EXHIBIT 5A

OCC By-Laws

Blue underlined text indicates new text

~~Blue strikethrough~~ text indicates deleted text

~~Blue double strikethrough~~ text indicates existing rule text that is being relocated from OCC's By-Laws, as indicated in **[brackets]** herein

ARTICLE I - DEFINITIONS

Definitions

SECTION 1. Unless the context requires otherwise (or except as otherwise specified in the By-Laws or Rules), the terms defined herein shall, for all purposes of these By-Laws and the Rules of the Corporation, have the meanings herein specified.

A.

(1) through (9) [No change]

~~**Appointed Clearing Member**~~
~~(10) The term "Appointed Clearing Member" means a Clearing Member that, in accordance with the provisions of Rule 901, has been appointed by an Appointing Clearing Member to make settlement of obligations of the Appointing Clearing Member to deliver or receive underlying securities arising from the exercise or maturity of cleared securities.~~
[Relocated to Chapter I of the Rules]

~~**Appointing Clearing Member**~~
~~(11) The term "Appointing Clearing Member" means a Clearing Member that, in accordance with the provisions of Rule 901, has appointed an Appointed Clearing Member to make settlement of obligations of the Appointing Clearing Member to deliver or receive underlying securities arising from the exercise or maturity of cleared securities.~~
[Relocated to Chapter I of the Rules]

(12) through (16) renumbered as (10) through (14)

* * * * *

B.

(1) through (3) [No change]

Borrowing Clearing Member
(4) The term "Borrowing Clearing Member" means any ~~Hedge Clearing Member or Market Loan~~ Clearing Member that borrows Eligible Stock in a Stock Loan.

(5) through (8) [No change]

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C.

(1) [No change]

~~**Canadian Clearing Member**~~
~~(2) The term "Canadian Clearing Member" means a Non-U.S. Clearing Member formed and operating under the laws of Canada or a province thereof with its principal place of business in Canada.~~
[Relocated to Chapter I of the Rules]

~~**Canadian Hedge Clearing Member**~~
~~(3) The term "Canadian Hedge Clearing Member" means a Canadian Clearing Member approved to participate in the Stock Loan/Hedge Program.~~

(4) through (10) renumbered (2) through (8)

CFTC
(9) The term CFTC means the U.S. Commodity Futures Trading Commission.

(11) through (15) renumbered (10) through (14)

Clearing Member
(~~16~~15) The term "Clearing Member" means a person or organization that has been admitted to membership in the Corporation pursuant to the provisions of the By-Laws and Rules. References in the By-Laws or Rules to the term "Clearing Member" preceded by a capitalized reference to an underlying interest or a cleared contract, e.g., a "Stock Clearing Member," or a "Security Futures Clearing Member," shall be deemed to be to a Clearing Member approved in accordance with ~~Article V of the By-Laws~~ Chapter II of the Rules to clear transactions in options on the specified underlying interest, or in the cleared contract, as applicable, provided that the term "Stock Clearing Member" shall be deemed to include a Clearing Member approved to clear transactions in BOUNDs as well as stock options, the term "Treasury Securities Clearing Member" shall mean a Clearing Member approved to clear transactions in Treasury Securities options excluding yield-based Treasury options and the term "Index Clearing Member" shall mean a Clearing Member approved to clear transactions in cash-settled options other than OTC options and flexibly structured options on fund shares that are cash settled. The term "OTC Index Option Clearing Member" means a person that has been approved to clear OTC index options.

(17) through (39) renumbered (16) through (38)

D.

(1) through (7) [No change]

Designated Examining Authority
(8) The term "Designated Examining Authority" means the self-regulatory organization designated by the SEC pursuant to SEC Rule 17d-1 under the Securities Exchange Act of 1934 as having responsibility for examining the Clearing Member or the Clearing Member's "designated self-regulatory organization", as defined in the Rules of the Commodity Futures Trading Commission, as applicable.

(8) through (9) renumbered (9) through (10)

~~**Domestic Clearing Member**~~
~~(10) The term "Domestic Clearing Member" means any Clearing Member other than a "Non-U.S. Clearing Member" as defined in this Article I.~~

* * * * *

F.

~~**FATCA**~~
~~(1) The term "FATCA" means (i) the provisions of Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, which were enacted as part of The Foreign Account Tax Compliance Act (or any amendment thereto or successor sections thereof), and related Treasury Regulations and other official interpretations thereof, as in effect from time to time, and (ii) the provisions of any intergovernmental agreement to implement The Foreign Account Tax Compliance Act as in effect from time to time between the United States and the jurisdiction of the FFI Clearing Member's residency.~~
[Relocated to Chapter I of the Rules]

~~**FATCA Compliant**~~
~~(2) The term "FATCA Compliant" or "FATCA Compliance" means, with respect to an FFI Clearing Member, that such FFI Clearing Member has qualified under such procedures promulgated by the Internal Revenue Service as are in effect from time to time to establish an exemption from withholding under FATCA such that the Corporation will not be required to withhold any amount with respect to any payment or deemed payment to such FFI Clearing Member under FATCA.~~
[Relocated to Chapter I of the Rules]

~~**FFI Clearing Member**~~

~~(3) The term "FFI Clearing Member" means any Clearing Member that is treated as a non-U.S. entity for U.S. federal income tax purposes.~~
[Relocated to Chapter I of the Rules]

(4) through (16) renumbered (1) through (13)

* * * * *

H.

~~**Hedge Clearing Member**~~
~~(1) The term "Hedge Clearing Member" means a Clearing Member approved to participate in the Stock Loan/Hedge Program.~~

(2) through (3) renumbered (1) through (2)

* * * * *

L.

(1) [No change]

Lending Clearing Member
(2) The term "Lending Clearing Member" means any ~~Hedge Clearing Member or Market Loan~~ Clearing Member that lends Eligible Stock in a Stock Loan.

