EXHIBIT B

OCC Rules

Blue text indicates existing rule text that has been relocated from OCC's By-Laws, Rules or Interpretations and Policies thereto, as indicated in **[brackets]** herein

~~Blue double-strikethrough~~ text indicates deletions to existing rule text that is being relocated within OCC's Rules, as indicated in **[brackets]** herein

Blue underlined text indicates additions

~~Blue strikethrough~~ text indicates deletions

Red double-underline text indicates additions proposed by SR-OCC-2022-012

~~Red double-strikethrough~~ text indicates deletions proposed by SR-OCC-2022-012

CHAPTER I – DEFINITIONS

RULE 101 – Definitions

Unless the context otherwise requires, for all purposes of these rules, the terms herein shall have the meanings given them in Article I of the By-Laws of the Corporation or as set forth below:

A.

Appointed Clearing Member
(1~~0~~) The term "Appointed Clearing Member" means a Clearing Member authorized to clear physically-settled equity options and stock futures 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 from Article I of the By-Laws]

Appointing Clearing Member
(2~~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 from Article I of the By-Laws]

Authorized Representative
(~~1~~3) The term "authorized representative" of a Clearing Member means a person for whom the Clearing Member has filed evidence of authority pursuant to Rule 202.

* * * * *

C.

Clearing Bank
(1) The term “Clearing Bank” means a bank or trust company approved by the Risk Committee, which has entered into an agreement with the Corporation in respect of settlement of confirmed trades on behalf of Clearing Members.

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 or territory thereof with its principal place of business in Canada.
[Relocated from Article I of the By-Laws]

Canadian Investment Dealer

(3) The term "Canadian Investment Dealer" means a Non-U.S. Securities Firm formed and operating under the laws of Canada or a province or territory thereof that is investment dealer under such laws, that is a dealer member of the Investment Industry Regulatory Authority of Canada, and that has its principal place of business in Canada.

* * * * *

F.

~~Reserved.~~

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 from Article I of the By-Laws]

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 from Article I of the By-Laws]

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 from Article I of the By-Laws]

* * * * *

N.

(1) [No change]

Non-U.S. Regulatory Agency
(24) 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 from Article I of the By-Laws]

Non-U.S. Securities Firm
(35) 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 from Article I of the By-Laws]

* * * * *

P. ~~– Q.~~

Reserved.

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 from Article I of the By-Laws]

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 from Article I of the By-Laws]

R.

Regulatory Organization

(1) The term "regulatory organization" ~~as used in this paragraph~~ in respect of any Clearing Member, means: (1) the Securities and Exchange Commission and any other federal or state regulatory agency having jurisdiction over the Clearing Member (including the Commodity Futures Trading Commission ~~(the "CFTC")~~ in the case of a Clearing Member which is subject to the jurisdiction of the CFTC); (2) any self-regulatory organization (as defined in Section 3(a) of the Securities Exchange Act of 1934, as amended) of which the Clearing Member is a member or participant; (3) any clearing organization (as defined in Regulation Section 1.3(d) under the Commodity Exchange Act, as amended), board of trade, contract market and registered futures association of which the Clearing Member is a member or participant; and (4) in the case of a Non-U.S. Clearing Member, any Non-U.S Regulatory Agency or instrumentality or independent organization or exchange having jurisdiction over the Non-U.S. Clearing Member or of which the Non-U.S. Clearing Member is a member or participant.
[Relocated from Rule 303, Interpretation and Policy .01 with proposed revisions]

Restricted Letter of Credit

(~~1~~2) The term "restricted letter of credit" shall mean, in relation to a restricted lien account, a letter of credit deposited with the Corporation pursuant to Rule 604(c), or portion of the amount of such a letter of credit, which does not constitute margin for any account or accounts maintained by the depositing Clearing Member other than the account or accounts specified in the letter of credit.

S.

(1) through (2) [No change]

Statutory Disqualification
~~c.~~ (3) the ~~applicant is subject to a~~ term "Statutory ~~statutory~~ Disqualification ~~disqualification~~" means (i) in the case of a fully-registered broker-dealer, a statutory disqualification as defined in Section 3 of the Securities Exchange Act of 1934, as amended~~,~~; ~~or,~~(ii) in the case of ~~an applicant regulated as~~ a fully-registered futures commission merchant, the applicant or Clearing Member or a principal ~~of the applicant,~~ (as defined in Section 8a(2) of the Commodity Exchange Act)~~, is subject to~~ of the applicant or Clearing Member, a statutory disqualification under Section 8a(2)-

(4) of the Commodity Exchange Act~~,~~; or (iii) in the case of a Non-U.S. Securities Firm or bank, any similar provision of the laws or regulations applicable to such ~~Non-U.S. Securities Firm~~ applicant or Clearing Member.
[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .03.a, with proposed revisions]

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CHAPTER II – ~~MISCELLANEOUS REQUIREMENTS~~ CLEARING MEMBERSHIP

RULE 201 –Eligibility

[Unless otherwise indicated, blue text in this new Rule 201 is being relocated from OCC By-Laws, Article V, Section 1(a) and Interpretation and Policy .10, with proposed revisions marked in underlined and ~~strikethrough~~ text]

(a) To be eligible for membership, a Clearing Member must be:

~~**.10** *Regulatory Authorization*. A Clearing Member must be:~~ (~~i~~1) 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~~2) 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~~3) a Canadian Investment Dealer or other Non-U.S. Securities Firm as defined in the Corporation's Rules~~.~~; or

(4) a U.S. national bank registered with the Office of the Comptroller of the Currency for full-service operations, a U.S. state-chartered bank that is a member of the Federal Reserve System, or a U.S. state-licensed or federally-licensed branch of a non-U.S. bank where the non-U.S. bank is registered with its home country national banking regulatory authority that:

(i) maintains membership solely for purposes of clearing products for its own proprietary account(s) and not on behalf of others, including any affiliates or subsidiaries;

(ii) provides adequate assurance, in such form determined by the Corporation, that it does not engage in activity that would require registration as a broker-dealer, FCM, or any other registration status deemed relevant by the Corporation;

(iii) provides adequate assurance, in such form determined by the Corporation, that it is not prohibited from contributing to the Corporation's Clearing Fund;

(iv) with respect to all of its cleared contracts, stock loans and other transactions subject to the By-Laws and Rules of the Corporation (including without limitation, all "qualified financial

contracts") the Clearing Member must ensure that all such agreements and contracts: (1) are in writing; (2) are executed by the Clearing Member and the Corporation contemporaneously with the relevant transaction; (3) are continually maintained as an official record by the Clearing Member from the time of execution; and (4) are approved by the board of directors of the Clearing Member or its loan committee, which approval shall be reflected in the minutes of said board or committee (for the avoidance of doubt, the provisions of this clause (iv) are intended to give effect to Section 13(e) of the Federal Deposit Insurance Act, 12 U.S.C. 1823(e), and shall be interpreted in accordance with such provisions); and

(v) if it is a U.S. branch of a non-U.S. bank (a) the branch is subject to supervision and regulation by the Office of the Comptroller of the Currency, in the case of a federally-licensed branch, or by the applicable state banking regulator, in the case of a state-licensed branch and (b) the non-U.S. bank is subject to supervision and regulation by the Board of Governors of the Federal Reserve System pursuant to the International Banking Act of 1978, as amended, and other applicable U.S. banking laws.

(b) ~~In addition, in order to clear transactions in particular types of products, a~~ Clearing Members must be in compliance with all registration and other regulatory requirements applicable to ~~that activity~~ clearing a particular product type. In that regard, the following specific requirements will ordinarily apply:

(~~a~~1) ~~In order to~~To clear transactions in options other than futures options or commodity options, a Clearing Member must be ~~a~~:

(i) a fully-registered broker-dealer;

(ii) ~~or~~ a Canadian Investment Dealer or Non-U.S. Securities Firm~~.~~; or

(iii) an eligible bank.

(~~b~~2) ~~In order to~~To clear transactions in commodity futures, futures options and commodity options, a Clearing Member must:

(i) be 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.); and

(iii) ~~A~~any Clearing Member who holds positions in physically-settled ~~metals~~ futures or futures options ~~on such~~ other than security futures is required to be a member of the Exchange on which the products are traded.

[Relocated from OCC By-Laws, Article V, Section 1(d)]

(c3) In order to 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 Canadian Investment dealer or other Non-U.S. Securities Firm.; or

(iv) an eligible bank.

(4) 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 will clear transactions or carry positions in cleared securities other than security futures.
[**Relocated from OCC By-Laws, Article V, Section 1(b)**]

(5) To clear transactions in Stock Loan, a Clearing Member must be:

(i) a fully-registered broker-dealer;

(ii) Canadian Investment Dealer or other Non-U.S. Securities Firm; or

(iii) an eligible bank.

(6) *Designation as an OTC Index Option Clearing Member*. In order to be designated as an OTC Index Option Clearing Member, a To clear OTC Index Options, a Clearing Member must:

(i) be a broker-dealer registered under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934, a Canadian Investment Dealer or other a Non-U.S. Securities Firm, or an eligible bank;

(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 will continue to comply with all conditions described above until the Clearing Member has closed out all open positions in OTC index options.

[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .11, with proposed revisions]

(c) The procedures of the Corporation may provide that a Clearing Member ~~shall~~ cannot 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 from OCC By-Laws, Article V, Section 1(c)**]

(d) ~~Every applicant~~ Each Clearing Member must meet such additional non-discriminatory standards of financial responsibility, operational capability, risk management capability, experience and competence as may from time to time be prescribed in the statutory rules of the Corporation.
[Relocated from OCC By-Laws, Article V, Section 1(a) with proposed revisions]

.~~04~~(e) *Fitness Standards*. In addition to the standards of financial responsibility, operational capability, risk management capability, and experience and competence, the ~~Risk Committee~~ Corporation ~~shall~~ will 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 and other standards as set forth in these Rules or such other qualifications and standards as the Corporation may promulgate.
[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .04, with proposed revisions]

RULE 202 – Non-U.S. Entities and FFI Clearing Members

[Unless otherwise indicated, blue text in this new Rule 202 is being relocated from OCC Rule 310(d), with proposed revisions marked in underlined and strikethrough text]

(e~~a~~) ~~Beginning on the Section 871(m) Implementation Date, no~~ No applicant that, if admitted, would ~~be~~ meet the definition of 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~~ establishes to the satisfaction of the Corporation that its conduct of transactions or activities with or through the Corporation will not result in the imposition of taxes or withholding or reporting obligations with respect to amounts paid or received by the Corporation (other than U.S. federal and State income taxes imposed on the net income of the Corporation). If such taxes or obligations would be imposed with respect to amounts paid or received by the Corporation but for the qualification of the applicant for a special U.S. or foreign tax status, such as a FATCA Compliant Qualified Intermediary Assuming Primary Withholding

Responsibility, then the applicant's initial and ongoing membership will be conditioned on the applicant or Member qualifying for, maintaining, and documenting such status to the satisfaction of the Corporation. Under appropriate circumstances, an applicant meeting the requirements of this section for the purposes of some products but not others, or for transactions or activities in a specific capacity, such as an intermediary, may be admitted to conduct transactions or activities under limitations imposed by the Corporation and agreed to by the applicant.
[**Relocated from OCC By-Laws, Article V, Section 1(e), with proposed revisions**]

(d~~b~~)(1) ~~Beginning on the Section 871(m) Effective Date, (i) no FFI Clearing Member shall conduct any transaction or activity through the Corporation unless such FFI Clearing Member is a Qualified Intermediary Assuming Primary Withholding Responsibility and FATCA Compliant, and (ii) no FFI Clearing Member shall conduct any transaction or activity through the Corporation for its own account unless such Clearing Member is a Qualified Derivatives Dealer and such transaction is within the scope of the exemption from withholding tax for Dividend Equivalents paid to Qualified Derivatives Dealers pursuant to Chapters 3 and 4 of subtitle A, and Chapter 61 and Section 3406, of the Internal Revenue Code~~ Once admitted to membership, an FFI Clearing Member must not conduct any transaction or activity with or through the Corporation that would result in the imposition of taxes or withholding or reporting obligations with respect to amounts paid or received by the Corporation (other than U.S. federal and State income taxes imposed on the net income of the Corporation). Under appropriate circumstances, an FFI Clearing Member meeting the requirements of this section for the purposes of some products but not others, or for transactions or activities in a specific capacity, such as an intermediary, may be admitted to conduct transactions or activities under limitations imposed by the Corporation and agreed to by the FFI Clearing Member.

(2) Each FFI Clearing Member ~~shall~~ must certify annually to the Corporation that it satisfies the requirements of Rule ~~310(d)(1)~~ 202(b)(1) by providing to the Corporation appropriate ~~tax~~ documentation attesting to such Clearing Member's tax status~~, with the first such certification being delivered to the Corporation no later than the Section 871(m) Implementation Date~~. Each FFI Clearing Member ~~shall~~ must also update its certification to the Corporation when required by applicable law or administrative guidance and, if sooner, whenever the certification is no longer accurate.

(3) Each FFI Clearing Member ~~shall~~ must provide the Corporation with information relating to ~~Dividend Equivalents~~ payments the Corporation pays or is treated as paying to such Clearing Member in sufficient detail and in a sufficiently timely manner to enable the Corporation to report under Chapters~~s~~ 3~~, and 4 of subtitle A~~ Chapter 4, Chapter 61 or section 3406 of the Internal Revenue Code, to the extent applicable, the required amounts and other information relating to ~~Dividend Equivalents~~ such payments and transactions giving rise thereto between ~~OCC~~ the Corporation and the FFI Clearing Member ~~on IRS Forms 1042 and 1042-S (or successor forms)~~.

(4) ~~Beginning on the Section 871(m) Implementation Date, e~~ Each FFI Clearing Member ~~shall~~ must promptly inform the Corporation in writing if it (i) undergoes a change in circumstance that would affect its compliance with this Rule ~~310(d),~~202(b) or (ii) otherwise knows or has reason to

know that it is not, or will not be, in compliance with this Rule ~~310(d)~~202(b), in each case, within two days of knowledge thereof.

