contrary in this Rule, the Corporation may release Clearing Data to SIFMA in connection with the Corporation's collection of fees on behalf of SIFMA, provided that the Corporation: (1) provides Clearing Data only to the extent necessary to facilitate the collection of fees on behalf of SIFMA, and (2) obtains, in a form and manner required by the Corporation, the agreement of SIFMA to maintain the confidentiality of any Clearing Data provided by the Corporation to SIFMA.

## **RULE 30 – LISTS TO BE MAINTAINED**

### Section 1

The Corporation shall maintain and make available to a Member upon request a master file listing each Eligible Security, and a master file listing each Eligible Netting Security, and may from time to time add securities to such lists or remove securities therefrom. The Corporation shall list a security as an Eligible Security or an Eligible Netting Security only upon a determination by the Corporation that it has the existing operational capability to do so and to continue successfully to provide its services to Members.

### Section 2

The Corporation shall maintain lists, by category of Membership, of each Comparison-Only Member, Netting Member, CCIT Member (and its Joint Account Submitter as applicable) and Sponsored Member, which lists shall be made available to a Member upon request.

**RULE 31 – RESERVED**

This Rule is reserved for future use.

## **RULE 32 – SIGNATURES**

With respect to any and all agreements and other documents entered into between a Member, Sponsoring Member, Sponsored Member, CCIT Member or Funds-Only Settling Bank Member and the Corporation, or otherwise delivered to or by the Corporation pursuant to these Rules, the use of an electronic signature shall have the same validity and effect as the use of a signature affixed by hand.

### **RULE 33 – PROCEDURES**

The Board of Directors shall, pursuant to these Rules, prescribe from time to time Procedures and other regulations in respect of the business of the Corporation. The Board of Directors may, by resolution, delegate to an Officer of the Corporation the power to prescribe Procedures and regulations. Each Member will be bound by such Procedures and regulations and any amendment thereto in the same manner as it is bound by the provisions of these Rules. Members shall be given 10 Business Days' notice of any proposed amendment to the Procedures.

## **RULE 34 – INSURANCE**

The Corporation shall use its best efforts to maintain, or arrange for the maintenance by the Corporation of such insurance, including fidelity bonds, in such amounts and having such coverage regarding the business of the Corporation, as the Board shall deem appropriate. The insurance policies or contracts pursuant to which such insurance is provided shall be open to the inspection of the Members at the offices of the Corporation during regular business hours on Business Days. If the Corporation shall materially reduce the amount or coverage of any such insurance or the persons providing such insurance shall notify the Corporation of a material reduction in the amount of coverage thereof, the Corporation shall promptly notify each Member and the Securities and Exchange Commission thereof stating the effective date of such reduction.

## **RULE 35 – FINANCIAL REPORTS**

As soon as practicable after the end of each calendar year, the Corporation shall provide to Members financial statements of the Corporation audited and covered by a report prepared by independent public accountants for such calendar year. The Corporation shall undertake to provide such financial statements and report to Members within 60 days following the close of the Corporation's fiscal year.

The Corporation shall also provide to Members unaudited financial statements of the Corporation within 30 days following the close of the Corporation's fiscal quarter for each of the first three calendar quarters of each calendar year.

A study and evaluation of the Corporation's system of internal accounting controls with respect to the safeguarding of participants' assets, prompt and accurate clearance and settlement of securities transactions, and the reliability of related records shall be conducted annually by independent public accountants. Such study and evaluation shall be conducted in accordance with the standards established by the American Institute of Certified Public Accountants and shall be made available to all Members within a reasonable time upon receipt from the Corporation's independent accountants.

## **RULE 36 – RULE CHANGES**

The Corporation shall promptly notify all Members and Registered Clearing Agencies of any proposal it has made to change, revise, add or repeal any Rule, and of the text or a brief description of the proposed Rule and its purpose and effect, by posting such proposal on its website. Members and Registered Clearing Agencies may submit to the Corporation for its consideration their comments with respect to any such proposal, and such comments shall be filed with the Corporation's records and copies thereof delivered to the SEC.



## **RULE 37 – HEARING PROCEDURES**

### Section 1 – General

An Interested Person may, when permitted by these Rules, request a hearing pursuant to Section 2 or Section 3 of this rule, as applicable, by filing with the Secretary of the Corporation, within five Business Days from the date on which the Corporation informed it of an action or proposed action of the Corporation with respect to the Interested Person a written request for a hearing setting forth (a) the action or proposed action of the Corporation with respect to which the hearing is requested and (b) the name of the representative of the Interested Person who may be contacted with respect to the hearing. Within seven Business Days after the Interested Person files such written request with the Corporation, or two Business Days in the case of action taken against the Interested Person pursuant to Rule 21 or Rule 22, the Interested Person shall submit to the Corporation a clear and concise written statement setting forth with particularity the action or proposed action of the Corporation with respect to which the hearing is requested, the basis for objection to such action, whether the Interested Person intends to attend the hearing and whether the Interested Person chooses to be represented by counsel at the hearing. If the written statement contests the Corporation's determination that the Interested Person has violated a Rule or procedure, the statement must specifically admit or deny each violation alleged and detail the reasons why the Rules or procedures alleged to have been violated are being contested. Any alleged violation not specifically denied shall constitute an admission to that violation. The Corporation may deny the statement if it fails to set forth a prima facie basis for contesting the violation. The failure of the Interested Person to file the written request referred to above within the time period required by these Rules and/or the failure of the Interested Person to submit the written statement within the time period specified above will be deemed to be an election to waive the right to a hearing. The Corporation shall notify the Interested Person in writing of the date, place and hour of the hearing at least five Business Days prior to the hearing (unless the parties agree to waive the five Business Day requirement).

If the Corporation has assessed a fine against a Member, and an Interested Person desires to dispute the fine and complies with the requirements described above regarding filing a written request for a hearing and a written statement, the Corporation shall automatically conduct a review of the disputed fine. The Corporation may examine the written statement submitted by the Interested Person and/or arrange a meeting with the Interested Person to discuss the disputed fine. If the Corporation determines to waive the fine, it shall inform the Board of its determination and its reasons thereof. The Board may, in its discretion, determine to reinstate any fine waived by the Corporation. If the Corporation determines not to waive the fine as a result of the review process, the Interested Person shall be entitled to a hearing before a panel pursuant to Section 2 or Section 3 of this Rule 37. The Corporation shall advise the Interested Person of the result of the review process.

### Section 2 – Minor Rule Violations

A hearing requested in connection with a violation of the Rules of the Corporation for which a fine may be assessed against the Interested Person in an amount not to exceed \$5,000 (hereinafter, a "Minor Rule Violation"), shall be held before a panel of three officers of the Corporation (hereinafter, a "Minor Violation Panel"). The members of the Minor Violation Panel

shall select one of their numbers to be the chairman, and the chairman shall be the person in charge of the conduct of the hearing. At the hearing, an officer of the Corporation shall present the case against the Interested Person. The Interested Person shall have an opportunity to be heard and may be represented by counsel. A record shall be kept of the hearing and the costs associated with the hearing may, in the discretion of the Corporation, be charged in whole or in part to the Interested Person if the decision is adverse to the Interested Person. The Minor Violation Panel shall provide the Interested Person with a written statement of its decision no later than 10 business days after the conclusion of the hearing. If the decision of the Minor Violation Panel is adverse to the Interested Person, the Interested Person may request a further hearing under Section 3 of this Rule by filing a written request with the Secretary of the Corporation within five Business Days of receipt of such written statement. The Corporation shall notify the Interested Person of the date, time and place of the hearing at least five business days prior to the hearing. The failure of the Interested Person to submit the written request within the required time period shall be deemed an election to waive the right to any further hearing.

A Minor Rule Violation as defined in this Rule shall be deemed a minor rule violation within the meaning of Rule 19d-1(c)(2) under the Securities Exchange Act of 1934, as amended (the “Act”), and this Rule shall be deemed a “plan” within the meaning thereof. The action imposed by the Corporation shall not be considered “final” for purposes of paragraph (c)(1) of Rule 19d-1 of the Act in any instance in which the fine is in an amount that does not exceed \$2,500, imposed against an Interested Person that is not a Netting Member, and with respect to which the Interested Person does not seek an adjudication pursuant to Section 3 of this Rule 37.

### Section 3 – Hearings

A hearing on any matter not covered by Section 2 of this rule, or a further hearing requested pursuant to Section 2 shall be before a panel (hereinafter, the “Panel”) of three individuals drawn from members of the Board of Directors or their designees. The members of the Panel shall be selected by the Chairman of the Board.

Notwithstanding the above, the Panel shall not include any individual representing the Interested Person against which the proposed action is to be taken, nor any person who had responsibility for the action or proposed action of the Corporation as to which the hearing relates.

At the hearing, the Interested Person shall be afforded an opportunity to be heard and may be represented by counsel if the Interested Person has so elected pursuant to Section 1 of this Rule. A record shall be kept of the hearing, and the cost associated with the hearing may, in the discretion of the Panel, be charged in whole or in part to the Interested Person in the event that the decision at the hearing is adverse to the Interested Person.

### Section 4 – Hearing Procedure

The Panel shall advise the Interested Person of its decision and the specific grounds upon which the decision is based, within ten Business Days after the conclusion of the hearing. If the decision of the Panel shall have been to impose a disciplinary sanction on the Interested Person in accordance with Rule 48 or to affirm any action previously taken against the Interested Person pursuant to Rule 21 or Rule 22, a notice of decision setting forth (a) any act or practice in which

the Interested Person has been found to have engaged, or which the Interested Person has been found to have omitted, (b) the specific provision(s) of the Rules of the Corporation or of the Member's agreements with the Corporation which any such act or practice or omission to act has been deemed to violate, and (c) the sanction imposed and the reasons thereof shall be furnished to the Interested Person. A copy of the Panel's notice of decision shall also be furnished to the Chairman of the Board.

#### Section 5 – Reversal or Modification of Panel Decisions

Decisions of the Panel are final, but the Board of Directors may in its discretion modify any sanction or reverse any decision of the Panel that is adverse to the Interested Person.

The reversal or modification by the Board of Directors of any action previously taken against the Interested Person pursuant to these Rules shall not invalidate the acts of the Corporation or its officers or directors taken prior to such reversal or modification.

#### Section 6 – Finality of Corporation Action

Any action or proposed action of the Corporation as to which an Interested Person has the right to request a hearing shall be deemed final and effective (a) when the Interested Person stipulates to the taking of such action by the Corporation, (b) upon the expiration of the applicable time period provided in these Rules for the filing of a written request for a hearing or a written statement pursuant to Section 1 of this Rule, or (c) if a hearing has been held pursuant to Section 3 of this Rule, when the Corporation gives notice to the Interested Person of the Panel's decision.

#### Section 7 – Alternative Procedures

The Corporation may at any time establish procedures for a hearing not otherwise provided for by these Rules with respect to any action or proposed action of the Corporation.

## **RULE 38 – GOVERNING LAW AND CAPTIONS**

### Section 1 – Governing Law

These Rules, and all agreements and other documents entered into between a Member, Sponsoring Member, Sponsored Member, CCIT Member or Funds-Only Settling Bank Member and the Corporation, or otherwise delivered to or by the Corporation pursuant to these Rules, and the rights and obligations thereunder, shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and performed therein, unless otherwise expressly provided.

### Section 2 – Captions

Captions to any Rules are for information and guidance only, are not part of any Rule and are to be given no consideration in applying or construing any Rules.

## **RULE 39 – LIMITATIONS OF LIABILITY**

### **Section 1 – Reliance of the Corporation upon Instructions Containing Errors**

The Corporation may accept or rely upon any information or instruction given to the Corporation by a Member including wire transmission, physical delivery or delivery by other means of information or instructions recorded on magnetic tape or other media or of facsimile copies of information or instructions, in a form acceptable to the Corporation and in accordance with the Rules, which reasonably is understood by the Corporation to have been delivered to the Corporation by the Member.

The Corporation may accept and rely upon any information or instruction given to the Corporation by a Member, a Demand Trade Source, a Locked-In-Trade Source or a Designee on behalf of another Member (each hereinafter referred to as the “Agent”), including wire transmission, physical delivery or delivery by other means of information or instructions, in a form acceptable to the Corporation and in accordance with the Rules, which reasonably is understood by the Corporation to have been delivered to the Corporation by the Agent, and the Corporation shall be entitled to act pursuant to any such information or instruction as though such information or instruction had been received from the Member for which the Agent is acting.

Any Member delivering information or instructions as provided above, or on whose behalf an Agent shall deliver information or instructions as provided above, even though they may be inaccurate or not authentic, shall indemnify the Corporation, and any of its employees, officers, directors, shareholders, agents, Members, who may sustain any loss, liability or expense as a result of (a) any act done in reliance upon the authenticity of any information or instruction received by the Corporation, (b) the inaccuracy of the information contained therein or (c) effecting transactions in reliance upon such information or instruction, against any such loss, liability or expense.

Notwithstanding the foregoing, the Corporation will not act upon any such information or instruction purporting to have been given by a Member or an Agent commencing no later than one Business Day after the Corporation receives written notice from the Member that the Corporation shall not accept such information or instructions until no later than one Business Day after the Member shall withdraw such notice.

### **Section 2 – Limitation on Liability of the Corporation for the Obligations of Affiliated Entities**

(a) Notwithstanding any affiliation between the Corporation and any other entity, including another clearing agency, except as otherwise expressly provided by written agreement between the Corporation and such other entity:

(i) the Corporation shall not be liable for any obligations of such other entity nor shall any fund or any other assets of the Corporation be available to such other entity (or any person claiming through such other entity) for any purpose, and no Member shall assert against the Corporation any claim based upon any obligations of any other entity to such Member; and

(ii) such other entity shall not be liable for any obligations of the Corporation nor shall any fund or any other assets of such other entity be available to the Corporation (or any person claiming through the Corporation) for any purpose, and no Member shall assert against such other entity any claim based upon any obligations of the Corporation to such Member.

(b) Notwithstanding the Corporation being the owner of both the Government Securities Division and the Mortgage-Backed Securities Division:

(i) the Government Securities Division shall not be liable for any obligations of the Mortgage-Backed Securities Division nor shall the Clearing Fund or other assets of the Government Securities Division be available to the Mortgage-Backed Securities Division or any Mortgage-Backed Securities Division Participant for any purpose, and no Mortgage-Backed Securities Division Participant shall assert against the Government Securities Division any claim based upon any obligations of the Mortgage-Backed Securities Division to such Mortgage-Backed Securities Division Participant; and

(ii) the Mortgage-Backed Securities Division shall not be liable for any obligations of the Government Securities Division nor shall any participants fund, user fund or other assets of the Mortgage-Backed Securities Division be available to the Government Securities Division or any Member for any purpose, and no Member shall assert against the Mortgage-Backed Securities Division any claim based upon the obligations of the Government Securities Division to such Member

(c) the Corporation may discipline a Member for a violation of this Section 2 of Rule 39 in accordance with Rule 48.

### Section 3 – Limitation on Liability of the Corporation

Notwithstanding any other provision in the Rules:

(a) The Corporation will not be liable for any action taken, or any delay or failure to take any action, hereunder or otherwise to fulfill the Corporation's obligations to its Members, other than for losses caused directly by the Corporation's gross negligence, willful misconduct, or violation of Federal securities laws for which there is a private right of action. Under no circumstances will the Corporation be liable for the acts, delays, omissions, bankruptcy, or insolvency, of any third party, including, without limitation, any depository, custodian, sub-custodian, clearing or settlement system, transfer agent, registrar, data communication service or delivery service ("Third Party"), unless the Corporation was grossly negligent, engaged in willful misconduct, or in violation of Federal securities laws for which there is a private right of action in selecting such Third Party; and

(b) Under no circumstances will the Corporation be liable for any indirect, consequential, incidental, special, punitive or exemplary loss or damage (including, but not limited to, loss of business, loss of profits, trading losses, loss of opportunity and loss of use) howsoever suffered or incurred, regardless of whether the Corporation has been advised of the possibility of such damages or whether such damages otherwise could have been foreseen or prevented.

