

Bold, underlined text indicates proposed additions.

~~Bold, strikethrough~~ text indicates proposed deletions.

**FIXED INCOME CLEARING CORPORATION
GOVERNMENT SECURITIES DIVISION RULEBOOK**

RULE 1 – DEFINITIONS

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[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

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Bank Netting Member

The term “Bank Netting Member” shall have the meaning given that term in Section **2 3** of Rule 2A.

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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.

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Dealer Netting Member

The term “Dealer Netting Member” shall have the meaning given that term in Section **2 3** of Rule 2A.

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Excess Capital Differential

The term “Excess Capital Differential” means the amount by which a Netting Member’s VaR Charge exceeds its ~~Excess~~ **Netting Member** Capital.

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Foreign Netting Member

The term “Foreign Netting Member” (also referred to as “Non-U.S. Netting Member” or “Non-domestic Netting Member”) shall have the meaning given that term in Section **2 3** of Rule 2A.

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Futures Commission Merchant Netting Member

The term “Futures Commission Merchant Netting Member” shall have the meaning given that term in Section **2 3** of Rule 2A.

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Government Securities Issuer Netting Member

The term “Government Securities Issuer Netting Member” shall have the meaning given that term in Section **2 3** of Rule 2A.

Government Sponsored Enterprise

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

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Insurance Company Netting Member

The term “Insurance Company Netting Member” shall have the meaning given that term in Section **2 3** of Rule 2A.

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Inter-Dealer Broker Netting Member

The term “Inter-Dealer Broker Netting Member” shall have the meaning set forth in Section **2 3** of Rule 2A.

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Registered Clearing Agency Netting Member

The term “Registered Clearing Agency Netting Member” shall have the meaning given that term in Section **2 3** of Rule 2A.

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Registered Investment Company Netting Member

The term “Registered Investment Company Netting Member” shall have the meaning given that term in Section **2 3** of Rule 2A.

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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.

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Watch List^π[¹]

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 ~~5~~, 6 or 7, as well as ~~members~~ **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.

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^π 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.

[¹ **The changes to the defined term “Watch List” will not be subject to the 12-month implementation delay; rather, the changes will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when these changes are implemented, and this footnote will automatically be removed from this Rule.**]

RULE 2 – MEMBERS

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

(a) 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 **eligibility**, qualifications **and standards** specified in these Rules, (iii) are approved by the Corporation or the Board, as applicable, and (iv) if required, have contributed to the Clearing Fund as provided in Rule 4.

(b) The Corporation shall have the following membership types:

- (i) Comparison-Only Members;
- (ii) Netting Members;
- (iii) Sponsoring Members and Sponsored Members;
- (iv) CCIT Members; and
- (v) Funds-Only Settling Bank Members.

With respect to item (ii) above, there shall be the following categories of Netting Members: Bank Netting Members, Dealer Netting Members, Inter-Dealer Broker Netting Members, Futures Commission Merchant Netting Members, Foreign Netting Members, Government Securities Issuer Netting Members, Insurance Company Netting Members, Registered Clearing Agency Netting Members and Registered Investment Company Netting Members.

With respect to ~~items item~~ (iii), ~~(iv)~~ **and** ~~(v)~~ above, Sponsored Members and Sponsoring Members shall be governed by Rule 3A.

With respect to item (iv) above, CCIT Members shall be governed by Rule 3B, ~~and~~

With respect to item (v) above, Funds-Only Settling Bank Members shall be governed by Rule 13.

(c) Except as otherwise provided in these Rules, a Member that compares and nets through the Corporation any contract or transaction on behalf of a Non-Member shall, so far as the rights of the Corporation and all other Members are concerned, be liable as a principal.

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RULE 2A – INITIAL MEMBERSHIP REQUIREMENTS

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

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 **for netting membership to become a Netting Member**. The Corporation's determination to apply such ~~comparison-only~~ requirement shall be based on ~~the presence of whether~~ one or more of the following conditions **exist**: (i) the Person is a newly formed entity with little or no **functional operational** history, (ii) the Person's operational staff lacks significant experience, (iii) if one **or both** of the ~~above prior~~ two conditions ~~is present 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 ~~management the Corporation~~ believes might suggest **that the Person has** insufficient operational ~~functions~~ **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 23 – Eligibility for Membership: Netting Members

(a) Eligibility for **each category of** Netting **membership 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 participates in the Corporation through its U.S. branch or agency. A bank or trust company that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Bank Netting Member.

(ii) **Dealer Netting Member** – A Person shall be eligible to apply to become a Dealer Netting Member if it is a Dealer and is not a bank or trust company. A Dealer that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Dealer Netting Member.

(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. A Futures Commission Merchant that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Futures Commission Merchant Netting Member.

(iv) **Inter-Dealer Broker Netting Member** – A Person shall be eligible to apply to become an Inter-Dealer Broker Netting Member if it is an Inter-Dealer Broker. An Inter-Dealer Broker that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be an Inter-Dealer Broker Netting Member.

(v) **Foreign Netting Member** – A Person shall be eligible to apply to become a Foreign Netting Member if it is a Foreign Person that the Corporation, in its sole

discretion, has determined: (i) has a home country regulator that has entered into a memorandum of understanding with the SEC regarding the sharing or exchange of information, and (ii) maintains a presence in the United States, either directly or through a suitable agent, that both has available individuals fluent in English who are knowledgeable in the Foreign Person's business and can assist the Corporation's representatives as necessary, and ensures 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. The Person applying to become a Foreign 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. Without limiting the generality of the foregoing, the Corporation shall require each applicant that shall be 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 must agree that it shall indemnify the Corporation for any loss, liability or expense sustained by the Corporation as a result of its failing to be FATCA Compliant. Except as with respect to FATCA, a foreign Bank Netting Member that participates in the Corporation through its U.S. branch or agency shall not be deemed a Foreign Netting Member for purposes of ~~the Corporation's~~ these Rules and ~~procedures~~ the Procedures, unless otherwise stated by the Corporation.