(5) An FFI Clearing Member ~~shall~~ must indemnify the Corporation for any loss, liability or expense (including taxes and penalties) sustained by the Corporation as a result of such FFI Clearing Member failing to comply with the requirements of this Rule ~~310(d)~~202(b).

(c) Every Clearing Member that is a non-U.S. entity must provide all communications (oral or written), financial reports and other information requested by the Corporation in English, and when directed, state monetary amounts in U.S. dollar equivalents indicating the conversion rate and date used.

(d) The Corporation will only admit Clearing Members that are non-U.S. entities from foreign jurisdictions that have been approved by the Risk Committee.

RULE 203 – Admission Procedures

[**Unless otherwise indicated, blue text in this new Rule 203 is being relocated from OCC By-Laws, Article V, Section 2, with proposed revisions marked in underlined and strikethrough text**]

~~SECTION 2.~~ (a) Applications for clearing membership ~~shall~~ must be in such form and contain such information as the Corporation ~~shall~~ will from time to time prescribe. The Risk Committee ~~shall~~ must 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~~ must 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~~ must be mailed or delivered to the applicant. An applicant ~~shall~~ will have the right to present such evidence as it may deem relevant to its application. A verbatim record ~~shall~~ must be kept of any hearing held pursuant hereto.

~~(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.~~

(b) The Risk Committee may approve an applicant on an expedited basis if approval of such applicant is appropriate for the protection of investors and the public interest. The expedited approval process may grant certain exceptions for (i) the applicant's compliance with the Corporation's membership standards for a reasonable duration and (ii) the Corporation's internal policies, procedures, and due diligence processes in reviewing the applicant.

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

~~e.~~(c) ~~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.~~

~~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.~~ A Clearing Member that is not authorized to clear all types of transactions (e.g., securities customer transactions, segregated futures customers transactions, proprietary transactions, market-maker and JBO Participant transactions), or all kinds of transactions (e.g., transactions in stock options, cash-settled index options, commodity options and futures, stock loan/borrow) may at any time request authorization from the Corporation to conduct any or all of such activity ("business expansion request"). Business expansion requests may be reviewed and approved or

disapproved by the Chief Executive Officer or Chief Operating Officer pursuant to the procedures of the Corporation; provided that the Risk Committee will be given not less than ten business days from the date it is notified of such approval or disapproval to determine whether the business expansion request should be reviewed by the Risk Committee.
[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .03.e, with proposed revisions]

RULE 204 – Conditions to Admission

[**Unless otherwise indicated, blue text in this new Rule 204 is being relocated from OCC By-Laws, Article V, Section 3, with proposed revisions**]

.01 *Financial Responsibility.* (a) The Risk Committee will not approve any application for clearing membership if: a. the applicant fails to meet the initial financial membership requirements and standards set forth in the OCC Rules.
[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .01, with proposed revisions]

SECTION 3. (b) No applicant shall will 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 the Risk Committee in accordance with Chapter X of the Rules, has met all contingencies established by the Risk Committee at the time of approval, and has signed and delivered to the Corporation an agreement in such form as the Corporation shall will require, including applicant's agreements:

(a1) 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,;

(b2) to abide by all provisions of the By-Laws and the Rules and by all procedures adopted pursuant thereto,;

(c3) that the By-Laws and the Rules shall be constitute 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,;

(d4) to grant the Corporation all liens, rights and remedies set forth in the By-Laws and the Rules,;

(e5) 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,;

(f6) to pay such fines as may be imposed on it in accordance with the By-Laws and the Rules,;

(~~g~~7) 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~~8) to make such payments to or in respect of the Clearing Fund as may be required from time to time~~,~~;

(~~i~~9) 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~~,~~; and

(~~j~~10) 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.~~

(c) The ~~Corporation~~ Risk Committee 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 applicant or person of the applicant who is subject to a ~~statutory~~ Statutory ~~disqualification~~ Disqualification.

(1) In cases in which the SEC, by order, directs as appropriate in the public interest, the Corporation will disapprove an application for clearing membership by any applicant or person of the applicant who is subject to a statutory disqualification.
[**Relocated from OCC By-Laws, Article V, Section 1(a), with proposed revisions]**

(2) Every applicant must notify the Corporation in writing if the applicant is or becomes subject to a statutory disqualification in accordance with the requirements of Rule 306A(c).

~~b.~~(d) The Risk Committee may disapprove an application for clearing membership if 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~~;~~.
[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .03b, with proposed revisions]

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

~~**.01**~~ (e) Each applicant that has been approved for clearing membership subject to satisfaction of specified conditions ~~shall~~must meet all conditions applicable to its admission within ~~six~~ nine 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.~~

~~c.~~ (f) The Risk Committee may consider information provided by an ~~the~~ applicant's Designated Examining Authority, ~~(or~~ designated self-regulatory organization~~,~~ (in the case of an applicant primarily regulated as a futures commission merchant) and/or other self-regulatory organizations to which an applicant is a member or has applied for membership when considering an applicant's compliance with the Corporation's membership requirements and standards and overall fitness to be a Clearing Member ~~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 from OCC By-Laws, Article V, Section 1, Interpretation and Policy .02.c, with proposed revisions]

~~.06~~(g) ~~*Additional Membership Criteria*.~~ If the Risk Committee determines that ~~the~~ an applicant's financial condition, ~~or~~ operational ~~condition~~ capability, risk management capability, or experience and competence~~,~~ 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~~ additional, temporary requirements for membership including, but not limited to, the imposition of

protective measures pursuant to Rule 307. Additional membership criteria may be imposed until the heightened risk presented by the Clearing Member is sufficiently reduced.
[Relocated from OCC By-Laws, Article V, section 1, Interpretation and Policy .06, with proposed revisions]

~~**RULE 201 – Offices**~~

~~(a) Every Clearing Member shall maintain facilities for conducting business with the Corporation. There shall be available at said facility during such hours as may be specified from time to time by the Corporation, a representative of the Clearing Member authorized in the name of the Clearing Member to take all action necessary for conducting business with the Corporation.~~
[Relocated to new Rule 302(b)]

~~(b) Every Clearing Member shall promptly provide written notice to the Corporation of the relocation of its facilities maintained by such Clearing Member pursuant to the requirement of subparagraph (a) above.~~
[Consolidated with/replaced by Rule 215(b)(2) and relocated to new Rule 306A(b)(2)(B)]

RULE ~~202~~205 – Evidence of Authority

(a) Every Clearing Member ~~shall~~ must file with the Corporation a certified list of the signatures of the representatives of such Clearing Member (including partners and officers) who are authorized to sign agreements and other papers necessary for conducting business with the Corporation, together with an executed copy of the powers of attorney, resolutions or other instruments giving such authority. The Clearing Member ~~shall~~ must promptly notify the Corporation of any changes to the representatives who are authorized to act on behalf of the Clearing Member and the certified list of signatures ~~shall~~ will be updated accordingly. The Corporation may, in lieu of relying on an original signature, rely on a signature that is transmitted, recorded or stored by any electronic, optical, or similar means deemed acceptable by the Corporation. Such a signature will be considered and have the same effect as a valid and binding original signature.

(b) Any Clearing Member who has given a person authorization to transact business with the Corporation ~~shall~~ must, immediately upon the withdrawal, retirement, resignation or discharge of such person or upon the revocation of his power to act, give written notice to the Corporation.

RULE ~~203~~206 – Bank Accounts

(a) *Clearing Bank Account.* Every Clearing Member ~~shall~~ must establish and maintain a bank account in a Clearing Bank for each account maintained by it with the Corporation. Every Clearing Member that desires to deposit foreign currency as margin must designate a bank account established and maintained by it at a Clearing Bank in the country of origin of such currency or in such other location as the Corporation may approve. Each Clearing Member ~~shall~~ must authorize the Corporation to withdraw funds from such bank account in accordance with the Corporation's Rules.

* * * * *

~~**RULE 204 – Designation of Clearing Offices**~~

~~Every Clearing Member shall designate the office of the Corporation through which it shall clear its confirmed trades and otherwise conduct business with the Corporation, and each Clearing Member shall clear all of its confirmed trades (no matter on which Exchange such transaction was effected) and otherwise conduct all of its business with the Corporation through the office of the Corporation it so designates. Notwithstanding the foregoing, the Corporation may from time to time permit one or more Clearing Members to utilize services of the Corporation through more than one office of the Corporation and Clearing Members may designate a different office as the one through which they will file exercise notices, receive assignments of exercise notices, deliver or receive certificates for underlying securities, or any one or more of the foregoing.~~

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

~~**.01** For purposes of this Rule 204, each Clearing Member shall be deemed to have designated the Corporation's primary processing facility (or, if in operation, back-up processing facility) as the office through which it shall clear confirmed trades and otherwise conduct all of its business with the Corporation on any given day.~~

RULE ~~205~~207 – Submission to and Retrieval of Items to and from the Corporation

(a) ~~Except as otherwise permitted by the Corporation,~~ Clearing Members ~~shall~~ must submit and retrieve instructions, notices, reports, data, and other items ~~to the Corporation by electronic data entry~~ in accordance with procedures prescribed or approved by the Corporation. Items submitted to or retrieved from the Corporation by electronic data entry ~~shall~~ will be deemed to constitute "writings" for purposes of any applicable law.

(b) ~~Items required or permitted to be submitted to the Corporation otherwise than by electronic data entry shall be submitted in such manner as the Corporation shall prescribe.~~

(~~c~~b) Items required or permitted to be submitted to the Corporation ~~shall~~ must be submitted at or prior to such times as the Corporation ~~shall~~ will specify. The Corporation may disregard any untimely submission or correction of any such item. ~~(d)~~ If unusual or unforeseen conditions ~~(including but not limited to power failures, equipment or system malfunctions, or operational or other problems) experienced by a Clearing Member, a Clearing Member's facilities manager, an Exchange, securities futures market, futures market or international market or the Corporation~~ prevent a Clearing Member from submitting any instruction, notice, report, data, or other item to the Corporation ~~via electronic data entry~~ on a timely basis, the Corporation may in its discretion (i) require the Clearing Member to submit the item by other means, and/or (ii) extend the applicable cut-off time by such period as the Corporation deems reasonable, practicable, and equitable under the circumstances; provided, however, that cut-off times for submission of

exercise notices at expiration are governed by Rule 805, and by Article VI, Sec. 18 of the By-Laws.

~~**RULE 206 – Retrieval of Items from Corporation**~~

~~(a) Except as otherwise permitted by the Corporation, Clearing Members shall retrieve instructions, notices, reports, data, and other items from the Corporation by electronic data retrieval in accordance with procedures prescribed or approved by the Corporation. Items retrieved from the Corporation by electronic data entry shall be deemed to constitute "writings" for purposes of any applicable law.~~

~~(b) Items required or permitted to be retrieved from the Corporation otherwise than by electronic data retrieval shall be retrieved in such manner as the Corporation shall prescribe.~~

~~(c)~~ If unusual or unforeseen conditions (including but not limited to power failures or equipment malfunctions) prevent the Corporation from making any instruction, notice, report, data, or other item available to a Clearing Member for electronic data retrieval on a timely basis, the Corporation may in its discretion (i) make such item available to such Clearing Member by other means, and/or (ii) extend the applicable time frame by such period as the Corporation deems reasonable, practicable, and equitable under the circumstances.

RULE ~~207~~ 208 – Records

Every Clearing Member ~~shall~~ must keep records showing ~~(a) with respect to each~~ all confirmed trade ~~in option contracts, the names of the Clearing Members who are parties to the transaction, the underlying security or future (or, in the case of index options or packaged spread options, the underlying index), the type of option, the premium, the trade date, the exercise price (or, in the case of packaged spread options, the base exercise price and spread interval), the expiration month, the name of the customer, whether the transaction was a purchase or writing transaction and whether it was an opening or closing transaction; (b) with respect to each confirmed trade in BOUNDs, the series, the trade price, the trade date, the name of the customer, whether the transaction was a purchase or writing transaction and whether it was an opening or closing transaction; (c) with respect to each confirmed trade in futures, the series, the trade price, the trade date, the name of the customer, whether the transaction was a purchase or sale transaction and whether it was an opening or closing transaction; and (d) with respect to each confirmed trade in options contracts, futures or BOUNDs, such other information as may from time to time be required by law, regulation, the Exchange on which the transaction was effected or the Corporation~~ data required pursuant to the Corporation's By-Laws and Rules, including confirmed trade information reported to the Corporation under Rule 401. Such records, and all other records required by the By-Laws and Rules, ~~shall~~ must be retained readily accessible for at least five years in such form as the Corporation may authorize and ~~shall~~ will be deemed the joint property of the Corporation and the Clearing Member maintaining them. The Corporation ~~shall be~~ is entitled to inspect or take temporary possession of any such records at any time upon demand.

RULE ~~212~~209 – Security Measures

(a) The Corporation may require Clearing Members to use access codes assigned or approved by the Corporation for electronic data entry and retrieval, and to comply with such other security measures as the Corporation may from time to time prescribe. Clearing Members ~~shall~~ must take appropriate precautions to protect the security of their access codes and prevent the unauthorized use thereof. A Clearing Member ~~shall~~ must immediately notify the Corporation and take such other security measures as may be necessary or appropriate if it has reason to believe that any access code has been compromised.

(b) ~~Items submitted to the Corporation otherwise than by electronic data entry shall be authenticated by the use of an authorization stamp supplied or approved by the Corporation. Authorization stamps not supplied by the Corporation shall meet such requirements as to format and content as the Corporation may prescribe. Clearing Members shall take appropriate precautions to safeguard their authorization stamps and prevent the unauthorized use thereof. A Clearing Member shall immediately notify the Corporation and take such other security measures as may be necessary or appropriate if it has reason to believe that any authorization stamp has been stolen or otherwise compromised.~~

(~~c~~b) A Clearing Member ~~shall~~ will be bound by any instruction, notice, report, data, or other item submitted to the Corporation in the name of the Clearing Member ~~(i)~~ by electronic data entry with the use of a current access code assigned or approved by the Corporation~~, or (ii) otherwise than by electronic data entry with the use of a current authorization stamp supplied or approved by the Corporation~~, whether or not the submission was authorized by the Clearing Member. Any such current access code ~~or authorization stamp shall~~ will have the same force and effect as an authorized signature. For purposes of this subsection, an access code ~~or authorization stamp~~ supplied to or approved for use by a Clearing Member ~~shall~~ will be deemed "current" until such time as (i) the Clearing Member notifies the Corporation that the access code ~~or stamp~~ has been compromised and the Corporation has had a reasonable time to act on such notice, or (ii) the Corporation disapproves continued use of the access code ~~or stamp~~ for other reasons.

