

Bold and underlined text indicates proposed added language.

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

**NATIONAL SECURITIES CLEARING CORPORATION
RULES & PROCEDURES**

NATIONAL SECURITIES CLEARING CORPORATION RULES

RULE 1. DEFINITIONS AND DESCRIPTIONS

[Changes to this Rule, as amended by File No. SR-NSCC-2024-008, are available at www.dtcc.com/legal/sec-rule-filings. These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Rule.]

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~~Eligible ID Net Security~~

~~The term “Eligible ID Net Security” has the meaning specified in Rule 65.~~

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~~ID Net Subscriber~~

~~The term “ID Net Subscriber” has the meaning specified in Rule 65.~~

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~~Net Unsettled Position~~

For purposes of calculating each Member’s required contribution to the Clearing Fund pursuant to Procedure XV, the term “Net Unsettled Position” as used in Procedure XV means a Member’s net of unsettled Regular Way, When-Issued and When-Distributed positions in CNS Securities that have not yet passed Settlement Date and net positions in CNS Securities that did not settle on Settlement Date. **~~Transactions submitted through the ID Net Service are excluded from Net Unsettled Positions.~~**

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RULE 3. LISTS TO BE MAINTAINED

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SEC. 1.

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~~(f) The Corporation shall maintain a list of Eligible ID Net Securities as defined in Rule 65 and may from time to time add CNS Securities to such list or remove CNS Securities therefrom.~~

(gf) The Corporation shall maintain a list of the securities that may be the subject of a novated Securities Financing Transaction and may from time to time add securities to such list or remove securities therefrom.

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RULE 18. PROCEDURES FOR WHEN THE CORPORATION CEASES TO ACT

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SEC. 2. (a) Except as otherwise may be determined by the Board of Directors the following transactions of a Member for which the Corporation has ceased to act shall be excluded from all operations of the Corporation applicable to such transactions:

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(v) any cash adjustment relating to OW Obligations of the Member forwarded to settlement in accordance with the Obligation Warehouse procedure; **and**

(vi) any uncompleted ACATS transaction in accordance with Rule 50; **and**

~~(vii) any uncompleted transaction processed through the ID Net Service in accordance with Rule 65.~~

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RULE 65. ~~ID NET SERVICE~~**(RULE NUMBER RESERVED FOR FUTURE USE)**

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SEC. 1. General

~~(a) — The Corporation may offer a service to provide a means by which a broker/dealer Member can clear certain of its customer-side activity in Eligible ID Net Securities (as defined in this Rule 65) that is transmitted to or from the Corporation’s agency accounts established on behalf of the broker/dealer Member at a Qualified Securities Depository. Such activity is processed through the CNS accounting system of the Corporation when the customer is a contra-side participant of a Qualified Securities Depository, and such participant has agreed with the applicable Qualified Securities Depository to the delivery of applicable securities directly to the agency accounts established on behalf of broker/dealer Members participating in this service. Such a broker/dealer Member meeting the qualifications of this Rule (an “ID Net Subscriber”) may participate in this service which shall be known as the “ID Net Service,” and shall be accomplished in accordance with this Rule.~~

~~The rights, liabilities and obligations of ID Net Subscribers in their capacity as such shall be governed by this Rule 65 in addition to the Rules of the Corporation as they apply to them in their capacity as Members; except that in the event of a conflict between such Rules, Rules applying to ID Net Subscribers in their capacity as Members generally shall govern.~~

SEC. 2. Qualifications of ID Net Subscribers

~~An ID Net Subscriber must meet the qualifications set forth in this Rule. An ID Net Subscriber must be: (i) an existing Member of the Corporation, and (ii) eligible for CNS processing.~~

SEC. 3. Documentation and Requests for Status as an ID Net Subscriber

~~(a) — Each Member that wishes to become an ID Net Subscriber shall complete and deliver to the Corporation documentation, in such form as prescribed by the Corporation from time to time and shall provide such other reports and information as the Corporation may determine or appropriate. The applicant shall sign and deliver to the Corporation an agreement or acknowledgement, the form of which shall be determined by the Corporation from time to time, whereby the applicant shall agree to the terms and conditions of this Rule 65 and such other terms not inconsistent with this Rule 65 that are deemed by the Corporation to be necessary to protect itself or its participants. An applicant shall provide such reports and information as the Corporation may determine is appropriate.~~

~~(b) The Corporation shall approve a request of a Member to become an ID Net Subscriber pursuant to this Rule 65 upon a determination by the Corporation~~

~~that the Member has satisfied the qualifications and requirements for ID Net Subscribers as set forth in this Rule 65.~~

~~SEC. 4. Eligible ID Net Securities~~

~~Subject to limitations set forth by the Corporation from time to time, any CNS Security shall be an "Eligible ID Net Security".~~