## **RULE 40 – GENERAL PROVISIONS**

### Section 1

Every Member shall appoint a representative of the Member that is duly authorized in the name of and on behalf of the Member to sign all instruments, to correct errors and to perform such other duties as may be required under these Rules and to transact all business requisite in connection with the operations of the Corporation which representative shall be capable of taking such action in a manner consistent with the daily time schedules and other requirements established by or pursuant to these Rules.

Each Member shall be allotted a number which must appear on the face of all forms used by it in connection with the operations of the Corporation.

### Section 2

A Member may appoint one or more persons as its agent(s) with respect to all contracts or transactions compared through or by the Corporation and all matters relating thereto, provided that such appointment has been consented to by the Corporation and is evidenced by such appointments, authorizations, certifications and other agreements in such form as may be required by the Corporation.

### Section 3

The Corporation may, in its discretion, require Members to provide appropriate staff in their offices during specified hours on non-Business Days when such is deemed necessary by the Corporation to ensure the integrity of its systems and/or for the protection of the Corporation.

## **RULE 41 – CROSS GUARANTY AGREEMENTS**

### Section 1 – Authority

The Corporation may, from time to time, enter into one or more Limited Cross-Guaranty Agreements.

In determining its available net resources pursuant to a Limited Cross-Guaranty Agreement, the Corporation shall first offset the available net resources of the Government Securities Division the Mortgage-Backed Securities Division.

### Section 2 – Cross-Guaranty Defaulting Member Obligations

In addition to a Member's other obligations to the Corporation under these Rules, a Cross-Guaranty Defaulting Member on account of which the Corporation has made a Cross-Guaranty Payment shall be obligated to the Corporation for the amount of such Cross-Guaranty Payment less the amount of any Cross-Guaranty Repayment received by the Corporation in respect thereof.

### Section 3 – Application of Cross-Guaranty Payments

The Corporation shall, in its sole discretion, either:

(a) apply any Cross-Guaranty Payment received by the Corporation on account of a Cross-Guaranty Defaulting Member: (1) to the unpaid obligations of such Cross-Guaranty Defaulting Member to the Corporation and (2) to reduce the assessments made or that otherwise would be made against other Netting Members (each, a "Cross-Guaranty Beneficiary Member") pursuant to Section 7 of Rule 4; or

(b) retain any Cross-Guaranty Payment received by the Corporation and not apply such Cross-Guaranty Payment to reduce any assessments against other Netting Members pursuant to Section 7 of Rule 4 until the Corporation determines that the Corporation is no longer liable for any Cross-Guaranty Repayment, at which point the Cross-Guaranty Payment shall be treated as an amount that has been recovered pursuant to Section 7 of Rule 4.

### Section 4 – Cross-Guaranty Repayment Deposits

Unless and to the extent the Corporation otherwise determines, (a) in addition to the other deposits to the Clearing Fund, a Cross-Guaranty Beneficiary Member shall be required to make a deposit to the Clearing Fund (a "Cross-Guaranty Repayment Deposit") in an amount equal to the amount of the reduction in the assessment made or that otherwise would have been made against such Cross-Guaranty Beneficiary Member if the Corporation had not received a Cross-Guaranty Payment on account of a Cross-Guaranty Defaulting Member and (b) such Cross-Guaranty Repayment Deposit shall be maintained by such Cross-Guaranty Beneficiary Member for so long as the Corporation determines that the Corporation may be liable for a Cross-Guaranty Repayment and that such Cross-Guaranty Beneficiary Member may therefore be liable to the Corporation pursuant to Section 5 of this Rule.



In the event that the Corporation is required to make a Cross-Guaranty Repayment and it does not have a sufficient amount of Cross-Guaranty Repayment Deposits to cover the liability, the Corporation shall treat the shortfall as a loss incurred as a result of a Defaulting Member Event to be allocated pursuant to Section 7 of Rule 4.

#### Section 5 – Cross-Guaranty Beneficiary Member Obligations

Unless and to the extent the Corporation otherwise determines, (a) if the Corporation makes a Cross-Guaranty Repayment in respect of any Cross-Guaranty Payment, the appropriate Cross-Guaranty Beneficiary Members shall be obligated to reimburse the Corporation for such Cross-Guaranty Repayment pro rata their Cross-Guaranty Repayment Deposits up to the full amount of such Cross-Guaranty Repayment Deposits, and (b) the Corporation shall be entitled to apply the deposits of such Cross-Guaranty Beneficiary Members to the Clearing Fund in satisfaction of such obligation to reimburse the Corporation.

## **RULE 42 – SUSPENSION OF RULES**

The time fixed by these Rules, the Procedures or any regulations issued by the Corporation for the doing of any act or acts may be extended or the doing of any act or acts required by these Rules, the Procedures or any regulations issued by the Corporation may be waived or any provision of these Rules, the Procedures or any regulations issued by the Corporation may be suspended by the Board of Directors or by any Officer of the Corporation having a rank of Managing Director or higher whenever, in its or his judgment, such extension, waiver or suspension is necessary or expedient.

A written report of any such extension, waiver or suspension (other than an extension of time of less than eight hours), stating the pertinent facts, the identity of the person or persons who authorized such extension, waiver or suspension and the reason such extension, waiver or suspension was deemed necessary or expedient, shall be promptly made and filed with the Corporation's records and shall be available for inspection by any Member during regular business hours on business days. Any such extension or waiver may continue in effect after the event or events giving rise thereto but shall not continue in effect for more than 60 calendar days after the date thereof unless it shall be approved by the Board of Directors within such period of 60 calendar days.

## **RULE 43 – CROSS-MARGINING ARRANGEMENTS**

### Section 1 – General

The Corporation may establish Cross-Margining Arrangements with one or more FCOs pursuant to which a Cross-Margining Participant may, at the discretion of the Corporation and in accordance with the provisions of the Rules, elect to have its Required Fund Deposit in respect of Eligible Positions at the Corporation and its (or its Cross-Margining Affiliate's, if applicable) margin requirement in respect of Eligible Positions at such FCO(s) calculated by taking into consideration the net risk of such Eligible Positions at each such clearing organization.

The following provisions of this Rule shall be applicable to any such Cross-Margining Participant, and such Cross-Margining Participant shall also be bound by the provisions of the applicable Cross-Margining Agreement(s), which shall be deemed to be Rules.

### Section 2 – Agreement to Become a Cross-Margining Participant

(a) A Netting Member that is a member of one or more FCOs may become a Cross-Margining Participant in a Cross-Margining Arrangement between the Corporation and one or more FCOs with the consent of the Corporation and each such FCO. A Netting Member shall become a Cross-Margining Participant upon acceptance by the Corporation and each applicable FCO of an agreement executed by such Cross-Margining Participant in the form specified in the applicable Cross-Margining Agreement(s) and shall be permitted to establish a Market Professional Cross-Margining Account upon acceptance by the Corporation and each applicable FCO of an agreement executed by such Cross-Margining Participant in the form specified in the applicable Cross-Margining Agreement.

(b) A Netting Member having an affiliate that is a member of one or more FCOs may become a Cross-Margining Participant, and its affiliate may become a Cross-Margining Affiliate in a Cross-Margining Arrangement between the Corporation and one or more such FCOs with the consent of the Corporation and each such FCO. A Netting Member shall become a Cross-Margining Participant and its affiliate shall become a Cross-Margining Affiliate, upon acceptance by the Corporation and each applicable FCO of an agreement executed by such Cross-Margining Participant and its Cross-Margining Affiliate in the form specified in the applicable Cross-Margining Agreement and shall be permitted to establish a Market Professional Cross-Margining Account upon acceptance by the Corporation and each applicable FCO of an agreement executed by such Cross-Margining Participant and its Cross-Margining Affiliate in the form specified in the applicable Cross-Margining Agreement.

### Section 3 – Cross-Margining Guaranty and Reimbursement Obligation

In the event that the Corporation becomes obligated to make a payment to an FCO under the Corporation's Cross-Margining Guaranty of the obligations of a Cross-Margining Participant or its Cross-Margining Affiliate, the Cross-Margining Participant shall thereupon immediately be obligated, whether or not the Corporation has then made payment to FCO, to pay to the Corporation the amount of the "Reimbursement Obligation" as specified in the applicable Cross-Margining Agreement.

#### Section 4 – Insolvency - Allocation of Loss

A Cross-Margining Participant may be treated as insolvent at the discretion of the Corporation in the event that: (i) such Cross-Margining Participant is determined to be insolvent by an FCO, or (ii) the Cross-Margining Affiliate of a Cross-Margining Participant is deemed to be insolvent by an FCO and such Cross-Margining Participant does not immediately upon demand by the Corporation deposit with the Corporation an amount in cash or Eligible Netting Securities equal to the then current Cross-Margining Guaranty of the Corporation to such FCO in respect of such Cross-Margining Affiliate's obligations to the FCO.

#### Section 5 – Application of Cross-Margining Payments

The Corporation shall, in its sole discretion either:

(a) apply any Cross-Margining Payments received by the Corporation on account of a Cross-Margining Participant (1) to the unpaid obligations of such Cross-Margining Participant to the Corporation and (2) to reduce the assessments made or that otherwise would be made against other Netting Members (each a "Cross-Margining Beneficiary Participant") pursuant to Section 7 of Rule 4; or

(b) retain any Cross-Margining Payment and not apply such payment to reduce any assessments against other Netting Members pursuant to Rule 4 for so long as the Corporation determines that the Corporation is no longer liable for any Cross-Margining Repayment, at which point the Cross-Margining Payment shall be treated as an amount that has been recovered pursuant to Rule 4.

#### Section 6 – Cross-Margining Repayment Deposits

Unless and to the extent the Corporation otherwise determines, (a) in addition to the other deposits to the Clearing Fund, a Cross-Margining Beneficiary Participant shall be required to make a deposit to the Clearing Fund (a "Cross-Margining Repayment Deposit") in an amount equal to the amount of the reduction in the assessment made or that otherwise would have been made against such Cross-Margining Beneficiary Participant if the Corporation had not received a Cross-Margining Payment on account of a Cross-Margining Participant and (b) such Cross-Margining Repayment Deposit shall be maintained by such Cross-Margining Beneficiary Participant for so long as the Corporation determines that the Corporation may be liable for a Cross-Margining Repayment and that such Cross-Margining Beneficiary Participant may therefore be liable to the Corporation pursuant to Section 7 of this Rule.

In the event that the Corporation is required to make a Cross-Margining Repayment and it does not have a sufficient amount of Cross-Margining Repayment Deposits to cover the liability, the Corporation shall treat the shortfall as a loss incurred as a result of a Defaulting Member Event to be allocated pursuant to Section 7 of Rule 4.

## Section 7 – Cross-Margining Beneficiary Participant Obligations

Unless and to the extent the Corporation otherwise determines, (a) if the Corporation makes a Cross-Margining Repayment in respect of any Cross-Margining Payment, the appropriate Cross-Margining Beneficiary Participants shall be obligated to reimburse the Corporation for such Cross-Margining Repayment pro rata their Cross-Margining Repayment Deposits up to the full amount of such Cross-Margining Repayment Deposits, and (b) the Corporation shall be entitled to apply the deposits of such Cross-Margining Beneficiary Participants to the Clearing Fund in satisfaction of such obligation to reimburse the Corporation.

## **RULE 44 – ACTION BY THE CORPORATION**

Where action by the Board of Directors is required by these Rules, the Corporation may act, to the full extent permitted by law, by the Chairman of the Board, the President or any of Managing Director or Executive Director or by such other Person or Persons, whether or not employed by the Corporation as may be designated by the Board of Directors from time to time.

## **RULE 45 – NOTICES**

### Section 1 – Notice to an Interested Person

Any notice pursuant to these Rules from the Corporation to an Interested Person shall be sufficiently served on such Interested Person if the notice is in writing, and is mailed to the Interested Person's office address, is sent via electronic mail to the Interested Person's electronic mail address or is transmitted by facsimile machine to a facsimile machine located either in the Interested Person's office or elsewhere as designated by such Interested Person. Any notice to an Interested Person, if mailed, shall be deemed to have been given when deposited in the United States Postal Service, with postage thereon prepaid, directed to the Interested Person at its office address, and if sent via electronic mail, shall be deemed given when routed to the electronic mail address of the Interested Person. Any notice to an Interested Person, if transmitted by facsimile machine as provided above, shall be deemed to have been given when such transmission is verified on the facsimile machine of the Corporation as having been transmitted.

Notwithstanding anything in these Rules to the contrary, the Corporation may distribute notices to all Interested Persons by posting such notices on the Corporation's website. The Corporation shall deem a notice sufficiently served once such notice is successfully posted to the website, and it is the responsibility of the Interested Persons to retrieve notices daily from the Corporation's website.

### Section 2 – Notice to the Corporation

Any notice from an Interested Person to the Corporation shall be sufficiently served on the Corporation if the notice is in writing and is delivered or mailed to the Corporation at its principal place of business, Attention: Secretary, or such other place as it designates, with a copy of the notice sent by electronic mail to the General Counsel's Office of the Corporation at [gcocontractnotices@dtcc.com](mailto:gcocontractnotices@dtcc.com). Any such notice to the Corporation shall be deemed to have been given when received.

### Section 3 – Notice by the Corporation of Certain Actions

Any notice required to be given by the Corporation pursuant to Rule 21, Rule 22 or Rule 48 shall set forth the specific grounds under consideration upon which any action taken by the Corporation pursuant to such Rule or Rules may be based and shall contain notice to the Member of its right to request a hearing, such request to be filed by such Member with the Corporation pursuant to Rule 37.

## **RULE 46 – INTERPRETATION OF TERMS**

Notwithstanding the use of words such as “borrow”, “collateral”, “lend”, “purchase”, “secure”, and “sell”, and other words derived from those words, which reflect terminology commonly used in the market for transactions of the kind processed by the Corporation under these Rules, the use of such words in these Rules, or in agreements entered into by the Corporation with Members pursuant to these Rules, shall not be deemed to affect the intent of the Members as to their characterization of such transactions in agreements entered into by the Members with one another or with third parties in respect of such transactions.



## **RULE 47 – INTERPRETATION OF RULES**

The Board of Directors of the Corporation or their designee(s) shall have the authority to interpret the Rules of the Corporation. Interpretations of the Board of Directors or their designee(s) shall be final and conclusive.

## **RULE 48 – DISCIPLINARY PROCEEDINGS**

### Section 1 – General

The Corporation may discipline any Member for a violation of any provision of the Rules of the Corporation or such Member's agreements with the Corporation, for any error, delay or other conduct that constitutes an abuse or misuse of the Corporation's processes or otherwise is detrimental to the operations of the Corporation, or for not providing adequate facilities for such Member's business with the Corporation, by termination of membership in either or both of the Comparison System or the Netting System, ceasing to act for the Member, other limitation of or restriction on activities, functions and operations, fine, censure or any other fitting sanction.

### Section 2 – Role of the Board

The Board of Directors shall be responsible for overseeing the process of addressing rules violations and other detrimental conduct. Management of the Corporation shall be responsible for presenting to the Board actions of a Member or Members that, in their opinion, constitute a rules violation or detrimental conduct, for that Committee's determination as to what, if any, disciplinary action is appropriate. Any such presentation shall be made as is practicable after the action deemed by management to constitute a rules violation or detrimental conduct has occurred.

The imposition of any disciplinary action involving ceasing to act or termination of membership in either or both of the Comparison System or Netting System, shall require Board approval.