(vi) Government Securities Issuer Netting Member – A Person shall be eligible to apply to become a Government Securities Issuer Netting Member if it is a Government Securities Issuer or a Government Sponsored Enterprise. A Government Securities Issuer or a Government Sponsored Enterprise that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Government Securities Issuer Netting Member.

(vii) Insurance Company Netting Member – A Person shall be eligible to apply to become an Insurance Company Netting Member if it is an Insurance Company in good standing with its primary regulator. An Insurance Company that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be an Insurance Company Netting Member.

~~(vii)~~ (viii) 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. A Registered Clearing Agency that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the

Netting System has not been terminated, shall be a Registered Clearing Agency Netting Member.

~~(viii)~~ **(ix)** **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. A Registered Investment Company that is admitted to membership in the Netting System pursuant to these Rules, and whose membership in the Netting System has not been terminated, shall be a Registered Investment Company Netting Member.

~~(ix)~~ **(x)** The Corporation shall make its services available to Persons in such other categories as the Corporation may from time to time determine, subject to approval of such categories and their minimum membership standards by the SEC.

Applicants in categories (i) through ~~(vii)~~ **(viii)** above that are admitted into membership shall be Tier One Netting Members. Applicants in category ~~(viii)~~ **(ix)** above that are admitted into membership shall be Tier Two Members. With respect to applicants in category ~~(ix)~~ **(x)**, the Corporation shall make a determination as to whether such applicant shall be a Tier One Netting Member or Tier Two Member.

(b) A Person may be only one ~~type~~ **category** of Netting Member at a time. Notwithstanding anything to the contrary in this Rule, if a Person qualifies for more than one category of Netting ~~System membership~~ **Member**, the Corporation, in its sole discretion, may determine ~~which the~~ category of Netting ~~System membership~~ **Member for which** that Person will **be** considered ~~for~~.

~~Section 3 Admission Criteria 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, adviser 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.~~

~~In addition to items (a) through (d) 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 its Controlling Management that is or becomes subject to Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act).~~

Section 4 - Membership Qualifications and Standards for Netting Members

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

(a) Comparison System Admission Standards - ~~The~~ **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. ~~Notwithstanding the previous sentence, the applicant shall meet the admission criterion on required capital in subsection (c) of Section 3 of this Rule if the applicant is in compliance 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.~~

(b) Financial Responsibility - The applicant shall:

(i) have sufficient financial ability to make anticipated required deposits to the Clearing Fund as provided for in Rule 4 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) ~~for applicants whose Financial Statements are prepared in accordance with U.S. generally accepted accounting principles:~~ **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 a level of equity capital as of the end of the month prior to the effective date of its membership CET1 Capital** of at least \$~~100~~ **500** million **and (ii) be Well Capitalized; and,**

~~and its capital levels and ratios must meet the applicable minimum levels for such as required by its Appropriate Regulatory Agency (or, if the applicant's Appropriate Regulatory Agency does not specify any such minimum levels, such minimum levels as would be required if the Member were a member bank of the Federal Reserve System and the Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System);~~

- (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, ~~as of the end of the calendar month prior to the effective date of its membership,~~ (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;

(3) ~~if the applicant is registered with the SEC pursuant to Section 15C of the Exchange Act and is applying to become a Dealer Netting Member, it must have, as of the end of the calendar month prior to the effective date of its membership, (1) Net Worth of at least \$25 million and (2) Excess Liquid Capital of at least \$10 million;~~

- (C)** ~~(4) — **Futures Commission Merchant Netting Member - If** if the applicant is applying to become a Futures Commission Merchant Netting Member, it must have, **as (1) Net Worth of the end of the calendar month prior to the effective date of its membership, at least \$25 million in Net Worth and \$10 million in (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)** ~~(5) — **if 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, **as of the end of the calendar month prior to the effective date of its membership,** (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;~~
- (6)** ~~if the applicant is registered with the SEC pursuant to Section 15C of the Exchange Act and is applying to become an Inter-Dealer Broker Netting Member, it must have, **as of the end of the calendar month prior to the effective date of its membership,** (1) Net Worth of at least \$25 million and (2) Excess Liquid Capital of at least \$10 million;~~
- (E)** ~~(7) — **Foreign Netting Member - If** if the applicant is a Foreign Person that is applying to become a Foreign Netting Member, it must, **at a minimum,** satisfy **the its home country regulator's** minimum financial requirements, **in addition to the following: (defined by reference to regulatory capital as defined by the applicant's home country regulator) that are applicable to the Netting System membership category that the Corporation determines, in its sole discretion, would be applicable to the Foreign Person if it were organized or established under the laws of the United States or a State or other political subdivision thereof subject to subsections (B), (C) and (D) below if the entity's financial statements are not prepared in accordance with U.S. generally accepted accounting principles;**~~
- (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; and
- (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;

The Corporation may, based on information provided by or concerning an applicant applying to become a Foreign Netting Member, also 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;

(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) ~~(8)~~—Insurance Company Netting Member - If ~~if~~ the applicant is applying to become an Insurance Company Netting Member, it must have, ~~as of the end of the month prior to the effective date of its membership~~: (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, ~~as applicable to Insurance Companies,~~ (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 ~~company applicant’s~~ asset valuation reserve) of no less than \$500 million; ~~and~~

(H) ~~(9)~~—Registered Investment Company Netting Member - If ~~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.