(3) through (6) [No change]

M.

(1) through (3) [No change]

~~**Market Loan Clearing Member**~~
~~(4) The term "Market Loan Clearing Member" means a Stock Clearing Member approved to participate in the Market Loan Program.~~

(5) through (7) renumbered (4) through (6)

Matched-Book Borrowing Clearing Member
(~~8~~7) The term "Matched-Book Borrowing Clearing Member" shall mean, with respect to any Matched-Book Positions in the Stock Loan/Hedge Program, the ~~Hedge~~ Clearing Member that borrows Eligible Stock from a ~~Hedge~~ Clearing Member maintaining Matched-Book Positions in that Eligible Stock.

Matched-Book Lending Clearing Member
(~~9~~8) The term "Matched-Book Lending Clearing Member" shall mean, with respect to any Matched-Book Positions in the Stock Loan/Hedge Program, the ~~Hedge~~ Clearing Member that lends Eligible Stock to a ~~Hedge~~ Clearing Member maintaining Matched-Book Positions in that Eligible Stock.

Matched-Book Positions
(~~10~~9) The term "Matched-Book Positions" shall mean Hedge Loan positions in which a single ~~Hedge~~ Clearing Member borrows Eligible Stock from a Matched-Book Lending Clearing Member and lends an equal or lesser amount of the same Eligible Stock to a Matched-Book Borrowing Clearing Member.

(11) through (16) renumbered (10) through (15)

N.

Non-Customer
(1) The term "non-customer" in respect of any person carrying an account with a broker or dealer (other than an account that is required to be segregated under Section 4d of the Commodity Exchange Act) means a person that is not a customer of such broker or dealer as defined in Rules 8c-1 and 15c2-1 under the Securities Exchange Act of 1934. In addition, the term "non-customer" shall include a Member Affiliate that (a) has consented to having its securities account at a Clearing Member treated as a noncustomer account; (b) has executed a non-conforming subordination agreement which has been filed with the Clearing Member's ~~d~~Designated ~~e~~Examining ~~a~~Authority (in a form approved by such ~~d~~Designated ~~e~~Examining ~~a~~Authority), pursuant to which the Member Affiliate (i) has agreed to subordinate its claims against the Clearing Member in respect of such account to the claims of "customers" as defined in Rule 15c3-3 of the Securities Exchange Act of 1934; (ii) provides written acknowledgment that its securities account is not covered by the Securities Investor Protection Act of 1970 and that any credit balances in the account are not subject to foreign investor protection (including appropriate disclosure of these two points if the Member Affiliate's assets are not proprietary); (iii) contains a written representation that the subordinated assets (funds and securities) are not those of U.S. customers; and (c) has attached to such non-conforming subordination agreement an opinion of counsel to the effect that the Member Affiliate is legally authorized to subordinate its claims against such Clearing Member to the claims of other Rule 15c3-3 customers; provided,

however, that the requirements set forth in clauses (a), (b) and (c) shall not apply to a Member Affiliate that is registered as a broker-dealer under the Securities Exchange Act of 1934.

(2) through (3) [No change]

~~**Non-U.S. Regulatory Agency**~~
~~(4) The term "Non-U.S. Regulatory Agency" shall mean that government agency or self-regulatory authority primarily responsible for regulating the activities of a Non-U.S. Clearing Member. With respect to a Canadian Clearing Member such term shall mean the Investment Industry Regulatory Organization of Canada.~~
[Relocated to Chapter I of the Rules]

~~**Non-U.S. Securities Firm**~~
~~(5) The term "Non-U.S. Securities Firm" shall mean a securities firm: (1) formed and operating under the laws of a country other than the United States; (2) with its principal place of business in that country; and (3) that is subject to the regulatory authority of that country's government or an agency or instrumentality thereof, or subject to the regulatory authority of an independent organization or exchange in that country. The term "Non-U.S. Securities Firm" shall not include any broker-dealer registered, or required to be registered, with the Securities and Exchange Commission pursuant to Section 15 of the Securities Exchange Act of 1934, as amended or any futures commission merchant registered, or required to be registered, as such pursuant to Section 4d of the Commodity Exchange Act, as amended. The term "Non-U.S. Clearing Member" shall mean a Non-U.S. Securities Firm that has been admitted to membership in the Corporation pursuant to the provisions of the By-Laws and Rules. The term "exempt Non-U.S. Clearing Member" shall mean a Non-U.S. Clearing Member that has made an election pursuant to Rule 310.~~
[Relocated to Chapter I of the Rules]

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Q.

~~**Qualified Intermediary Assuming Primary Withholding Responsibility**~~
~~(1) The term "Qualified Intermediary Assuming Primary Withholding Responsibility" means an FFI Clearing Member that has entered into an agreement with the Internal Revenue Service to be a qualified intermediary and to assume primary responsibility for reporting and for collecting and remitting withholding tax pursuant to Chapters 3 and 4 of subtitle A, and Chapter 61 and Section 3406, of the Internal Revenue Code with respect to any income (including Dividend Equivalents) arising from transactions entered into by the Clearing Member with the Corporation as an intermediary, including transactions entered into on behalf of such Clearing Member's customers.~~
[Relocated to Chapter I of the Rules]

~~**Qualified Derivatives Dealer**~~

~~(2) The term "Qualified Derivatives Dealer" means an FFI Clearing Member that has entered into an agreement with the Internal Revenue Service that permits the Corporation to make Dividend Equivalent payments or deemed payments to such Clearing Member free from U.S. withholding tax pursuant to Chapters 3 and 4 of subtitle A, and Chapter 61 and Section 3406, of the Internal Revenue Code with respect to transactions entered into by such Clearing Member with the Corporation as a principal (i.e., for such Clearing Member's own account).~~
[Relocated to Chapter I of the Rules]

Quarterly Option
(~~3~~1) The term "quarterly option" means an option of a series of stock options or index options that expires on the last business day of a calendar quarter. The term "quarterly index option" means a quarterly option on an index.

