



NATIONAL
SECURITIES
CLEARING
CORPORATION

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Underlined and boldface text indicates new text

~~**Strikethrough and boldface**~~ indicates deleted text

RULE 1. DEFINITIONS

LM Member-provided Data

The term “LM Member-provided Data” has the meaning specified in Rule 54.

LM Trade Date Data

The term “LM Trade Date Data” has the meaning specified in Rule 54.

LM Transaction Data

The term “LM Transaction Data” has the meaning specified in Rule 54.

RULE 54. DTCC LIMIT MONITORING RISK MANAGEMENT TOOL

SEC. 1. General

NSCC may provide its Members with a risk management tool called DTCC Limit Monitoring that will enable Members to monitor trading activity on an intraday basis of their organizations and/or their correspondent firms through review of post-trade data. DTCC Limit Monitoring will be available to all NSCC Members. Members required to register for DTCC Limit Monitoring include: (1) any NSCC full service Member that clears trades for others; (2) any NSCC full service Member that submits transactions to NSCC's trade capture system either as a Qualified Special Representative (QSR) or Special Representative, pursuant to Procedure IV (Special Representative Service); and (3) any NSCC full service Member that has established a 9A/9B relationship in order to allow another NSCC Member (either a QSR or Special Representative) to submit locked in trade data on its behalf.

DTCC Limit Monitoring will provide NSCC Members with: (i) post-trade data relating to unsettled equity and debt securities trades for a given day that have been compared or recorded through the Corporation's trade capture mechanisms on that day ("LM Trade Date Data"), and (ii) other information as provided in this Rule and the DTCC Limit Monitoring Procedure. The trade capture mechanisms utilized in the production of LM Trade Date Data shall be as determined by the Corporation from time to time.

A Member is able to access LM Trade Date Data and other information through DTCC Limit Monitoring only with respect to its own account(s) at the Corporation. Through the utilization of filtering criteria known as "Risk Entities", a Member can define activity it seeks to monitor through the risk management tool, including that of its correspondents, or other entities or groups for which LM Trade Date Data is processed through the Members' account, including relating to subgroups within its own business.¹

Members using the tool will have the ability to input or load start of day and/or intra-day position data representing open activity from prior days into DTCC Limit Monitoring on their own ("LM Member-provided Data") (LM Trade Date Data and LM Member-provided Data shall collectively be referred to as "LM Transaction Data"). Through its definition of Risk Entities, and as otherwise provided in the Procedures, a Member may create rules for the aggregation of LM Transaction

¹ **The Corporation does not distinguish a Member's overall activity from that of the Member's customers or other groups. Therefore, a Member's ability to receive LM Trade Date Data organized by Risk Entity is entirely dependent upon the Member's provision of defining criteria in accordance with this Rule and the DTCC Limit Monitoring Procedure.**

Data, set parameters for the monitoring of each Risk Entities' activity in relation to LM Transaction Data, and receive alerts for the display of parameter brakes relating to the LM Transaction Data. These functions, and the responsibilities of the Corporation and Members with respect to DTCC Limit Monitoring are further described in the DTCC Limit Monitoring Procedure (Procedure XVII).

SEC. 2. No Impact on Trade Guaranty and Other Provisions

Neither reports nor data supplied to Members through DTCC Limit Monitoring, nor the timing of their distribution, will impact the timing, status, or effectiveness of a trade guaranty, or lack thereof, of any transaction in CNS Securities or Balance Order Securities. Furthermore, the provision of information or data to Members, or lack thereof, through DTCC Limit Monitoring will not be deemed to indicate or have any bearing on the status of any transaction, including, but not limited to, as compared, locked-in, validated, guaranteed, or not guaranteed. Any Member that registers for DTCC Limit Monitoring shall indemnify the Corporation, and any of its employees, officers, directors, shareholders, agents, and participants who may sustain any loss, liability, or expense as a result of any act or omission by the Member made in reliance upon data or information furnished through DTCC Limit Monitoring to the Member (whether derived from LM Trade Date Data, LM Member-provided Data, or LM Transaction Data).

RULE 58. LIMITATIONS ON LIABILITY

SEC. 1. 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:

(a) the Corporation shall not be liable for any obligations of such other entity nor shall the Clearing Fund or 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

(b) such other entity shall not be liable for any obligations of the Corporation, nor shall the Participants 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.

SEC. 2. 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, Mutual Fund/Insurance Services Members, Settling Bank Only Members, Municipal Comparison Only Members, Insurance Carrier/Retirement Services Members, Investment Manager/Agent Members, TPP Members, TPA Members, Mutual Fund/Insurance Services Members, Commission Billing Members, Fund Members, Data Services Only Members, AIP Members and AIP Settling Bank Only Members (each hereinafter referred to as a "participant" for purposes of this Rule 58), 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.

(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.

(c) With respect to instructions given to the Corporation by a Special Representative/Index Recipient Agent, the Corporation shall have no responsibility or liability for any errors which may occur in the course of transmissions or recording of

any transmissions or which may exist in any magnetic tape, document or other media so delivered to the Corporation.

(d) With respect to the Corporation's distribution facilities, the Corporation assumes no responsibility whatever for the form or content of any tickets, checks, papers, documents or other material (other than items prepared by it) placed in the boxes in its distribution facilities assigned to each participant, or AIP Member, or otherwise handled by the Corporation; nor does the Corporation assume any responsibility for any improper or unauthorized removal from such boxes or from the Corporation's facilities of any such tickets, checks, papers, documents or other material, including items prepared by the Corporation.