~~(B) — for applicants whose Financial Statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of 1985 (UK generally accepted accounting principles), or Canadian generally accepted accounting principles, the minimum financial requirements shall be one and one-half times the applicable requirements set forth in subsection (A) above.~~

~~(C) — for applicants whose Financial Statements are prepared in accordance with the generally accepted accounting principles of a European Union country other than the United Kingdom, the minimum financial requirements shall be five times the applicable requirements set forth in subsection (A) above.~~

~~(D) — for applicants whose financial statements are prepared in accordance with any other type of generally accepted accounting principles, the minimum financial requirements shall be seven times the requirements set forth in subsection (A) above.~~

~~(e) — 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.~~

The foregoing financial responsibility standards are only **the** minimum requirements, ~~and the.~~ **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 **greater heightened or different financial responsibility standards on any applicant**. If an applicant does not itself satisfy the ~~above~~ **required** minimum ~~capital requirements~~ **financial responsibility standards**, the Board may include for such purposes the ~~capital of an Affiliate~~ **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 **Affiliate 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) 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.

* * *

RULE 3 – ONGOING MEMBERSHIP REQUIREMENTS

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

Section 1 – Requirements

The **eligibility**, qualifications and standards set forth in Rule 2A **in respect of an applicant shall ~~continue to be continuing membership requirements 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 ~~such~~ **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 **Financial and Operational Combined Uniform Single Report ("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 ~~(ii)~~ **(iii)** any supplemental reports required to be filed with the SEC pursuant to ~~SEC~~ **Exchange Act** Rule 17a-11 or 17 C.F.R. Section 405.3;

(c) if the Member is a **domestic U.S.** bank or ~~a~~-trust company, a copy of the ~~applicant's~~ **Member's Consolidated Report of Condition and Income ("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 ~~applicant Member~~ 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 ~~applicant Member~~ Member is a broker, dealer or bank established or organized ~~in under~~ the ~~United Kingdom laws of a non-U.S. jurisdiction~~ and subject to regulation by ~~the United Kingdom's Financial Services Authority (or successor authority)~~ its home country regulator in such jurisdiction, a copy of ~~its Financial Services Authority any~~ reports submitted to such home country regulator;

(f) if the Member is a Foreign Netting Member other than one that is a broker, dealer or bank ~~organized or established in the United Kingdom and regulated by the Financial Services Authority~~ subject to regulation by its home country regulator in such jurisdiction, ~~key~~ financial information as requested by the Corporation;

(g) if the Member ~~is does~~ not fall within clauses (b) through (f) above, a copy of the Member's unaudited financial information as specified by the Corporation for ~~such~~ 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 ~~(f)~~ (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 ~~the SEC's~~ 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, Foreign Netting Members **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 **a member an entity** does not comply with the financial reporting and responsibility standards set by **its their** home country regulator. Foreign Netting Members **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 Business Days** of becoming subject to a disciplinary action by their home country regulator.

* * *

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 **3 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 ~~and/or be subject to enhanced surveillance~~^[1] by the Corporation consistent with the provisions of Section 12 of this Rule.

* * *

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 ~~from~~ out of compliance with an applicable membership standard:

(a) If a Bank Netting Member falls below the applicable minimum financial ~~requirement requirements~~ as specified in Rule 2A or this Rule 3, ~~or if one or more of its capital levels or ratios no longer meets the applicable minimum level for such as required by its Appropriate Regulatory Agency (or, if the applicant's Appropriate Regulatory Agency does not specify any such minimum level, such minimum level as would be required if the Member were a member bank of the Federal Reserve System, and the Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System)~~; 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

[¹ This change to Section 7 will not be subject to the 12-month implementation delay; rather, the change will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when this change is implemented, and this footnote will automatically be removed from this Rule.]

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 **by 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) An Inter-Dealer Broker Netting Member shall: (A) limit its business to acting exclusively as a Broker; (B) conduct all of its business in Repo Transactions with Netting Members; and (C) conduct at least 90 percent of its business in transactions that are not Repo Transactions, measured based on its overall dollar volume of submitted sides over the prior month, with Netting Members. If an Inter-Dealer Broker Netting Member fails to comply with this scope-of-business standard, then, for a period beginning on the date on which it fell **from out of** compliance with this standard and continuing until the date on which it returned to compliance with such standard, such Member shall be considered by the Corporation for purposes of these Rules to be a Dealer Netting Member. Notwithstanding anything to the contrary above, if such Inter-Dealer Broker Netting Member continues to act exclusively as a Broker, it shall continue to be subject to the provisions of Section 7 of Rule 4 as if it were an Inter-Dealer Broker Netting Member, until and unless the Corporation determines, in its sole discretion, that such Member should be treated for purposes of that Section as if it were a Dealer Netting Member and so informs such Member. Moreover, notwithstanding anything to the contrary above, if such Inter-Dealer Broker Netting Member does not return to compliance with its applicable scope-of-business standard within 90 calendar days from the date on which it fell below such standard, such Member shall permanently become a Dealer Netting Member for purposes of these Rules, until and unless it applies to the Corporation to return to its Inter-Dealer Broker Netting Member status and such application is approved by the Board; and

(f) 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.