[Relocated from Rule 212 with proposed revisions]

~~**RULE 208 – Reports by the Corporation**~~

~~The Corporation may from time to time prescribe the form of reports to be made available and the manner by which reports are to be made available by the Corporation to Clearing Members. Each Clearing Member shall have the duty to promptly retrieve and review each report made available to such Clearing Member for errors. Except as may otherwise be provided in these Rules, the failure of a Clearing Member to advise the Corporation by telephone or email on the business day on which the report is made available of any item requiring change for any reason whatsoever shall constitute a waiver of such Clearing Member's right to have such item changed.~~
[Relocated to new Rule 211(a) with proposed revisions]

RULE ~~209~~210 – Payment of Fees and Charges

(a) Fees and charges owing by a Clearing Member to the Corporation ~~shall~~ will be due and payable within five business days following the end of each calendar month. Notwithstanding the foregoing, (i) the Operational Loss Fee owing by a Clearing Member to the Corporation ~~shall~~ will be due and payable within five business days following the Corporation's notice to the Clearing Member that the Operational Loss Fee is due and (ii) any fine levied by the Corporation for a minor rule violation that has not timely contested, as described in Rule 1201(b), or fine levied pursuant to Chapter XII of the Rules will be due and payable immediately upon notice.

(b) The Corporation ~~shall~~ will be authorized to withdraw from each Clearing Member's bank account established with respect to its firm account, on or after the ~~fifth business day following the end of each calendar month or, in the case of an Operational Loss Fee, on or after the fifth business day following the Corporation's notice to the Clearing Member that the Operational Loss Fee~~ time at which such payment is due pursuant to paragraph (a) of this Rule~~:~~, (i) an amount equal to the amount of any fees and charges owing to the Corporation, (ii) an amount equal to the amount of any fees due to an Exchange for whom the Corporation has agreed to collect such fees, (iii) if the Clearing Member is participating in the Market Loan Program ~~a Market Loan Clearing Member~~, an amount equal to the amount of any fees and charges owing to any Loan Market for which the Corporation has agreed to collect such fees and charges, (iv) the amount of any fine levied by the Corporation for a minor rule violation that the Clearing Member has not timely contested, as described in Rule 1201(b), and (v) the amount of any other fine levied by the Corporation pursuant to Chapter XII.

~~**RULE 210 – Reserved**~~

~~Reserved.~~

RULE 211 – Reports and Notices ~~of Proposed Amendments to By-Laws and Rules~~ by the Corporation

(a) The Corporation may from time to time prescribe the form of reports to be made available and the manner by which reports are to be made available by the Corporation to Clearing Members. Each Clearing Member ~~shall~~ will have the duty to promptly retrieve and review each report made available to such Clearing Member for errors. Except as may otherwise be provided in these Rules, the failure of a Clearing Member to advise the Corporation by telephone or email on the business day on which the report is made available of any item requiring change for any reason whatsoever ~~shall~~ will constitute a waiver of such Clearing Member's right to have such item changed.
[**Relocated from Rule 208 with proposed revisions**]

(b) ~~Prior to filing a proposed rules change with the Securities and Exchange Commission or the Commodity Futures Trading Commission, or as soon as possible thereafter, t~~The Corporation shall provide all Clearing Members and other registered clearing agencies with the text or a

description of the proposed rule change filed with the SEC or the CFTC and a statement of its purpose and effect on Clearing Members by posting proposed rule changes on its website. This Rule 211 ~~shall~~ does not require the Corporation to give notice of any modification that is made in a proposed rules change after the Corporation has given notice of such proposed rules change, although to the maximum extent practicable, the Corporation shall also give notice of such modifications. The failure of the Corporation to comply with this Rule in any respect ~~shall~~ will not affect the validity, force or effect of any rules change or of any action taken by the Corporation pursuant thereto.

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

~~**.01** The Corporation shall satisfy the notification requirements of this Rule 211 by posting proposed rule changes on its website.~~

~~**RULE 212 – Security Measures**~~

~~(a) The Corporation may require Clearing Members to use access codes assigned or approved by the Corporation for electronic data entry and retrieval, and to comply with such other security measures as the Corporation may from time to time prescribe. Clearing Members shall take appropriate precautions to protect the security of their access codes and prevent the unauthorized use thereof. A Clearing Member shall immediately notify the Corporation and take such other security measures as may be necessary or appropriate if it has reason to believe that any access code has been compromised.~~

~~(b) Items submitted to the Corporation otherwise than by electronic data entry shall be authenticated by the use of an authorization stamp supplied or approved by the Corporation. Authorization stamps not supplied by the Corporation shall meet such requirements as to format and content as the Corporation may prescribe. Clearing Members shall take appropriate precautions to safeguard their authorization stamps and prevent the unauthorized use thereof. A Clearing Member shall immediately notify the Corporation and take such other security measures as may be necessary or appropriate if it has reason to believe that any authorization stamp has been stolen or otherwise compromised.~~

~~(c) A Clearing Member shall be bound by any instruction, notice, report, data, or other item submitted to the Corporation in the name of the Clearing Member (i) by electronic data entry with the use of a current access code assigned or approved by the Corporation, or (ii) otherwise than by electronic data entry with the use of a current authorization stamp supplied or approved by the Corporation, whether or not the submission was authorized by the Clearing Member. Any such current access code or authorization stamp shall have the same force and effect as an authorized signature. For purposes of this subsection, an access code or authorization stamp supplied to or approved for use by a Clearing Member shall be deemed "current" until such time as (i) the Clearing Member notifies the Corporation that the access code or stamp has been compromised and the Corporation has had a reasonable time to act on such notice, or (ii) the Corporation disapproves continued use of the access code or stamp for other reasons.~~

[Relocated to new Rule 209]

~~**RULE 213 – Financial Statements of the Corporation**~~

(c) Within 60 days following the close of each fiscal year, the Corporation ~~shall~~ will furnish to each Clearing Member copies of (i) the Corporation's audited financial statements for such fiscal year, together with the report of the Corporation's independent public accountants thereon, and (ii) a report by the Corporation's independent public accountants on the Corporation's system of internal accounting control, describing any material weaknesses discovered and any corrective action taken or proposed to be taken. Within 30 days following the close of each fiscal quarter, the Corporation ~~shall~~ will make available to any Clearing Member, upon request, copies of the Corporation's unaudited financial statements for such fiscal quarter.

~~**RULE 214 – Financial and Operations Personnel**~~

~~(a) Except as otherwise provided in this Rule 214, every Domestic Clearing Member shall employ at least one associated person who is registered as a "Limited Principal-Financial and Operations" with the Financial Industry Regulatory Authority or has passed the appropriate qualification examination for registration as such. Every Canadian Clearing Member that is an exempt Non-U.S. Clearing Member shall employ at least one associated person who is registered as such Canadian Clearing Member's Chief Financial Officer with the Investment Industry Regulatory Organization of Canada. Every Non-U.S. Clearing Member that is not an exempt Non-U.S. Clearing Member shall employ at least one associated person who has taken and successfully completed any applicable OCC financial and operational examination for an employee who is responsible for supervising the preparation of such Clearing Member's financial reports. If a Clearing Member elects to use an associated person to satisfy those of the foregoing requirements applicable to such Clearing Member, that associated person shall be a full-time employee of the Clearing Member.~~

[Relocated to new Rule 303(b)]

~~(b) Notwithstanding paragraph (a) of this Rule 214, the Risk Committee may exempt from the requirements of this Rule any Clearing Member which is a "Managed Clearing Member," as that term is defined in Rule 309. Additionally, upon the written request of a Clearing Member, the Risk Committee may, in exceptional cases and where good cause is shown, waive the foregoing requirements and accept other standards as evidence of a Clearing Member's experience in clearing securities or futures transactions.~~

~~(c) Each Clearing Member shall ensure that it has an appropriate number of clearing operations personnel with the requisite capability, experience, and competency to reasonably ensure that the Clearing Member is able to clear and settle confirmed trades in Cleared Contracts, Stock Loans, and Market Loans, as applicable, and account types for which it is approved, and to meet all other requirements of membership in the Corporation. Each Clearing Member shall submit to the Corporation a list of such personnel in such form as is acceptable to the Corporation, including,~~

~~without limitation, the names, titles, primary offices, email addresses, and business phone numbers for all such personnel.~~

[Relocated to new Rule 303(c)]

~~(d) Every Clearing Member shall maintain 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 303(c)]

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

~~**.01** As used in this Rule, the term "associated person" shall have the same meaning as set forth in Section .03 of the Interpretations and Policies under Section 1 of Article V of the By-Laws of the Corporation.~~

~~**.02** Should a separation occur between the only associated person who meets the requirements of this Rule and the Clearing Member, such Clearing Member shall have three months from the effective date of the separation to comply with this Rule. The Clearing Member shall give the Corporation prompt written notice of such a separation. In the event that a Clearing Member has not complied with the requirements of the first sentence of this paragraph, the Risk Committee, in its discretion, may: (1) require such Clearing Member to execute a facilities management agreement that will be in effect until such time that the Clearing Member does comply; or (2) require such Clearing Member to make additional Clearing Fund deposits and/or margin deposits, in such amounts as the Risk Committee shall determine, for the protection of the Corporation, other Clearing Members or the public.~~

[Relocated to new Rule 303(e)]

~~**RULE 215 – Notice of Material Changes and Information Requests**~~

~~(a) Each Clearing Member shall give the Corporation prompt prior written notice of any material change in its form of organization or ownership structure, including:~~

~~(1) the merger, combination or consolidation between the Clearing Member and another person or entity;~~

~~(2) the assumption or guarantee by the Clearing Member of all or substantially all of the liabilities of another person or entity in connection with the direct or indirect acquisition of all or substantially all of the assets of such person or entity;~~

~~(3) the sale of a significant part of the Clearing Members' business or assets to another person or entity;~~

~~(4) a change in the name, form of business organization, or jurisdiction of organization or incorporation of the Clearing Member; and~~

~~(5) a change in the direct or indirect beneficial ownership of 10% or more of the equity of the Clearing Member.~~

~~(b) Each Clearing Member shall give the Corporation no less than 30 days prior written notice of material operational changes, including:~~

~~(1) a planned change in location of clearing operations;~~

~~(2) a planned change in location of its offices maintained pursuant to Rule 201; and~~

~~(3) a planned change in the personnel of the Clearing Member responsible for ensuring that the Clearing Member is able to fulfill its obligations as a Clearing Member pursuant to Rule 214(c).~~
~~(c) Each Clearing Member shall give the Corporation no less than 60 days prior written notice of its intention to enter into a facilities management arrangement, as described in Rule 309. Implementation of such facilities management agreement shall be subject to approval by the Corporation before implementation pursuant to Rule 309(f).~~

~~(d) Each Clearing Member shall, within the time period reasonably prescribed by the Corporation, furnish to the Corporation such documents and information as the Corporation may from time to time require pursuant to Article V, Section 3(g) of the Corporation's By-Laws and Chapters II and III of the Corporation's Rules.~~
[Relocated to new Rule 306A(b), with proposed revisions]

~~(e) Nothing in this Rule 215, including the Interpretations and Policies, shall prohibit the Corporation from instituting disciplinary proceedings against a Clearing Member pursuant to Chapter XII of the Rules for a violation of this Rule.~~
[Relocated to new Rule 1203(e), with proposed revisions

~~(f) A violation of this Rule 215 shall constitute a "minor rule violation" for purposes of Chapter XII of the Rules.~~
[Relocated to new Rule 1203(b), with proposed revisions]

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

~~**.01** The Corporation may fine a Clearing Member for its failure to provide any notice, documents, or information as required under paragraphs (a), (b), (c) or (d) of this Rule 215. Fines will follow the schedule below:~~

~~First Occasion~~	~~Second Occasion~~	~~Third Occasion~~	~~Fourth Occasion~~
~~$300~~	~~$600~~	~~$1,500~~	~~***~~

~~***Four or more violations within a rolling 24 month period will result in a disciplinary proceeding in accordance with Chapter XII of the Rules.~~

~~Fines to be levied for offenses within a rolling twenty-four month period beginning with the first occasion.~~

~~For purposes of this Fine Schedule, documents and information shall include, but not be limited to, the financial, regulatory and other information required to be submitted to the Corporation.~~
[Relocated to new Rule 1203(b)]

~~**.02** A change in the location of a Clearing Member's clearing operations of the offices maintained pursuant to Rule 201 or a change in a Clearing Member's personnel shall not be deemed "planned" if such change is undertaken on an emergency basis, provided that the Clearing Member notice to the Corporation as soon as reasonably possible of such change.~~

~~**RULE 216 – Large Trader Reports**~~
~~Except to the extent that large trader reports required by the Commodity Futures Trading Commission ("CFTC") are filed on behalf of a Clearing Member by a contract market or other CFTC registrant, such reports shall be filed by the Clearing Member effecting the transaction(s) subject to such reporting requirements.~~
[Relocated to new Rule 306B(e), with proposed revisions]

~~**RULE 217 – Clearing Members Who Are or Become Subject to a Statutory Disqualification**~~

~~(a) In the event a Clearing Member is or becomes subject to a statutory disqualification (as defined in the Interpretations and Policies under Article V, Section 1 of the By-Laws), and in the case of a Clearing Member that is registered with the CFTC as a futures commission merchant, if a principal of the Clearing Member is or becomes subject to statutory disqualification under Section 8a(2)-(4) of the Commodity Exchange Act, the Corporation may determine not to permit, and will not permit if so ordered by the SEC, such Clearing Member to continue in Clearing Membership subject to the provisions of this Rule.~~