### Section 3 – Major and Minor Offenses

If the Board determines that a Member has committed a rules violation or an act of detrimental conduct, it shall classify the act as either major or minor in nature. Major offenses generally shall require a finding of either misconduct involving the funds or securities settlement obligations of a Member pursuant to these Rules or a deliberate act of fraud or misconduct of a Member. In addition, repeated offenses by a Member of a minor nature may cause the Member to be deemed to have committed a major offense.

A Member committing a major offense may be subject to disciplinary action up to and including termination of its membership in the Comparison System or in both the Comparison System and the Netting System. At a minimum, after a determination has been made by the Board that a major offense has been committed by a Member, a letter shall be sent by the Corporation to the Member informing it of its commission of offense and requiring that a written explanation be provided to the Corporation as to why the offense occurred and the actions taken and/or to be taken by the Member to ensure that the offense will not reoccur. Representatives of the Member may be required to appear before the Board to provide such explanation.

A Member committing a minor offense shall be subject to a fine or other disciplinary action, except for ceasing to act or termination of membership. Moreover, after a determination has been made by the Board that a minor offense has been committed by a Member, a letter shall be sent to the Member informing it of its commission of the offense.

#### Section 4 – Notification to a Member

Before imposing any disciplinary sanction on a Member pursuant to this Rule, the Corporation shall notify such Member pursuant to Rule 45 of the type of disciplinary sanction being imposed, the reasons for the imposition of the disciplinary sanction (which shall include a description of the action of the Member deemed to constitute a rules violation or detrimental conduct), the effective date of such action, and its right to a hearing to contest the imposition of the action. The Corporation may, in its discretion, take any disciplinary action authorized by these Rules against a Member immediately upon providing the notification to the Member required in this Section.

## **RULE 49 – DTCC SHAREHOLDERS AGREEMENT**

### Section 1 – Certain Definitions

For purposes of this Rule 49:

“DTCC” means The Depository Trust & Clearing Corporation, the holder of all of the capital stock of the Corporation.

“Shareholders Agreement” means the Shareholders Agreement of DTCC, dated as of November 4, 1999, as heretofore or hereafter amended and restated.

“Common Shares” has the meaning given to such term in the Shareholders Agreement.

“Mandatory Purchaser Participant” has the meaning given to such term in the Shareholders Agreement.

“Voluntary Purchaser Participant” has the meaning given to such term in the Shareholders Agreement.

### Section 2 – Netting Members

As a condition to its use of the services and facilities of the Government Securities Division of the Corporation, a Netting Member (other than any central securities depository, Federal Reserve bank, central counterparty, or Registered Investment Company) shall be required to purchase and own Common Shares in accordance with the terms of the Shareholders Agreement and be a party to the Shareholders Agreement. For purposes of the Shareholders Agreement, a Netting Member (other than any central securities depository, Federal Reserve bank, central counterparty, or Registered Investment Company) shall be a Mandatory Purchaser Participant.

### Section 3 – Comparison-Only Members and Tier Two Members

A Comparison-Only Member (other than any central securities depository, Federal Reserve bank, or central counterparty) and any Tier Two Member shall be permitted (but not required) to purchase and own Common Shares in accordance with the terms of the Shareholders Agreement and be a party to the Shareholders Agreement. For purposes of the Shareholders Agreement, a Comparison-Only Member (other than any central securities depository, Federal Reserve bank, or central counterparty) and any Tier Two Member shall be a Voluntary Purchaser Participant.\*

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\* Note that, if a Comparison-Only Member is also a member or participant of any other clearing agency subsidiary of DTCC, such Comparison-Only Member may be a Mandatory Purchaser Participant pursuant to the terms of the Shareholders Agreement and the rules or procedures of such other subsidiary. If a Sponsored Member is also a member or participant of any other clearing agency subsidiary of DTCC, such Sponsored Member may be a Mandatory Purchaser Participant or a Voluntary Purchaser Participant pursuant to the terms of the Shareholders Agreement and the rules and procedures of such other subsidiary.

#### Section 4 – Sponsored Members

This Rule 49 shall have no application to a Sponsored Member.

#### Section 5 – Certain Other Matters

The Corporation shall execute and deliver the Shareholders Agreement as attorney in fact for a Member that purchases Common Shares pursuant to Section 2 or Section 3 of this Rule 49 if such Member is not already a party to the Shareholders Agreement. In addition, the Corporation may on behalf of DTCC pursuant to the Shareholders Agreement, without duplication of payment, (A) debit a Member for any amount payable by the Member to DTCC for Common Shares purchased by the Member and (B) credit a Member for any amount payable by DTCC to the Member for Common Shares sold by the Member.

## **RULE 50 – MARKET DISRUPTION AND FORCE MAJEURE**

### Section 1. Market Disruption Events

On the happening of any one or more of the events or circumstances set out below (each a “Market Disruption Event”) which, in any case, is likely to materially affect or has materially affected the business, operations, safeguarding of securities or funds, or physical functions of the Corporation, including performance by the Corporation of any obligations under the Rules and Procedures, the Corporation shall be entitled to take such action as is set out in this Rule 50:

(a) a general suspension or limitation of trading on the New York Stock Exchange, NASDAQ, or any other exchange or market relevant to the pricing or trading of securities cleared and settled through the Corporation;

(b) the declaration of a trading or banking moratorium in the United States or New York State;

(c) any international organization, the government of any nation, state, or territory, or any institution or agency thereof, or any self-regulatory organization taking action of a nature likely to affect the normal course of business, including performance by the Corporation of obligations under the Rules and Procedures;

(d) the unavailability, failure, malfunction, overload, or restriction (whether partial or total) of any payment, bank transfer or wire, or securities settlement system;

(e) the unavailability, failure, malfunction, overload, or restriction (whether partial or total) of any cash or securities depository, custodian or clearing bank, or any material variation of such depository’s, custodian’s or clearing bank’s processing or turnaround times, whether or not occasioned by action of such depository, custodian or clearing bank; or

(f) any Force Majeure, which shall include (without limitation) any terrorist or other criminal action, war or hostilities between any nations, national emergency, riot, civil unrest, acts of God or the public enemy, fire or other casualty, flood, accident, disaster (including any nuclear, atomic, environmental, or natural disaster), sabotage, bomb threat, labor dispute, embargo, the unavailability, failure, malfunction, or restriction of communication, computer, or data processing systems or facilities, or of software or technology, cyber attack, lack of transportation facilities, interruption (whether partial or total) of power supplies or other utility or service, or any event, situation, or circumstance beyond the reasonable control of the parties (whether or not similar to any of the foregoing), including those imminent or threatened.

### Section 2. Powers of the Corporation

If the Board of Directors or any officer of the Corporation listed below determines, in its, his, or her judgment that there is a Market Disruption Event, the Corporation shall be entitled to act (or refrain from acting) as prescribed in Section 3 of this Rule 50. To the extent practicable, the determination of the existence of a Market Disruption Event, and the actions to be taken in

response thereto, shall be made by the Board of Directors at a meeting where a quorum is present and acting. However, if the Corporation is unable to convene a Board meeting promptly and timely in such event, then such determination may be made by either the Chief Executive Officer, the Chief Financial Officer, the Group Chief Risk Officer, the Chief Information Officer, the Head of Clearing Agency Services, or the General Counsel, or by any management committee on which all of the foregoing officers serves (an “Officer Market Disruption Event Action”), provided that the Corporation shall convene a Board meeting as soon as practicable thereafter (and in any event within 5 Business Days following such determination) to ratify, modify or rescind such Officer Market Disruption Event Action.

### Section 3. Authority to take Actions

Upon the determination that there is a Market Disruption Event, the Corporation shall be entitled, during the pendency of such Market Disruption Event, to:

- (a) suspend the provision of any or all services of the Corporation; and
- (b) take, or refrain from taking, or require Members (whether or not they are affected by the Market Disruption Event) to take or refrain from taking, any and all action which the Corporation considers appropriate to prevent, address, correct, mitigate or alleviate the event and facilitate the continuation of services as may be practicable, and, in that context, issue instructions to Members.

### Section 4. Notifications

- 4.1 Each Member shall notify the Corporation immediately upon becoming aware of any Market Disruption Event.
- 4.2 The Corporation shall promptly notify Members of any action the Corporation takes or intends to take pursuant to Section 3 of this Rule 50.
- 4.3 The Corporation shall attempt to consult with officials of the SEC prior to the Corporation taking any action pursuant to Section 3 of this Rule 50; provided, however, that the authority contained herein shall not be conditioned by such consultation.

The Corporation shall advise the SEC as soon as practicable by telephone, and confirmed in writing, of any action taken by the Corporation pursuant to Section 3 of this Rule 50, and a record of such writing shall be promptly made and filed with the Corporation’s records and shall be available for inspection by any Member during regular business hours on Business Days.

The Corporation shall also advise the SEC as soon as practicable by telephone, and confirmed in writing, at such time it determines that there is no longer a Market Disruption Event and the Corporation terminates the actions taken by the Corporation pursuant to Section 3 of this Rule 50. A record of such writing shall be promptly made and filed with the Corporation’s records

and shall be available for inspection by any Member during regular business hours on Business Days.

#### Section 5. Certain Miscellaneous Matters

(a) Without limiting any other provisions in the Rules and Procedures concerning limitations on liability, none of the Corporation, its directors, officers, employees, agents, or contractors shall be liable to a Member or any other person (including any customer or client thereof) for:

- (i) any failure, hindrance, interruption or delay in performance in whole or in part of the obligations of the Corporation under the Rules or Procedures, if that failure, hindrance, interruption or delay arises out of or relates to a Market Disruption Event; or
- (ii) any loss, liability, damage, cost or expense arising from or relating in any way to any actions taken, or omitted to be taken, pursuant to this Rule 50.

(b) The power of the Corporation to take any action pursuant to this Rule 50 also includes the power to repeal, rescind, revoke, amend, or vary any such action.

(c) The powers of the Corporation pursuant to this Rule 50 shall be in addition to, and not in derogation of, authority granted elsewhere in the Rules and Procedures to take action as specified therein.

(d) In the event of any conflict between the provisions of this Rule 50 and any other Rules or Procedures, the provisions of this Rule 50 shall prevail.



## **RULE 50A – SYSTEMS DISCONNECT: THREAT OF SIGNIFICANT IMPACT TO THE CORPORATION’S SYSTEMS**

### **Section 1 – Major Event**

For purposes of this Rule, the following terms shall have the following meanings:

“DTCC Systems” means the systems, equipment and technology networks of DTCC, the Corporation and/or their Affiliates, whether owned, leased, or licensed, software, devices, IP addresses or other addresses or accounts used in connection with providing the services set forth in the Rules or used to transact business or to manage the connection with the Corporation.

“DTCC Systems Participant” shall mean a Member, or third party service provider, or service bureau that is connecting with the DTCC Systems.

“Major Event” shall mean the happening of one or more Systems Disruption(s) that is reasonably likely to have a significant impact on the Corporation’s operations, including the DTCC Systems, that affect the business, operations, safeguarding of securities or funds, or physical functions of the Corporation, Members and/or other market participants.

“Systems Disruption” shall mean the unavailability, failure, malfunction, overload, or restriction (whether partial or total) of a DTCC Systems Participant’s systems that disrupts or degrades the normal operation of such DTCC Systems Participant’s systems; or anything that impacts or alters the normal communication, or the files that are received, or information transmitted, to or from the DTCC Systems.

### **Section 2 – Powers of the Corporation**

The determination that the Corporation has a reasonable basis to conclude that there has been a Major Event and shall be entitled to act (or refrain from acting) as prescribed in Section 3 of this Rule 50A may be made by either the Chief Executive Officer, the Chief Financial Officer, the Group Chief Risk Officer, the Chief Information Officer, the Head of Clearing Agency Services or the General Counsel (an “Officer Major Event Action”). As soon as practical following such a decision, any management committee on which all of the foregoing officers serve shall convene, and the Corporation shall convene a Board of Directors meeting as soon as practicable thereafter (and in any event within 5 Business Days following such determination), in each case, to ratify, modify or rescind such Officer Major Event Action.

### **Section 3 – Authority to take Actions**

Upon the determination that there is a Major Event, the Corporation shall be entitled, during the pendency of such Major Event, to:

- (a) disconnect the DTCC Systems Participant’s system from the DTCC Systems;
- (b) suspend the receipt and/or transmission of files or communications to/from the DTCC Systems Participant to the DTCC Systems; or

(c) take, or refrain from taking, or require the DTCC Systems Participant to take or refrain from taking, any and all action that the Corporation considers appropriate to prevent, address, correct, mitigate or alleviate the Major Event and facilitate the continuation of services as may be practicable, and, in that context, issue instructions to the DTCC Systems Participant.

#### Section 4 – Notifications

(a) Each Member shall notify the Corporation immediately upon becoming aware of any Major Event and cooperate with the Corporation to identify the root cause and resolution.

(b) The Corporation shall promptly notify the DTCC Systems Participant(s) of any action the Corporation takes or intends to take with respect to such DTCC Systems Participant(s) pursuant to Section 3 of this Rule 50A.

#### Section 5 – Certain Miscellaneous Matters

(a) Without limiting any other provisions in these Rules concerning limitations on liability, none of the Corporation or its Affiliates, its or their directors, officers, employees, agents, or contractors shall be liable to a Member or any other person (including any third party provider or service bureau acting on behalf of the Member or any customer or client thereof) for:

- (i) any failure, hindrance, interruption or delay in performance in whole or in part of the obligations of the Corporation under the Rules or Procedures, if that failure, hindrance, interruption or delay arises out of or relates to a Major Event; or
- (ii) any loss, liability, damage, cost or expense arising from or relating in any way to any actions taken, or omitted to be taken, pursuant to this Rule 50A.

(b) The power of the Corporation to take any action pursuant to this Rule 50A also includes the power to repeal, rescind, revoke, amend, or vary any such action.

(c) The powers of the Corporation pursuant to this Rule 50A shall be in addition to, and not in derogation of, authority granted elsewhere in these Rules to take action as specified therein.

(d) The Members(s) shall, in accordance with the Rules, maintain the confidentiality of any DTCC Confidential Information provided to them by the Corporation and/or DTCC in connection with a Major Event.

(e) In the event of any conflict between the provisions of this Rule 50A and any other Rules or Procedures, the provisions of this Rule 50A shall prevail.

## SCHEDULE OF TIMEFRAMES\*

(all times are New York City times)

- 8:00 p.m.** Deadline for final input by Members to FICC of trade data.
- 2:00 a.m.** Time by which FICC's comparison, netting, and settlement output is made available to Members.
- 7:00 a.m.** The Corporation begins processing trade data for the current Business Day.
- 7:05 a.m.** Time by which the Corporation's margining output is made available to Netting Members.
- 9:15 a.m.** Netting-eligible auction purchases are received by FICC from the Federal Reserve Banks and are immediately redelivered to Netting Members in a Net Long Position.
- 9:30 a.m.** Deadline for satisfaction of a Clearing Fund deficiency call.
- 10:00 a.m.** Funds-only settlement debits and credits are executed via the Federal Reserve's National Settlement Service
- 11:00 a.m.** Deadline for submission of repo collateral substitution notifications, after which a late fee will be imposed. Such notification is not deemed to be submitted until it is received by FICC.
- 12:00 p.m.** Netting Member deadline to either (1) initiate request to receive back excess cash or collateral from the A.M. Clearing Fund call, or (2) initiate request to substitute currently held Clearing Fund securities.
- 12:00 p.m.** All open positions and obligations will be recorded at this time and used in the computation of intraday Clearing Fund requirements, and intraday funds-only settlement.
- 12:00 p.m.** First deadline for submission of information regarding New Securities Collateral, after which a late fee will be imposed. Such information is not deemed to be submitted until it is received by FICC.
- 12:30 p.m.** Second deadline for submission of information regarding New Securities Collateral, after which such submissions will be processed by FICC on a good faith basis only and a late fee imposed. Such information is not deemed to be submitted until it is received by FICC.