~~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.~~

~~(g) If the Member is a Foreign Netting Member, and it has fallen falls out of compliance with the minimum financial requirements that the Corporation has determined, are applicable to it pursuant to these Rules, are applicable to it, the consequences under this Section of such noncompliance shall be determined by reference to the subsection of this Section that is applicable to the Netting System membership category that the Corporation has determined would be applicable to the Foreign Person if it were organized or established under the laws of the United States or of a State or other political subdivision thereof 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 12 – Ongoing Monitoring^[1]

(a) All Netting Members, Sponsoring 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 ~~Consolidated Report of Condition and Income~~ (“Call Report”), (B) a Dealer Netting Member or Inter-Dealer Broker Netting Member that files the ~~Financial and Operational Combined Uniform Single Report~~ (“FOCUS Report”) or the equivalent with its regulator, or (C) a Foreign Netting Member that is a bank or trust company and that has audited financial data

^[1] The changes to Section 12 will not be subject to the 12-month implementation delay; rather, these changes will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when these changes are implemented, and this footnote will automatically be removed from this Rule.]

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 ~~Rule 3~~, 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, ~~and/or it may subject the Member to enhanced surveillance~~ 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 ~~and/or may be subject to enhanced surveillance~~ 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 Member~~, (ii) reasonable concerns around the ~~member Member~~'s liquidity arrangements, (iii) material changes to the ~~member Member~~'s organizational structure, (iv) reasonable concerns of the Corporation about the ~~member 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 Member~~ to demonstrate satisfactory financial condition or operational capability or ~~if the Corporation has~~ a reasonable concern **of the Corporation** regarding the ~~member Member~~'s ability to maintain applicable membership standards, and (vi) failure of the ~~member Member~~ to provide information required by the Corporation to assess risk exposure posed by the ~~member 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 provisions of Rule 4 (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~~ **Member** being ~~subject to enhanced surveillance or being~~ placed on the Watch List shall result in a more thorough monitoring of the ~~member~~ **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~~ **Member** placed on the Watch List ~~and/or subject to enhanced surveillance~~ to make more frequent financial disclosures, including, without limitation, interim and/or pro forma reports. Members that are subject to ~~enhanced surveillance~~ **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~~ **Member** (including a ~~member~~ **Member** placed on the Watch List ~~and/or subject to enhanced surveillance~~) as are permitted by the Rules.

* * *

RULE 3A—SPONSORING MEMBERS AND SPONSORED MEMBERS

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

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 and to 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 shall be eligible to apply to become a Category 1 Sponsoring Member if it: (i) ~~it~~ is a Bank Netting Member, (ii) ~~it~~ has a level of equity capital ~~as of the end of the month prior to the effective date of its membership~~ of at least \$5 billion-, (iii) ~~it~~ is “~~well-capitalized~~” ~~as defined by the Federal Deposit Insurance Corporation’s applicable regulations~~ **Well Capitalized**, and (iv) ~~if it~~ has a bank holding company that is registered under the Bank Holding Company Act of 1956, as amended, such bank holding company is also “~~well-capitalized~~” ~~as defined by the applicable regulations of the Board of Governors of the Federal Reserve System~~ **Well Capitalized**. A Netting Member that is a Tier One Netting Member, other than an Inter-Dealer Broker Netting Member, or a Non-IDB Repo Broker with respect to activity in its Segregated Repo Account, shall be eligible to apply to become a Category 2 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.

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

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

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 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) ~~(A) — Except as otherwise provided in subsection (B), (C) or (D) below, the **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.

~~(B) — For applicants whose financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of 1985 (UK generally accepted accounting principles) or Canadian generally accepted accounting principles, the minimum financial requirements shall be one and one-half times the applicable requirements set forth in subsection (A) above.~~

~~(C) — For applicants whose financial statements are prepared in accordance with the generally accepted accounting principles of a European Union country other than the United Kingdom, the minimum financial requirements shall be five times the applicable requirements set forth in subsection (A) above.~~

~~(D) — For applicants whose financial statements are prepared in accordance with any other type of generally accepted accounting principles, the minimum financial requirements shall be seven times the applicable requirements set forth in subsection (A) above.~~

(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).

* * *

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 continuing membership requirements 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.

* * *

RULE 5 - COMPARISON SYSTEM

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 90 days from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

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, **put placed** on the Watch List and/or ~~be~~ subject to **enhanced surveillance pursuant to Rule 3, 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.

* * *

RULE 11 - NETTING SYSTEM

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 90 days from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

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Section 3 - Obligation to Submit 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, **put placed** on the Watch List and/or ~~be subject to enhanced surveillance pursuant to Rule 3, 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.

* * *

RULE 13 - FUNDS-ONLY SETTLEMENT

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

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Section 4 – Funds-Only Settling Bank Members

* * *

(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.

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RULE 18 - SPECIAL PROVISIONS FOR REPO TRANSACTIONS

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 90 days from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

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Section 2 - Obligation to Submit Repo Transactions

* * *

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, **put placed** on the Watch List and/or ~~be subject to enhanced surveillance pursuant to Rule 3, 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.

* * *

INTERPRETIVE GUIDANCE WITH RESPECT TO WATCH LIST CONSEQUENCES

[Changes to this Interpretive Guidance, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 90 days from date of approval], these changes will be implemented and this legend will automatically be removed from this Interpretive Guidance.]

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/~~enhanced surveillance~~ 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.