~~(b) A Clearing Member that is or becomes subject to a statutory disqualification shall promptly (i) notify the Corporation in writing as soon as practicable upon learning of such statutory disqualification and in any event within 5 business days thereafter, (ii) accompany such notification with a statement of whether or not the Clearing Member is seeking to continue being a Clearing Member notwithstanding the statutory disqualification, and (iii) further accompany such notification with copies of all documents that are contained in the record of any proceeding that resulted in the statutory disqualification as well as 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, any written response to a National Futures Association ("NFA") Rule 504 Notice of Intent or other written request for relief~~

~~addressed to such self-regulatory organization. Clearing Members that are not members of FINRA or NFA must provide the Corporation with, at a minimum, the information contained in FINRA Form MC-400A in addition to any forms 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.~~

~~(c) Any failure to provide the notice and supporting documentation required by paragraph (b) of this Rule may be deemed a violation of the Corporation's Rules and subject a Clearing Member to Disciplinary Proceedings as provided for in Chapter XII of the Rules. Following the receipt of such notification, or in the event the Corporation becomes aware that a Clearing Member is subject to a statutory disqualification and has failed to submit a notification pursuant to paragraph (b) of this Rule within the required time period, the Corporation may convene a Disciplinary Committee to conduct a hearing or institute a disciplinary proceeding concerning the matter pursuant to Chapter XII of the Rules.~~

~~(d) Any Clearing Member which is the subject of a Chapter XII disciplinary proceeding under this Rule shall promptly submit any information requested by the Corporation in connection with such proceeding.~~

~~(e) No determination to discontinue or condition Clearing Membership shall take effect until the review procedures under Chapter XII of the Rules have been exhausted or the time for review has expired.~~

~~(f) The Corporation may waive all or certain of the provisions of this Rule when a proceeding is pending before another self-regulatory organization to determine whether to permit a Clearing Member to continue in Clearing Membership notwithstanding a statutory disqualification. The Corporation shall determine whether it will concur in any Exchange Act Rule 19h-1 filing made by another self-regulatory organization with respect to the Clearing Member.~~

~~(g) The Corporation also may waive the hearing provisions hereof with respect to a Clearing Member if the Corporation intends to grant the Clearing Member's application to continue in Clearing Membership and either: (i) there is no requirement under Exchange Act Rule 19h-1(a)(2) or Exchange Act Rule 19h-1(a)(3) that the Corporation make a notice filing with the Commission to permit the Clearing Member to continue in Clearing Membership; or (ii) the Corporation determines that it is otherwise appropriate to waive the hearing provisions under the circumstances.~~

[Relocated, in part, to new Rules 306A(c) and 308, as indicated below]

~~RULE 218 – Operational and Default Management Testing~~

~~(a) The Corporation has established standards for designating those Clearing Members required to participate in business continuity and disaster recovery testing that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that business continuity and disaster recovery plans are required to be activated. Such standards take into account the following factors: (i) volume thresholds; (ii) the~~

~~nature of interconnectedness based on a firm's approved business activities; (iii) the existence of significant operational issues during the past twelve months; and (iv)past performance with respect to operational testing. The specific standards adopted by the Corporation are published to Clearing Members and any updates or modifications thereto shall be published to Clearing Members and applied on a prospective basis.~~

~~(b) Upon advance notification that it has been designated to participate in business continuity and disaster recovery testing as described in subparagraph (a) above, Clearing Members shall be required to fulfill, within the time frames established by the Corporation, certain testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation.~~

~~(c) The Corporation shall periodically designate Clearing Members required to participate in default management testing by using key factors to select designees that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets, the promotion of robust risk management, the support of stability of the broader financial system and the protection investors and the public interest. Such key factors will include but not be limited to: (i) suitability of business activities and anticipated impact on resources; (ii) historical open interest and volume in asset classes, where appropriate; and (iii) participation in previous tests.~~

~~(d) Upon advance notification that a Clearing Member has been designated to participate in default management testing as described in subparagraph (c) above, the Clearing Member shall be required to fulfill, within the time frames established by the Corporation, certain testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation.~~
[Relocated to new Rule 304]

RULE 212 – Voluntary Termination of Membership

(a) *Voluntary Termination Notice*. A Clearing Member may elect to voluntarily terminate its membership by providing written notice to the Corporation ("Voluntary Termination Notice"). The Clearing Member must specify in the Voluntary Termination Notice a desired date for its withdrawal from membership ("Termination Date"). The terminating Clearing Member shall close out or transfer all open positions with the Corporation by the Termination Date.

(b) *Treatment of Clearing Fund Deposits*. The Corporation will retain the terminating Clearing Member's Clearing Fund contribution at least until final billing is complete during the calendar month immediately following the Termination Date. However, a terminating Clearing Member's Clearing Fund contribution may be subject to a proportionate charge or use for purposes of a borrowing pursuant to Rule 1006 until the next monthly or intra-month sizing of the Clearing Fund.

(1) If a terminating Clearing Member's Clearing Fund contribution is subject to a proportionate charge or used for purposes of a borrowing prior to the next monthly or intra-month sizing of the Clearing Fund, the terminating Clearing Member's Clearing Fund contribution may be retained by the Corporation until such time as it is no longer needed to satisfy its purpose and use under Rule 1006. However, a terminating Clearing Member will not be subject to replenishment or assessments under Rule 1006(h).

(2) The Corporation may debit from the terminating Clearing Member's Clearing Fund contribution any outstanding payment obligations owed and not paid to the Corporation by the time final billing is complete during the calendar month immediately following the Termination Date.

(c) *Failure to Close Out*. If the terminating Clearing Member does not close out or transfer all open positions with the Corporation by the specified Termination Date, the terminating Clearing Member must notify the Corporation of a new Termination Date, unless otherwise agreed upon by the Corporation.

(d) *Termination During a Cooling-Off Period*. Notwithstanding the foregoing, any Voluntary Termination Notice provided during a cooling-off period implemented pursuant to Rule 1006(h) shall be subject to the requirements of Rule 1006(h).

* * * * *

Chapter III – ~~FINANCIAL REQUIREMENTS~~MEMBERSHIP STANDARDS

RULE 301 – ~~Initial Requirements~~ Financial Responsibility

~~(a) Every Clearing Member registered as a broker or dealer under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934 shall have an initial net capital of not less than $2,500,000, and the aggregate principal amount of its satisfactory subordination agreements (other than such agreements which qualify as equity capital under Securities and Exchange Commission Rule 15c3-1(d)) shall not initially exceed 70 per cent of its debt-equity total. Every Clearing Member (other than an exempt Non-U.S. Clearing Member) which has not elected to operate pursuant to the alternative net capital requirements shall also have an initial net capital of not less than 12-1/2 per cent of such Clearing Member's aggregate indebtedness. Every Clearing Member electing to operate pursuant to the alternative net capital requirements shall also have an initial net capital of not less than 5 per cent of its aggregate debit items. Every Clearing Member shall continue to meet the requirements set forth in the preceding provisions of this Rule until the later of (i) three months after its admission to Clearing Membership, or (ii) twelve months after it commenced doing business as a broker or dealer.~~

~~(b) Exempt Non-U.S. Clearing Members shall comply with such initial requirements for the ratio of net capital to aggregate indebtedness as the Corporation may specify.~~

~~(c) Every Clearing Member registered as a futures commission merchant under Section 4f(a)(1) of the Commodity Exchange Act shall have an initial requirement of not less than $2,500,000 in adjusted net capital as computed under the regulations of the Commodity Futures Trading Commission, and shall meet such greater or additional minimum financial requirements as are established by regulation of the Commodity Futures Trading Commission in respect of futures commission merchants. Every such Clearing Member shall continue to meet the requirements set forth in the preceding sentence until the later of (i) three months after its admission to Clearing Membership, or (ii) twelve months after it commenced doing business as a futures commission merchant. For purposes of determining compliance with any minimum net capital requirements specified elsewhere in the By-Laws and Rules, a Clearing Member referred to in this paragraph shall calculate its net capital as specified in the rules of the Commodity Futures Trading Commission.~~

(a) *General*. Each Clearing Member, including applicants for clearing membership, must meet the financial resource and responsibility requirements set forth in these Rules and such other qualifications and standards as the Corporation may promulgate. All dollar amounts in this Rule 301 refer to U.S. dollars.

(b) *Minimum Capital*. Clearing Members must maintain the following minimum capital requirements. No opening purchase transaction or opening sale transaction will be cleared by or through any Clearing Member, and no Stock Loan will be entered into by any Clearing Member, at any time when such Clearing Member's capital falls below its respective minimum capital requirement.

(1) *Registered Broker-Dealers*. Every Clearing Member that is a fully-registered broker-dealer must maintain minimum net capital equal to the greater of: (i) $10 million; (ii) in the case of a broker-dealer not electing to operate pursuant to the alternative net capital requirements, 6 2/3% of its aggregate indebtedness (i.e., aggregate indebtedness cannot exceed 1500% of net capital); or (iii) in the case of a broker-dealer electing to operate pursuant to the alternative net capital requirements, 2% of its aggregate debit items.

(2) *Registered Futures Commission Merchants*. Every Clearing Member that is a fully-registered FCM must maintain minimum adjusted net capital equal to the greater of $10 million or any other minimum financial requirements established by regulation of the CFTC.

(3) *Canadian Investment Dealers and other Non-U.S. Securities Firms*. Non-U.S. Securities Firms must maintain the following levels of minimum net capital.

(i) *Canadian Investment Dealers*. Every Clearing Member that is a registered investment dealer regulated by the Investment Industry Regulatory Organization of Canada must maintain risk adjusted capital equal to the greater of $10 million or 2% of total margin required.

(ii) *Other Non-U.S. Securities Firms*. Every Non-U.S. Securities Firm that is not a Canadian Investment Dealer must maintain capital substantially similar to (adjusted) net capital required for fully-registered broker-dealers or fully-registered futures commission merchants equal to the

greater of $10 million or the amount required by the firm's applicable regulatory minimum requirements established by the regulatory authority of that country's government or an agency or instrumentality thereof. If the Risk Committee prohibits the use of the non-U.S. jurisdiction's regulatory minimum requirements or chooses to supplement a non-U.S. jurisdiction's regulatory minimum requirements, then a Non-U.S. Securities Firm must maintain total equity greater than $25 million.

(4) *Banks*. Every U.S. bank Clearing Member must maintain Tier 1 Capital of at least $500 million, a Tier 1 Capital Ratio greater than 6%, and be either "well-capitalized" or "adequately-capitalized" as measured by prompt corrective action ("PCA") capital category ratios applicable to such U.S. Banks. Every U.S. branch of a non-U.S. bank that is a Clearing Member must be a branch of a non-U.S. bank that maintains Tier 1 Capital of at least $500 million (or its equivalent in the relevant home country currency), maintain a Tier 1 Capital Ratio greater than 6%, and that remains at least adequately capitalized as calculated or defined pursuant to the regulatory capital rules of the applicable banking regulatory authority of its home country.

(c) If a Clearing Member is registered as a broker-dealer under Section 15(b)(1) of the Securities Exchange Act of 1934 and also as a futures commission merchant under Section 4f(a)(1) of the Commodity Exchange Act, the Clearing Member must comply with all applicable capital requirements.

(d) *Extreme But Plausible Events and Contingency Planning.* Every Clearing Member ~~shall~~ must have 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. Every Clearing Member ~~shall~~ must also maintain adequate procedures, including but not limited to contingency funding and alternate settlement bank arrangements, to ensure that it is able to meet its obligations arising in connection with clearing membership when such obligations arise.

. . . Interpretations and Policies:

~~**.01** An exempt Non-U.S. Clearing Member that is a Canadian Clearing Member and that commenced doing business as a broker or dealer within twelve months prior to its admission to Clearing Membership shall maintain an initial early warning reserve (as determined in accordance with Form 1 of the International Financial Reporting Standards of not less than $2,500,000 (United States) until the later of (i) three months after its admission to Clearing Membership, or (ii) twelve months after it commenced doing business as a broker or dealer. An exempt Non-U.S. Clearing Member that is a Canadian Clearing Member and not subject to the requirements of the previous sentence shall maintain an initial early warning reserve of not less than such United States dollar amount as the Corporation may require, on a case by case basis, at the time of such Clearing Member's application for Clearing Membership. Every such Clearing Member shall continue to meet such requirement until three months after its admission to Clearing Membership.~~

~~**.02** If a Clearing Member is registered as a broker-dealer under Section 15(b)(1) of the Securities Exchange Act of 1934 and also as a futures commission merchant under Section 4f(a)(1) of the Commodity Exchange Act, the Clearing Member would be required to comply with applicable capital requirements under the Commodity Exchange Act as well as with the minimum capital requirements imposed under Rule 301.~~

.01 The terms "net capital," "aggregate indebtedness", and "~~debt-equity total~~ aggregate debit items" ~~shall~~ must be computed for a broker-dealer Clearing Member in accordance with ~~Securities and Exchange Commission~~ SEC Rule 15c3-1 and 15c3-3, as applicable~~; provided, however, that a Clearing Member that is registered as a futures commission merchant under Section 4f(a)(1) of the Commodity Exchange Act and is not otherwise required to calculate its net capital in accordance with Rule 15c3-1, may instead calculate net capital as required under the rules of the Commodity Futures Trading Commission. The term "alternative net capital requirements" shall mean the requirements set forth in paragraph (a)(1)(ii) of said Rule 15c3-1, and the term "satisfactory subordination agreement" shall mean a subordination agreement meeting the requirements of Appendix D to said Rule 15c3-1 and any additional requirements, not inconsistent therewith, imposed by a Clearing Member's Examining Authority. Except as otherwise limited by paragraph (a)(1)(ii) of said Rule 15c3-1, the term "aggregate debit items" shall be computed for a Clearing Member in accordance with the Formula for Determination of Reserve Requirements for Brokers and Dealers (Exhibit A to Securities and Exchange Commission Rule 15c3-3). The term "Examining Authority" of a Clearing Member shall have the meaning set forth in the General Instructions to Part II of Securities and Exchange Commission Form X-17A-5 or shall mean the Clearing Member's "designated self-regulatory organization", as defined in the Rules of the Commodity Futures Trading Commission, as applicable~~. For the purpose of this Chapter III only, the term "customer" ~~shall have~~ has the meaning set forth in paragraph (c)(6) of ~~said~~ SEC Rule 15c3-1.
[Relocated from Rule 307 with proposed revisions]