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S.

SEC
(1) The term SEC means the U.S. Securities and Exchange Commission.

~~**Section 871(m) Effective Date**~~
~~(1) The term "Section 871(m) Effective Date" means January 1, 2017, or, if later, the date on which Section 871(m) of the Internal Revenue Code of 1986, as amended, and related Treasury Regulations and other official interpretations thereof, first apply to any type of listed options transactions.~~

~~**Section 871(m) Implementation Date**~~
~~(2) The term "Section 871(m) Implementation Date" means such date on or after December 1, 2016 as the Corporation may designate in an Information Memo issued to its Clearing Members.~~

(3) through (26) renumbered (2) through (25)

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ARTICLE V – ~~CLEARING MEMBERS~~RESERVED

~~**Qualifications**~~

~~SECTION 1. (a) Any person registered as a broker-dealer under the Securities Exchange Act of 1934, as amended, or any Non-U.S. Securities Firm, shall be eligible to become a Clearing Member; and in addition, a futures commission merchant registered under Section 4f(a)(1) of the Commodity Exchange Act shall be eligible to become a Clearing Member for the purpose of~~

~~clearing transactions in commodity futures, futures options and commodity options. Each applicant to become a Clearing Member must meet the initial Clearing Member financial requirements then in effect and maintain facilities and personnel adequate for the expeditious and orderly transaction of business with the Corporation and other Clearing Members. Every applicant must meet such additional non-discriminatory standards of financial responsibility, operational capability, experience and competence as may from time to time be prescribed in the statutory rules of the Corporation. The Corporation may, and in cases in which the Securities and Exchange Commission, by order, directs as appropriate in the public interest, shall disapprove the application for clearing membership of any person subject to a statutory disqualification.~~
[Relocated in part to proposed Rules 201, 201(d), and 204(c)]

~~(b) Notwithstanding any other provision of the By-Laws or Rules, no broker or dealer registered under Section 15(b)(11) of the Securities Exchange Act of 1934 shall clear transactions or carry positions in cleared securities other than security futures.~~
[Relocated to new Rule 201(b)(4)]

~~(c) The procedures of the Corporation may provide that a Clearing Member shall not clear transactions in a particular type of product unless, in addition to satisfying any specific requirements applicable to such type of product set forth in the By-Laws and Rules, the Corporation has specifically approved the Clearing Member to clear such type of product.~~
[Relocated to new Rule 201(c)]

~~(d) Any Clearing Member who holds positions in physically-settled metals futures or options on such futures is required to be a member of the Exchange on which the products are traded.~~
[Relocated to new Rule 201(b)(2)(iii)]

~~(e) Beginning on the Section 871(m) Implementation Date, no applicant that, if admitted, would be an FFI Clearing Member, will be admitted to membership unless such applicant is a Qualified Intermediary Assuming Primary Withholding Responsibility and FATCA Compliant. In order to be able to conduct any transaction or activity through the Corporation for its own account, such applicant also must be a Qualified Derivatives Dealer. If such applicant currently is admitted, such applicant must cease conducting any transaction or activity through the Corporation for its own account until it is a Qualified Derivatives Dealer, but may continue to conduct any other authorized transaction or activity through the Corporation provided it is a Qualified Intermediary Assuming Primary Withholding Responsibility and FATCA Compliant.~~
[Relocated to new Rule 202(a)]

~~***. . . Interpretations and Policies:***~~

~~**.01** *Financial Responsibility*. The Risk Committee will not approve any application for clearing membership if:~~
[Relocated to new Rule 204(a)]

~~a. the applicant fails to meet the initial financial requirements set forth in the OCC Rules;~~
[Relocated to new Rule 204(a)]

~~b. the applicant has sustained net pre-tax losses, after giving effect to realized and unrealized gains and losses in trading, investment or other proprietary accounts, (i) during the three calendar months preceding the month in which the application is considered, in a net amount equal to 30% or more of the excess of its net capital at the end of such three-month period over the initial net capital required by the Rules; (ii) during the two calendar months preceding the month in which the application is considered, in a net amount equal to 25% or more of such excess net capital, or (iii) during the calendar month preceding the month in which the application is considered, in a net amount equal to 15% or more of such excess net capital;~~

~~c. the applicant was listed in the special surveillance list (SIPC Form 5A) most recently filed with the Securities Investor Protection Corporation by the applicant's designated Examining Authority or is subject to similar special financial surveillance procedures imposed by a regulatory or self-regulatory authority under the Commodity Exchange Act; or~~

~~d. the applicant lacks access to sufficient financial resources to meet obligations arising from clearing membership in extreme but plausible market conditions, as determined by the Corporation for purposes of this Rule.~~
[Replaced by/consolidated with Rule 301(d)]

~~**.02** *Operational Capability*. The Risk Committee will not approve any application for clearing membership unless:~~

~~a. the applicant:~~

~~1. is in compliance with all applicable requirements with respect to the maintenance of books and records under the Securities Exchange Act of 1934, the Commodity Exchange Act, or both, as the case may be; or~~
[Relocated to new Rule 302(c)]

~~2. in the case of a Non-U.S. Securities Firm other than a Non-U.S. Securities Firm that is applying for clearing membership as an exempt Non-U.S. Clearing Member, maintains those books and records necessary to reflect accurately its net capital, aggregate indebtedness and debt-equity total as defined by Securities and Exchange Commission Rule 15c3-1, or, in the case of a Non-U.S. Securities Firm that is applying for clearing membership as an exempt Non-U.S. Clearing Member, maintains those books and records necessary to comply with the reporting requirements of its Non-U.S. Regulatory Agency and with such additional requirements as the Corporation may impose;~~