* * *

**FIXED INCOME CLEARING CORPORATION
MORTGAGE-BACKED SECURITIES DIVISION
CLEARING RULES**

RULE 1 – DEFINITIONS

* * *

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

* * *

Cash Settling Bank Member

The term “Cash Settling Bank Member” means a bank, trust company or other entity specified in these Rules that has qualified pursuant to the provisions of these Rules and which is a party to an effective “Appointment of Cash Settling Bank and Cash Settling Bank Agreement” whereby the Cash Settling Bank undertakes to perform cash settlement services for the Member which also is a party thereto. The term “Cash Settling Bank Member” shall be used interchangeably with the term “Cash Settling Bank”.

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.

* * *

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 rule or regulation thereto.

* * *

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.

* * *

Fully Compared

The term “Fully Compared” means that trade input submitted by a Broker matches trade input submitted by each Dealer on whose behalf the Broker is acting in accordance with the Net Position Match Mode.

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.

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.

* * *

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.

* * *

Registered Clearing Agency

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

Registered Clearing Agency Member

The term “Registered Clearing Agency Member” shall have the meaning given that term in Section 1 of Rule 2A.

* * *

Termination Date

The term “Termination Date” shall have the meaning given that term in Section 14 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.

* * *

Watch List^π^[1]

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 ~~5~~, 6 or 7, as well as Members that, based on the Corporation’s consideration of relevant factors, including those set forth in Section 11(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.

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

^[1] **The changes to the defined term “Watch List” will not be subject to the 12-month implementation delay; rather, these changes will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when these changes are implemented, and this footnote will automatically be removed from this Rule.]**

* * *

RULE 2 - MEMBERS

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

(a) The Corporation may 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 **eligibility**, qualifications **and standards** specified in these Rules, (iii) are approved by the **Corporation or the** Board, as applicable, and (iv) if required, have contributed to the Clearing Fund as provided in Rule 4.

* * *

RULE 2A – INITIAL MEMBERSHIP REQUIREMENTS

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

Section 1 - Eligibility for Membership: Clearing Members

Eligibility for **each category of** Clearing **Membership-Member** shall be as follows:

(a) **Bank Clearing Member** – A Person shall be eligible to apply to become a Bank Clearing 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 participates in the Corporation through its U.S. branch or agency. A bank or trust company that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Bank Clearing Member.

(b) **Dealer Clearing Member** – A Person shall be eligible to apply to become a Dealer Clearing Member if it is a Registered Securities Dealer and is not a bank or trust company. A Registered Securities Dealer that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Dealer Clearing Member.

(c) **Inter-Dealer Broker Clearing Member** – A Person shall be eligible to apply to become an Inter-Dealer Broker Clearing Member if it is an Inter-Dealer Broker. An Inter-Dealer Broker that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be an Inter-Dealer Broker Clearing Member.

(d) **Unregistered Investment Pool Clearing Member** – A Person shall be eligible to **apply to** become an Unregistered Investment Pool Clearing Member if it is an Unregistered Investment Pool. An Unregistered Investment Pool that has been admitted into membership in the Clearing System pursuant to these rules, and whose membership **in the Clearing System** has not been terminated, shall be an Unregistered Investment Pool Clearing Member.

(e) **Government Securities Issuer Clearing Member** – A Person shall be eligible to apply to become a Government Securities Issuer Clearing Member if it is a Government Securities Issuer or a Government Sponsored Enterprise. A Government Securities Issuer or a Government Sponsored Enterprise that is admitted to membership in the Clearing System pursuant to these Rules and whose membership in the Clearing System has not been terminated, shall be a Government Securities Issuer Clearing Member.

(f) **Insurance Company Clearing Member** – A Person shall be eligible to **apply to** become an Insurance Company Clearing Member if it is **a-an** Insurance Company in good standing with its primary regulator. An Insurance Company that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be an Insurance Company Clearing Member.

(g) **Registered Clearing Agency Member** – A Person shall be eligible to **apply to** become a Registered Clearing Agency Member if it is a Registered Clearing Agency in good standing with its primary regulator. A Registered Clearing Agency that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Registered Clearing Agency Member.

(h) **Insured Credit Union Clearing Member** – A Person shall be eligible to apply to become an Insured Credit Union Clearing Member if it is an Insured Credit Union in good standing with its primary regulator. An Insured Credit Union that is admitted to membership in the Clearing System pursuant to these Rules and whose membership in the Clearing System has not been terminated, shall be an Insured Credit Union Clearing Member.

(i) **Registered Investment Company Clearing Member** – A Person shall be eligible to apply to become a Registered Investment Company Clearing Member if it is a Registered Investment Company. A Registered Investment Company that is admitted to membership in the Clearing System pursuant to these Rules, and whose membership in the Clearing System has not been terminated, shall be a Registered Investment Company Clearing Member.

(j) **Other** – The Corporation shall make its services available to Persons in such other categories as the Corporation may from time to time determine, subject to approval of such categories and their minimum membership standards by the SEC.

Applicants in categories (a) through (h) above that are admitted into membership in the Clearing System shall be Tier One Members. Applicants in category (i) above that are admitted into membership in the Clearing System shall be Tier Two Members. With respect to applicants in ~~categories~~ category (j), the Corporation shall make a determination as to whether such applicant shall be a Tier One Member or Tier Two Member.