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\* All times may be extended as needed by the Corporation to (i) address operational or other delays that would reasonably prevent members or the Corporation from meeting the deadline or timeframe, as applicable, or (ii) allow the Corporation time to operationally exercise its existing rights under these Rules. In addition, times applicable to the Corporation are standards and not deadlines; actual processing times may vary slightly, as necessary.

- 1:00 p.m.** Final deadline for submission of information regarding New Securities Collateral, after which the Netting Member must resubmit its information for processing by FICC during the following business day. Such information is not deemed to be submitted until it is received by FICC.
- 2:00 p.m.** Time during which reports will be made available with respect to the intraday Clearing Fund requirements, and intraday funds-only settlement.
- 2:15 p.m.** Netting Member deadline to initiate request in the Clearing Fund Management system (CFM) to receive back excess Clearing Fund cash or collateral from intraday call.
- 2:45 p.m.** Deadline for satisfaction of a Clearing Fund deficiency call (P.M. Clearing Fund call).
- 4:00 p.m.** Brokered Repo Transactions submitted prior to 4:00 p.m. will be processed as Demand Trades. After 4:00 p.m. such trades will be processed for Bilateral Comparison.
- 4:30 p.m.** Intraday funds-only settlement debits and credits are executed via the FRB's National Settlement Service.
- 4:30 p.m.** Deadline for submission of DK Notices by Repo Parties to Brokered Repo Transactions submitted on a Demand basis prior to 4:00 p.m.

## **SCHEDULE OF GCF REPO TIMEFRAMES\***

(all times are New York City times)

- 7:00 a.m.** Netting Members must begin affirming or cancelling GCF Repo Transactions upon receipt of data on such GCF Repo Transactions from the Corporation.
- 9:00 a.m.** Deadline for Netting Members to deliver additional securities or cash such that value of such securities and cash equals or exceeds Collateral Allocation Obligations from previous Business Day.
- 3:00 p.m.** Cutoff for GCF Repo Transaction data submission from GCF-Authorized Inter-Dealer Brokers to FICC including dealer trade affirmation or cancellation – all unaffirmed trades automatically affirmed by FICC.
- 3:30 p.m.** Every Collateral Allocation Entitlement and Collateral Allocation Obligation that was established by the Corporation on the previous Business Day shall be netted with the current Business Day’s Collateral Allocation Obligation and/or Collateral Allocation Entitlement; Netting Members shall have the obligation to settle such new net settlement amounts. Collateral allocations begin.
- 4:30 p.m.** Deadline for Netting Member allocation of collateral to satisfy obligations, after which a late fee will be imposed and after which FICC shall process Collateral Allocation Obligations on a good faith basis only. Deadline for Net Funds Payors to satisfy their cash obligations, after which a late fee will be imposed.

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\* All times may be extended as needed by the Corporation to (i) address operational or other delays that would reasonably prevent members or the Corporation from meeting the deadline or timeframe, as applicable, or (ii) allow the Corporation time to operationally exercise its existing rights under these Rules. In addition, times applicable to the Corporation are standards and not deadlines; actual processing times may vary slightly, as necessary.

## SCHEDULE OF SPONSORED GC TRADE TIMEFRAMES\* \*\* \*\*\*

(all times are New York City times)

- 10:30 p.m. to 2:00 a.m.** Time during which reports will be made available with respect to the end of day Clearing Fund requirements and funds-only settlement requirements.
- 9:00 a.m.** Deadline for the GC Funds Borrower to satisfy the obligation described in Section 8(b)(ii) of Rule 3A in accordance with the provisions of Section 8(b)(vi) of Rule 3A. The Corporation reserves the right to also require a GC Funds Borrower to satisfy the obligation described in Section 8(b)(ii) on an intraday basis based on the market value of the applicable GC Repo Securities as determined by the GC Clearing Agent Bank in accordance with Section 8(b)(vii) of Rule 3A.
- 10:00 a.m.** Funds-only settlement debits and credits are executed via the Federal Reserve's National Settlement Service.
- 12:00 p.m.** Deadline for the GC Funds Borrower (or if the repo rate for the relevant Sponsored GC Trade is negative, the GC Funds Lender) to pay to the Corporation the accrued GC Daily Repo Interest as described in Section 8(b)(iv) in accordance with the provisions of Section 8(b)(vi) of Rule 3A (unless the End Leg of the related Sponsored GC Trade is due to settle on the same day).
- 2:00 p.m.** Time during which reports will be made available with respect to the intraday Clearing Fund requirements, and intraday funds-only settlement requirements.
- 4:30 p.m.** Intraday funds-only settlement debits and credits are executed via the Federal Reserve's National Settlement Service.
- 5:00 p.m.** Deadline for final input by Sponsoring Members to the Corporation of Sponsored GC Trade data.
- 5:30 p.m.** Deadline for (i) full settlement of the Start Leg of the Sponsored GC Trade in accordance with Section 7(b)(ii)(C) of Rule 3A, (ii) substitutions of Purchased GC Repo Securities in accordance with Section 8(b)(v) of Rule 3A, and (iii) satisfaction of GC Collateral Return Obligations and cash payment obligations associated with GC Collateral Return Entitlements by GC Funds Lenders and GC Funds Borrowers, respectively, in accordance with Section 8(b)(i) of Rule 3A.

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\* The time by which a GC Funds Lender is required to deliver any securities to a GC Funds Borrower in connection with Section 8(b)(iii) of Rule 3A shall be determined by the relevant Sponsored GC Clearing Agent Bank.

\*\* All times may be extended as needed by the Corporation to (i) address operational or other delays that would reasonably prevent members or the Corporation from meeting the deadline or timeframe, as applicable, or (ii) allow the Corporation time to operationally exercise its existing rights under these Rules. In addition, times applicable to the Corporation are standards and not deadlines; actual processing times may vary slightly, as necessary.

\*\*\* Any accrued GC Daily Repo Interest that is due on the settlement day of the End Leg of the related Sponsored GC Trade shall be paid in connection with the settlement of the End Leg.

## **SCHEDULE FOR THE DELETION OF TRADE DATA**

Trade data on transactions other than Repo Transactions that remain uncomparing shall pend in the Comparison System until the later of: (a) for trades in new issues and re-issues, the issue date or re-issue date for such trades, or (b) the processing cycle after the second Business Day after the date of submission of such data. Trade Data on Repo Transactions other than Sponsored GC Trades that remain uncomparing shall pend in the Comparison System until the later of: (a) the processing cycle after the second Business Day after the Repo Start Date, or (b) the processing cycle after the second Business Day after the date of submission of such data. Data on trades (including Yield Comparison Trades) that are not eligible for netting that compare (prior to being deleted) are deleted during the same processing cycle during which such comparison is reported to Members. Data on trades eligible for netting that compare shall pend until (and shall be deleted during) the processing cycle prior to the Scheduled Settlement Date for such trades. Trade data on Sponsored GC Trades that remain uncomparing on a given Business Day shall pend in the Comparison System until the Corporation's deadline for final input by Sponsoring Members of Sponsored GC Trade data (as provided in the Schedule of Sponsored GC Trade Timeframes) on such Business Day. Trade data on Sponsored GC Trades, which have been compared in the Comparison System pursuant to Rule 6A but the Start Legs of which have not fully settled at a Sponsored GC Clearing Agent Bank by the deadline set forth in the Corporation's Schedule of Sponsored GC Trade Timeframes, shall be deleted from the Comparison System during the same processing cycle as the Repo Start Date for such Sponsored GC Trades.

The timeframes for deletion of trade data that are set forth in this schedule may be changed by the Corporation upon the provision by it of 15 Business Days' prior notice of such to all Members.

## **SCHEDULE OF REQUIRED MATCH DATA**

These Required Match Data items are applicable to all Transactions, including Repo Transactions, except as otherwise noted below:

- (1) Contra Member identifying number
- (2) CUSIP Number
- (3) Member's identifying number
- (4) Par amount (this is not applicable to General Collateral Repo Transactions)
- (5) Settlement amount (final money) - if this field is left blank, the Corporation will calculate the settlement amount using: (a) for Repo Transactions, the start amount, the Contract Repo Rate, and the number of days from start date to settlement date, and (b) for buy/sell transactions, the par value, price, and accrued interest
- (6) Settlement date - must contain a valid, settlement date
- (7) Transaction type - an indication of the type of transaction (i.e., buy, sell, repo, or reverse)

In addition, these Required Match Data items are applicable only to Repo Transactions:

- (8) Start amount - the Contract Value for the start leg of the Repo Transaction
- (9) Start date - the settlement date for the start leg of a Repo Transaction

This schedule does not apply to Netting-Eligible Auction Purchases, CCIT Transactions and GCF Repo Transactions. Also, notwithstanding the above, the requirements of this schedule are superseded by the provisions of Rule 10 to the extent that they are inconsistent with that Rule.



## **SCHEDULE OF REQUIRED DATA SUBMISSION ITEMS**

In addition to the data items listed in the Schedule of Required Match Data, the following data items are required, as indicated below, to be submitted by Members when they submit trade data to the Corporation:

- (1) Broker reference number – the reference number used by a Repo Broker submitting data to uniquely identify the matching short and long sides of a Brokered Transaction
- (2) Contra executing firm symbol – if this field is left blank, the Corporation will fill this field with the identifier of the contra Agent Clearing Member or Sponsoring Member, as applicable
- (3) Executing firm symbol – the Executing Firm Customer or Sponsored Member identifier; this field is required for all Sponsored Member Trades and Agent Clearing Transactions
- (4) External reference number – the reference number used by a Member submitting data to uniquely identify the transaction
- (5) Price (rate) – as regards Repo Transaction, the repo rate must be submitted in this field
- (6) Pricing method – for buy/sell transactions, this field must be submitted with either a “D” (discount), “P” (price), or “Y” (yield), while for Repo Transactions, this field must be submitted with an “R” (rate)
- (7) Trade date – the date on which the trade was executed must be submitted in this field

This schedule does not apply to Netting Eligible Auction Purchases and GCF Repo Transactions, and items (1) and (2) above are not required for Sponsored Member Trades.

## **SCHEDULE OF REQUIRED AND ACCEPTED DATA SUBMISSION ITEMS FOR A SUBSTITUTION OF EXISTING SECURITIES COLLATERAL**

In addition to the data items required in the Schedules of Required Match Data and Required Data Submission Items, the following data items are required to be received by the Corporation as regards a Repo Transaction in order for the Corporation to process a substitution:

- (1) the Specific CUSIP Number or Generic CUSIP Number for the Existing Securities Collateral;
- (2) the par amount;
- (3) the principal value;
- (4) Scheduled Settlement Date for the Start Leg of the Repo Transaction and Contract Repo Rate;
- (5) for Brokered Repo Transactions, the reverse repo rate; and
- (6) counterparty to the Repo Transaction.

This schedule does not apply to Netting-Eligible Auction Purchases, GCF Repo Transactions, CCIT Transactions and Sponsored GC Trades.

## **SCHEDULE OF REQUIRED AND ACCEPTED DATA SUBMISSION ITEMS FOR A SUBSTITUTION FOR NEW SECURITIES COLLATERAL**

In addition to the data items required in the Schedules of Required Match Data and Required Data Submission Items, the following data items are required to be received by the Corporation as regards a Repo Transaction in order for the Corporation to process a substitution:

- (1) the Specific CUSIP Number or Generic CUSIP Number for the New Securities Collateral;
- (2) the par amount;
- (3) the principal value;
- (4) Scheduled Settlement Date for the Start Leg of the Repo Transaction and Contract Repo Rate;
- (5) for Brokered Repo Transactions, the reverse repo rate; and
- (6) counterparty to the Repo Transaction.

This schedule does not apply to Netting-Eligible Auction Purchases, GCF Repo Transactions, CCIT Transactions and Sponsored GC Trades.

## **SCHEDULE OF REQUIRED AND OTHER DATA SUBMISSION ITEMS FOR GCF REPO TRANSACTIONS**

The following data items are required to be received by the Corporation from a GCF-Authorized Inter-Dealer Broker as regards a GCF Repo Transaction in order for such GCF Repo Transaction to be compared by the Corporation:

Broker Reference Number – The GCF-Authorized Inter-Dealer Broker’s unique reference number for the GCF Repo Transaction.

End Date - The settlement date for the End Leg.

Start Money – The Start Leg settlement amount.

Repo Rate – The underlying interest rate.

Broker’s Reverse Member ID – Member identifying number of the GCF Counterparty from whom the Broker is reversing in securities.

Broker’s Repo Member ID – Member identifying number of the GCF Counterparty to whom the Broker is repoing out securities.

CUSIP – The nine-digit Generic CUSIP Number.

The following fields will be automatically populated by the Corporation with default data, which may be overridden by the GCF-Authorized Inter-Dealer Broker as required:

Trade Date – The current date will automatically populate this field.

Start Date – The current date will automatically populate this field.

The following fields will be automatically calculated and/or populated by the Corporation, and cannot be overridden by the GCF-Authorized Inter-Dealer Broker:

GSD TID – The Corporation’s unique transaction identifier, automatically assigned to a new GCF Repo Transaction by the Corporation.

Final Money – The Corporation will automatically calculate the End Leg settlement money for the GCF Repo Transaction using start money, rate and term (based on start date and end date).

Security Description – Automatically displayed by the Corporation based upon Generic CUSIP Number submitted.

Broker’s Reverse Member Name – Automatically displayed by the Corporation based upon the identification number entered in the “Broker’s Reverse Member ID” field.

Broker's Repo Member Name – Automatically displayed by the Corporation based upon the ID entered in the “Broker's Repo Member ID” field.

Term – Total number of days that the GCF Repo Transaction is scheduled to be outstanding, automatically calculated and displayed by the Corporation.

Interest – The total repo interest (i.e., the difference between the repo start and end money) automatically calculated and displayed by the Corporation.

Accrued to Date – The repo interest accrued to date automatically calculated and displayed by the Corporation.

## **SCHEDULE OF MONEY TOLERANCES**

The following Money Tolerances have been established by the Corporation:

- (1) Settlement amount – \$0.10 per \$1 million for Repo Transactions (applicable in Real Time) Notwithstanding this tolerance, any money difference of \$1.00 or less in the settlement amount of a trade will not prevent the trade from being matched.

Settlement amount – \$2 per \$1 million for buy/sell transactions (applicable in Real Time)

- (2) Settlement amount – \$40 per \$1 million for buy-sell transactions (in connection with the Corporation's presumption of a match of data pursuant to Rule 10)
- (3) Start amount (applies only to Repo Transactions) – \$1 per Repo Transaction

## SCHEDULE OF GC COMPARABLE SECURITIES<sup>4567</sup>

Generic Security Type	GC Repo Security Number	Description	GC Comparable Securities
TU10	84910LAB2	U.S. TREASURIES < 10 YR MATURITY	U.S. Treasury bills, notes and bonds <sup>8</sup> (including U.S. Treasury floating rate notes) maturing in a time frame no greater than that of the securities that have been traded
TU30	84910LAA4	U.S. TREASURIES < 30 YR MATURITY	U.S. Treasury bills, notes and bonds (including U.S. Treasury floating rate notes) maturing in a time frame no greater than that of the securities that have been traded
AGCY	84910LAC0	NON-MORTGAGE BACKED U.S. AGENCY SECURITIES	Non-Mortgage Backed Securities issued by: <ul style="list-style-type: none"> <li>• Federal Farm Credit Banks</li> <li>• Federal Home Loan Bank</li> <li>• Federal Home Loan Mortgage Corporation</li> <li>• Federal National Mortgage Association</li> <li>• U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)</li> </ul>

<sup>4</sup> Please refer to the Sponsored GC Clearing Bank for details regarding the Fed “tickers” applicable to GC Comparable Securities.

