



**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.

PROCEDURE XV. CLEARING FUND FORMULA AND OTHER MATTERS¹

I.(A) Clearing Fund Formula for Members

Each Member of the Corporation, except as otherwise provided in this Procedure, is required to contribute to the Clearing Fund maintained by the Corporation an amount calculated by the Corporation equal to:

(1) For CNS Transactions

(a) (i) The volatility of such Member's net of unsettled Regular Way, When-Issued and When-Distributed pending positions (i.e., net positions that have not yet passed Settlement Date) and fail positions (i.e., net positions that did not settle on Settlement Date), hereinafter collectively referred to as Net Unsettled Positions, which shall be the highest resultant value among the following:

* * *

(iv) The Corporation shall exclude from the calculations in subsection (i) above long Net Unsettled Positions in Family-Issued Securities. The amount of Clearing Fund required with respect to long Net Unsettled Positions in Family-Issued Securities shall be determined by multiplying the absolute value of such positions by a percentage designated by the Corporation; such percentage shall be **(A) no less than 480% for long Net Unsettled Positions in fixed income securities that are Family-Issued Securities, and (B) up to 100% for long Net Unsettled Positions in equity securities that are Family-Issued Securities, and shall be determined, from time to time, in the sole discretion of the Corporation, within parameters described below, based on the Member's rating on the Credit Risk Rating Matrix and the type of Family-Issued Securities submitted to the Corporation;**

~~(A) Fixed income securities that are Family-Issued Securities shall be charged a haircut rate of no less than 80% for firms that are rated 6 or 7 on the Credit Risk Rating Matrix, and no less than 40% for firms that are rated 1 through 5 on the Credit Risk Rating Matrix.~~

~~(B) Equity securities that are Family-Issued Securities shall be charged a haircut rate of 100% for firms that are rated 6 or 7 on the Credit Risk Rating Matrix, and no less than 50% for firms that are rated 1 through 5 on the Credit Risk Rating Matrix;~~

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

(2) For Balance Order Transactions

(a) (i) The volatility of such Member's net of unsettled Regular Way, When-Issued and When-Distributed positions that have not yet passed Settlement Date, hereinafter collectively referred to as Net Balance Order Unsettled Positions, which shall be the highest resultant value among the following:

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(iv) The Corporation shall exclude from the calculations in subsection (i) above long Net Balance Order Unsettled Positions in Family-Issued Securities. The amount of Clearing Fund required with respect to long Net Balance Order Unsettled Positions in Family-Issued Securities shall be determined by multiplying the absolute value of such positions by a percentage designated by the Corporation; such percentage shall be **(A) no less than 480% for long Net Balance Order Unsettled Positions in fixed income securities that are Family-Issued Securities,** and **(B) up to 100% for long Net Balance Order Unsettled Positions in equity securities that are Family-Issued Securities,** and shall be determined, from time to time, in the sole discretion of the Corporation, within parameters described below, based on the Member's rating on the Credit Risk Rating Matrix and the type of Family-Issued Securities submitted to the Corporation.;

~~(A) Fixed income securities that are Family-Issued Securities shall be charged a haircut rate of no less than 80% for firms that are rated 6 or 7 on the Credit Risk Rating Matrix, and no less than 40% for firms that are rated 1 through 5 on the Credit Risk Rating Matrix.~~

~~(B) Equity securities that are Family-Issued Securities shall be charged a haircut rate of 100% for firms that are rated 6 or 7 on the Credit Risk Rating Matrix, and no less than 50% for firms that are rated 1 through 5 on the Credit Risk Rating Matrix;~~

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