If any Person in categories (a) through (j) above is a Foreign Person, then it shall be eligible to become a Clearing Member if the Corporation, in its sole discretion, has determined that such Person maintains a presence in the United States, either directly or through a suitable agent, that both has available individuals fluent in English who are knowledgeable in the Foreign Person's business and can assist the Corporation's representatives as necessary, and ensures 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. The Foreign Person applying to become a Foreign-Clearing 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, if it is a regulated entity, 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. Without limiting the generality of the foregoing, the Corporation shall require each applicant that shall be 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 must agree that it shall indemnify the Corporation for any loss, liability or expense sustained by the Corporation as a result of its failing to be FATCA Compliant. The Corporation shall determine, in its sole discretion, which category of membership set forth above the Foreign Person shall be for purposes of these Rules. Except as with respect to FATCA, a Bank Clearing Member that participates in the Corporation through its U.S. branch or agency shall not be deemed a Foreign Member for purposes of these Rules and the Corporation's ~~Rules and~~ procedures, unless otherwise stated by the Corporation.

Section 2 - Membership Qualifications and Standards for Clearing Members

~~The Subject to the limitations set forth in this Rule 2A, the~~ Board may approve an application to become a Clearing Member by a Person that is eligible to apply to become a Clearing Member pursuant to this Rule upon a determination that such applicant meets the following requirements:

* * *

- (e) Financial Responsibility - The applicant shall:
 - (i) have sufficient financial ability to make anticipated required deposits to the Clearing Fund as provided for in Rule 4 and anticipated Cash Settlement amounts

as provided for in Rule 11, and to meet all of its other obligations to the Corporation in a timely manner; and

(ii) satisfy the following minimum financial requirements:

(A) ~~for applicants whose Financial Statements are prepared in accordance with U.S. generally accepted accounting principles:~~
Bank Clearing Member

~~(1) if~~ **If** the applicant is **a bank or a trust company chartered under the laws of the United States, or a State thereof,** applying to become a Bank Clearing Member, it must **(i) have a level of equity capital as of the end of the month prior to the effective date of its membership** **CET1 Capital** of at least \$~~100~~**500** million, ~~and its capital levels and ratios must meet the~~ **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 Clearing 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—minimum levels for such as) and capital ratios required by its Appropriate Regulatory Agency (or, if the applicant's Appropriate Regulatory Agency does not specify any such minimum levels, home country regulator, or, if greater, with such minimum levels as would be capital requirements or ratios required if by the Member were a member bank of the Federal Reserve System and the Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System); 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) (2) Dealer Clearing Member - If ~~if~~ the applicant is registered with the SEC pursuant to Section 15 or ~~Section~~ 15C of the Exchange Act and is applying to become a Dealer Clearing Member, it must have, ~~as of the end of the calendar month prior to the effective date of its membership,~~ (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) ~~(3)~~ **Inter-Dealer Broker Clearing Member - If** if the applicant is registered with the SEC pursuant to Section 15 or ~~Section~~ 15C of the Exchange Act and is applying to become an Inter-Dealer Broker Clearing Member, it must have, ~~as (1) Net Worth of the end of the calendar month prior to the effective date of its membership 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;

(D) **Unregistered Investment Pool Clearing Member**

~~(4)(1) if~~ **If** if the applicant is applying to become an Unregistered Investment Pool Clearing Member, it must have an investment advisor domiciled in the United States. ~~The and registered with the SEC. An applicant that is an~~ Unregistered Investment Pool ~~applicant~~ must have Net Assets of at least \$250 million ~~in Net Assets. An Unregistered Investment Pool that does not meet the \$250 million such Net Asset Assets requirement, but has Net Assets of at least \$100 million, shall be eligible for membership if the Unregistered Investment Pool's investment advisor advises an existing Member and has assets under management of at least \$1.5 billion. An Unregistered Investment Pool must have an investment advisor registered with the SEC; and~~

(2) In addition to the above, applicants that are Unregistered Investment Pools must obtain at least a "medium" rating on a qualitative assessment performed by the Corporation in which the Corporation will assess certain factors of the applicant, such as management, capital, strategy, risk profile, internal controls, and any other factors deemed relevant by the Corporation. The Corporation shall perform the assessment of each factor at the level at which the responsibility for such factor exists at the applicant (e.g., at the Unregistered Investment Pool level, at the level of the Unregistered Investment Pool's investment advisor or other service provider, or some combination thereof).

(E) **Government Securities Issuer Clearing Member - If the applicant is applying to become a Government Securities Issuer Clearing Member, it must have equity capital of at least \$100 million.**

- (F) Insured Credit Union Clearing Member - If the applicant is applying to become an Insured Credit Union Clearing Member, it must have equity capital of at least \$100 million and be “well capitalized” as defined by the NCUA under 12 C.F.R. Part 702.**
- (G) Registered Investment Company Clearing Member - If the applicant is applying to become a Registered Investment Company Clearing Member, it must have Net Assets of at least \$100 million.**
- (H) Foreign Member - If the applicant applying to become a Clearing Member is a Foreign Person, it must, at a minimum, satisfy its home country regulator’s minimum financial requirements, in addition to the following:**
- (1) In the case of a Foreign Person that is a broker or dealer (and not applying to become a Dealer Clearing Member or Inter-Dealer Broker Clearing Member), it must have total equity capital of at least \$25 million; and**
- (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 Clearing 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 requirements or ratios required 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.**
- The Corporation may, based on information provided by or concerning an applicant that is a Foreign Person, also assign minimum financial requirements for the applicant based on (i) how closely the applicant resembles an existing category of Clearing Member and (ii) the applicant’s risk profile, which assigned minimum financial requirements will be promptly communicated to, and discussed with, the applicant.**
- (I) Other - If the applicant is not otherwise addressed in this Section 2(e)(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 Clearing 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.