~~b. the applicant employs personnel and utilizes procedures which, in the opinion of the Risk~~

~~Committee, are operationally sufficient to enable the applicant to discharge its functions as a Clearing Member in a timely and efficient manner, including the ability to process expected volumes and values of transactions cleared by the Clearing Member within required time frames, including at peak times and on peak days; the ability to fulfill collateral, payment, and delivery obligations as required by the Corporation, and the ability to participate in applicable default management activities, including auctions, as may be required by the Corporation and in accordance with applicable laws and regulations~~
[Relocated to new Rule 302(d)]

~~c. the applicant's Designated Examining Authority (or designated self-regulatory organization, in the case of an applicant primarily regulated as a futures commission merchant) has stated that it has no objections to the application for clearing membership; provided that, upon the written request of an applicant, the Risk Committee may, in exceptional cases and where good cause is shown, waive the foregoing requirement.~~
[Relocated to new Rule 204(f)]

~~**.03** *Experience and Competence*. The Risk Committee has discretion not to approve, and will not approve if so ordered by the SEC, any application for clearing membership if:~~

~~a. the applicant is subject to a "statutory disqualification," as defined in Section 3 of the Securities Exchange Act of 1934, as amended, or, in the case of an applicant regulated as a futures commission merchant, the applicant or a principal of the applicant, as defined in Section 8a(2) of the Commodity Exchange Act, is subject to statutory disqualification under Section 8a(2) (4) of the Commodity Exchange Act, or, in the case of a Non-U.S. Securities Firm, any similar provision of the laws or regulations applicable to such Non-U.S. Securities Firm;~~
[Relocated to Chapter I of the Rules]

~~b. the applicant or any natural person associated with the applicant has engaged and there is a reasonable likelihood he will again engage in acts or practices inconsistent with just and equitable principles of trade; or~~
[Relocated to new Rule 204(d)]

~~c. the applicant lacks substantial experience in clearing the kind(s) of cleared contracts that the applicant proposes to clear or related kinds of transactions (e.g., stock transactions where the applicant proposes to clear physically-settled options or futures on individual stocks or futures transactions where the applicant proposes to clear futures options), and has failed, in the opinion of the Risk Committee, to employ back-office personnel with sufficient experience to compensate for the applicant's lack of such experience.~~
[Relocated to new Rule 303(a)]

~~The terms "associated person" and "person associated with an applicant" as used in these Interpretations and Policies means any partner, officer, director, or branch manager of such applicant (or any person occupying a similar status or performing similar functions), any person~~

~~directly or indirectly controlling, controlled by, or under common control with such applicant, or any employee of such applicant.~~

~~In respect of clause (a) above, the applicant must notify the Corporation in writing if the applicant is or becomes subject to a statutory disqualification as soon as practicable upon learning of such statutory disqualification and in any event within 5 business days. The applicant must provide the Corporation with any information and forms, including amendments thereto, related to the statutory disqualification provided to the SEC, the CFTC or any self-regulatory organization, including, as applicable, any amended Form BD, Financial Industry Regulatory Authority ("FINRA") Form MC-400A, and any written response to a National Futures Association ("NFA") Rule 504 Notice of Intent or other written request for relief addressed to a self-regulatory organization. Applicants that are not members of NFA or FINRA must provide to the Risk Committee, at a minimum, the information required by FINRA Form MC-400A in addition to any forms or written responses filed with any self-regulatory organization or regulatory agency with respect to a statutory disqualification or similar provision of the laws or regulations applicable to such applicant. If an applicant fails to provide the notice required by this paragraph, the Risk Committee has discretion not to approve such applicant's application for clearing membership.~~
[Consolidated with/replaced by Rule 217(b) and relocated to new Rule 306A(c)]

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~~In addition, the Risk Committee will not approve any application for clearing membership unless:~~

~~In respect of clause (c) above, an applicant for clearing membership or at least one associated person of applicant:~~

~~a. in the case of a broker-dealer registered under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934), must be registered as a "Limited Principal - Financial and Operations" with the Financial Industry Regulatory Authority or must have passed the appropriate qualification examination for registration as such;~~
[Consolidated with/replaced by Rule 214(a) and moved to new Rule 303(b) with revisions]

~~b. in the case of a Non-U.S. Securities Firm that is applying for clearing membership as an exempt Canadian Clearing Member, must be registered as such Canadian Clearing Member's Chief Financial Officer with the Investment Industry Regulatory Organization of Canada; or~~
[Consolidated with/replaced by Rule 214(a) and moved to new Rule 303(b) with revisions]

~~c. in the case of a Non-U.S. Securities Firm other than one which is applying for clearing membership as an exempt Non-U.S. Member, has taken and successfully completed any applicable OCC financial and operational examination for employees who are responsible for supervising the preparation of applicant's financial reports.~~

[Consolidated with/replaced by Rule 214(a) and moved to new Rule 303(b) with revisions]

~~d. in the case of a futures commission merchant or other registrant registered under Section 4f of the Commodity Exchange Act that is not a broker-dealer registered under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934, must meet such other non-discriminatory standards of experience and competence as the Corporation may prescribe.~~

[Consolidated with/replaced by Rule 214(a) and moved to new Rule 303(b) with revisions]

~~If an applicant elects to use an associated person to satisfy the requirements of the foregoing clauses applicable to such applicant that associated person shall be a full-time employee of the applicant. The Risk Committee may exempt from the applicable requirements of the foregoing clauses any applicant for clearing membership which entered into a facilities management agreement in accordance with Interpretation and Policy .05 below. Upon the written request of an applicant, the Risk Committee may, in exceptional cases and where good cause is shown, waive the foregoing requirements and accept other standards as evidence of an applicant's experience in clearing securities, futures options, commodity options or futures transactions.~~