(e) With respect to Fund/Serv transactions, the Corporation will not be responsible for the completeness or accuracy of any transaction or instruction received from or transmitted to a participant through Fund/Serv, nor for any errors, omissions or delays which may occur in the transmission of a transaction or instruction to or from a participant.

(f) The Corporation will not be responsible for the completeness or accuracy of any IPS Data received from or transmitted to a participant through IPS nor for any errors, omissions or delays which may occur in the transmission of such IPS Data to or from a participant.

(g) The Corporation will not be responsible for the completeness or accuracy of any AIT Data received from or transmitted to a Member through the AIT service, nor for any errors, omissions or delays which may occur in the transmission of such AIT Data to or from a Member.

(h) The Corporation will not be responsible for the completeness or accuracy of any AIPData received from or transmitted to an AIP Member through the Corporation nor for any errors, omissions or delays which may occur in the transmission of such AIP Data to or from an AIP Member.

(i) The Corporation will not be responsible for the completeness or accuracy of LM Trade Date Data, LM Member-provided Data, LM Transaction Data, or other information or data which it receives from Members or third parties and which is utilized in DTCC Limit Monitoring, nor for any errors, omissions or delays which may occur in the transmission of such data or information.

PROCEDURE XVII. DTCC LIMIT MONITORING PROCEDURE

A. Introduction

DTCC Limit Monitoring is a risk management tool available to Members as provided in Rule 54 and this Procedure.

Members required to register for DTCC Limit Monitoring include: (1) any NSCC full service Member that clears trades for others; (2) any NSCC full service Member that submits transactions to NSCC's trade capture system either as a Qualified Special Representative (QSR) or Special Representative, pursuant to Procedure IV (Special Representative Service); and (3) any NSCC full service Member that has established a 9A/9B relationship in order to allow another NSCC Member (either a QSR or Special Representative) to submit locked in trade data on its behalf.

Members registered for DTCC Limit Monitoring will be required to create Risk Entities (as defined in Rule 54 and more fully described below) and other parameters which: (i) define the rules for the aggregation of trade data, (ii) set parameters for the monitoring of each Risk Entities' activity in relation to such data, and (ii) trigger alerts to Members of parameter breaks.

B. DTCC Limit Monitoring Processing

1. Data Capture and Member Input

a. Data Capture

On each trade date, the Corporation may, within timeframes it may establish from time to time, populate DTCC Limit Monitoring with LM Trade Date Data which has been compared or recorded through trade capture mechanisms as it determines from time to time.²

b. Member Input

Members may, in their sole discretion, input or load LM Member-provided Data to DTCC Limit Monitoring. Such data shall be submitted by Members within such timeframes as determined by the Corporation from time to time and in format(s) deemed acceptable by the Corporation.

² **Such mechanisms initially will include all new settling trades including trades compared and/or recorded by the Real-Time Trade Matching service and the Universal Trade Capture system. Transaction details submitted to the Obligation Warehouse will not be forwarded to DTCC Limit Monitoring.**

2. Establishing Risk Entities

Within timeframes as permitted by the Corporation from time to time, Members that are registered for DTCC Limit Monitoring shall establish Risk Entities. Members shall define Risk Entities utilizing strings of data elements (referred to as “trade arrays”) according to categories established for this purpose by the Corporation from time to time. Members may utilize multiple trade arrays in the definition of a single Risk Entity. Examples of data elements that a Member may select to be included in a trade array are clearing broker account number (i.e., the Member’s own main account or sub-account number(s)), executing broker symbol, market, and other identifying details as the Corporation may permit.

3. Processing

LM Transaction Data for each Member shall be aggregated and sorted by the Corporation by Risk Entity and made available to that Member at the Member’s own convenience. Intraday allocations in the settlement system will not be taken into consideration as they are not effective until the Effective Time (as defined in Rule 12). LM Transaction Data may include values on a net notional basis, and as calculated on other bases as determined by the Corporation from time to time. LM Trade Date Data shall be carried at contract amount unless the Corporation otherwise has added a pricing methodology for the relevant security, and LM Member-provided Data shall include pricing as provided by the applicable Member.

4. Parameter Breach Warnings

Members registered for DTCC Limit Monitoring will be required to designate parameters to associate with each Risk Entity from certain parameter types that are established or permitted by the Corporation from time to time. DTCC Limit Monitoring will then set “early warning” limits at 50%, 75%, and 90% of the parameters set by Members for each Risk Entity.

Members shall review reports and alerts on an on-going basis and, as necessary, modify established parameters to reflect current trading activities within each of their Risk Entities. While Members will ultimately be responsible for ensuring that the parameters set on trading activity are appropriate, NSCC staff may, in its sole discretion, review trade activity reports and alerts, and may contact Members to discuss any concerns if, for example, the parameters set are not aligned with recent average trading activity.

The Corporation will maintain totals of the relevant information which it will compare to the designated parameters. The identification of an early warning or parameter breach will trigger an alert by the Corporation to the Member. An alert shall be issued within such timeframe as the Corporation deems reasonable and necessary for it to process, validate, and report the relevant data or information.

5. End of Day and Monthly Reporting

The Corporation may provide Members end of day and monthly reports which include Members' current Risk Entity definitions, alert history, and other data or information as the Corporation determines to make available from time to time.

6. Contacts for DTCC Limit Monitoring

Members will be required to identify primary and secondary contacts within their firm for DTCC Limit Monitoring.