~~(5) if the applicant is applying to become a Government Securities Issuer Clearing Member, it must have at least \$100 million in equity capital;~~

~~(6) if the applicant is applying to become a Registered Investment Company Clearing Member, it must have minimum Net Assets of \$100 million.~~

~~(7) if the applicant is applying to become an Insured Credit Union Clearing Member, it must have a level of equity capital as of the end of the month prior to the effective date of its membership of at least \$100 million and achieve the "well capitalized" statutory net worth category classification as defined by the NCUA under 12 C.F.R. Part 702.~~

~~(8) For all other applicants, sufficient net worth, liquid capital, regulatory capital, or Net Assets, as applicable to the particular type of entity as determined by the Corporation, and subject to approval of such minimum membership standards by the SEC.~~

~~If the applicant in sections (1) through (8) above is a Foreign Person that is applying to become a Foreign Clearing Member, it must satisfy the minimum financial requirements: (i) defined by reference to regulatory capital as defined by the applicant's home country regulator, or (ii) in the case of unregulated entities, as defined by the Corporation in its discretion, that are applicable to the Clearing System membership category that the Corporation determines, in its sole discretion, would be applicable to the Foreign Person if it were organized or established under the laws of the United States or a State or other~~

~~political subdivision thereof, subject to subsections (B), (C) and (D) below if the entity's financial statements are not prepared in accordance with U.S. generally accepted accounting principles. For Unregistered Investment Pools, subsections (B), (C) and (D) shall apply to the following figures cited in subsection (A)(4) above: the \$250 million in Net Assets, the \$100 million in Net Assets.~~

~~(B) — for applicants whose Financial Statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of 1985 (UK generally accepted accounting principles), or Canadian generally accepted accounting principles, the minimum financial requirements shall be one and one-half times the applicable requirements set forth in subsection (A) above.~~

~~(C) — for applicants whose Financial Statements are prepared in accordance with the generally accepted accounting principles of a European Union country other than the United Kingdom, the minimum financial requirements shall be five times the applicable requirements set forth in subsection (A) above.~~

~~(D) — for applicants whose financial statements are prepared in accordance with any other type of generally accepted accounting principles, the minimum financial requirements shall be seven times the requirements set forth in subsection (A) above.~~

(f) 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.

~~(g) — In addition to the above, applicants that are Unregistered Investment Pools must obtain at least a “medium” rating resulting from a qualitative assessment performed by the Corporation whereby the Corporation will assess certain factors, such as management, capital, strategy and risk profile, internal controls, and any other factors deemed relevant by the Corporation. The Corporation shall perform the assessment of each factor at the level (e.g., at the Unregistered Investment Pool level, at the level of the Unregistered Investment Pool's investment advisor or other service provider, or some combination thereof) at which the responsibility for such factor falls.~~

~~The foregoing financial responsibility standards are only minimum requirements, and 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 impose greater standards. If an applicant does not itself satisfy the above minimum capital requirements, the Board may include for such purposes the capital of an Affiliate of the applicant, if the Affiliate has delivered to the Corporation a guaranty, satisfactory in form and substance to the Board, of the obligations of the applicant to the Corporation.~~

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RULE 3 - ONGOING MEMBERSHIP REQUIREMENTS

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

Section 1 – Requirements

The **eligibility**, qualifications and standards set forth in Rule 2A **in respect of an applicant shall continue to be continuing membership requirements 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 Clearing Members

Each Clearing Member shall submit to the Corporation the reports and other information set forth below and such other reports and 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 ~~such each~~ fiscal year, certified without qualification by the Member’s independent certified public accountants and prepared in accordance with generally accepted accounting principles; ~~and~~

(b) if the Member is a broker or dealer registered under Section 15 ~~or 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 **Financial and Operational Combined Uniform Single Report (“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, and (ii) any supplemental reports required to be filed with the SEC pursuant to ~~SEC Exchange Act~~ Rule 17a-11 or 17 C.F.R. Section 405.3;

(c) if the Member is a ~~domestic U.S.~~ bank or ~~a~~ trust company, a copy of the Member’s **CALL Consolidated Report of Condition and Income (“Call Report”)** submitted to its Appropriate Regulatory Agency and, to the extent not contained within such ~~CALL Call~~ Reports (or to the extent that ~~CALL 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 ~~applicant 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 broker, dealer or bank established or organized ~~in under~~ the ~~United Kingdom laws of a non-U.S. jurisdiction~~ and subject to regulation by ~~the United Kingdom's Financial Services Authority (or successor authority)~~ its home country regulator in such jurisdiction, a copy of ~~its Financial Services Authority any~~ reports submitted to such home country regulator;

(e) if the Member is a Foreign ~~Clearing~~ Member other than one that is a broker, dealer or bank ~~organized or established in the United Kingdom and regulated by the Financial Services Authority subject to regulation by its home country regulator in such jurisdiction~~, financial information as requested by the Corporation;

(f) if the Member is an Unregistered Investment Pool ~~as defined in these Rules~~, a copy of the monthly certified statements of assets and liabilities on standard form signed by the Chief Financial Officer or equivalent of such Unregistered Investment Pool;

(g) if the Member ~~is does~~ not fall within clauses (b) through (f) above, copies of the Member's unaudited financial information as specified by the Corporation for ~~such each~~ and quarter;

(h) for any Member ~~which that~~ has satisfied the financial requirements imposed by the Corporation pursuant to these Rules by means of a guaranty of its obligations by ~~an Affiliate a 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.