<sup>5</sup> Government National Mortgage Association (“Ginnie Mae”) serial notes are not eligible as GC Comparable Securities.

<sup>6</sup> U.S. Agency Real Estate Mortgage Investment Conduits (“REMICs”) and U.S. Agency Collateralized Mortgage Obligations (“CMOs”) are not eligible as GC Comparable Securities.

<sup>7</sup> Eligible Securities with a maturity date of the next Business Day are not eligible as GC Comparable Securities.

<sup>8</sup> For purposes of this Schedule, the references to U.S. Treasury bills, notes or bonds shall not include U.S. Treasury inflation-protected securities (“TIPS”) or U.S. Treasury Separate Trading of Registered Interest and Principal Securities (“STRIPS”).

Generic Security Type	GC Repo Security Number	Description	GC Comparable Securities
FFFIX	84910LAD8	FEDERAL NATIONAL MORTGAGE ASSOCIATION (“FANNIE MAE”) & FEDERAL HOME LOAN MORTGAGE CORPORATION (“FREDDIE MAC”) FIXED RATE MORTGAGE- BACKED SECURITIES	Fannie Mae and Freddie Mac Fixed Rate Mortgage-Backed Securities  U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)
FFARM	84910LAE6	FANNIE MAE & FREDDIE MAC ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES	Fannie Mae and Freddie Mac Fixed Rate and Adjustable Rate Mortgage- Backed Securities  Ginnie Mae Fixed Rate and Adjustable Rate Mortgage-Backed Securities  U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)
GNMA	84910LAF3	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (“GINNIE MAE”) FIXED RATE MORTGAGE-BACKED SECURITIES	Ginnie Mae Fixed Rate Mortgage-Backed Securities  U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)
GNARM	84910LAG1	GINNIE MAE ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES	Ginnie Mae Adjustable Rate and Ginnie Mae Fixed Rate Mortgage-Backed Securities  U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)



<b>Generic Security Type</b>	<b>GC Repo Security Number</b>	<b>Description</b>	<b>GC Comparable Securities</b>
TIPS	84910LAH9	U.S. TREASURY INFLATION-PROTECTED SECURITIES (“TIPS”)	U.S. Treasury inflation-protected notes and bonds U.S. Treasury bills, notes, and bonds (excluding U.S. Treasury floating rate notes)
STRP	84910LAJ5	U.S. TREASURY SEPARATE TRADING OF REGISTERED INTEREST AND PRINCIPAL OF SECURITIES (“STRIPS”)	U.S. Treasury STRIPS U.S. Treasury bills, notes and bonds (excluding U.S. Treasury floating rate notes)

## MARGIN COMPONENT SCHEDULE

**[Changes to this Schedule, as amended by File No. SR-FICC-2025-003, are available at [www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings). These changes have been approved by the SEC but have not yet been implemented. By no later than 60 Business Days after April 22, 2025, these changes will be implemented, and this legend will be automatically removed from this Schedule.]**

### Section 1 – Overview

Each Business Day, each Netting Member shall be required to deposit with the Corporation an amount equal to the sum of all applicable Required Fund Deposit Portions, calculated twice daily pursuant to this Schedule and subject to the provisions of Rule 4.

Each Business Day, each Netting Member for which the Corporation maintains a Segregated Indirect Participants Account shall be required to deposit with the Corporation Segregated Customer Margin equal to the sum of all Segregated Customer Margin Requirements for all such Accounts. Each Segregated Customer Margin Requirement shall equal the sum of the amounts calculated pursuant to Section 3 below for each Segregated Indirect Participant whose Transactions are recorded in the relevant Segregated Indirect Participants Account. Each such calculation shall be performed twice daily pursuant to this Schedule and subject to the provisions of Rule 4.

### Section 2 – Required Fund Deposit Calculations

#### (a) Unadjusted GSD Margin Portfolio Amount

Each Business Day, the Corporation shall determine, with respect to each Margin Portfolio that includes one or more of either Dealer Accounts, Broker Accounts, Sponsoring Member Omnibus Accounts or Agent Clearing Member Omnibus Accounts, an Unadjusted GSD Margin Portfolio Amount as the sum of the following, as applicable, which the Corporation shall adjust such that the Unadjusted GSD Margin Portfolio Amount is equal to or greater than zero:

- (i) the VaR Charge,

plus or minus

- (ii) in the case of a Margin Portfolio of a GCF Counterparty, the Blackout Period Exposure Adjustment during the monthly Blackout Period or until the applicable Pool Factors used for collateral valuation are updated,

plus

- (iii) the Portfolio Differential Charge.

(b) Additional Charges

The Corporation shall add the following to the Unadjusted GSD Margin Portfolio Amount, as applicable:

- (i) in the case of a Netting Member with backtesting deficiencies, the Backtesting Charge,

plus

- (ii) the Holiday Charge, on the Business Day prior to a Holiday,

plus

- (iii) a Margin Liquidity Adjustment Charge,

plus

- (iv) Excess Capital Premium,

plus

- (v) Intraday Supplemental Fund Deposit.

(c) Minimum Charges and Total Required Fund Deposit Amounts

The Required Fund Deposit for a Netting Member's Margin Portfolios that contain Dealer Accounts shall be equal to the greater of (i) the sum of the Unadjusted GSD Margin Portfolio Amount and all applicable additional charges; and (ii) a minimum charge of \$1 million.

For each Margin Portfolio that includes Broker Accounts, the Corporation shall determine the greater of (i) the sum of the Unadjusted GSD Margin Portfolio Amount and all applicable additional charges; and (ii) a minimum charge of \$5 million. The Required Fund Deposit for a Netting Member's Margin Portfolios that include Broker Accounts shall be the sum of the amounts calculated for each such Margin Portfolio pursuant to this paragraph.

The Sponsoring Member Omnibus Account Required Fund Deposit shall be equal to the greater of (i) the sum of the Unadjusted GSD Margin Portfolio Amount and all applicable additional charges; and (ii) a minimum charge of \$1 million.

The Agent Clearing Member Omnibus Account Required Fund Deposit shall be equal to the greater of (i) the sum of the Unadjusted GSD Margin Portfolio Amount and all applicable additional charges; and (ii) a minimum charge of \$1 million.

### Section 3 – Segregated Customer Margin Requirement Calculations

#### (a) Unadjusted GSD Margin Portfolio Amount

Each Business Day, the Corporation shall determine, with respect to each Segregated Indirect Participant's Transactions recorded in a given Segregated Indirect Participants Account, an Unadjusted GSD Margin Portfolio Amount as the sum of the following, as applicable, which the Corporation shall adjust such that the Unadjusted GSD Margin Portfolio Amount is equal to or greater than zero:

- (i) the VaR Charge,

plus or minus

- (ii) in the case of a Segregated Indirect Participant that is a GCF Counterparty, the Blackout Period Exposure Adjustment during the monthly Blackout Period or until the Pool Factors used for collateral valuation are updated,

plus

- (iii) a Portfolio Differential Charge.

#### (b) Additional Charges

The Corporation shall add the following to the Unadjusted GSD Margin Portfolio Amount, as applicable:

- (i) in the case of a Segregated Indirect Participant with backtesting deficiencies, the Backtesting Charge, if applicable,

plus

- (ii) the Holiday Charge, on the Business Day prior to a Holiday,

plus

- (iii) a Margin Liquidity Adjustment Charge,

plus

- (v) Intraday Supplemental Fund Deposit.

#### (c) Minimum Charge and Total Required Fund Deposit Amount

For each Segregated Indirect Participant, the Corporation shall determine the greater of (i) the sum of the Unadjusted GSD Margin Portfolio Amount and all applicable additional charges; and (ii) a minimum charge of \$1 million. The Corporation may, in its sole discretion, adjust the minimum amount in (ii) of this paragraph if the Corporation determines that a different minimum charge would be appropriate and consistent with achieving its backtesting coverage target.

Members would be notified of any such adjustment to the applicable minimum charge by an Important Notice. The Segregated Indirect Participants Account Required Fund Deposit shall be the sum of the amounts calculated for each Segregated Indirect Participant pursuant to this paragraph.

#### Section 4 – Increased Required Fund Deposits

(a) Notwithstanding anything to the contrary in the Rules, the Corporation may require a Netting Member to make and maintain a higher Required Fund Deposit than the amount calculated pursuant to this Schedule, if the Corporation determines that such higher Required Fund Deposit is necessary to protect the Corporation and its Members from Legal Risk.

(b) The Corporation may require a Netting Member to make an additional payment (“special charge”) applied to its Required Fund Deposit as determined by the Corporation from time to time in view of market conditions and other financial and operational capabilities of the Member. The Corporation shall make any such determination based on such factors as the Corporation determines to be appropriate from time to time.

(c) The Corporation may require a Netting Member that has been placed on the Watch List to make and maintain an additional deposit applied to its Required Fund Deposit over and above the amount determined in accordance with this Schedule, as provided for in Section 11 of Rule 3.

(d) The Corporation may require a Netting Member to make additional deposits or to make and maintain a higher Required Fund Deposit pursuant to the Rules.

(e) The Corporation shall apply the higher of the Required Fund Deposit calculation as of the beginning of the current Business Day and Intraday on the current Business Day for the Sponsoring Member Omnibus Account.

#### Section 5 – Definitions and Calculations of Clearing Fund Components

##### **Backtesting Charge**

The term “Backtesting Charge” means an additional charge that may be added to a Netting Member’s Required Fund Deposit or Segregated Customer Margin Requirement to mitigate exposures to the Corporation caused by settlement risks that may not be adequately captured by the Corporation’s portfolio volatility model. The Corporation may assess this charge on the start of the day portfolio of a Netting Member or Segregated Indirect Participant (the “Regular Backtesting Charge”) and/or its intraday portfolios (the “Intraday Backtesting Charge”), as needed, to enable the Corporation to achieve its backtesting coverage target. The Regular Backtesting Charge and the Intraday Backtesting Charge may apply to Netting Members or Segregated Indirect Participants that have 12-month trailing backtesting coverage below the 99 percent backtesting coverage target, excluding deficiencies attributable to Blackout Period exposures. The Regular Backtesting Charge and the Intraday Backtesting Charge, as applicable, shall generally be equal to the third largest deficiency of the Netting Member or Segregated Indirect Participant that occurred during the previous 12 months. Deficiencies attributable to Blackout Period

exposures would be included only during the Blackout Period. The Corporation may in its discretion adjust such charge if the Corporation determines that circumstances particular to the settlement activity of a Netting Member or Segregated Indirect Participant 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.

### **Blackout Period Exposure Adjustment**

The term "Blackout Period Exposure Adjustment" means an additional charge or a reduction that may be added to a GCF Counterparty's Unadjusted GSD Margin Portfolio Amount to mitigate exposures to the Corporation that may arise due to potential overvaluation of mortgage-backed securities pledged to collateralize GCF Repo Transactions during the Blackout Period. The Blackout Period Exposure Adjustment shall apply to GCF Counterparties that are exposed to potential overvaluation of mortgage-backed securities pledged as collateral during the Blackout Period. The Blackout Period Exposure Adjustment shall be based on a projected average pay-down rate of the applicable mortgage-backed securities. The Corporation may in its discretion adjust or waive such adjustment if the Corporation determines that circumstances particular to the GCF Counterparty's use of mortgage-backed security pledges or to the mortgage-backed securities so pledged warrant a different approach to determining or applying such adjustment in a manner consistent with achieving the Corporation's backtesting coverage target.

### **Excess Capital Differential**

The term "Excess Capital Differential" means the amount by which a Netting Member's VaR Charge, other than the VaR Charges calculated for such Member's Segregated Indirect Participants Accounts, exceeds its Netting Member Capital.

### **Excess Capital Ratio**

The term "Excess Capital Ratio" means the result from dividing the amount of a Netting Member's VaR Charge, other than the VaR Charges calculated for such Member's Segregated Indirect Participants Accounts, by the amount of Netting Member Capital that it maintains.

### **Excess Capital Premium**

The term "Excess Capital Premium" shall mean an additional charge that may be added to a Netting Member's Required Fund Deposit if such Netting Member maintains an Excess Capital Ratio greater than 1.0.

An Excess Capital Premium shall be calculated as the product of: (a) the amount by which the Netting Member's VaR Charge exceeds its Net Capital, multiplied by (b) its Excess Capital Ratio, which shall be no more than 2.0.

For purposes of calculating an Excess Capital Premium, the Corporation shall use, as applicable, the Net Capital amount reported by a Netting Member on its most recent FOCUS Report, or the Equity Capital amount reported by a Netting Member on its most

recent Call Report.<sup>9</sup> The Corporation may, in its sole discretion, accept an updated Net Capital or Equity Capital amount provided by a Netting Member prior to the issuance of its next applicable financial report for purposes of calculating an Excess Capital Premium.

The Corporation may waive the collection of an Excess Capital Premium of a Netting Member in exigent circumstances when the Corporation, in its sole discretion, observes extreme market conditions or other unexpected changes in factors such as market volatility, trading volumes or other similar factors.

In determining whether it is appropriate to waive the collection of an Excess Capital Premium in such circumstances, the Corporation would review all relevant facts, circumstances and other information available to it at the time of such determination, including the degree to which a Netting Member's capital position and trading activity compare or correlate to the prevailing exigent circumstances and whether the Corporation can effectively address the risk exposure presented by a Netting Member without the collection of the Excess Capital Premium from that Netting Member.

The collection of an Excess Capital Premium may be waived by a Managing Director in the Group Chief Risk Office and such waiver shall be documented in a written report that is made available to the Netting Member impacted by the waiver upon request.

## **Holiday Charge**

The term "Holiday Charge" means an additional charge that may be added to the Required Fund Deposit or Segregated Customer Margin Requirement on the Business Day prior to a Holiday. The Holiday Charge approximates the exposure that the trading activity of a Netting Member or Segregated Indirect Participant on the applicable Holiday could pose to the Corporation. Since the Corporation cannot collect margin on the Holiday, the Holiday Charge is due on the Business Day prior to the applicable Holiday.

The methodology for calculating a Holiday Charge shall be determined by the Corporation in advance of each applicable Holiday. The Holiday Charge approximates each Netting Member's Required Fund Deposit or Segregated Customer Margin Requirement to address the exposure that could be posed to the Corporation by the trading activity of the Netting Member or Segregated Indirect Participant. The Corporation shall have the discretion to calculate the Holiday Charge based on its assessment of market conditions at the time the Holiday Charge is calculated (such as, for example, significant market occurrences that could impact market price volatility). The Corporation shall inform Netting Members of the methodology it will use to calculate the Holiday Charge by an Important Notice issued no later than 10 Business Days prior to the day on which the applicable Holiday Charge is applied. Examples of potential methodologies for the Holiday Charge may include, but shall not be limited to, time scaling of the VaR Charge or a stress scenario that reflects potential market price volatility on the Holiday.

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<sup>9</sup> If a Netting Member is not required to file a FOCUS Report or a Call Report, the Corporation shall use the Net Capital or Equity Capital amount, as applicable, provided on the Netting Member's most recent financial statements or equivalent reporting delivered to the Corporation pursuant to Rule 3.

## **Intraday Supplemental Fund Deposit**

The term “Intraday Supplemental Fund Deposit” means an additional charge that may be included in each Member’s Required Fund Deposit or Segregated Customer Margin Requirement intraday. The Corporation shall re-calculate intraday, each Business Day, at the times established by the Corporation for this purpose, the amount of the intraday VaR Charge applicable to each Margin Portfolio of a Member and to each Segregated Indirect Participant, based upon the open positions of the Margin Portfolio or Segregated Indirect Participant at a designated time intraday, for purposes of establishing whether a Member shall be required to make an Intraday Supplemental Fund Deposit.

