



**NATIONAL
SECURITIES
CLEARING
CORPORATION**

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Bolded, underlined text indicates added language.

~~Bolded, strikethrough text~~ indicates deleted language.

RULE 2A. INITIAL MEMBERSHIP REQUIREMENTS

SEC. 1. ELIGIBILITY FOR MEMBERSHIP

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

A. Qualifications

A Person shall be qualified to become a participant if it satisfies the qualifications for membership applicable to its membership type, as set forth in Addendum B of these Rules.

B. Membership Standards

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C. Application Documents

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

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

Each applicant (as determined by the Corporation) must also fulfill, within the timeframes established by the Corporation, any operational testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion), **network and connectivity testing at the current NSCC standards (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) that may be imposed by the Corporation to ensure the operational capability of the applicant.

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RULE 2B. ONGOING MEMBERSHIP REQUIREMENTS AND MONITORING

SEC. 2. DATA TO BE FILED WITH THE CORPORATION

A. Reports and Information

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

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(f) with respect to a participant 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; and

(g) with respect to a participant that has provided to the SEC any notice required pursuant to paragraph (e) of the SEC’s Rule 15c3-1 shall notify the Corporation of the provision of such notice, and shall furnish the Corporation with a copy of such notice, by the Close of Business on the day that it so provides such notice to the SEC.

Each Member and Limited Member shall complete and deliver to the Corporation a Cybersecurity Confirmation at least every two years, on a date that is set by the Corporation and following notice that is provided no later than 180 calendar days prior to such due date.

Each Member, Limited Member, or Sponsored Member shall maintain or upgrade their network technology, or communications technology or protocols on the systems that connect to the Corporation to the version being required and within the time periods as provided by Important Notice posted to the Corporation’s website.

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

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

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

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¹ This may include a trade reporting facility that: (i) is affiliated with, and is operated as a facility of, a self-regulatory organization (SRO), and (ii) the rules and operations of which are the subject of a rule change of the SRO that has been duly filed with the SEC and is effective.

ADDENDUM P

FINE SCHEDULE

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3) Failure to notify and supply required data as provided for under these Rules & Procedures **or to perform the upgrade to their network technology, or communications technology or protocols as required under these Rules in the time specified** (other than as provided in items one, two, four, five and six of this addendum): Each single offense, \$5,000.00 fine. If the Member's failure to notify applies to more than one DTCC clearing agency subsidiary (DTC, NSCC and/or FICC), the fine amount will be divided equally among the clearing agencies. Where the Member is a participant of DTC and is a common member of one or more of the other clearing agencies, the fine would be collected by DTC and allocated equally among other clearing agencies, as appropriate. If the member is not a DTC participant, but is a common member between NSCC and FICC, NSCC will collect the fine and allocate the appropriate portion to FICC

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