~~In addition, the Risk Committee will not recommend the approval of any application for clearing membership unless:~~

~~d. at least two key operations employees of the applicant who shall be full-time employees of such applicant have attended all applicable OCC operations readiness review sessions and successfully completed any applicable OCC operational and financial examinations for operations employees, provided that the Risk Committee may, upon the applicant's written request, waive the requirement that the operations employees be full-time employees of the applicant if the applicant's daily operations are conducted by staff employed on a full-time basis by an entity affiliated with the applicant; and~~
~~e. if the applicant has not applied for authorization to clear all types of transactions (i.e., customer transactions, firm transactions, market-maker and JBO Participant transactions), or all kinds of transactions (e.g., transactions in stock options, Treasury securities options, foreign currency options, cross-rate foreign currency options, cash-settled options, futures options, commodity options and futures), or has not applied to carry positions in its accounts on a routine basis, or has not applied to be a Hedge Clearing Member, the applicant shall have undertaken to apply to the Risk Committee for further approval before commencing to clear any type or kind of transaction for which approval is not currently being sought, before carrying positions in its accounts on a routine basis, or before participating in the Stock Loan/Hedge Program, as applicable.~~

[Relocated to new Rule 203(c)]

~~In the event that expedited treatment is requested for an application submitted pursuant to clause (e) above, the Chief Executive Officer, Chief Operating Officer, or any delegate of such officer, shall have the authority to approve or disapprove such application on a temporary basis. Any delegate shall be an officer of the rank of Managing Director or higher. Thereafter, at the next~~

~~scheduled meeting of the Risk Committee, the Risk Committee shall independently review the submitted application and shall determine de novo whether to approve or disapprove such application. Should the Risk Committee's determination result in the modification or reversal of the action taken by the Chief Executive Officer, Chief Operating Officer or any delegate of such officer, any acts taken by the Corporation prior to such modification or reversal shall not be invalidated nor shall any rights of any person arising out of such acts be affected. Notwithstanding the foregoing, in the event a Hedge Clearing Member submits an application to become a Market Loan Clearing Member pursuant to clause (e) above, the Chief Executive Officer, Chief Operating Officer, or any delegate of such officer shall have the authority to approve or disapprove such application without further review by the Risk Committee. Any delegate shall be an officer of the rank of Managing Director or higher.~~

[Relocated to new Rule 203(c)]

~~**.04** *Fitness Standards.* In addition to the standards of financial responsibility, operational capability and experience and competence, the Risk Committee shall consider the criteria of the Fitness Standards for Directors, Clearing Members and Others, as adopted or amended by the Board of Directors from time to time, before approving any application for clearing membership.~~

[Relocated to new Rule 201(e)]

~~**.05** *Facilities Management.* In determining whether the requirements of Sections .02, .03c, .03d, and .03e of this Interpretation have been satisfied by an applicant, the Risk Committee will consider the provisions of a written agreement ("facilities management agreement") between the applicant and another Clearing Member ("Managing Clearing Member"), approved by the Corporation, pursuant to which the Managing Clearing Member agrees to perform certain of the applicant's obligations as a Clearing Member for (i) the transaction of business with the Corporation and other Clearing Members and (ii) the maintenance of required books and records. The Corporation shall not approve a facilities management agreement in which a Clearing Member acts as Managing Clearing Member, and such facilities management agreement shall be of no force or effect, unless:~~

[Relocated to new Rule 303(d)]

~~a. The agreement clearly sets forth the specific facilities management services (the "managed services") which are to be performed by the Managing Clearing Member on behalf of a Clearing Member (the "Managed Clearing Member") and the respective duties and obligations of the Managing Clearing Member and Managed Clearing Member. The Risk Committee will not approve any application for membership unless the applicant demonstrates in accordance with this Interpretation that it has the operational capability, experience and competence to perform those duties and obligations which are not required under the terms of the agreement to be performed by the Managing Clearing Member.~~

[Relocated to new Rule 303(d)]

~~b. The agreement provides that it will not be terminated until 30 days after written notice of such termination is provided (i) by the terminating party to the Corporation, and (ii) if the terminating~~

~~party is the Managing Clearing Member, by the terminating party to the Managed Clearing Member.~~

[Relocated to new Rule 303(d)]

~~c. The agreement provides for its termination in the event the Managing Clearing Member shall no longer be approved by the Corporation to act as a Managing Clearing Member. A Clearing Member shall be approved by the Corporation to act as a Managing Clearing Member only so long as the Corporation continues to be satisfied after conducting periodic reviews that the Managing Clearing Member has the requisite operational capability, experience and competence, and has allocated sufficient resources and experienced staff, to enable it properly to serve as a Managing Clearing Member under all facilities management agreements to which it is a party and that it shall have and shall maintain net capital of not less than the amount prescribed in the Rules for Managing Clearing Members. Each Clearing Member will be required to undergo a further operational readiness review each time it expands its facilities management activities by an additional four Managed Clearing Members.~~

[Relocated to new Rule 303(d)]

~~**.06** *Additional Membership Criteria*. If the Risk Committee determines that the applicant's financial or operational condition, in relation to the business that the applicant is expected to transact with the Corporation, makes it necessary or advisable, for the protection of the Corporation, Clearing Members, or the general public, the Risk Committee may impose: (i) additional financial requirements on an applicant for clearing membership, including, but not limited to, requiring such applicant to increase its net capital or to make and maintain an initial margin deposit, or (ii) restrictions on the applicant's clearance of confirmed trades. Additional requirements or restrictions imposed pursuant to this Section shall remain in force for the period determined by the Risk Committee, but in any event not later than the end of the first three calendar months commencing after the applicant's admission to clearing membership. The imposition of additional requirements or restrictions pursuant to this Section shall not preclude the Corporation from imposing contemporaneous requirements or restrictions pursuant to other provisions of the By-Laws and Rules, including without limitation, Rule 305.~~