The Corporation shall establish procedures for collection of an amount calculated in respect of a Member’s Intraday Supplemental Fund Deposit, including parameters regarding threshold amounts that require payment, and the form and time by which payment is required to be made to the Corporation. The Corporation reserves the right to require a Member or Members generally to make additional Intraday Supplemental Fund Deposits if the Corporation determines it to be necessary to protect itself and its Members in response to factors such as market conditions or financial or operational capabilities affecting a Member or Members generally.

## **Margin Liquidity Adjustment Charge or MLA Charge**

The terms “Margin Liquidity Adjustment Charge” or “MLA Charge” mean, with respect to each Margin Portfolio, Sponsored Member, or Segregated Indirect Participant, an additional charge applied to Net Unsettled Positions of a Member, Sponsored Member, or Segregated Indirect Participant. The MLA Charge shall be calculated daily and shall be included in each Member’s Required Fund Deposit or Segregated Customer Margin Requirement, as applicable.

For purposes of calculating this charge, Net Unsettled Positions shall be categorized into the following asset groups: (a) U.S. Treasury securities, which shall be further categorized into subgroups by maturity; (b) Treasury-Inflation Protected Securities (“TIPS”), which shall be further categorized into subgroups by maturity; (c) U.S. agency bonds; and (d) mortgage pools, which may be further categorized into subgroups by mortgage pool types.

The asset groups and subgroups shall be set forth in a schedule that is published on the Corporation’s website. It shall be the Member’s responsibility to retrieve the schedule. The Corporation will provide Members with at a minimum 5 Business Days’ advance notice of any change to the schedule via an Important Notice.

The Corporation shall first calculate a measurement of market impact cost for Net Unsettled Positions in each of the asset groups/subgroups, as described below:

- (i) For Net Unsettled Positions in U.S. Treasury securities maturing in less than one year and TIPS, the directional market impact cost should be used, which is a function of the Net Unsettled Position’s net directional market value;



- (ii) For all other Net Unsettled Positions, two components shall be added together: (1) the directional market impact cost, as described above, and (2) the basis cost, which is based on the Net Unsettled Position's gross market value.

For all asset groups/subgroups, the net directional market value and the gross market value shall be divided by the average daily volumes of the securities in that asset group/subgroup over a lookback period.

The calculated market impact cost for Net Unsettled Positions in an asset group/subgroup shall be compared to a portion of the VaR Charge that is allocated to that asset group/subgroup. If the ratio of the calculated market impact cost to a portion of the VaR Charge is greater than a threshold, to be determined by the Corporation from time to time, an MLA Charge will be applied to that asset group/subgroup. If the ratio of these two amounts is equal to or less than this threshold, the MLA Charge will not be applied to that asset group/subgroup.

When applicable, an MLA Charge for each asset group/subgroup would be calculated as a proportion of the product of (1) the amount by which the ratio of the calculated market impact cost to a portion of the VaR Charge allocated to that asset group/subgroup exceeds the threshold, and (2) a portion of the VaR Charge allocated to that asset group/subgroup.

Each applicable MLA Charge for each asset group/subgroup shall be added together to result in one total MLA Charge.

The Corporation may apply a downward adjusting scaling factor based on the ratio of the calculated market impact cost to a portion of the VaR Charge to result in a final MLA Charge, where a higher ratio would trigger a larger downward adjustment of the MLA Charge and a lower ratio would trigger no downward adjustment of the MLA Charge.

If a Sponsored Member or Segregated Indirect Participant clears through multiple Accounts, for each such Account, the Corporation shall calculate both (1) an MLA Charge for each asset group/subgroup in the account on a standalone basis, as provided above, and (2) an MLA Charge for each asset group/subgroup in the Account as part of a consolidated portfolio, as provided below, with the higher amount applied as the MLA Charge for the relevant asset group/subgroup. The applicable MLA Charge for each asset group/subgroup shall be added together to result in one total MLA Charge for the Account.

For purposes of calculating the MLA Charge for each asset group/subgroup in the Account as part of a consolidated portfolio, the market impact cost for the asset group/subgroup is calculated based on the aggregate Net Unsettled Positions of that asset group/subgroup in the consolidated portfolio. The calculated market impact cost for each asset group/subgroup in the consolidated portfolio shall be allocated on a pro rata basis to each asset group/subgroup in each of the accounts based on the market impact cost of that asset group/subgroup in the Account.

The allocated market impact cost for an asset group/subgroup shall be compared to a portion of the VaR Charge that is allocated to that asset group/subgroup in the Account. If the ratio of the allocated market impact cost to a portion of the VaR Charge is greater than a threshold to be determined by the Corporation from time to time, an MLA Charge will be applied to that asset group/subgroup. If the ratio of these two amounts is equal to or less than this threshold, the MLA Charge will not be applied to that asset group/subgroup.

When applicable, the MLA Charge for each asset group/subgroup in the Account as part of a consolidated portfolio would be calculated as a proportion of the product of (1) the amount by which the ratio of the allocated market impact cost for the asset group/subgroup to the portion of the VaR Charge allocated to that asset group/subgroup exceeds a threshold, to be determined by the Corporation from time to time, and (2) a portion of the VaR Charge allocated to that asset group/subgroup.

### **Margin Proxy**

The term “Margin Proxy” means, with respect to each Margin Portfolio, Sponsored Member or Segregated Indirect Participant, an alternative volatility calculation for specified Net Unsettled Positions of a Netting Member, Sponsored Member or Segregated Indirect Participant, calculated using historical market price changes of such U.S. Treasury and agency pass-through mortgage-backed securities indices determined by the Corporation. The Margin Proxy would be applied by the Corporation as an alternative to the model-based volatility calculation of the VaR Charge for each Netting Member’s Margin Portfolio or for each Sponsored Member or Segregated Indirect Participant. The Margin Proxy shall cover such range of historical market price moves and parameters as the Corporation from time to time deems appropriate.

### **Minimum Margin Amount**

The term “Minimum Margin Amount” means, with respect to each Margin Portfolio, Sponsored Member or Segregated Indirect Participant, a minimum volatility calculation for specified Net Unsettled Positions of the Margin Portfolio, Sponsored Member, or Segregated Indirect Participant, respectively, as of the time of such calculation.

The Minimum Margin Amount shall use historical price returns to represent risk and be calculated as the sum of the following:

- (i) amounts calculated using a filtered historical simulation approach to assess volatility by scaling historical market price returns to current market volatility, with market volatility being measured by applying exponentially weighted moving average to the historical market price returns with a decay factor between 0.93 and 0.99, as determined by the Corporation from time to time based on sensitivity analysis, macroeconomic conditions, and/or backtesting performance,
- (ii) amounts calculated using a haircut method to measure the risk exposure of those securities that lack sufficient historical market price return data, and
- (iii) amounts calculated to incorporate risks related to (i) repo interest volatility (“repo interest volatility charge”) and (ii) transaction costs related to bid-ask spread in the market that could be incurred when liquidating a portfolio (“bid-ask spread risk charge”).

The Corporation will provide Members with at a minimum one Business Day advance notice of any change to the decay factor via an Important Notice.

## **Portfolio Differential Charge**

The term “Portfolio Differential Charge” means, with respect to each Margin Portfolio or Segregated Indirect Participant, an additional charge to be included in each Member’s Required Fund Deposit or Segregated Customer Margin Requirement.

The Portfolio Differential Charge shall be calculated twice each Business Day as the exponentially weighted moving average (“EWMA”) of the historical increases in the VaR Charge of the Member or Segregated Indirect Participant that occur between collections of Required Fund Deposits or Segregated Customer Margin Requirement over a lookback period of no less than 100 days with a decay factor of no greater than 1, times a multiplier that is no less than 1 and no greater than 3, as determined by the Corporation from time to time as applicable to each Type of Account based on backtesting results. The Corporation will provide Members with at a minimum 10 Business Days advance notice of any change to the lookback period, the decay factor and/or the multiplier via an Important Notice.

## **Unadjusted GSD Margin Portfolio Amount**

The term “Unadjusted GSD Margin Portfolio Amount” means, with respect to each Margin Portfolio or Segregated Indirect Participant, the amount greater than or equal to zero determined by the Corporation in accordance with this Schedule.

## **VaR Charge**

The term “VaR Charge” means, with respect to each Margin Portfolio, Sponsored Member or Segregated Indirect Participant, a calculation of the volatility of specified Net Unsettled Positions of the Margin Portfolio, Sponsored Member, or Segregated Indirect Participant, respectively, as of the time of such calculation. Such volatility calculations shall be made in accordance with any generally accepted portfolio volatility model, including, but not limited to, any margining formula employed by any other clearing agency registered under Section 17A of the Securities Exchange Act of 1934. Such calculation shall be made utilizing such assumptions (including confidence levels) and based on such observable market data as the Corporation deems reasonable, and shall cover such range and assessment of volatility as the Corporation from time to time deems appropriate. To the extent that the primary source of such market data becomes unavailable for an extended period of time, the Corporation shall utilize the Margin Proxy as an alternative volatility calculation. In its assessment of volatility, the Corporation shall calculate an additional bid-ask spread risk charge measured by multiplying the gross market value of each Net Unsettled Position by a basis point charge, where the applicable basis point charge shall be reviewed at least annually and shall be based on the following risk groups: (a) mortgage pool transactions; (b) TIPS; (c) U.S. agency bonds; and (d) U.S. Treasury securities, which shall be further categorized by maturity – those maturing in (i) less than five years, (ii) equal to or more than five years and less than ten years, and (iii) equal to or more than ten years.

If the volatility calculation (or the Margin Proxy, when applicable) is lower than the VaR Floor, then the VaR Floor will be utilized as the VaR Charge of the Margin Portfolio, Sponsored Member or Segregated Indirect Participant.

The Corporation shall have the discretion to not apply the VaR calculation(s) to Net Unsettled Positions in classes of securities whose volatility is less amenable to statistical analysis, or to Term Repo Transactions and Forward-Starting Repo Transactions (including term and forward-starting GCF Repo Transactions) whose term repo rate volatility is less amenable to statistical analysis. In lieu of such calculation, the component required with respect to such transactions shall instead be determined utilizing a haircut method based on a historic index volatility model.

The Corporation shall take into account the VaR confidence level applicable to the Member or Segregated Indirect Participant in calculating the VaR Charge.

In the case of a Margin Portfolio of a Cross Margining Participant that is subject to one or more Cross-Margining Arrangements, in the discretion of the Corporation, the VaR Charge may be reduced by an amount not to exceed the any thresholds set forth in the applicable Cross-Margining Agreement and calculated on the current Business Day for such Cross-Margining Participant in accordance with the applicable Cross-Margining Agreements.

### **VaR Floor**

The term “VaR Floor” means, with respect to each Margin Portfolio, Sponsored Member or Segregated Indirect Participant, the greater of (i) the VaR Floor Percentage Amount and (ii) the Minimum Margin Amount.

### **VaR Floor Percentage Amount**

The term “VaR Floor Percentage Amount” means the absolute value of the sum of Net Long Positions and Net Short Positions of Eligible Securities, grouped by product and remaining maturity, multiplied by a percentage designated by the Corporation from time to time for such group. For U.S. Treasury and agency securities, such percentage shall be a fraction, no less than 10%, of the historical minimum volatility of a benchmark fixed income index for such group by product and remaining maturity. For mortgage-backed securities, such percentage shall be a fixed percentage that is no less than 0.05%.

## **FEE STRUCTURE\***

### **I. TRANSACTION FEES**

#### **A. Transaction Processing**

Upon submission of a side of a buy/sell transaction or a Repo Transaction, other than a GCF Repo Transaction or a CCIT Transaction, Dealer Accounts will be charged a fee of \$0.04 per million par value for transaction processing, and Broker Accounts will be charged a fee of \$0.02 per million par value for transaction processing.

A submission that is rejected by the Corporation because it failed to pass the necessary edit checks other than valid contra side will not be charged the processing fee, but will be charged a fee of \$0.50 for the rejection.

The Corporation will charge an additional fee for modifications and cancellations as set forth below in subsection C.

#### **B. Yield-to-Price Conversion**

The charge for the conversion by the Corporation of a side of a buy/sell transaction from a yield basis to a price basis is \$0.15 per such side.

#### **C. Modifications and Cancellations**

The charge to a Member for the entry of a request to modify or cancel either a side of a buy/sell transaction or a Repo Transaction, other than a GCF Repo Transaction or a CCIT Transaction, is \$0.25 per such request.

#### **D. Coupon Pass-Through Fee**

For each pass-through of a coupon payment, pursuant to these Rules, from a Member with a Net Short Settlement Position to a Member with a Net Long Settlement Position, a fee of \$0.25 per such coupon movement per each member.

#### **E. Repo Collateral Substitution Fees**

For Repo Transactions other than GCF Repo Transactions or CCIT Transactions, the charge for the processing of a repo collateral substitution request is \$0.75.

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\* Fees stated to apply to CCIT Members shall be applied at the Joint Account level for CCIT Members participating through a Joint Account.

F. Auction Takedown Process

The fees for buy/sell transactions associated with the Auction Takedown Service will be charged in accordance with the “Transaction Processing” fees in Section I.A. and the “Position Management Fees” in Section II.

G. Locked-In Trade Data

Data received by the Corporation on a locked-in basis from a Locked-In Trade Source related to a side of a buy/sell transaction entered into by a Member, or entered into by a Non-Member that the Member is clearing for, shall result in the charges established by the “Transaction Processing” fees in Section I.A. above. These fees are for the processing and reporting of Locked-In Trade data by the Corporation to the Member. This charge shall not apply to GCF Repo Transactions or CCIT Transactions.

The charge to the GCF Counterparty to the GCF-Authorized Inter-Dealer Broker for the processing and reporting by the Corporation of a GCF Repo Transaction or a CCIT Transaction entered into by the Member, is a one-time recording fee of \$0.07 per million gross dollar amount of such GCF Repo Transaction or CCIT Transaction (with a minimum charge of \$2.50). The charge to the GCF-Authorized Inter-Dealer Broker for the processing and reporting by the Corporation of a GCF Repo Transaction is a one-time recording fee of \$0.025 per million gross dollar amount of such GCF Repo Transaction (with a minimum charge of \$1.25).

H. CCIT Transactions Submitted for Bilateral Comparison

The charge to Netting Members and CCIT Members submitting CCIT Transactions on a bilateral basis (and not on a Locked-In Trade basis) for the processing and reporting by the Corporation of a CCIT Transaction is a one-time recording fee of \$0.07 per million gross dollar amount of such CCIT Transaction (with a minimum charge of \$2.50).

II. POSITION MANAGEMENT FEES

A. Intraday Position Fee

An intraday position fee of \$0.04 per million par value will be charged to a Member each Business Day based on the largest gross position of the Member (including positions of any customer that the Member is clearing for) that Business Day. The gross position of a Member on a Business Day is determined in 15-minute intervals between 9 a.m. and 4 p.m. on that Business Day by netting par value of all compared buy/sell transactions, Repo Transactions, and unsettled obligations of the Member (and any customers that the Member is clearing for) by CUSIP Number and taking the sum of the absolute par value of each such CUSIP Number. This fee shall not apply to GCF Repo Transactions or CCIT Transactions.

B. End of Day Position Fee

An end of day position fee of \$0.105 per million par value will be charged to a Member each Business Day based on the end of day gross position of the Member (including positions of any customer that the Member is clearing for) that Business Day. The end of day gross position

of a Member on a Business Day is determined by netting par value of all compared buy/sell transactions, Repo Transactions, and unsettled obligations of the Member (and any customer that the Member is clearing for) at the end of the Business Day by CUSIP Number and taking the sum of the absolute par value of each such CUSIP Number. This fee shall not apply to GCF Repo Transactions or CCIT Transactions.

