



**NATIONAL
SECURITIES
CLEARING
CORPORATION**

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Bold and underlined text indicates proposed added language.

~~Bold and strikethrough text~~ indicates proposed deleted language.

RULE 1. DEFINITIONS AND DESCRIPTIONS

Cybersecurity Confirmation

The term “Cybersecurity Confirmation” means a written document provided to the Corporation by all Members, Limited Members and applicants for 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, Limited 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, Limited 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, Limited 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, Limited 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, Limited Member’s or applicant’s system that connects to and/or interacts with the Corporation.
5. The Member, Limited Member or applicant has in place an established process to remediate cyber issues identified to fulfill the Member’s, Limited 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, Limited Member's or applicant's cybersecurity program and framework has been conducted by one of the following:

- : The Member, Limited 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, Limited Member or applicant, such that the findings of that review are shared with these governance bodies.**

RULE 2A. INITIAL MEMBERSHIP REQUIREMENTS

SEC. 1. ELIGIBILITY FOR MEMBERSHIP

In furtherance of the Corporation's rights and authority to establish standards for membership, the Corporation shall establish, as it deems necessary or appropriate, standards of financial responsibility, operational capability, experience and competence for membership applicable to Members and to Limited Members. The Corporation shall also establish guidelines for the application of such membership standards.

C. Application Documents

Each applicant shall, as required by the Corporation from time to time, complete and deliver to the Corporation an Applicant Questionnaire in such form as prescribed by the Corporation from time to time and shall provide such other reports, opinions, financial and other information as the Corporation may determine are appropriate for each membership type.

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

RULE 2B. ONGOING MEMBERSHIP REQUIREMENTS AND MONITORING

SEC. 2. DATA TO BE FILED WITH THE CORPORATION

A. Reports and Information

Each Member, Mutual Fund/Insurance Services Member, Fund Member, and Insurance Carrier/Retirement Services Member (each hereinafter in this rule referred to collectively as “participants”) shall submit to the Corporation the following reports and information as applicable to such participant, together with all addenda and amendments applicable thereto, within the time periods prescribed by the Corporation from time to time. (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. Pursuant to Section 7 of Rule 45, it is the participant’s responsibility to retrieve all notices daily from the Website.):

(g) with respect to a participant that has provided to the SEC any notice required pursuant to paragraph (e) of the SEC’s 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.

Each Member and Limited 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.

The Corporation may from time to time require the submission of additional reports and other information as it may deem necessary or advisable. Reports and information provided to the Corporation pursuant to this Rule shall be provided in the form and to the persons or departments specified by the Corporation from time to time and the provisions of Rule 45 shall not apply thereto.

RULE 7. COMPARISON AND TRADE RECORDING OPERATION
(INCLUDING SPECIAL REPRESENTATIVE/INDEX RECEIPT AGENT

SEC. 6. The Corporation may determine, in its discretion, to accept, from self-regulatory organizations, as defined in the Securities Exchange Act of 1934, and/or derivatives clearing organizations that are registered or deemed to be registered with the Commodity Futures Trading Commission pursuant to the Commodity Exchange Act (either directly or through subsidiary or affiliated organizations¹) and/or service bureaus, initial, or supplemental trade data on behalf of Members for trade recording and input into the Corporation's Comparison Operation (with respect to debt securities) or compared trade data, on behalf of Members for input into the Corporation's Accounting Operation provided that a Member is a party to the trade or transaction. **In determining whether to accept trade data from an organization, as described in this Section 6, the Corporation may require such organization to provide a Cybersecurity Confirmation, as described in Rule 2B, Section 2A.**

Such data shall be in a form acceptable to the Corporation, in its discretion, and within such time frames as the Corporation may, in its discretion, require. The Corporation shall deem the report of any such data by any such organization to have been authorized by the Member on whose behalf the data shall have been reported. Data reported by any such organization(s) to the Corporation shall not be deemed to be reported by the Member to the Corporation until such data is accepted by the Corporation.