[Relocated to new Rule 204(g)]

~~**.07** *Designation as a Hedge Clearing Member*. In order to be designated as a Hedge Clearing Member, a Clearing Member must (i) be a member of the Depository (as defined in Article XXI of the By-Laws) or be a Canadian Clearing Member on behalf of which CDS maintains an identifiable sub-account in a CDS account at the Depository, provided that CDS is a participant of the Depository eligible to perform the necessary functions on behalf of the Canadian Clearing Member during the period when such Canadian Clearing Member has in effect an appointment of CDS pursuant to the provisions set forth in this Interpretation, and (ii) execute such agreements and other documents as the Corporation may prescribe.~~

[Relocated to new Rule 302(e)(1)]

~~A Canadian Hedge Clearing Member on behalf of which CDS maintains an identifiable sub-~~

~~account in a CDS account at the Depository may appoint, in such manner as the Corporation shall from time to time prescribe, CDS to act on its behalf with respect to effecting delivery orders for stock loan and stock borrow transactions in the accounts of the Canadian Hedge Clearing Member through the Depository. An appointment pursuant to this paragraph shall become effective as of the second business day following the day on which the Corporation shall receive written notice of the appointment from the Canadian Hedge Clearing Member, or such later date as may be specified by the Canadian Hedge Clearing Member, and (unless the Corporation shall terminate the appointment at an earlier time) shall remain effective until the close of business on the thirtieth calendar day after the Corporation shall have received, from either the Canadian Hedge Clearing Member or CDS, written notice of revocation of the appointment, and shall remain effective thereafter, with respect to each obligation of the Canadian Hedge Clearing Member to close out open stock loan and borrow positions directed to CDS prior to the effective date of the revocation, until the close out of all such positions is completed. If, for any reason, CDS ceases to act on behalf of the Canadian Hedge Clearing Member with respect to effecting delivery orders for stock loan and stock borrow transactions, the Corporation may require the Canadian Hedge Clearing Member to close out open stock loan and borrow positions through buy-in and sell-out procedures, or any other procedures provided in the By-Laws or Rules, as necessary.~~ **[Relocated to new Rule 2201(c)]**~~The Canadian Hedge Clearing Member shall promptly notify the Corporation, in writing, if it knows or reasonably expects that CDS will cease, or if CDS has ceased, to act on behalf of the Canadian Hedge Clearing Member with respect to effecting delivery orders for stock loan and stock borrow transactions.~~ **[Relocated to new Rule 306A(b)(2)(L)]**~~During the effectiveness of an appointment pursuant to this paragraph, the Canadian Hedge Clearing Member shall remain responsible to the Corporation with respect to its stock loan and borrow positions, regardless of any non-performance or failure by CDS, and the Corporation may treat any failure by CDS to complete delivery or payment required to close out an open stock loan or borrow position as a default by such Clearing Member and the Corporation may thereby exercise all remedies that the Corporation has under its By-Laws and Rules against a defaulting Clearing Member and the collateral deposited by the Clearing Member.~~ **[Relocated to new Rule 2201(d)]**

~~**.07A** *Designation as a Market Loan Clearing Member*. In order to be designated as a Market Loan Clearing Member with respect to a particular Loan Market, a Clearing Member must be a Hedge Clearing Member and (i) be a U.S. Clearing Member, (ii) be a subscriber to such Loan Market with full access to services provided by the Loan Market, (iii) be a member of the Depository that has provided the Depository with written authorization to honor instructions issued by the Corporation against such Clearing Member's account at the Depository, and (iv) execute such agreements and other documents as the Corporation may prescribe. A separate designation is required for each Loan Market in which a Clearing Member participates. A Market Loan Clearing Member shall continue to comply with all conditions referred to in (i) – (iv) above until the Clearing Member has terminated all open stock borrow and loan positions resulting from Market Loans.~~
[Relocated to new Rule 302(e)(2)]

~~**.08** *Admission of Clearing Member Affiliates to Clear Security Futures*. If an affiliate of an entity that is currently a Clearing Member applies to become a Clearing Member solely in order to clear transactions in futures or future options, the Corporation will endeavor to perform an expedited review of the affiliate's qualifications as appropriate under the circumstances of each case and, in particular, the degree to which the experience and operational resources of the existing Clearing Member can be called upon by the affiliate. The Corporation shall have the ability to waive normal membership requirements (other than financial requirements) and review procedures, temporarily or permanently, where appropriate.~~

~~**.09** Any Clearing Member that is a Stock Clearing Member on the day on which the Corporation commences clearing security futures shall be authorized to clear physically-settled stock futures, and any Clearing Member that is an Index Clearing Member on the day on which the Corporation commences clearing security futures shall be authorized to clear cash-settled stock futures and index futures.~~

~~**.10** *Regulatory Authorization*. A Clearing Member must be: (i) registered as a broker-dealer under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934 (the "Exchange Act") (a "fully registered broker-dealer"); (ii) registered as a futures commission merchant ("FCM") under Section 4f(a)(1) of the Commodity Exchange Act (the "CEA") (a "fully registered FCM"); or (iii) a Non-U.S. Securities Firm. In addition, in order to clear transactions in particular types of products, a Clearing Member must be in compliance with all registration and other regulatory requirements applicable to that activity. In that regard, the following specific requirements will ordinarily apply:~~
[Relocated to new Rule 201(b)]

~~(a) In order to clear transactions in options other than futures options or commodity options, a Clearing Member must be a fully-registered broker-dealer or a Non-U.S. Securities Firm.~~