Moreover, any Member that has provided to the SEC any notice required pursuant to paragraph (e) of ~~the SEC's 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 (g) 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, Clearing 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.

In furtherance of the preceding paragraph, a Member that is a bank or trust company established or chartered under the laws of a non-U.S. jurisdiction (including a Bank Clearing 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) 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, Foreign-~~Clearing~~ Members ~~who that~~ are regulated **by their home country regulator and Bank Clearing 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 ~~a Member an entity~~ does not comply with the financial reporting and responsibility standards set by ~~its their~~ home country regulator. Foreign ~~Clearing~~ Members ~~who that~~ are regulated **by their home country regulator and Bank Clearing 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~~ **Business Days** of becoming subject to a disciplinary action by their home country regulator.

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Section 6 - General Continuance Standards^[1]

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 2A 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~~ **Business Days** from the date on which the Member first learns of its non-compliance. The Corporation may 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~~ **Business Days** of learning of an investigation or proceeding to which it is or is becoming subject that would cause the Member to fall out of compliance with any of the relevant qualifications and standards for membership set forth in Rule 2A and this Rule. 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

^[1] **The changes to Section 6 will not be subject to the 12-month implementation delay; rather, these changes will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when these changes are implemented, and this footnote will automatically be removed from this Rule.]**

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 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 ~~and/or be subject to enhanced surveillance~~ by the Corporation consistent with the provisions of Section 11 of this Rule. The Corporation may also, in its sole discretion, if it believes it necessary to protect itself and its Members, require a Member to deliver to the Corporation a guaranty of an Affiliate of the Member, satisfactory in form and substance to the Corporation, of the obligations of the Member to the Corporation.

* * *

Section 11 – Ongoing Monitoring^[1]

(a) All 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 Clearing Member that files the ~~Consolidated Report of Condition and Income~~ (“Call Report”), (B) a Dealer Clearing Member or Inter-Dealer Broker Clearing Member that files the ~~Financial and Operational Combined Uniform Single Report~~ (“FOCUS Report”) or the equivalent with its regulator, or (C) a Bank Clearing Member that is a Foreign Person 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 6 of Rule 3, or as may be otherwise required under ~~the~~ these Rules (including Section 11 of this Rule 3, ~~Section 11~~).
- (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 11 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

^[1] The changes to Section 11 will not be subject to the 12-month implementation delay; rather, these changes will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when these changes are implemented, and this footnote will automatically be removed from this Rule.]

Member being placed on the Watch List, ~~and/or it may subject the Member to enhanced surveillance~~ 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~~ these Rules.

(c) Members other than those specified in paragraph (b)(i) of this Section 11 will not be assigned a credit rating by the Credit Risk Rating Matrix but may be placed on the Watch List ~~and/or they may be subject to enhanced surveillance~~ 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 11 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 if the Corporation has a reasonable concern 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 6 of this Rule 3).

(e) The Corporation may require a Clearing 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 (which additional deposit shall constitute a portion of the Clearing 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 Clearing Member that has been placed on the Watch List as provided in Section 10 of Rule 4.

(f) A Member ~~being subject to enhanced surveillance or~~ 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 ~~and/or subject to enhanced surveillance~~ to make more frequent financial disclosures, including, without limitation, interim and/or pro forma reports. Members that are subject to ~~enhanced surveillance~~ 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 ~~and/or subject to enhanced surveillance~~) as are permitted by ~~the~~ these Rules.

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RULE 3A - CASH SETTLING BANK MEMBERS

[Changes to this Rule, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. On [date 12 months from date of approval], these changes will be implemented and this legend will automatically be removed from this Rule.]

* * *

(c) On an ongoing basis:

(i) Cash 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) Cash Settling Bank Members approved as such pursuant to subsection (b)(ii) above must maintain their status as a Government Securities Division Funds-Only Settling Bank Member or re-apply under subsections (b)(i), (b)(iii) or (b)(iv).

(iii) Cash Settling Bank Members approved as such pursuant to subsection (b)(iii) above must maintain their status as a Member or re-apply under subsections (b)(i), (b)(ii) or (b)(iv).

(iv) Cash Settling Bank Members 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 Cash Settling Bank Members 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 Cash Settling Bank Members 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 Cash Settling Bank to be Well Capitalized.

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INTERPRETIVE GUIDANCE WITH RESPECT TO WATCH LIST CONSEQUENCES

[Changes to this Interpretive Guidance, as amended by File No. SR-FICC-2021-009, are available at <https://www.dtcc.com/legal/sec-rule-filings>. These changes have been approved by the SEC but have not yet been implemented. These changes will be implemented on or prior to [date 90 days from date of approval]. The Corporation will issue an Important Notice when these changes are implemented, and this legend will automatically be removed from this Interpretive Guidance.]

Being placed on the Watch List may result in Clearing Fund-related consequences under the Rules:

A. *Clearing Fund-Related Consequences*

1. Additional Clearing Fund Deposits

Pursuant to Section 11(e) of Rule 3, the Corporation may require a Clearing 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 Clearing 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 Clearing Member, which may include a review of the Clearing Member's credit rating/~~enhanced surveillance~~ history and outlook;
- b. the liquidity arrangement, if any, of the Clearing Member;
- c. the Clearing Fund requirement history, transaction volume trends, simulated close-out results, stress test results, backtest results and outstanding positions of the Clearing Member;
- d. adverse news reports and/or regulatory concerns relating to the Clearing Member; and
- e. any additional concerns relating to the financial or operational condition of the Clearing Member.

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