

RULE 1 – DEFINITIONS

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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 Close Leg of the Sponsored Member Trade.

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GSD Margin Group

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

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.

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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, as regards any Sponsored Member Trade, the absolute value of the dollar difference between the Market Value of the Sponsored Member Trade, as of the settlement date of the Start Leg, and the Contract Value of the Close Leg of the Sponsored Member Trade.

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RULE 3A—SPONSORING MEMBERS AND SPONSORED MEMBERS

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Section 8—Securities Settlement

(a) 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(c) 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. 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.

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

(c) Each Sponsored Member shall be responsible for satisfying its allocable portion **(calculated for such Sponsored Member as stated in Section 7 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 and 10 of Rule 12 for Netting Members. 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.**

(d) 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.

(e) 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.

(f) 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 (b) of this Section 8.

(g) 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.

Section 9—Funds-Only Settlement

(a) 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 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.

(c) Each Sponsored Member shall be responsible for satisfying its allocable portion of ~~such~~**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.

(e)(d) 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.

(d)(e) 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.

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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 subsection (a) 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, Fail 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, Fail Net Settlement Positions and Forward Net Settlement Positions of the Sponsoring Member established in the Sponsoring Member's Netting System 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 Fail Net Settlement Positions and Forward Net Settlement Positions (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.

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