III. [RESERVED]

IV. OTHER CHARGES (in addition to the transaction fee)

A. Financing Charges\*\*

1. No charges for Repo Brokers acting in a Broker capacity.

2. For each other Netting Member, a pass-through charge calculated on a percentage of the total of all such costs incurred by the Corporation, (including any reimbursements made pursuant to subsection (4) below), allocated by product, which percentage is calculated as follows:

Total dollar value of deliver and receive obligations  
of such Netting Member in such product

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Total dollar value of deliver and receive obligations of all Netting Members  
(other than Inter-Dealer Broker Netting Members acting in a Broker capacity)  
in such product

3. Notwithstanding the above, if, after providing to a Netting Member appropriate notice and opportunity to be heard, the Corporation determines that such Netting Member has, on a recurring basis and without good cause, caused the Corporation to incur financing costs, such Member will be obligated to pay for the entire amount of any financing costs incurred by the Corporation as the result of deliveries by such Member to the Corporation.

4. As stated in Rule 12, if the Corporation, as the result of a violation of the Rules by a Netting Member, incurs financing costs, the Netting Member shall be obligated to pay for, or reimburse the Corporation for, the entire amount of any such costs.

5. Notwithstanding anything to the contrary above, the Corporation may pay for directly, or reimburse, a Repo Broker for overnight financing costs that the Repo Broker has incurred related to the settlement of a Start Leg outside of the Netting System, up to a dollar amount deemed reasonable by the Corporation, if the Corporation determines, in its sole discretion, that such financing costs were incurred by the Repo Broker unavoidably

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\*\* Financing costs include the costs of both carrying positions overnight and borrowing to cover Repo Brokers (acting in a Broker capacity) mark and TAP payments.

and not through its own fault. This Section IV.A.5 will only apply to Repo Brokers that do not elect to settle Same-Day Settling Trades with the Corporation.

6. Notwithstanding anything to the contrary above, the Corporation may pay for directly, or reimburse, a Repo Broker that incurs financing costs for a Net Settlement Position, up to a dollar amount deemed reasonable by the Corporation, if the Corporation determines, in its sole discretion, that such financing costs were incurred by the Repo Broker: (i) unavoidably and not through its own fault and (ii) if the Repo Broker is an Inter-Dealer Broker Netting Member, through overnight repurchase transactions with Netting Members or a Clearing Agent Bank. This Section IV.A.6 will only apply to Repo Brokers that do not elect to settle Same-Day Settling Trades with the Corporation.

#### B. Clearance Charges

1. No charges for Repo Brokers acting in a Broker capacity.

2. For each other Netting Member, a standard charge of \$0.25 per deliver and receive obligation on Scheduled Settlement Date.

3. Notwithstanding anything to the contrary above, the Corporation may pay for directly, or reimburse, the clearance costs incurred by a Repo Broker for Repo Transactions related to the settlement of a Start Leg outside of the Netting System, up to a dollar amount deemed reasonable by the Corporation. This Section IV.B.3 will only apply to Repo Brokers that do not elect to settle Same-Day Settling Trades with the Corporation.

4. The Corporation will pass-through to Netting Members the following clearing banks' fees and charges that are incurred by the Corporation for the services that the Corporation performs in connection with such Members' activity.

- (a) Actual fees charged by the Corporation's Clearing Agent Bank for the settlement of each Deliver Obligation and each Receive Obligation.
- (b) Actual fees charged by the Fedwire Securities Service fees for the settlement of treasury securities and agency securities, as applicable.
- (c) The Corporation's GCF Clearing Agent Bank fee on each GCF Repo Service Deliver Obligation that FICC creates from Corporation's GCF Clearing Agent Bank account.

When this fee is assessed on FICC's GCF Repo Service Deliver Obligations that are created versus Netting Members, this fee will be allocated to Dealer Accounts at the Corporation's GCF Clearing Agent Bank as follows:



- (i) A pass-through fee is calculated as 1bp per annum on a dollar amount of such Netting Member's GCF Repo Service Receive Obligation from FICC in each Generic CUSIP Number.

When this fee is assessed on FICC's GCF Repo Service Deliver Obligations at the Corporation's GCF Clearing Agent Bank that are created versus a CCIT Member at the Corporation's GCF Clearing Agent Bank, the fee is calculated as 1bp per annum on a dollar amount of the underlying CCIT Transactions and the fee will be passed through to the Dealer Account at the Corporation's GCF Clearing Agent Bank of the Netting Member that is the Repo Party to such CCIT Transactions.

- (d) The Corporation's Clearing Agent Bank fees for daylight overdrafts on Securities Settlement Obligations.

This pass-through fee will be charged to Dealer Accounts at the Corporation's Clearing Agent Bank and will be calculated on a percentage of the total of all such costs incurred by FICC. This percentage is calculated on a monthly basis as follows:

(Total dollar value of Deliver and Receive Obligations of each Netting Member at the Corporation's Clearing Agent Bank)

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(Total dollar value of Deliver and Receive Obligations in all Dealer Accounts at the Corporation's Clearing Agent Bank)

All fees and charges will be reflected on each Member's billing statement.

C. GCF Repo Transaction and CCIT Transaction Processing Fee

For a GCF Repo Transaction or a CCIT Transaction that has been compared and netted, but which has not yet settled, a fee calculated as follows:

- (1) (a) for Repo Brokers acting as GCF-Authorized-Inter-Dealer Brokers, a .0175 basis point charge (i.e., one and three quarter hundredths of a basis point) applied to the gross dollar amount of such GCF Repo Transaction; and
- (b) for all other Netting Members and CCIT Members, a .04 basis point charge (i.e., four hundredth of a basis point) applied to the gross dollar amount of such GCF Repo Transaction or CCIT Transaction;

and

- (2) .08 basis point charge (i.e., 8 hundredths of a basis point) applied to the net dollar amount of a Netting Member's or CCIT Member's Collateral Allocation Entitlements and Collateral Allocation Obligations.

This fee will be applied each calendar day, but calculated on an annualized basis.

#### V. MINIMUM MONTHLY FEE

Each Comparison-Only Member and each Netting Member shall, regardless of the level of its activity, pay a minimum monthly fee of \$2,500 on each of its Accounts, which shall not apply to CCIT Members. The minimum monthly fee for an Account will not apply if the total monthly fees incurred by the Account pursuant to Sections I, II, and IV of this Fee Structure exceed \$2,500.

#### VI. AGENT CLEARING MEMBERS

A Agent Clearing Member shall be liable for fees and charges arising from any Agent Clearing Transactions it has submitted to the Corporation on behalf of an Executing Firm Customer.

#### VII. SPONSORING MEMBERS

A Sponsoring Member shall be liable for fees and charges arising from Sponsored Member Trades the data on which it, or its Sponsored Member(s), has submitted to the Corporation. A Sponsoring Member shall also be subject to the minimum monthly fee set forth in Section V of this Fee Structure; provided, that a Sponsoring Member Omnibus Account shall be considered a single Account for purposes of calculating such fee, regardless of the number of Sponsored Members whose trading activity is conducted through such Account. A Sponsoring Member shall also be liable to the Corporation for the Sponsored GC Pre-Payment Assessment to the extent it participates in the Sponsored GC Service. The Corporation's books and records shall reflect the Sponsored GC Pre-Payment Assessment as a credit to such Sponsoring Member until expiration.

In addition, any Sponsoring Member that elects to be charged the Sponsored GC Pre-Payment Assessment between November 2020 and February 2021 shall receive an additional \$25,000 credit toward its use of the Sponsored GC Service (hereinafter, the "Additional Sponsored GC Credit"), which shall be credited by the Corporation against the Sponsoring Member's fees for use of the Sponsored GC Service until the earlier of (i) the Additional Sponsored GC Credit being completely depleted and (ii) thirty-six (36) months after the Sponsoring Member onboards into the Sponsored GC Service. The Corporation's books and records shall reflect the Additional Sponsored GC Credit as a credit to such Sponsoring Member until expiration.

In addition, to the extent a Sponsoring Member elects to withdraw from the Sponsored GC Service prior to the expiration of its Sponsored GC Pre-Payment Assessment, it shall be entitled to a return of any unused portion of such Sponsored GC Pre-Payment Assessment from the Corporation; provided that, for the avoidance of doubt, such Sponsoring Member shall be liable for the Sponsored GC Pre-Payment Assessment to the extent that it ever elects to participate in the Sponsored GC Service in the future.

## VIII. DEFINITION

For purposes of this Fee Structure, a “side” of a buy/sell transaction, and a Start Leg or an End Leg of a Repo Transaction other than a GCF Repo Transaction or a CCIT Transaction, shall be limited to \$50 million increments. Thus, if the aggregate amount of a side of a buy/sell transaction, or of a Start Leg or End Leg of a Repo Transaction other than a GCF Repo Transaction or a CCIT Transaction, is greater than \$50 million, each \$50 million portion of that aggregate amount (including the final, residual portion if that is less than \$50 million) shall be considered as a separate “side” or Leg for purposes of this Fee Structure. A Term GCF Repo Transaction and a CCIT Transaction shall each be considered to have only one Start Leg and one End Leg during its term.

## IX. LATE FEES

### Late Submission of Collateral Substitution Notifications

On any particular Business Day, a Repo Party shall be assessed a late fee of \$100 for each repo collateral substitution notification that is received by the Corporation after the deadline for such as stated in the Schedule of Timeframes.

### Late Submission of Information Regarding New Securities Collateral

On any particular Business Day, a Repo Party shall be assessed a late fee of (i) \$100 for each submission of information regarding New Securities Collateral that is received by the Corporation after the first deadline, but before the second deadline, for such as stated in the Schedule of Timeframes, and (ii) \$250 for each submission of information regarding New Securities Collateral that is received and processed by the Corporation after the second deadline for such as stated in the Schedule of Timeframes. Such fees will be assessed with respect to each transaction for which a notification of a repo collateral substitution has been received by FICC, but for which FICC has not received information regarding New Securities Collateral.

### Late Fee Related to GCF Repo Transactions

On any particular business day, if a Netting Member does not make the required collateral allocation by the later of 4:30 p.m. (New York time) or 1 hour after the actual close of Fedwire Securities Service reversals, the Netting Member shall be subject to a late fee of \$500.00, unless the Corporation determines, in its sole discretion, that the failure to meet this timeframe is not primarily the fault of the Netting Member. This determination would be made by the Corporation based on input from the GCF Clearing Agent Bank and the Netting Member.

On any particular business day, if a Net Funds Payor does not make the required payment of cash by the later of 4:30 p.m. (New York time) or 1 hour after the actual close of Fedwire Securities Service reversals, the Net Funds Payor shall be subject to a late fee as shown on the table below, unless the Corporation determines that the failure to meet this timeframe is not primarily the fault of the Net Funds Payor.

<b>Late Fee for Net Funds Payors</b>	<b>1<sup>st</sup> Occurrence (within 30 calendar days)</b>	<b>2<sup>nd</sup> Occurrence (within 30 calendar days)</b>	<b>3<sup>rd</sup> Occurrence (within 30 calendar days)</b>	<b>4<sup>th</sup> Occurrence (within 30 calendar days) or additional occurrences (within the 30 calendar days)</b>
After 4:30 p.m.	\$500	\$1,000	\$2,000	\$3,000

On any particular business day, if a Net Funds Payor does not make the required payment of cash by the close of the Fedwire Funds Service, the Net Funds Payor shall be subject to a late fee as shown on the table below, unless the Corporation determines that the failure to meet this timeframe is not primarily the fault of the Net Funds Payor. This determination would be made by the Corporation based on input from the GCF Clearing Agent Bank and the Net Funds Payor.

<b>Late Fee for Net Funds Payors</b>	<b>1<sup>st</sup> Occurrence (within 90 calendar days)</b>	<b>2<sup>nd</sup> Occurrence (within 90 calendar days)</b>	<b>3<sup>rd</sup> Occurrence (within 90 calendar days)</b>	<b>4<sup>th</sup> Occurrence (within 90 calendar days) or additional occurrences (within the 90 calendar days)</b>
After Close of Fedwire Funds Service	100 basis points on the unsatisfied cash obligation amount	200 basis points on the unsatisfied cash obligation amount	300 basis points on the unsatisfied cash obligation amount	400 basis points on the unsatisfied cash obligation amount

**X. ADMINISTRATIVE FEES**

The Corporation will charge network fees related to SMART connectivity.

**XI. THIRD PARTY FEES AND CHARGES**

The Corporation may also bill Members for, and include on the Members' billing statements, fees and charges which may be imposed on such Members by third parties such as: (a) other subsidiaries of The Depository Trust & Clearing Corporation; (b) self-regulatory organizations and other securities industry organizations or entities of which such Member is a member, where such third party has represented to the Corporation that it has an agreement with the Member allowing the Member's payment of such fees and charges; and (c) other organizations and entities which provide services or equipment to Members which are integral to services provided by the Corporation. Any amounts so collected will be remitted to the entity imposing such fee or charge.

Such fees and charges may include those of companies that identify themselves as being an affiliate of the Member. Members should check their billing statements, which shall reflect all such charges, and report any problems to the Corporation immediately.

## XII. REBATE POLICY

The Corporation may, in its discretion, provide Members with a rebate of its excess net income, where “excess net income” shall mean income of either the Corporation or related to one business line of the Corporation after application of expenses, capitalization costs, and applicable regulatory requirements.

All rebates shall be approved by the Board of Directors of the Corporation. In determining whether a rebate is appropriate, the Board would consider one or more of the following, as appropriate: the Corporation’s regulatory capital requirements, anticipated expenses, investment needs, anticipated future expenses with respect to improvement or maintenance of FICC’s operations, cash balances, financial projections, and appropriate level of shareholders’ equity.

In the event the Board determines a rebate is appropriate, it shall determine a rebate period and a rebate payment date. Members maintaining membership during all or a portion of the applicable rebate period and on the rebate payment date shall be eligible for the rebate.

Rebates shall be applied to all eligible Members on a pro-rata basis based on such Members’ gross fees paid to the Corporation within the applicable rebate period, excluding pass-through fees and interest earned on cash deposits to the Clearing Fund. Rebates shall be applied to eligible Members’ invoices on the rebate payment date as either a reduction in fees owed or, if fees owed are lower than the allocated rebate amount, a payment of such difference. Rebate amounts may be adjusted for miscellaneous charges and discounts.

## XIII. CLEARING FUND MAINTENANCE FEE

On a monthly basis, the Netting Member shall be charged a fee, in arrears, calculated as the product of (A) 0.085% and (B) the average of each Netting Member’s Required Fund Deposit in the Clearing Fund, as of the end of each day, for the month, multiplied by the number of days for that month and divided by 360.

## XIV. NON-U.S. MEMBERSHIP APPLICANT FOREIGN LEGAL OPINION FEE

(a) For the initial applicant (hereinafter, the “Initial Applicant”) organized in a given non-U.S. jurisdiction (hereinafter, the “Jurisdiction of Organization”) to apply for membership, if the applicant does not otherwise terminate its application in accordance with (c) below: The lesser of (i) a maximum estimated charge (hereinafter, the “Maximum Estimated Charge”) and (ii) the actual costs charged to the Corporation by outside counsel providing a legal opinion in form and substance satisfactory to the Corporation regarding the laws of the Jurisdiction of Organization.

(b) For each subsequent applicant organized in the applicable Jurisdiction of Organization (hereinafter, the “Subsequent Non-U.S. Applicant”), if the Subsequent Non-U.S. Applicant does not otherwise terminate its application in accordance with (c) below: an amount equal to the fee charged to the Initial Applicant from the Jurisdiction of Organization, as determined in accordance with (a) above.