~~(b) In order to clear transactions in commodity futures, futures options and commodity options, a Clearing Member must be (i) a fully registered FCM or (ii) not required by the CEA or the regulations of the Commodity Futures Trading Commission (the "CFTC") to be registered as an FCM. (An exclusion from the FCM registration requirement under the CEA would ordinarily be available to a firm that clears only transactions that are for a "proprietary account" as defined in the regulations of the CFTC.)~~
[Relocated to new Rule 201(b)]

~~(c) In order to clear transactions in security futures products, a Clearing Member must be: (i) a fully registered broker-dealer that is also (A) a fully registered FCM, (B) notice-registered as an FCM under Section 4f(a)(2) of the CEA, or (C) not required to register as an FCM under the CEA and the regulations of the CFTC; (ii) a fully registered FCM that is notice-registered as a broker-dealer under Section 15(b)(11)(A) of the Exchange Act; or (iii) a Non-U.S. Securities Firm.~~
[Relocated to new Rule 201(b)]

~~**.11** *Designation as an OTC Index Option Clearing Member*. In order to be designated as an OTC Index Option Clearing Member, a Clearing Member must (i) be a broker-dealer registered under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934 or a Non-U.S. Securities Firm; (ii) execute and maintain in effect such agreements and other documents as the Corporation may prescribe (including, for purposes of clearing OTC index options on indices published by the Standard & Poor's Financial Services LLC ("S&P"), a short-form index license agreement in the form specified from time to time by S&P); (iii) be a user of or participant in an OTC Trade Source for the purpose of affirming and submitting confirmed trades to the Corporation for clearance; and (iv) meet such other requirements as the Corporation may specify. An OTC Index Option Clearing Member shall continue to comply with all conditions described above until the Clearing Member has closed out all open positions in OTC index options.~~
[Relocated to new Rule 201(b)]

~~**Admission Procedure**~~

~~SECTION 2. (a) Applications for clearing membership shall be in such form and contain such information as the Corporation shall from time to time prescribe. The Risk Committee shall review and approve or disapprove such applications for clearing membership. The Risk Committee, or its designated delegates or agents, may examine the books and papers of any applicant, take such evidence as they may deem necessary or employ such other means as they may deem desirable or appropriate to ascertain relevant facts bearing upon the applicant's qualifications. If the Risk Committee proposes to disapprove an application for clearing membership, it shall first furnish the applicant with a written statement of its proposed recommendation and the specific grounds therefor, and afford the applicant an opportunity to be heard and to present evidence on its own behalf. If the Risk Committee disapproves the application, written notice of its decision, accompanied by a statement of the specific grounds therefor, shall be mailed or delivered to the applicant. An applicant shall have right to present such evidence as it may deem relevant to its application. A verbatim record shall be kept of any hearing held pursuant hereto.~~
[Relocated to new Rule 203(a)]

~~(b) Authority to approve applications for clearing membership shall be delegated to the Chief Executive Officer, or Chief Operating Officer, provided that: (i) the Risk Committee's designated delegates or agents do not recommend that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of this Article V, and (ii) the Risk Committee is given not less than five business days from the date it is notified by its designated delegates or agents that the Chief Executive Officer or Chief Operating Officer intends to approve a given application to determine that such application should be reviewed at a meeting of the Risk Committee and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period.~~

~~(c) The Board of Directors shall be informed of all applications for membership at its next regularly scheduled meeting.~~

~~**Conditions to Admission**~~

~~SECTION 3. No applicant shall be admitted as a Clearing Member until the applicant has deposited with the Corporation its initial contribution to the Clearing Fund in the amount required by Chapter X of the Rules and has signed and delivered to the Corporation an agreement in such form as the Corporation shall require, including applicant's agreements (a) to clear through the Corporation, either directly or through another Clearing Member, all of its confirmed trades and all other transactions which the By-Laws or the Rules may require to be cleared through the Corporation, (b) to abide by all provisions of the By-Laws and the Rules and by all procedures adopted pursuant thereto, (c) that the By-Laws and the Rules shall be a part of the terms and conditions of every confirmed trade or other contract or transaction which the applicant, while a Clearing Member, may make or have with the Corporation, or with other Clearing Members in respect of cleared contracts, or which may be cleared or required to be cleared through the Corporation, (d) to grant the Corporation all liens, rights and remedies set forth in the By-Laws and the Rules, (e) to pay to the Corporation all fees and other compensation provided by or pursuant to the By-Laws and the Rules for clearance and for all other services rendered by the Corporation to the applicant while a Clearing Member, (f) to pay such fines as may be imposed on it in accordance with the By-Laws and the Rules, (g) to permit inspection of its books and records at all times by the representatives of the Corporation and to furnish the Corporation with all information in respect of the applicant's business and transactions as the Corporation or its officers may require, (h) to make such payments to or in respect of the Clearing Fund as may be required from time to time, (i) to comply, in the case of Non-U.S. Securities Firms, with the guidelines and restrictions imposed on domestic broker-dealers regarding the extension of credit, as provided by Section 7 of the Securities Exchange Act of 1934 and Regulation T promulgated thereunder by the Board of Governors of the Federal Reserve System, with respect to any customer account that includes cleared contracts issued by the Corporation, (j) to comply, in the case of Non-U.S. Securities Firms, with the Rules of the Financial Industry Regulatory Authority governing maintenance margin and cut-off times for the submission of exercise notices by customers, and (k) to consent, in the case of Non-U.S. Securities Firms, to the jurisdiction of Illinois courts and to the application of United States law in connection with any dispute with the Corporation arising from membership.~~
[Relocated to new Rule 204(b)]