~~**.01**~~**.02** If a Clearing Member maintains proprietary options positions but carries those positions in an account or accounts with another Clearing Member and is otherwise eligible to calculate its net capital requirement in accordance with the provisions of Securities and Exchange Commission Rule 15c3-1(a)(6), the Clearing Member must nevertheless take the risk based haircuts associated with proprietary securities positions in determining its compliance with the Corporation's minimum net capital requirements. ~~Clearing Members that were Clearing Members on June 13, 2005 will have until July 27, 2005 to comply with the foregoing Interpretation~~.
[Relocated from Rule 307, Interpretation and Policy .01, with proposed revisions]

~~**RULE 302 – Minimum Net Capital**~~

~~(a) No opening purchase transaction or opening sale transaction shall be cleared by or through any Clearing Member, and no Stock Loan shall be entered into by any Clearing Member, at any time when such Clearing Member's net capital is less than the greater of $2,000,000 or (in the case of a Clearing Member not electing to operate pursuant to the alternative net capital requirements, other than an exempt Non-U.S. Clearing Member) 6 2/3 per cent of its aggregate~~

~~indebtedness or (in the case of a Clearing Member electing to operate pursuant to the alternative net capital requirements) 2 per cent of its aggregate debit items.~~

(b) ~~Exempt Non-U.S. Clearing Members shall comply with such requirements for the ratio of net capital to aggregate indebtedness as the Corporation may specify.~~

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

~~**.01** An exempt Non-U.S. Clearing Member that is a Canadian Clearing Member shall maintain early warning reserve (as determined in accordance with Form 1 of the International Financial Reporting Standards) of not less than the greater of $2,000,000 (United States) or 2% of such Canadian Clearing Member's total margin required (as determined in accordance with Form 1).~~

RULE 302 – Operational Capability

(a) *General*. Each Clearing Member, including applicants for clearing membership, shall meet the operational capability, experience, and competence standards set forth in these Rules and such other qualifications and standards as the Corporation may promulgate.

(~~a~~b) *Offices*. Every Clearing Member ~~shall~~ must maintain facilities for conducting business with the Corporation. There ~~shall~~ must be available ~~at said facility~~ during such hours as may be specified from time to time by the Corporation, a representative of the Clearing Member authorized in the name of the Clearing Member to take all action necessary for conducting business with the Corporation during regular and overnight business hours.
[Relocated from Rule 201(a), with proposed revisions]

(c)~~1.~~ *Books and Records*. Every Clearing Member must maintain ~~is in compliance with all applicable requirements with respect to the maintenance of~~ books and records in accordance with the requirements of its applicable regulatory agency, including but not limited to any applicable requirements under the Securities Exchange Act of 1934, the Commodity Exchange Act, or ~~both, as the case may be; or~~ the requirements of any non-U.S. regulatory agency, and with such additional requirements as the Corporation may impose.
[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .02.a.1 and 02.a. 2, with proposed revisions]

~~b.~~(d) *Ability to Discharge Responsibilities*. ~~the applicant employs personnel and utilizes procedures which, in the opinion of the Risk Committee,~~ Clearing Members must maintain facilities, systems and procedures that 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 operational and default management activities, including auctions, as may be required by the Corporation and in accordance with applicable laws and regulations.

[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .02.b, with proposed revisions]

(~~a~~e) *Physically-Settled Equity Options and Stock Futures*. Every Stock Clearing Member and every Clearing Member that effects transactions in physically-settled stock futures shall be and remain a participant in good standing of the correspondent clearing corporation; provided, however, that the foregoing shall not apply to: (i) an Appointing Clearing Member during a period when such Appointing Clearing Member has in effect an appointment of an Appointed Clearing Member pursuant to ~~subparagraph (g) hereof~~ Rule 901(f); or (ii) a Canadian Clearing Member on behalf of which CDS maintains an identifiable subaccount in a CDS account at the correspondent clearing corporation, provided that CDS is a participant in good standing of the correspondent clearing corporation during the period when such Canadian Clearing Member has in effect an appointment of CDS pursuant to ~~subparagraph (h) hereof~~ Rule 901(g).
[Relocated from Rule 901(a) with proposed revisions]

(f) *Stock Loan Programs*. Clearing Members participating in the Corporation's Stock Loan programs shall meet the following additional operational requirements.

~~.07~~(1) ~~*Designation as a Hedge Clearing Member*~~ *Stock Loan/Hedge Program*. ~~In order to be designated as a Hedge Clearing Member, a~~ Every Clearing Member participating in the Stock Loan/Hedge Program 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 from OCC By-Laws, Article V, Section 1, Interpretation and Policy .07, with proposed revisions]

~~.07A~~(2) ~~*Designation as a Market Loan Clearing Member*~~ *Market Loan Program*. ~~In order to be designated as a Market Loan Clearing Member with respect to a particular Loan Market, a~~ Every Clearing Member ~~must be a Hedge Clearing Member~~ participating in the Stock Loan/Hedge Program must ~~and~~: (i) be a U.S. Clearing Member or Clearing Member from any foreign country or jurisdiction approved by the Risk Committee, (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~~ must 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 from OCC By-Laws, Article V, Section 1, Interpretation and Policy .07A, with proposed revisions]

RULE 303 – Financial, Operations, and Risk Management Personnel

~~c.~~(a) ~~the~~ Every applicant or Clearing Member must employ personnel or maintain contractual arrangements with third-party service providers acceptable to the Corporation with ~~lacks~~ substantial experience in clearing the kind(s) of cleared contracts that the applicant or member 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~~. Every Clearing Member must maintain supervisory authority over all internal staff conducting business with the Corporation and over the activities and functions performed by third-party vendors.
[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .03.c, with proposed revisions]

(b) Every Clearing Member must employ personnel who are responsible for such Clearing Member's compliance with applicable net capital, recordkeeping, and other financial, operational, and risk management rules or maintain contractual arrangements with third-party service providers to perform such activities or functions. The employed personnel are:

(~~a~~1) ~~Except as otherwise provided in this Rule 214, every Domestic Clearing Member shall employ at least one associated person who is~~ in the case of a fully-registered broker-dealer, a registered ~~as a~~ "Limited Principal Financial and Operations" with the Financial Industry Regulatory Authority ~~or has passed the appropriate qualification examination for registration as such.~~;

(2) in the case of a fully-registered FCM or other registrant registered under Section 4f of the Commodity Exchange Act that is not a fully-registered broker-dealer, a chief financial officer or other person with appropriate qualifications who is responsible for supervising the preparation of the applicant's financial reports;

(3) in the case of a bank, ~~Every~~ Canadian ~~Clearing Member that is an exempt~~ Investment Dealer or other Non-U.S. ~~Clearing Member~~ Securities Firm, ~~shall employ at least one associated person who is registered as such Canadian Clearing Member's Chief Financial Officer with the Investment Industry Regulatory Organization of Canada. Every Non-U.S. Clearing Member that is not an exempt Non-U.S. Clearing Member shall employ at least one associated person who has taken and successfully completed any applicable OCC financial and operational examination for an employee who is responsible for supervising the preparation of such Clearing Member's financial reports. If a Clearing Member elects to use an associated person to satisfy those of the foregoing requirements applicable to such Clearing Member, that associated person shall be a full-time employee of the Clearing Member~~ a chief financial officer or other person with appropriate qualifications who is responsible for supervising the preparation of the Clearing Member's financial reports.
[Relocated from OCC Rule 214(a), with proposed revisions]

(c) Each Clearing Member ~~shall~~ must ensure that it ~~has~~ employs an appropriate number of clearing operations personnel or maintains adequate contractual arrangements with third-party service providers with the requisite capability, experience, and competency ~~to~~ such that the Clearing Member can reasonably ensure that ~~the Clearing Member~~ it is able to ~~clear and settle confirmed trades in Cleared Contracts, Stock Loans, and Market Loans, as applicable, and account types for which it is approved, and to meet all other requirements of membership in the Corporation. Each Clearing Member shall submit to the Corporation a list of such personnel in such form as is acceptable to the Corporation, including, without limitation, the names, titles, primary offices, email addresses, and business phone numbers for all such personnel.~~ discharge its functions as a Clearing Member in a timely and efficient manner, including**[Relocated from OCC Rule 214(c), with proposed revisions]**

(d) ~~Every Clearing Member shall maintain~~ 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 operational and default management activities, including auctions, as may be required by the Corporation and in accordance with applicable laws and regulations. Each Clearing Member must submit to the Corporation a list of the clearing operations personnel it employs in such form as is acceptable to the Corporation, including, without limitation, the names, titles, primary offices, email addresses, and business phone numbers for all such personnel.
[Relocated from OCC Rule 214(d), with proposed revisions]

~~**.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:~~

~~a. The agreement~~(d) Any contractual arrangements with third-party service providers used to satisfy the requirements of Rule 302 and this Rule 303 must:

(1) clearly set~~s~~ forth the specific ~~facilities management~~ services ~~(the "managed services") which are~~ to be performed by the ~~Managing Clearing Member~~ third-party service provider on behalf of a Clearing Member ~~(the "Managed Clearing Member")~~ and the respective duties and obligations of the ~~Managing Clearing Member and Managed~~ third-party service provider and the 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.~~

~~b.~~(2) ~~The agreement~~ provides ~~that it~~ the agreement 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~~ by the Clearing Member to the Corporation~~.~~; and

~~c.~~(3) ~~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~~ provide the Corporation with the authority and ability to perform initial and ongoing due diligence on the third-party service provider.

[Relocated from OCC By-Laws, Article V, Section 1, Interpretation and Policy .05, with proposed revisions]

~~.02~~ ~~(e)~~ Should a separation or termination of an agreement with a third-party service provider occur between the only personnel ~~associated person~~ or third-party service provider who meets the requirements of ~~this~~ Rule 303 and the Clearing Member, such Clearing Member ~~shall~~ will have three months from the effective date of the separation to comply with this Rule. ~~The Clearing Member shall give the Corporation prompt written notice of such a separation. In the event that a Clearing Member has not complied with the requirements of the first sentence of this paragraph, the Risk Committee, in its discretion, may: (1) require such Clearing Member to execute a facilities management agreement that will be in effect until such time that the Clearing Member does comply; or (2) require such Clearing Member to make additional Clearing Fund deposits and/or margin deposits, in such amounts as the Risk Committee shall determine, for the protection of the Corporation, other Clearing Members or the public.~~

[Relocated from OCC Rule 214, Interpretation and Policy .02, with proposed revisions]

RULE ~~218~~304 – Operational and Default Management Testing

(a) *BCP and Disaster Recovery*. The Corporation will periodically designate Clearing Members required to participate in business continuity and disaster recovery testing.

(~~a~~1) The Corporation has established standards for designating those Clearing Members required to participate in business continuity and disaster recovery testing that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that business continuity and disaster recovery plans are required to be activated. Such standards take into account the following factors: (i) volume thresholds; (ii) the

nature of interconnectedness based on a firm's approved business activities; (iii) the existence of significant operational issues during the past twelve months; and (iv) past performance with respect to operational testing. The specific standards adopted by the Corporation are published to Clearing Members and any updates or modifications ~~thereto shall~~ will be published to Clearing Members and applied on a prospective basis.

(~~b~~2) Upon advance notification that it has been designated to participate in business continuity and disaster recovery testing as described in subparagraph (a)(1) above, Clearing Members ~~shall~~ will be required to fulfill, within the time frames established by the Corporation, certain testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation.

(~~c~~b) *Default Management*. The Corporation ~~shall~~ will periodically designate Clearing Members required to participate in default management testing.

(1) ~~by using~~ The Corporation has established key factors to select designees that the Corporation reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets, the promotion of robust risk management, the support of stability of the broader financial system and the protection investors and the public interest. Such key factors will include but not be limited to: (i) suitability of business activities and anticipated impact on resources; (ii) historical open interest and volume in asset classes, where appropriate; and (iii) participation in previous tests.

(~~d~~2) Upon advance notification that a Clearing Member has been designated to participate in default management testing as described in subparagraph (~~c~~b)(1) above, the Clearing Member ~~shall~~ will be required to fulfill, within the time frames established by the Corporation, certain testing requirements (the scope of such testing to be determined by the Corporation in its sole discretion) and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that may be imposed by the Corporation.

(c) *Other Operational Testing*. The Corporation may also require Clearing Members to participate in other operational and connectivity testing and related reporting requirements (such as reporting the test results to the Corporation in a manner specified by the Corporation) that the Corporation deems necessary to ensure the continuing operational capability of the participant and the continuing ability of the Corporation to perform its clearing, settlement, and risk management activities.

[Rule 304 relocated from OCC Rule 218, with proposed revisions]

RULE ~~311~~305 – Clearing Member Risk Management

(a) Each Clearing Member must maintain current written risk management policies and procedures that address the risks the Clearing Member may pose to the Corporation. The Corporation will review the risk management policies, procedures, and practices of each Clearing Member on a periodic basis and may take appropriate action to address concerns

identified in such reviews, including but not limited to the imposition of protective measures pursuant to Rule 307.

(b) Each Clearing Member must provide to the Corporation such information and documentation as may be requested by the Corporation from time to time regarding such Clearing Member's risk management policies, procedures, and practices~~, including, but not limited to, information and documents relating to the liquidity of its financial resources and its settlement procedures~~.

(c) Each Clearing Member must provide to the Commodity Futures Trading Commission such information and documentation as requested by the Commodity Futures Trading Commission regarding such Clearing Member's risk management policies, procedures, and practices.
[Relocated from OCC Rule 311, with proposed revisions]

RULE 306 – Notification and Reporting Requirements

Each Clearing Member shall provide to the Corporation such notices, reports, documentation, or other information required in these Rules and any other requirements the Corporation may promulgate.