~~SEC. 5. Obligations and Rights applicable to an ID Net Subscriber~~

~~(a) An ID Net Subscriber covenants to the Corporation as follows:~~

- ~~(i) to abide by the Rules of the Corporation applicable to an ID Net Subscriber and the use of the ID Net service, and to be bound by all the provisions thereof, and that the Corporation shall have all the rights and remedies contemplated by the applicable Rules of the Corporation;~~
- ~~(ii) that the applicable Rules of the Corporation shall be a part of the terms and conditions of every transaction which the ID Net Subscriber submits to the Corporation;~~
- ~~(iii) (iii) to pay to the Corporation such fees, charges and other amounts as may be established by the Corporation in connection with the ID Net Subscriber's use of ID Net Service or its status as an ID Net Subscriber, and to pay such fines or penalties as may be imposed in accordance with this Rule 65; and~~
- ~~(iv) (iv) to be bound by any amendment to the applicable Rules of the Corporation subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation, provided, however, that no such amendment shall affect its right to cease to be an ID Net Subscriber unless before such amendment becomes effective, it is given an opportunity to give written notice to the Corporation of its election to cease to be an ID Net Subscriber.~~

~~(b) The Corporation may determine to remove a Member's status as an ID Net Subscriber, or to suspend, limit or restrict its access to the ID Net Service, under the following circumstances:~~

- ~~(i) if the ID Net Subscriber is in such financial or operating difficulty that the Corporation has determined, in its discretion, that such action is necessary for the protection of the Corporation and its participants;~~

- ~~(ii) the ID Net Subscriber has failed to comply with any requirement of the Corporation, or if it no longer meets the qualifications for status as an ID Net Subscriber set forth in this Rule;~~
- ~~(iii) if the ID Net Subscriber is “insolvent” as defined in Rule 20 of these Rules; or~~
- ~~(iv) under any circumstances in which, in the reasonable discretion of the Corporation, adequate cause exists to do so.~~

~~Such action may be taken summarily if the Corporation determines in its reasonable discretion that such summary action is in the interests of the Corporation or its participants.~~

~~(c) The ID Net Service shall not be a guaranteed service of the Corporation. If the Corporation ceases to act for a Member that is an ID Net Subscriber pursuant to Rule 18 it may post appropriate offsetting positions in order to exit any uncompleted transactions from the ID Net Service.~~

~~SEC. 6. ID Net Processing~~

~~Transactions submitted through the ID Net Service shall be processed as set forth in Procedure XVI.~~

~~SEC. 7. Limitations on Liability~~

~~(a) Notwithstanding any other provision in the Rules of the Corporation: The Corporation will not be liable for any action taken, or any delay or failure to take any action, hereunder or otherwise to fulfill the Corporation’s obligations to its ID Net Subscribers, other than for losses caused directly by the Corporation’s gross negligence, willful misconduct, or violation of federal securities laws for which there is a private right of action. Under no circumstances will the Corporation be liable for the acts, delays, omissions, bankruptcy, or insolvency, of any third party, including, without limitation, any depository, custodian, sub-custodian, Settling Bank, Registered Clearing Agency, Affirming Agency, data communication service or delivery service (“Third Party”), unless the Corporation was grossly negligent, engaged in willful misconduct, or in violation of federal securities laws for which there is a private right of action in selecting such Third Party.~~

~~(b) Under no circumstances will the Corporation be liable for any indirect, consequential, incidental, special, punitive or exemplary loss or damage (including, but not limited to, loss of business, loss of profits, trading losses, loss of opportunity and loss of use) howsoever suffered or incurred, regardless of~~

~~whether the Corporation has been advised of the possibility of such damages or whether such damages otherwise could have been foreseen or prevented.~~

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PROCEDURE VII. CNS ACCOUNTING OPERATION

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-008, are available at www.dtcc.com/legal/sec-rule-filings. These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Procedure.]

A. Introduction

The CNS Accounting Operation processes transactions in CNS Securities. ~~Subject to the provisions of Procedure XVI, and for the purposes of this Procedure VII, references to CNS Securities shall include Eligible ID Net Securities.~~

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D. Controlling Deliveries to CNS

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1. Exemptions

Except as described below, each Member has the ability to elect to deliver all or part of any short position. It controls this process by Exemptions. By indicating a particular quantity as an Exemption, the Member directs the Corporation not to settle certain short positions or portions thereof. Exemptions govern short positions in the CNS Stock Record and not Designated Depository positions. All short positions or positions thereof for which no Exemption is indicated are settled automatically to the extent that the Member has made such securities available in the Member's Designated Depository account or they become available in its Designated Depository account through other depository activity. ~~Notwithstanding the above, a Member may not exempt delivery of any securities available in an agency account established at a Qualified Securities Depository for the processing of transactions through the ID Net Service.~~

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E. Influencing Receipts from CNS

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4. Allocation Algorithm

The algorithm which governs the allocation of long positions is based on priority groups in descending order and, for the day cycle only, age of position within a priority group and random numbers within age groups.