~~***. . . Interpretations and Policies:***~~

~~**.01** Each applicant that has been approved for clearing membership subject to satisfaction of specified conditions shall meet all conditions applicable to its admission within six months from the date on which its application was approved, unless the Risk Committee prescribed an earlier date at the time the applicant was approved for clearing membership. In the event that an applicant fails to meet such conditions within the applicable time period, the approval of the~~

~~application shall be deemed withdrawn and the application shall be deemed to have lapsed, unless the Corporation shall determine to extend the deadline for fulfilling such conditions. Any applicant seeking an extension under this paragraph shall submit a written request to the Secretary, specifying in detail any material changes that have occurred in applicant's financial condition, operational capability and experience and competence in clearing securities transactions from the date on which its application for clearing membership was approved by the Risk Committee. The Chief Executive Officer, Chief Operating Officer, or, if it is not feasible for the Chief Executive Officer or Chief Operating Officer to take such action, then a Designated Officer shall have the authority to approve or disapprove the applicant's request for an extension, which shall be communicated in writing to the applicant. In no event may that deadline be extended beyond one year from the date the application originally was approved.~~
[Relocated to new Rule 204(e)]

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ARTICLE XI – AMENDMENT OF THE BY-LAWS AND THE RULES

Amendment of the By-Laws

SECTION 1. The By-Laws may be amended at any time by the Board of Directors upon the affirmative vote of two-thirds of the directors then in office (but not less than a majority of the number of directors fixed by these By-Laws); provided that Sections 2, 3 and 5 of Article II, Article III, ~~the first two sentences of Section 1 of Article V,~~ the first sentence of Section 10 of Article VI, Sections 11 and 11A of Article VI, Article VIIA, Article VIIB, Section 9 of Article IX, and this Section 1 of Article XI may not be amended by action of the Board of Directors without the approval of the holders of all of the outstanding Common Stock of the Corporation.

Amendment of the Rules

SECTION 2. [No change]

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ARTICLE XXI – STOCK LOAN/HEDGE PROGRAM

Introduction through Section 1 [No change]

Role of the Corporation

SECTION 2.

(a) through (b) [No change]

(c) The Corporation may at any time terminate the outstanding Stock Loans relating to one or more particular Eligible Stocks upon a determination by the Corporation, in its sole discretion, that such action is warranted by reason of the lack of substantial volume in such Stock Loans, the impending termination of business on the part of the Corporation, the inability of the Corporation from time to time to maintain in effect satisfactory arrangements with the Depository, or other circumstances in which the Corporation in its sole discretion determines that such action is necessary or appropriate for the protection of the Corporation, its Clearing Members or the public. The Corporation may effect a termination pursuant to this paragraph (c) by giving written notice thereof to all affected ~~Hedge~~ Clearing Members specifying the date on which such termination is to become effective, which date shall be a stock loan business day at least two stock loan business days after the date of such notice.

. . . Interpretations and Policies:

.01 If a Lending Clearing Member and a Borrowing Clearing Member complete the termination of a Stock Loan at a price other than the correct settlement price for the termination, the Corporation will treat the termination as having been completed at the correct settlement price. If the records of the Corporation show that a Lending Clearing Member and a Borrowing Clearing Member are party on a particular day to two or more Stock Loans between them in respect of a particular Eligible Stock but having different termination settlement prices (this might occur because one or more of the Stock Loans was initiated on that day) and the Lending Clearing Member and the Borrowing Clearing Member complete the termination of a Stock Loan at a price other than the correct settlement price for the termination of any of the Stock Loans, the Corporation will determine which of the Stock Loans will be deemed to have been terminated in accordance with its procedures as in effect from time to time, and will treat the termination as having been completed at the correct settlement price for that Stock Loan. In any of these events, the records of the Corporation shall be dispositive as between the Corporation and each of the two ~~Hedge~~ Clearing Members, the Lending Clearing Member and the Borrowing Clearing Member will be responsible for reconciling the discrepancy between the actual price and the settlement price utilized by the Corporation among themselves and, notwithstanding paragraph (a) of this Section, the Corporation shall have no responsibility to either the Borrowing Clearing Member or the Lending Clearing Member to reconcile the discrepancy.

SECTION 3. [No change]

SECTION 4. [No change]

Maintaining Stock Loan and Stock Borrow Positions in Accounts

SECTION 5. [No change]

. . . Interpretations and Policies:

.01 Until such time as the Corporation determines that appropriate regulatory approvals have been obtained, a ~~Hedge~~ Clearing Member is not permitted to allocate stock loan or stock borrow positions resulting from Stock Loans to any proprietary X-M account, non-proprietary X-M account, internal non-proprietary cross-margining account or segregated futures account.

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ARTICLE XXIA – MARKET LOAN PROGRAM

Introduction through SECTION 4 [No change]

Maintaining Stock Loan and Stock Borrow Positions in Accounts

SECTION 5. (a) [No change]

(b) Notwithstanding the provisions of Section 3 of Article VI of the By-Laws, stock loan and stock borrow positions resulting from Market Loans may be maintained in any of a ~~Market Loan~~ Clearing Member's accounts with the Corporation. For the purposes of Section 3 of Article VI of the By-Laws, stock loan positions resulting from Market Loans shall be deemed to be "securities" and stock borrow positions resulting from Market Loans shall be deemed to be "funds," and the authority of the Corporation to close out "positions" in any account shall include the authority to close out such stock loan and stock borrow positions.

[Section 5 of this Article supplements Section 3 of Article VI of the By-Laws.]

. . . Interpretations and Policies:

.01 Until such time as the Corporation determines that appropriate regulatory approvals have been obtained, a ~~Market Loan~~ Clearing Member is not permitted to allocate stock loan or stock borrow positions resulting from Market Loans to any proprietary X-M account, non-proprietary X-M account, internal non-proprietary cross-margining account or segregated futures account.

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