RULE 306A – Event-Based Reporting

~~**RULE 303 – Early Warning Notice**~~

(a) *Early Warning Notices*. A Clearing Member shall notify an officer of the Corporation ~~immediately, and shall~~ promptly, ~~(~~and in any event, prior to 3:00 P.M. Central Time (4:00 P.M. Eastern Time) of the next business day~~) confirm such notice~~ in writing, if:

(1) ~~t~~The Clearing Member notifies, is required to notify, or receives notice from, any regulatory organization (as defined in this paragraph) of any financial or operational difficulty affecting the Clearing Member or of any failure by the Clearing Member to be in compliance with the financial or operational responsibility rules or capital requirements of any regulatory organization. Any notice, whether written or otherwise, from a regulatory organization informing a Clearing Member that it may fail to be in compliance with the financial or operational responsibility rules or capital requirements of the regulatory organization unless it takes corrective action, or informing it that it has triggered any provision in the nature of an early warning provision contained in any such rule or regulation, constitutes a notice for purposes of the preceding sentence. The Clearing Member ~~shall~~ must include with any written confirmation to the Corporation a copy of any written notice provided or received by the Clearing Member which is referred to in the confirmation.

(~~b~~2) ~~A~~ The Clearing Member is a fully-registered ~~as a~~ broker-dealer ~~under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934 shall notify an officer of the Corporation immediately by telephone, and shall promptly (in any event prior to 3:00 P.M. Central Time (4:00 P.M. Eastern Time) of the following business day) confirm such notice in writing, if~~ and:

(~~1~~A) such Clearing Member's net capital ~~shall become~~ is less than the greater of:

(i) $~~2,500,000~~12 million;~~, or (~~

(ii) in the case of a Clearing Member ~~not~~ electing to operate pursuant to the ~~alternative net capital requirements) ten per cent (10%) of its~~ aggregate indebtedness standard, 10 percent of its aggregate indebtedness (i.e., aggregate indebtedness exceeds 1000 percent of net capital);~~,~~ or

(iii) in the case of a Clearing Member electing to operate pursuant to the alternative net capital requirements, ~~)five per cent (~~5%~~)~~ of its aggregate debit items~~; or~~.

(~~2~~B) the aggregate principal amount of such Clearing Member's satisfactory subordination agreements (other than such agreements which qualify as equity capital under paragraph (d) of Securities and Exchange Commission Rule 15c3-1) ~~shall~~ exceeds 70% ~~per cent~~ of such Clearing Member's debt-equity total; or

(~~3~~C) such Clearing Member ~~has not elected to operate under paragraph (a)(7) of said Rule 15c3-1 and the sum of (i) the deductions from such Clearing Member's net worth required by paragraph (c)(2)(x)(A) of said Rule 15c3-1 in respect of transactions in certain accounts guaranteed, endorsed or carried by such Clearing Member, and (ii) the equity required by paragraph (a)(6)(iii) of said Rule in respect of transactions in accounts carried by such Clearing Member pursuant to paragraph (a)(6) of said Rule (such deductions and equity being calculated in accordance with the provisions of paragraph (c)(2)(x)(B) of said Rule), shall exceed 800 per cent of such Clearing Member's net capital~~ is required to provide notice to any regulatory organization pursuant to SEC Rule 15c3-1(a)(6) or (c)(2)(x) regarding carrying of accounts of market-makers or listed options specialists; or

(~~4~~D) such Clearing Member ~~has elected to operate under paragraph (a)(7) of said Rule 15c3-1 and the sum of the deductions required by paragraph (a)(7)(iii) of said Rule in respect of positions in certain accounts guaranteed, endorsed, or carried by such Clearing Member (calculated in accordance with the provisions of paragraph (a)(7)(iv) of said Rule) shall exceed 800 per cent of such Clearing Member's net capital~~ is required to provide notice to any regulatory organization (as defined below) under SEC Rule 15c3-1(a)(7); or

(~~5~~E) such Clearing Member's Examining Authority has granted to such Clearing Member, pursuant to paragraph (c)(2)(v)(C) of said Rule 15c3-1, an extension of any time period provided for resolving short securities differences under paragraph (c)(2)(v)(A) of said Rule~~.~~; or

(~~6~~F) such Clearing Member has provided any notice as required by paragraph (e)(1)(iv) of Rule 15c3-1. Such Clearing Member shall also furnish the Corporation with a copy of each notice so provided.

(~~c~~3) ~~A~~ The Clearing Member is a fully-registered ~~as a~~ futures commission merchant ~~under Section 4f(a)(1) of the Commodity Exchange Act shall notify an officer of the Corporation immediately by telephone, and shall promptly (in any event prior to 3:00 P.M. Central Time (4:00 P.M. Eastern Time) of the following business day) confirm such notice in writing,~~:

(A) ~~if the~~ such Clearing Member's adjusted net capital shall become less than the greater of $~~2,500,000~~12 million or the ~~minimum~~ early warning adjusted net capital ~~required~~ requirements established by ~~the Clearing Member's Designated Self-Regulatory Organization~~ CFTC Rule 1.12(b); or~~.~~

(B) such Clearing Member has provided any notice as required by paragraphs (c), (d), (f)(3), (f)(4), (g) or (m) of CEA Rule 1.12. Such Clearing Member shall also furnish the Corporation with a copy of each notice so provided.

~~(d) An exempt Non-U.S. Clearing Member shall notify an officer of the Corporation immediately by telephone, and shall promptly (in any event prior to 3:00 P.M. Central Time (4:00 P.M. Eastern Time) of the following business day) confirm such notice in writing, of (1) any violation on its part of the rules or regulations relating to financial responsibility or protection of customer property of its Non-U.S. Regulatory Agency (or any other governmental agency or instrumentality or independent organization or exchange to whose authority it is subject), (2) any notice (whether written or otherwise) received from such Agency (or any other agency, instrumentality, organization or exchange) (i) alleging a violation of any such rule or regulation, (ii) informing it that it may violate any such rule or regulation unless it takes corrective action, or (iii) informing it that it has triggered any provision in the nature of an early warning provision contained in any such rule or regulation, or (3) such other events as the Corporation may specify.~~

(4) The Clearing Member is a Non-U.S. Securities Firms, including if it is a Canadian Investment Dealer and:

(A) in the case of a Canadian Investment Dealer (i) its risk adjusted capital is less than $12 million or 5% of total margin required; or (ii) it is subject to an early warning designation under the financial and operational rules established by the Investment Industry Regulatory Authority of Canada.

(B) in the case of other Non-U.S. Securities Firms:

(i) its net capital equivalent is less than the greater of: (a) $12 million or (b) the early warning amount required by the firm's applicable regulatory requirements established by the regulatory authority of that country's government or an agency or instrumentality thereof;

(ii) if the Risk Committee has prohibited the use of the non-U.S. jurisdiction's regulatory minimum and early warning requirements or chooses to supplement a non-U.S. jurisdiction's regulatory minimum or early warning requirements, its total equity is less than $30 million.~~;~~

(C) any violation on its part of the rules or regulations relating to financial responsibility or protection of customer property of its Non-U.S. Regulatory Agency (or any other governmental agency or instrumentality or independent organization or exchange to whose authority it is subject);

(D) any notice (whether written or otherwise) received from its Non-U.S. Regulatory Agency (or any other agency, instrumentality, organization or exchange) (a) alleging a violation of any such rule or regulation, (b) informing it that it may violate any such rule or regulation unless it takes corrective action, or (c) informing it that it has triggered any provision in the nature of an early warning provision contained in any such rule or regulation; or

(E) such other events as the Corporation may specify.

(5) The Clearing Member is an eligible bank and:

(A) such Clearing Member's Tier 1 Capital is less than $600 million;

(B) such Clearing Member's Tier 1 Capital Ratio is less than the greater of (i) 7% or (ii) its Tier 1 Capital Ratio regulatory requirement plus 1%, or such Clearing Member is deemed undercapitalized as calculated or defined pursuant to the regulatory capital rules of the applicable banking regulatory authority of its home country;

(C) any violation on its part of the rules or regulations relating to financial responsibility of its regulatory agency (or any other governmental agency or instrumentality or independent organization or exchange to whose authority it is subject);

(D) any notice (whether written or otherwise) received from such agency (or any other agency, instrumentality, organization or exchange) (a) alleging a violation of any such rule or regulation, (b) informing it that it may violate any such rule or regulation unless it takes corrective action, or (c) informing it that it has triggered any provision in the nature of an early warning provision contained in any such rule or regulation; or

(E) such other events as the Corporation may specify.

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

~~**.01** The term "regulatory organization" as used in this paragraph in respect of any Clearing Member, means: (1) the Securities and Exchange Commission and any other federal or state regulatory agency having jurisdiction over the Clearing Member (including the Commodity~~

~~Futures Trading Commission (the "CFTC") in the case of a Clearing Member which is subject to the jurisdiction of the CFTC); (2) any self-regulatory organization (as defined in Section 3(a) of the Securities Exchange Act of 1934, as amended) of which the Clearing Member is a member or participant; (3) any clearing organization (as defined in Regulation Section 1.3(d) under the Commodity Exchange Act, as amended), board of trade, contract market and registered futures association of which the Clearing Member is a member or participant; and (4) in the case of a Non-U.S. Clearing Member, any Non-U.S Regulatory Agency or instrumentality or independent organization or exchange having jurisdiction over the Non-U.S. Clearing Member or of which the Non-U.S. Clearing Member is a member or participant.~~

[Relocated to Rule 101]

~~**.02** An exempt Non-U.S. Clearing Member that is a Canadian Clearing Member shall perform daily computations of its early warning reserve (as determined in accordance with Form 1 of the International Financial Reporting Standards) and shall notify the Corporation promptly, and in any event prior to 3:00 P.M. Central Time (4:00 P.M. Eastern Time) of the following business day, if such Clearing Member's early warning reserve shall become less than (i) $2,500,000 (United States), at the United States dollar to Canadian dollar exchange rate then in effect (determined in such manner as the Corporation shall prescribe).~~

*…**Interpretations and Policies**:*

.01 The terms ~~"net capital," "aggregate indebtedness", and~~ "debt-equity total" shall be computed for a Clearing Member in accordance with Securities and Exchange Commission Rule 15c3-1.~~;~~ ~~provided, however, that a Clearing Member that is registered as a futures commission merchant under Section 4f(a)(1) of the Commodity Exchange Act and is not otherwise required to calculate its net capital in accordance with Rule 15c3-1, may instead calculate net capital as required under the rules of the Commodity Futures Trading Commission. The term "alternative net capital requirements" shall mean the requirements set forth in paragraph (a)(1)(ii) of said Rule 15c3-1, and t~~ The term "satisfactory subordination agreement" shall mean a subordination agreement meeting the requirements of Appendix D to ~~said~~ Rule 15c3-1 and any additional requirements, not inconsistent therewith, imposed by a Clearing Member's Examining Authority. ~~Except as otherwise limited by paragraph (a)(1)(ii) of said Rule 15c3-1, the term "aggregate debit items" shall be computed for a Clearing Member in accordance with the Formula for Determination of Reserve Requirements for Brokers and Dealers (Exhibit A to Securities and Exchange Commission Rule 15c3-3). The term "Examining Authority" of a Clearing Member shall have the meaning set forth in the General Instructions to Part II of Securities and Exchange Commission Form X-17A-5 or shall mean the Clearing Member's "designated self-regulatory organization", as defined in the Rules of the Commodity Futures Trading Commission, as applicable. For the purpose of this Chapter III only, the term "customer" shall have the meaning set forth in paragraph (c)(6) of said Rule 15c3-1.~~

[Relocated from Rule 307 with proposed revisions]

~~*RULE 215* –~~ (b) *Notice of Material Changes and Information Requests*. Each Clearing Member must give the Corporation written notice of any material changes specified in this Rule 306A(b).

[This sub-section (b) is being relocated from OCC Rule 215, with proposed revisions, unless otherwise indicated]

(~~a~~1) Each Clearing Member ~~shall~~ must give the Corporation prompt prior written notice of any material change in its form of organization or ownership structure, including:

(~~1~~A) the merger, combination or consolidation between the Clearing Member and another person or entity;

(~~2~~B) the assumption or guarantee by the Clearing Member of all or substantially all of the liabilities of another person or entity in connection with the direct or indirect acquisition of all or substantially all of the assets of such person or entity;

(~~3~~C) the sale of a significant part of the Clearing Members' business or assets to another person or entity;

(~~4~~D) a change in the name, form of business organization, or jurisdiction of organization or incorporation of the Clearing Member; and

(~~5~~E) a change in the direct or indirect beneficial ownership of 10% or more of the equity of the Clearing Member.

(~~b~~2) Each Clearing Member ~~shall~~ must give the Corporation ~~no less than 30 days prior~~ prompt written notice of material operational or financial changes, including:

(~~1~~A) a ~~planned~~ change in location of clearing operations;

(~~2~~B) a ~~planned~~ change in location of its offices maintained pursuant to Rule ~~201~~302(b); ~~and~~

(~~3~~C) a ~~planned~~ change in ~~the~~ any personnel of the Clearing Member responsible for ensuring that the Clearing Member is able to fulfill its obligations as a Clearing Member pursuant to Rule ~~214~~303(c)~~.~~;

(D) a new or revoked stock settlement relationship with another Clearing Member or CDS;

(E) a change in the Clearing member's independent public accountant;

(F) a change in any non-U.S. Clearing Member's regulatory capital standards;

(G) if Clearing Member is experiencing operational difficulties or is non-compliant with operational capability requirements;

(H) current or hindsight customer reserve or customer segregation deficiencies;

(I) a change in registration status or regulatory authorization;

(J) current or hindsight net capital deficiencies;

(K) a change in date for its fiscal year-end; or

(L) ~~The~~ If a Canadian ~~Hedge~~ Clearing Member participating in the Stock Loan/Hedge Program ~~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, in part, from OCC By-Laws, Article V, Section 1, Interpretation and Policy .07, with proposed revisions]

(~~c~~3) Each Clearing Member ~~shall~~ must give the Corporation ~~no less than 60 days~~ prompt prior written notice of its intention to enter into ~~a facilities management arrangement, as described in Rule 309. Implementation of such facilities management agreement shall be subject to approval by the Corporation before implementation pursuant to Rule 309(f)~~, terminate, or alter its outsourcing activities.