(c) The Non-U.S. Membership Applicant Foreign Legal Opinion Fee is non-refundable regardless of the outcome of the application process (i.e., approval, disapproval or expiration);

however, an applicant will not be charged a Non-U.S. Membership Applicant Foreign Legal Opinion Fee if it terminates its application in writing within five (5) Business Days of being notified in writing by the Corporation of the Maximum Estimated Charge (for an Initial Applicant) or fee amount (for a Subsequent Non-U.S. Applicant), as applicable.

(d) If the applicant does not terminate its application in accordance with (c) above, then the applicant will be billed the applicable fee amount as determined by the Corporation in accordance with the above, with full payment due within ten (10) Business Days of receipt of an invoice from the Corporation, including payment instructions.

## FINE SCHEDULES

### Late Satisfaction of Clearing Fund Deficiency Call

AMOUNT	FIRST OCCASION	SECOND OCCASION	THIRD OCCASION	FOURTH OCCASION
Up to \$100M	**	\$100	\$200	\$500
Greater than \$100M to \$900M	**	300	600	1,500
Greater than \$900M to \$1.7MM	**	600	1,200	3,000
Greater than \$1.7MM to \$2.5MM	**	900	1,800	4,500
Greater than \$2.5MM	**	1,000	2,000	5,000

Notes:

M = one thousand

MM = one million

\*\* First occasions result in a warning letter issued to the Member.

The number of occasions is determined over a moving three-month period beginning with the first occasion.

If the number of occasions within the rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the amount of the fine.

A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount. If a member is late for more than one hour and it is the member's fourth occasion, the Corporation shall obtain the concurrence of the Board of Directors as to the amount of the fine.

### Late Payment of Funds Settlement Debit

Amount	First Occasion	Second Occasion	Third Occasion	Fourth Occasion
\$1 to \$100M	\$100	\$200	\$ 500	\$1,000
Greater than \$100M to \$900M	300	600	1,500	3,000
Greater than \$900M to \$1.7MM	600	1,200	3,000	6,000
Greater than \$1.7MM to \$2.5MM	900	1,800	4,500	9,000
Greater than \$2.5MM	1,000	2,000	5,000	10,000

M = one thousand  
MM = one million

- (1) Each instance of late payment of a late payment of a Funds Settlement Debit is deemed to be a separate occasion. Such latenesses are combined, regardless of type, to determine the number of occasions.
- (2) The number of occasions is determined over a moving three-month period beginning with the 1<sup>st</sup> occasion.
- (3) If the number of occasions within the rolling period exceeds four, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount.
- (4) A lateness of more than one hour will result in a fine equal to the amount applicable to the next highest occasion for the specific deficiency amount. If a member is late for more than one hour and it is the member's fourth occasion, the Corporation shall obtain the concurrence of the Board of Directors as to the fine amount.

## **FINE SCHEDULE**

### **Failure to Timely Provide Financial and Related Information**

	First <u>Occasion</u>	Second <u>Occasion</u>	Third <u>Occasion</u>	Fourth <u>Occasion</u>
Request for Information*				
Financial Reports**	\$300	\$600	\$1,500	***

\* Fines to be levied for offenses within a moving twelve-month period beginning with the first occasion.

\*\* For purposes of this Fine Schedule, Reports/Information shall mean the financial, regulatory and other information required to be submitted to the Corporation pursuant to the Rules, Procedures, Important Notices or notices on the Corporation's website.

\*\*\* Fourth or more occasion fines will be determined by the Corporation with the concurrence of the Board of Directors.

If the Member's late submission applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

### **Business Continuity Testing for Top Tier Firms – Fines for Failure to Test**

Fine for failure to complete annual testing requirement: \$10,000

Fine for failure to complete testing for two successive years: \$20,000

### **General Continuance Standards – Fine for Failure to Notify of Falling out of Compliance**

Fine for failure to notify \$1,000

If the Member's failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

### **Reportable Events-Fine for Failure of Timely Notification**



Fine for failure to timely notify

\$5,000

If the Member's failure to notify applies to more than one DTCC clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC.

#### **Failure to Confirm OFAC Program**

<b>Fine Name</b>	<b>Amount(s)</b>
Failure to confirm OFAC Program	\$5,000.00

#### **Failure to Maintain or Upgrade Network Technology, or Communications Technology or Protocols**

<b>Fine Name</b>	<b>Amount(s)</b>
Failure to maintain or upgrade technology	\$5,000

## **CROSS-MARGINING AGREEMENTS**

- Cross-Margining Agreement with the Chicago Mercantile Exchange, Inc. (incorporated by reference).

## **BOARD STATEMENTS OF POLICY**

### **STATEMENT OF POLICY OF THE BOARD OF DIRECTORS OF THE GOVERNMENT SECURITIES CLEARING CORPORATION ON THE RELEASE OF INFORMATION**

Section 17A(b)(3) of the Securities Exchange Act of 1934, as amended (the “Act”), provides, among other things, that the rules of clearing agency self-regulatory organizations must be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and to protect investors and the public interest. The Corporation recognizes in Rule 29 its obligation as a self-regulatory organization to share clearing, financial, and other data on its members with other SEC-regulated, self-regulatory organizations for regulatory purposes. Rule 3 provides the Corporation with the authority to examine the financial and operational conditions of its members, and to receive information relevant to such examination from any other SEC-regulated, self-regulatory organization. Rule 3 also requires the Corporation to hold information furnished to the Corporation pursuant to Rule 3 in confidence as may be required under the laws, rules and regulations applicable to the Corporation that relate to the confidentiality of records.

In accordance with its responsibilities under its rules, and consistent with the requirements of a clearing agency under the Act, the Board of Directors has approved the entering into of an agreement by the Corporation with other SEC-registered clearing agencies to share, for regulatory purposes, with such other SEC-registered clearing agencies financial and operational information relating to members that are also members of such other SEC-registered clearing agencies. The Board of Directors has also approved the filing of such agreement with the Securities and Exchange Commission. Such agreement is not intended to limit the ability under the Act of the Corporation, for regulatory purposes, to share data on its members whenever such is deemed necessary or appropriate. It is, however, a first step toward formalizing certain minimum levels of information sharing, with the intent to standardize such reporting.

## **INTERPRETIVE GUIDANCE WITH RESPECT TO WATCH LIST CONSEQUENCES**

Being placed on the Watch List may result in Clearing Fund-related consequences as well as other consequences under the Rules:

### *A. Clearing Fund-Related Consequences*

#### 1. Additional Clearing Fund Deposits

Pursuant to Section 12(e) of Rule 3, 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 the provisions of Rule 4 or such higher amount as the Board may deem necessary for the protection of the Corporation or other Members.

The determination of whether a Netting Member that is on the Watch List should be subject to an additional Clearing Fund deposit is based on factors determined to be relevant by the Corporation from time to time, including:

- a. the overall financial condition and financial stability or volatility of the Netting Member, which may include a review of the Netting Member's credit rating history and outlook;
- b. the liquidity arrangement, if any, of the Netting Member;
- c. the Clearing Fund requirement history, transaction volume trends, simulated closeout results, stress test results, backtest results and outstanding positions of the Netting Member;
- d. adverse news reports and/or regulatory concerns relating to the Netting Member; and
- e. any additional concerns relating to the financial or operational condition of the Netting Member.

#### 2. Restriction on Withdrawal of Excess Clearing Fund Deposits

Pursuant to Section 10 of Rule 4, the Corporation may retain some or all of the Excess Clearing Fund Deposit of a Member who is on the Watch List. Nonetheless, the Corporation generally does not retain the Excess Clearing Fund Deposit of a Watch List Member unless the Member fails to pay the Required Fund Deposit within the required timeframes established by the Corporation, or if the Corporation has a concern that the Member will not be able to satisfy its obligation to the Corporation.

### 3. Non-Waiver of Minimal Clearing Fund Payment

Pursuant to Section 2(a) of Rule 4, a Member is not required to make any payment to its Clearing Fund on a given day if the difference between the amount of the Member's Required Fund Deposit as reported on that day and the amount then on deposit towards satisfaction thereof is less than both (i) \$250,000 and (ii) 25 percent of the amount then on deposit, provided that the Member is not on the Watch List. As such, Members that are on the Watch List must satisfy all margin calls for their respective Clearing Funds regardless of the amount.

#### *B. Other Consequences*

Pursuant to Section 12(e) of Rule 3, if a Netting Member is on the Watch List, the Corporation may (1) suspend the Netting Member's right under the Rules to collect a Credit Forward Mark Adjustment Payment during all or a portion of the time period that the Netting Member is on the Watch List and/or (2) maintain possession of the securities and/or cash that comprise the Netting Member's Collateral Allocation Entitlement as the result of its GCF Repo Transaction activity. Nonetheless, the Corporation generally does not retain these credits and/or entitlements unless the Netting Member fails to pay the Required Fund Deposit within the required timeframes established by the Corporation, or if the Corporation has a concern that the Netting Member will not be able to satisfy its obligation to the Corporation.

## INTERPRETIVE GUIDANCE WITH RESPECT TO SETTLEMENT FINALITY

### *1. Interpretive Guidance With Respect to Settlement Finality – Funds-Only Settlement*

The point of finality for funds-only settlement by the Corporation is defined by the Federal Reserve Bank Operating Circular 12,<sup>1</sup> which governs NSS processing by the FRB. The Corporation and each Member's Funds-Only Settling Bank is a "Settler" and together are in a "Settlement Arrangement" (each term as defined in Operating Circular 12) for purposes of funds-only settlement.<sup>2</sup> DTC, as the Settlement Agent (as defined in the Rules and in Operating Circular 12), provides the Settlement File (as defined in Operating Circular 12) to the FRB.<sup>3</sup> Each Settler maintains a Master Account (as defined in Operating Circular 12) with the FRB.<sup>4</sup> The point of finality in accordance with Operating Circular 12 is, for debits, the time at which the Settler's Master Account is debited by the FRB,<sup>5</sup> and, for credits, the time at which the Settler's Master Account is credited by the FRB.<sup>6</sup>

Therefore, the point of finality with respect to funds-only settlement by the Corporation is the point at which each of the Master Accounts for the Corporation and the Funds-Only Settling Banks designated by each of the Members have been debited and credited through NSS pursuant to the Settlement File provided by the Settlement Agent.

### *2. Interpretive Guidance With Respect to Settlement Finality – Settlement for Securities Deliveries and Related Payment Obligations.*

Settlement for securities deliveries and related payment obligations occurs (i) on the books of the Corporation's designated clearing bank for each Member whose designated clearing bank for such settlement is the same as the Corporation's designated clearing bank and (ii) through the Fedwire system, for each Member whose designated clearing bank for such settlement is not the same as the Corporation's designated clearing bank.

#### *(a) Point of Finality on the Books of the Corporation's Clearing Bank.*

The point of finality relating to settlement of securities deliveries and related payment obligations that occurs on the books of the Corporation's clearing bank is the point at which the Corporation's clearing bank has acted upon a settlement instruction from the Corporation.

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<sup>1</sup> Federal Reserve Banks Operating Circular 12, as promulgated from time to time by the FRB (hereinafter, "Operating Circular 12"), available at <https://www.frbservices.org>.

<sup>2</sup> See defined terms set forth in Operating Circular 12.

<sup>3</sup> See *id.*

<sup>4</sup> See *id.* See also definition of Master Account in Federal Reserve Banks Operating Circular 1, as promulgated from time to time by the FRB (hereinafter, "Operating Circular 1"), available at <https://www.frbservices.org>.

<sup>5</sup> See description of posting debit balances set forth in Operating Circular 12.

<sup>6</sup> See description of posting credit balances set forth in Operating Circular 12.

Pursuant to the agreement between the Corporation and the Corporation's clearing bank, a settlement instruction is an instruction by the Corporation to the clearing bank in respect of settlement that: (1) (a) instructs the clearing bank to direct delivery, from the Corporation's account to the Member account(s) designated in such settlement instruction, of securities specified for each such Member account and (b) specifies the dollar amounts that the clearing bank is simultaneously to take collection of from each of the respective Member accounts designated in the settlement instruction for the Corporation's account; or (2) (a) instructs the clearing bank to direct payment, from the Corporation's account to the designated Member account(s), of the dollar amounts specified in the settlement instruction for each such Member account and (b) specifies the securities that the clearing bank is simultaneously to take receipt of from each of the Member accounts designated in the settlement instruction for the Corporation's account.

The Corporation's clearing bank has acted upon such instructions when the clearing bank (i) (a) directs delivery, from the Corporation's account to the Member account(s) designated in such settlement instruction, of securities specified for each such Member account and (b) simultaneously collects the dollar amounts from each of the respective Member accounts designated in the settlement instruction for the Corporation's account; or (ii) (a) directs payment, from the Corporation's account to the designated Member account(s), of the dollar amounts specified in the settlement instruction for each such Member account and (b) simultaneously takes receipt of securities from each of the Member accounts designated in the settlement instruction for the Corporation's account.

Therefore, the point of finality of settlement of securities deliveries and related payment obligations that occur on the books of the Corporation's clearing bank is when each of the accounts held by the Corporation and the Members at the clearing bank for purposes of securities settlement have been debited and credited in accordance with the settlement instructions provided by the Corporation.

*(b) Point of Finality for Sponsored GC Trades.*

The point of finality of settlement of Sponsored GC Trades occurs on the books of the Sponsored GC Clearing Agent Bank at the point when the Sponsoring Member and Sponsored Member make the relevant payment obligation or securities delivery, as applicable, to the account at the Sponsored GC Clearing Agent Bank specified by the pre-novation counterparty in accordance with such procedures as the Sponsoring GC Clearing Agent Bank may specify from time to time.

*(c) Point of Finality on the Fedwire System.*

The point of finality relating to settlement of securities deliveries and related payment obligations that occurs through the Fedwire system is defined by the Federal Reserve Banks Operating Circular No. 7,<sup>7</sup> which governs book entry security account maintenance and transfers. The Corporation's clearing bank and each Member's clearing bank is a "Participant" and maintains

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<sup>7</sup> Federal Reserve Banks Operating Circular 7, as promulgated from time to time by the FRB (hereinafter, "Operating Circular 7"), available at <https://www.frbservices.org>.

a “Securities Account” and a “Master Account” with the FRB (each term as defined in Operating Circular 7).<sup>8</sup>

Operating Circular 7 provides that all debits and credits in connection with a Transfer become final at the time the debits and credits are posted to both the Sender’s and Receiver’s Securities Accounts and, in case of Transfer Against Payment (as defined in Operating Circular 7), their corresponding Master Accounts.<sup>9</sup> For purposes of settlement of securities deliveries and related payment obligations, the clearing banks designated by the Corporation and each Member to deliver and receive securities and related funds on behalf of the Corporation and each Member, respectively, are the Senders and Receivers described in Operating Circular 7.

Therefore, the point of finality of settlement of securities deliveries and related payment obligations is when each of the Securities Accounts and the Master Accounts of the clearing banks designated by the Corporation and each of the Members have been debited and credited through the Fedwire system in accordance with the settlement instructions provided by the Corporation.<sup>10</sup>

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<sup>8</sup> See defined terms set forth in Operating Circular 7. See also definition of Master Account in Operating Circular 1, available at <https://www.frbservices.org>.

<sup>9</sup> See description of finality set forth in Operating Circular 7.

<sup>10</sup> Each Business Day, the Corporation makes available to each Member a Report that provides settlement information that the Corporation deems sufficient to enable each such Member to be able to settle its securities deliveries and related payment obligations and each Member is obligated to provide the appropriate instructions to its clearing bank to deliver and/or receive securities and related payments as set forth in the Report. Rule 12, Section 3.



## **BY-LAWS AND RESTATED CERTIFICATE OF INCORPORATION**

The By-Laws of the Corporation and the Restated Certificate of Incorporation of the Corporation are incorporated by reference.