Priority groups include the following:

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- (d) ~~(i) long positions in a receiving ID Net Subscriber's agency account established at a Qualified Securities Depository, and~~ (ii) long positions against the component securities of index receipts;

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H. Miscellaneous CNS Activity

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~~5. ID Net Service~~

~~Pursuant to Rule 65 and Procedure XVI, ID Net Subscribers may enter into transactions eligible for the ID Net Service, and all such transactions are recorded on the Miscellaneous Activity Report. All removals of such transactions from the ID Net Service occurring in either day or night cycle are also recorded on the Miscellaneous Activity Report.~~

~~65.~~ Obligation Warehouse

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~~76.~~ Asset Servicing and Other Events; Revealing Counterparties

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PROCEDURE XV. CLEARING FUND FORMULA AND OTHER MATTERS

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-008, are available at www.dtcc.com/legal/sec-rule-filings. These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Procedure.]

I.(A) Clearing Fund Formula for Members

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

(1) For CNS Transactions

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(b) The net debit of each day's difference between (x) the contract price of such Member's Regular Way, When-Issued and When-Distributed net positions **(excluding transactions submitted through the ID Net service that have not yet passed Settlement Date** and its fail positions, and (y) the Current Market Price for such positions (such difference to be known as the "Mark-to-Market"); provided that the Corporation may, but shall not be required to, exclude from this calculation any shares delivered by the Member in the night cycle to satisfy all or any portion of a short position;

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PROCEDURE XVI. ~~ID NET SERVICE~~ (RESERVED FOR FUTURE USE)

[Changes to this Procedure, as amended by File No. SR-NSCC-2024-008, are available at www.dtcc.com/legal/sec-rule-filings. These changes become have been approved by the SEC but have not yet been implemented. On November 15, 2024, these changes will be implemented, and this legend will automatically be removed from this Procedure.]

~~The ID Net Service utilizes the settlement and delivery services operated by a Qualified Securities Depository for input and affirmation purposes related to transactions qualifying for the ID Net Service as set forth in Rule 65. Certain transactions which are between an ID Net Subscriber and a participant of the Qualified Securities Depository are affirmed through: (i) a Registered Clearing Agency, (ii) other entities which have obtained an exemption from such registration from the SEC, or (iii) Qualified Vendors as defined in the rules of the New York Stock Exchange, the National Association of Securities Dealers, or other self-regulatory organizations, as applicable, (an "Affirming Agency") in accordance with the applicable procedures of the Affirming Agency and then confirmed by such Affirming Agency as eligible for processing in the ID Net Service. If the transaction is affirmed and eligible for processing in the ID Net Service, such Affirming Agency then forwards the appropriate delivery instructions to the Qualified Securities Depository, which facilitates the movement of the transaction to an account at the Qualified Securities Depository maintained by the Corporation as agent on behalf of the ID Net Subscriber (the "ID Netting Subscriber Deliver Account"). The transaction is then entered into the CNS Accounting Operation on the evening prior to Settlement Date by the~~

~~Corporation on behalf of the ID Net Subscriber. On the night prior to Settlement Date, the ID Net Subscriber's CNS position, if any, will be updated for the quantity and value of the transaction versus creating an open obligation in the ID Netting Subscriber Deliver Account. For transactions in which the ID Net Subscriber is delivering securities to a participant at the Qualified Securities Depository, the ID Net Subscriber's position in the CNS Accounting Operation, if any, will be updated for the quantity and value of the transaction versus creating an open obligation in an agency account established for this purpose at the Qualified Securities Depository by the Corporation on behalf of the ID Net Subscriber (the "ID Netting Subscriber Receive Account"). Once the securities are credited to this account, the securities will be delivered to the appropriate participant account at the Qualified Securities Depository.~~

~~The ID Net Subscriber's counterparty settles transactions in the ID Net Service through the depository against the ID Netting Subscriber Deliver Account or the ID Netting Subscriber Receive Account, respectively, depending on whether it is delivering or receiving shares from the ID Net Subscriber.~~

~~If for any reason the full amount of the Eligible ID Net Securities for any ID Net transaction entered into the CNS Accounting Operation with respect to a particular transaction are not delivered to the Corporation prior to the cut-off time established by the Corporation from time to time or if before such cut-off time the securities delivered to the Corporation with respect to a particular transaction pursuant to this Procedure XVI no longer qualify as Eligible ID Net Securities the Corporation will make the following entries in order to remove the transaction from the ID Net Service and the CNS Accounting Operation, leaving the ID Net Subscriber and its counterparty to complete (or terminate) the original trade: (i) the Corporation will create an offsetting position in the ID Netting Receive Account versus the ID Net Subscriber position for the failed delivery in order to "return" the securities to the CNS Accounting Operation for normal allocation processing (pursuant to Section E.4. of Procedure VII), and (ii) the Corporation will post a long position to the ID Net Subscriber in the CNS Accounting Operation.~~

~~With respect to a particular transaction in the ID Net Service, in the event (i) a participant of the Qualified Securities Depository fails to deliver to the ID Netting Subscriber Deliver Account, and this failure to deliver is allocated pursuant to Section E.4. of Procedure VII to a Member other than the appropriate ID Net Subscriber, or (ii) securities are returned to the Corporation after a cut-off time established by the Corporation from time to time due to a failure of delivery from a ID Netting Subscriber Receive Account to a participant of the Qualified Securities Depository, then the Corporation shall post appropriate offsetting positions in order to exit the transaction from the ID Net Service.~~

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