(4) Each Clearing Member must give the Corporation prompt written notice if separation or termination of an agreement occurs between the only personnel, associated person, or third-party service provider who performs activities necessary to meet the requirements of Chapter III of the Rules or is otherwise critical to ensuring that the Clearing Member is able to clear and settle confirmed trades in account types for which it is approved.

(5) Each Clearing Member shall notify the Corporation within 30 days (i) of its independent auditor issuing a qualified opinion of its financial statements or (ii) of notification by its independent auditor that the independent auditor has identified a material weakness in an internal control over financial reporting.

(~~d~~6) Each Clearing Member ~~shall~~ must, within the time period reasonably prescribed by the Corporation, furnish to the Corporation such documents and information as the Corporation may from time to time require pursuant to ~~Article V, Section 3(g) of the Corporation's By-Laws and~~ Chapters II and III of the Corporation's Rules.

(~~b~~c) *Statutory Disqualifications*. A Clearing Member, or any applicant for clearing membership, that is or becomes subject to a statutory disqualification ~~shall~~ must ~~promptly~~ as soon as practicable upon learning of such statutory disqualification and in any event within 20 business days thereafter:

(~~i~~1) notify the Corporation in writing ~~as soon as practicable upon learning of such~~ of the statutory disqualification ~~and in any event within 5 business days thereafter, (ii) accompany such notification with a statement of whether or not the Clearing Member is seeking to continue being a Clearing Member notwithstanding the statutory disqualification~~, and

(~~iii~~2) further accompany such notification with ~~copies of all documents that are contained in the record of any proceeding that resulted in the statutory disqualification as well as any~~ information and forms, including amendments thereto, related to the statutory disqualification received from or provided to the SEC, the CFTC or any self-regulatory organization, including, as applicable~~,~~: (i) a copy of the order, judgment, letter of acceptance, waiver and consent, or other document evidencing the event that gave rise to the statutory disqualification, and (ii) any amended Form BD, Financial Industry Regulatory Authority ("FINRA") Form MC-400A, any written response to a National Futures Association ("NFA") Rule 504 Notice of Intent or other written request for relief addressed to such self-regulatory organization. Clearing Members that are not members of FINRA or NFA must provide the Corporation with, at a minimum, the information contained in FINRA Form MC-400A in addition to any forms 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.

[Relocated from Rule 217(b) with proposed revisions]

~~(c) Any failure to provide the notice and supporting documentation required by paragraph (b) of this Rule may be deemed a violation of the Corporation's Rules and subject a Clearing Member to Disciplinary Proceedings as provided for in Chapter XII of the Rules. Following the receipt of such notification, or in the event the Corporation becomes aware that a Clearing Member is subject to a statutory disqualification and has failed to submit a notification pursuant to paragraph (b) of this Rule within the required time period, the Corporation may convene a Disciplinary Committee to conduct a hearing or institute a disciplinary proceeding concerning the matter pursuant to Chapter XII of the Rules.~~

~~(d) Any Clearing Member which is the subject of a Chapter XII disciplinary proceeding under this Rule shall promptly submit any information requested by the Corporation in connection with such proceeding.~~

~~(e) No determination to discontinue or condition Clearing Membership shall take effect until the review procedures under Chapter XII of the Rules have been exhausted or the time for review has expired.~~

[Relocated from OCC Rule 217(b) – (e), with proposed revisions]

RULE 306B – Periodic Reporting

(a) *Financial Reports*. Each Clearing Member shall submit statements of its financial condition at such times and in such manner as shall be prescribed by the Corporation from time to time.

(~~a~~1) *Broker-Dealers*. Every Clearing Member ~~other than an exempt Non-U.S. Clearing Member~~ that is a fully-registered broker-dealer ~~shall~~ must ~~cause to be~~ file~~d~~ with the Corporation a true and complete copy of Part II, IIA, or any other variation of ~~Securities and Exchange Commission~~ SEC Form X-17A-5 within ~~10~~20 business days after the end of each month (regardless of whether or not such Clearing Member is required to prepare or file such report on a monthly basis with another regulatory or self-regulatory organization).~~, except for those months which conclude a calendar quarter. Every Clearing Member shall cause to be filed with the Corporation~~

~~a true and complete copy of Part II (or Part IIA in the case of a Clearing Member who files Part IIA with the Securities and Exchange Commission or its designated Examining Authority in lieu of Part II) of Securities and Exchange Commission Form X-17A-5 within 17 business days after the end of each calendar quarter and within 17 business days after the date selected for the annual audit of financial statements when said date is other than the end of a calendar quarter. Notwithstanding the foregoing no Domestic Clearing Member shall be required to file with the Corporation Part I or Part II or IIA of Form X-17A-5 prior to the earlier of (i) the date when such Part is filed with the Clearing Member's designated Examining Authority, or (ii) the date when such Part is required to be filed with such Examining Authority pursuant to the rules and regulations of the Securities and Exchange Commission and the procedures of such Examining Authority and any extensions of time duly granted to the Clearing Member thereunder. In the event the designated Examining Authority of any Domestic Clearing Member shall at any time require such Clearing Member to file any of the foregoing reports with such Examining Authority on a more frequent basis, then such Clearing Member shall file with the Corporation a true and complete copy of each such report at the same time it is filed with the designated Examining Authority. A Domestic Clearing Member's obligation to file any report under the preceding provisions of this Rule shall be deemed to have been met if the Clearing Member's designated Examining Authority files such report with the Corporation within four business days after such report is required to be filed with such designated Examining Authority; or, should the designated Examining Authority fail to do so, if the Clearing Member files such report directly with the Corporation no later than 24 hours after the Corporation requests the Clearing Member to do so. The Corporation may require any Clearing Member at any time to make more frequent net capital computations or to file with the Corporation the above reports on a more frequent basis or such other reports or financial statements in such form or detail as may be prescribed by the Corporation, including for purposes of assessing whether the Clearing Member is meeting the financial requirements for clearing membership on an ongoing basis.~~

(b2) ~~Exempt Non-U.S. Clearing Members shall cause to be filed with the Corporation such financial reports at such times as the Corporation may specify. The Corporation may require any such Clearing Member at any time to file the financial reports required by the Corporation with the Corporation on a more frequent basis or to file such other reports or financial statements containing such additional information in such form or detail as may be prescribed by the Corporation. In the event such Clearing Member's Non-U.S. Clearing Agency shall at any time require such Clearing Member to file financial reports with such Agency on a more frequent basis, then such Clearing Member shall file the financial reports required by the Corporation on such basis~~ *Futures Commission Merchants*. Every Clearing Member that is a fully-registered FCM must file with the Corporation a true and complete copy of CFTC Form 1-FR-FCM within 20 business days after the end of each month (regardless of whether or not such Clearing Member is required to prepare or file such report on a monthly basis with another regulatory or self-regulatory organization).

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

~~**.01**~~ (3) *Canadian Investment Dealers*. Every ~~exempt Non-U.S.~~ Clearing Member that is a Canadian ~~Clearing Member~~ Investment Dealer ~~shall~~ must ~~cause to be~~ filed with the Corporation a true and complete copy of its Form 1 of the International Financial Reporting Standards ("Form 1") within the later of (i) ~~30 calendar~~20 business days of the end of each month or (ii)

monthly deadlines established by IIROC~~, except for that month which concludes the fiscal year of such Clearing Member and such other month in the fiscal year of such Clearing Member as is designated by the Foreign Regulatory Agency of such Clearing Member as a month in which such Clearing Member is to file a Form 1. Every such Clearing Member shall cause to be filed with the Corporation a true and complete copy of its Form 1 within 35 calendar days after the end of (i) such Clearing Member's fiscal year and (ii) such other month in the fiscal year of such Clearing Member as is designated by the Non-U.S. Regulatory Agency of such Clearing Member as a month in which such Clearing Member is to file a Form 1. Notwithstanding the foregoing, no such Clearing Member shall be required to file with the Corporation any Form 1 prior to the earlier of (x) the date when such Form 1 is filed with such Clearing Member's Non-U.S. Regulatory Agency or (y) the date when such Form 1 is required to be filed with such Agency pursuant to the rules, regulations or procedures of such Agency and any extensions of time duly granted to such Clearing Member thereunder~~.

~~**.02** Any Clearing Member that is not fully registered with the Securities and Exchange Commission as a broker-dealer under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934 but that is registered with the Commodity Futures Trading Commission (the "CFTC") as a futures commission merchant may, in lieu of filing reports on Form X-17A-5, cause to be filed with the Corporation a report of its financial condition on CFTC Form 1-FR-FCM within 17 business days after the end of each month (regardless of whether or not such Clearing Member is required to prepare or file such report on a monthly basis with another regulatory or self-regulatory organization). Additionally, a copy of the annual audited report on Form 1-FR-FCM required to be filed with the CFTC pursuant to CFTC Regulation 1.10(b)(ii) must be filed with the Corporation each year within 90 days (or such longer period to which the Corporation may consent) after the close of such Clearing Member's fiscal year. If the Clearing Member's designated self-regulatory organization ("DSRO") requires such Clearing Member to file any report on Form 1-FR-FCM on an earlier date or on a more frequent basis than is required under this Interpretation, then such Clearing Member shall file with the Corporation a true and complete copy of each such report at the same time it is filed with the DSRO. Notwithstanding the foregoing, no such Clearing Member will be required to file any report on Form 1-FR-FCM with the Corporation prior to the date specified in any extension of time duly granted by the CFTC or the DSRO, so long as such extension is not issued on a permanent basis and a copy of such extension is filed with the Corporation in a timely manner. The Corporation may require any Clearing Member at any time to make more frequent net capital computations or to file with the Corporation the above reports on a more frequent basis or to file such other reports or financial statements in such form or detail as may be prescribed by the Corporation, including for purposes of assessing whether the Clearing Member is meeting the financial requirements for clearing membership on an ongoing basis.~~

(4) *Other Non-U.S. Securities Firms*. Every Clearing Member that is a Non-U.S. Securities Firm (excluding Canadian Investment Dealers) must file with the Corporation true and complete copies of such financial reports specified by the Corporation at the same time such report is filed with its primary regulatory authority. The financial reports must be prepared in accordance with its non-U.S. regulatory requirement.

(5) *U.S. Banks*. Every Clearing Member that is a U.S. national bank or state-chartered bank must file with the Corporation a copy of its Consolidated Report of Condition and Income ("Call Report") and (to the extent not contained within such Call Reports) information containing each of its capital levels and ratios due at same time it is filed with primary regulatory authority. If the Clearing Member is not required to file a Call Report, then it must file with the Corporation a copy of its unaudited quarterly financial statements as provided to the state regulatory authority having jurisdiction over the participant, containing each of its capital levels and ratios.

(6) *Non-U.S. Banks*. Every Clearing Member that is a non-U.S. bank must file with the Corporation true and complete copies of such financial reports specified by the Corporation at the same time such report is filed with a primary regulatory authority. The financial reports must be prepared in accordance with its non-U.S. regulatory requirement.

~~**.03**~~ (7)The Corporation ~~shall~~ will deliver to the CFTC upon request any financial report provided to the Corporation pursuant to Rule 306B(a) by a Clearing Member that is not a futures commission merchant.

[Rule 306B relocated from OCC Rule 306, with proposed revisions]

~~**RULE 308 – Audits**~~

(~~a~~b) *Annual Audited Financial Statements*. Every Clearing Member ~~that is not an exempt Non-U.S. Clearing Member and is not exempt under paragraph (d) of Securities and Exchange Commission Rule 17a-5 shall file each year with~~ must provide to the Corporation a complete copy of ~~the~~ its annual audited ~~report required to be filed with the Securities and Exchange Commission pursuant to said Rule 17a-5~~financial statements, including reports on material inadequacies and internal control, prepared in accordance with its regulatory requirements and with generally accepted auditing standards of the country in which such Clearing Member has its principal place of business within 60 calendar days of the end of its fiscal year.

(b) ~~Any Clearing Member that is not an exempt Non-U.S. Clearing Member and is not subject to the filing requirements of Securities and Exchange Commission Rule 17a-5 shall file with the Corporation once each year an audited report of its financial condition prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of independent public accountants satisfactory to the Corporation.~~

(c) ~~The report required to be filed by paragraph (a), (b) or (e) of this Rule shall be as of the same fixed or determinable date each year unless a change is approved by the Corporation, and shall be filed within sixty days after the date of the financial statements contained therein. Any extension of time for filing that has been duly granted to a Clearing Member by its designated Examining Authority, or, in the case of an exempt Non-U.S. Clearing Member, by its Non-U.S. Regulatory Agency, shall be recognized by the Corporation upon receipt of a copy of the extension granted.~~

(d) ~~Every Clearing Member that is not an exempt Non-U.S. Clearing Member shall file with the Corporation concurrently with the report required to be filed by paragraph (a) or (b) of this Rule~~

~~an accountant's supplemental report on material inadequacies as described in paragraph (j) of Securities and Exchange Commission Rule 17a-5.~~

(e) ~~Every exempt Non-U.S. Clearing Member shall file each year with the Corporation such annual financial reports, audited in accordance with generally accepted auditing standards of the country in which such Clearing Member has its principal place of business by a firm of independent public accountants satisfactory to the Corporation, as the Corporation may prescribe.~~

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

~~**.01** An exempt Non-U.S. Clearing Member that is a Canadian Clearing Member shall cause to be filed each year with the Corporation true and complete copies of its audited Form 1 of the International Financial Reporting Standards and of any report in the nature of a supplemental report on material inadequacies prepared by the auditor performing such audit.~~
[Relocated from OCC Rule 308, with proposed revisions]

(c) *Early or More Frequent Reporting*. If a Clearing Member is required to file a financial report on an earlier date or on a more frequent basis than is required under this Rule 306B, then such Clearing Member must file with the Corporation a true and complete copy of each such report at the same time it is filed with its relevant regulatory authority. In addition, the Corporation may, in its discretion, require more frequent financial reporting in such form as the Corporation may specify or other financial statements in such form or detail as may be prescribed by the Corporation, including for purposes of assessing whether the Clearing Member is meeting the financial requirements for clearing membership on an ongoing basis.

(d) *Extensions*. The Corporation may, in its discretion, recognize an extension or later deadline granted by the Clearing Member's relevant regulatory authority for financial reports required under this Rule 306B, provided that such extension is not issued on a permanent basis and a copy of such extension is filed with the Corporation in a timely manner.

(e) ~~RULE 216 –~~ *Large Trader Reports*. Except to the extent that large trader reports required by the ~~Commodity Futures Trading Commission ("CFTC")~~ are filed on behalf of a Clearing Member by a contract market or other CFTC registrant, such reports ~~shall~~ must be filed by the Clearing Member effecting the transaction(s) subject to such reporting requirements.
[Relocated from Rule 216, with proposed revisions]

RULE 307 – Protective Measures

The Corporation may impose protective measures on any Clearing Member or applicant for clearing membership that: (i) is approaching or does not meet the Corporation's minimum membership standards or fails to provide information required under Chapters II and III of the Rules such that the Corporation is unable to determine whether it meets the minimum membership standards, (ii) presents increased credit or liquidity risk to the Corporation, (iii) is subject to enhanced monitoring and surveillance under the Corporation's watch level reporting process, or (iv) whose financial condition, operational capability, or risk management capability

otherwise makes it necessary or advisable, for the protection of the Corporation, other Clearing Members, or the general public.

RULE ~~304~~ 307A – Restrictions on Distributions

(a) No Clearing Member ~~other than an exempt Non-U.S. Clearing Member~~ shall withdraw ~~any funds from any subordinated loan account (whether at the maturity of the subordinated loan or otherwise)~~ qualified regulatory capital (by dividend, distribution, or otherwise) without the prior written authorization of the Corporation if, after giving effect to such withdrawal, a condition specified in Rule ~~303(b), (1), (2), (3) or (4)~~ 306A(a)(2) through (6) would exist with respect to such Clearing Member, or such withdrawal would be inconsistent with a Clearing Member's regulatory requirements.

(b) ~~No Clearing Member other than an exempt Non-U.S. Clearing Member shall withdraw any funds from the accounts of partners (if such accounts are included as part of the net capital of the Clearing Member), and no such Clearing Member shall make any withdrawal or payment whether~~ The Corporation may prohibit Clearing Members from withdrawing qualified regulatory capital (by dividend or distribution or otherwise) ~~to stockholders, partners, or employees, if the effect of such withdrawal or payment would be to reduce the net capital of the Clearing Member below $2,500,000, or such withdrawal or payment would be inconsistent with the requirement of paragraph (e) of Securities and Exchange Commission Rule 15c3-1~~ if such Clearing Member is subject to enhanced monitoring and surveillance under the Corporation's watch level reporting process and the distribution in question could result in increased credit or liquidity risk to the Corporation.

(c) ~~Exempt Non-U.S. Clearing Members shall comply with such restrictions on distributions as the Corporation may specify.~~

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

~~**.01** No exempt Non-U.S. Clearing Member that is a Canadian Clearing Member shall withdraw any funds from any uniform subordinated loan account (as defined in the regulations of such Clearing Member's Non-U.S. Regulatory Agency), whether at the maturity of the subordinated loan or otherwise, without the prior written authorization of the Corporation if, after giving effect to such withdrawal, a condition specified in Rule 303(b) or in Interpretation 1 to Rule 303 would exist with respect to such Clearing Member.~~

~~**.02** No exempt Non-U.S. Clearing Member that is a Canadian Clearing Member shall withdraw any funds from the accounts of partners, if such accounts are included as part of the early warning reserve (as determined in accordance with Form 1 of the International Financial Reporting Standards) of the Clearing Member, and no such Clearing Member shall make any withdrawal or payment whether by dividend or distribution or otherwise to stockholders, partners, or employees, if the effect of such withdrawal or payment would be to reduce the early warning reserve of such Clearing Member below $2,500,000 (United States), at the United States dollar to Canadian dollar exchange rate then in effect (determined in such manner as the Corporation may prescribe).~~

~~**.03** Each exempt Non-U.S. Clearing Member that is a Canadian Clearing Member shall provide written notice to the Corporation of any request submitted to the Investment Industry Regulatory Organization of Canada to withdraw capital at the time it submits such request.~~

RULE ~~305~~ 307B – Restrictions on Certain Transactions, Positions and Activities

(a) ~~If t~~ The Chief Executive Officer or 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 of the Corporation ~~shall at any time determine that the financial or operational condition of a Clearing Member makes it necessary or advisable, for the protection of the Corporation, other Clearing Members, or the general public, to impose restrictions on such Clearing Member's positions and stock loan and borrow positions with the Corporation, such officer shall have the authority~~ may impose the following restrictions on a Clearing Member's positions in any circumstances that warrant the imposition of protective measures under Rule 307.

(~~i~~1) ~~to p~~ Prohibit or ~~to~~ impose limitations on the clearance of ~~opening purchase transactions or opening writing transactions by such Clearing Member~~ any transactions that increase credit or liquidity risk;~~,~~

(~~ii~~2) ~~to r~~ Require such Clearing Member to reduce, ~~or~~ eliminate ~~existing unsegregated long positions or short positions in such Clearing Member's accounts with the Corporation, (iii) to require such Clearing Member to~~, or hedge existing ~~unsegregated long positions or existing short~~ positions ~~for which a deposit in lieu of margin has not been made in accordance with the Rules in such Clearing Member's accounts with~~ presenting increased credit, liquidity or operational risk to the Corporation; ~~,(iv) to prohibit or to impose limitations on the acceptance by the Corporation of Stock Loans entered into by such Clearing Member, (v) to require such Clearing Member to reduce or eliminate existing stock loan positions or stock borrow positions in such Clearing Member's accounts with the Corporation, (vi) to require such Clearing Member to hedge existing stock loan positions or stock borrow positions, and/or~~

(~~vii~~3) ~~to r~~ Require such Clearing Member to transfer any existing positions or accounts maintained or carried by such Clearing Member ~~with the Corporation, any position or stock loan or borrow position maintained in any such account, or any account carried by such Clearing Member,~~ to another Clearing Member~~.~~; and/or

(~~b~~4) ~~If the Chief Executive Officer or 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 of the Corporation shall at any time determine that the financial or operational condition of a Clearing Member makes it necessary or advisable, for the protection of the Corporation, other Clearing Members, or the general public, to impose restrictions on~~ Restrict such Clearing Member's ~~facilities management~~ outsourced activities or activities as an Appointed Clearing Member~~, such officer shall have the authority to~~ or prohibit such Clearing Member from engaging in such activities or to impose such limitations on such activities as such officer deems necessary or appropriate in the circumstances.

(~~c~~b) Any action taken ~~by the Chief Executive Officer or Chief Operating Officer, or Designated Officer with respect to a Clearing Member~~ pursuant to paragraph (a) ~~or (b) shall~~ will be subject to review by the Risk Committee of the Corporation upon submission by the Clearing Member of a request for review to the Secretary of the Corporation within five business days of the date such action is taken. The Risk Committee ~~shall~~ will schedule an early hearing. The Clearing Member ~~shall~~ will be given not less than one day's notice of the place and time of such hearing. At the hearing, the Clearing Member ~~shall~~ will be afforded an opportunity to be heard and to present evidence in its behalf and may be represented by counsel. A verbatim record of the hearing ~~shall~~ will be prepared and the cost of the transcript may, in the discretion of the Risk Committee, be charged in whole or in part to the Clearing Member if the Risk Committee does not modify the action of the Chief Executive Officer or Chief Operating Officer, or Designated Officer. The Clearing Member ~~shall~~ will be notified in writing of the outcome of the Risk Committee's review.

(~~d~~c) The filing of a request for review pursuant to paragraph (~~c~~b) of this Rule ~~shall~~ will not impair the validity or stay the effect of the action which the Clearing Member seeks to have reviewed, and the Clearing Member ~~shall~~ will be obligated to comply with such action without delay notwithstanding the pendency of such request for review. Any modification or reversal by the Risk Committee of any action taken pursuant to paragraph (a) ~~or (b)~~ hereof ~~shall~~ will not invalidate any acts taken by the Corporation prior to such modification or affect any rights of any person arising out of any such acts.

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

~~Situations in which action may be taken under Rule 305 include, but are not limited to, the following:~~

~~**.01** A Clearing Member's net capital becomes less than $2,500,000 or, as applicable, 11 per cent of the sum described in clauses (i) and (ii) of Rule 303(a)(3) or 11 per cent of the deductions described in Rule 303(a)(4).~~

~~**.02** For a period of three consecutive months, a Clearing Member's net capital remains less than 8-1/3 per cent of aggregate indebtedness (if the Clearing Member does not operate under the alternative net capital requirements) or 4 per cent of aggregate debit items (if the Clearing Member operates under the alternative net capital requirements).~~

~~**.03** During the three months after admission to Clearing Membership, or during the twelve months after commencing business as a broker or dealer or futures commission merchant, a Clearing Member ceases to meet the initial financial requirements of Rule 301.~~

~~**.04** A Clearing Member's net worth becomes less than the greater of: (1) the largest one-month pre-tax loss (exclusive of extraordinary items), if any, reported over the prior twelve-month period; or (2) $75,000.~~

~~.05 A Clearing Member's subordinated debt (excluding any portion treated as equity under SEC rules) exceeds 70 per cent of its debt-equity total on one or more days in two consecutive months.~~

~~**.06** A Clearing Member sustains net pre-tax losses (after giving effect to all gains and losses, whether realized or unrealized, in trading, investment or other proprietary accounts) in any three-month period which exceed 50 per cent of the Clearing Member's net capital (before the application of the adjustments provided for in paragraphs (c)(2)(vi), (c)(2)(viii) and (c)(2)(x) of SEC Rule 15c3-1 and Appendices A and B to said Rule, adjusted where applicable by the provisions of paragraph (f) of said Rule) as of the end of such three-month period.~~

~~**.07** The Clearing Member is experiencing such operational difficulties that the Chief Executive Officer or 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 determines that action under Rule 305 is necessary or advisable in the circumstances.~~

~~.08 The Clearing Member was listed in the two special surveillance lists (SIPC Form 5A) most recently filed with the Securities Investor Protection Corporation by the Clearing Member's designated Examining Authority.~~

~~**.09** The Clearing Member is an exempt Non-U.S. Clearing Member and such Clearing Member gives notice to the Corporation pursuant to Rule 303(b) or an Interpretation and Policy thereunder.~~

~~**.10** The Clearing Member, the Appointed Clearing Member of the Clearing Member or CDS (if the Clearing Member is a Canadian Clearing Member described in Rule 901) is experiencing such difficulty in meeting its obligations to the correspondent clearing corporation that the Chief Executive Officer or 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 determines that action under Rule 305 is necessary or advisable in the circumstances.~~

~~**.11** A Clearing Member 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.~~

~~**.12** A Clearing Member lacks 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.~~

RULE 307C – Additional Operational, Personnel, Financial Resource and Risk Management Requirements

The Corporation may also impose protective measures in the form of additional operational, personnel, financial resource, or risk management requirements, including, but not limited to:

(a) Requiring Clearing Members to maintain higher minimum capital amounts than those required by Rule 301;

(b) Requiring Clearing Members to adjust the amount or composition of margin or Clearing Fund deposits, including but not limited to requiring the deposit of additional margin or requiring Clearing Members to satisfy a specified portion of their margin or Clearing Fund requirements in cash or other assets with comparatively less risk;

(c) Requiring Clearing Members to add new personnel or provide additional training to existing personnel to enhance the capability, experience, and competence of operational, financial reporting, or risk management personnel;

(d) Requiring Clearing Members to execute an agreement with a third-party service provider determined to be acceptable to the Corporation that will be in effect until such time that the Clearing Member is able to comply with the Corporation's operational, personnel, or risk management standards;

(e) Requiring Clearing Members to enhance its risk management policies, procedures, and practices;

(f) Requiring alternate methods of electronic connection (e.g., lease line) due to operational risk concerns; or

(g) Requiring additional reporting of its financial or operational condition at such intervals and in such detail as the Corporation may determine.

~~**RULE 306 – Financial Reports**~~

~~(a) Every Clearing Member other than an exempt Non-U.S. Clearing Member shall cause to be filed with the Corporation a true and complete copy of Part I of Securities and Exchange Commission Form X-17A-5 within 10 business days after the end of each month, except for those months which conclude a calendar quarter. Every Clearing Member shall cause to be filed with the Corporation a true and complete copy of Part II (or Part IIA in the case of a Clearing Member who files Part IIA with the Securities and Exchange Commission or its designated Examining Authority in lieu of Part II) of Securities and Exchange Commission Form X-17A-5 within 17 business days after the end of each calendar quarter and within 17 business days after the date selected for the annual audit of financial statements when said date is other than the end of a calendar quarter. Notwithstanding the foregoing no Domestic Clearing Member shall be required to file with the Corporation Part I or Part II or IIA of Form X-17A-5 prior to the earlier of (i) the date when such Part is filed with the Clearing Member's designated Examining Authority, or (ii) the date when such Part is required to be filed with such Examining Authority~~

~~pursuant to the rules and regulations of the Securities and Exchange Commission and the procedures of such Examining Authority and any extensions of time duly granted to the Clearing Member thereunder. In the event the designated Examining Authority of any Domestic Clearing Member shall at any time require such Clearing Member to file any of the foregoing reports with such Examining Authority on a more frequent basis, then such Clearing Member shall file with the Corporation a true and complete copy of each such report at the same time it is filed with the designated Examining Authority. A Domestic Clearing Member's obligation to file any report under the preceding provisions of this Rule shall be deemed to have been met if the Clearing Member's designated Examining Authority files such report with the Corporation within four business days after such report is required to be filed with such designated Examining Authority; or, should the designated Examining Authority fail to do so, if the Clearing Member files such report directly with the Corporation no later than 24 hours after the Corporation requests the Clearing Member to do so. The Corporation may require any Clearing Member at any time to make more frequent net capital computations or to file with the Corporation the above reports on a more frequent basis or such other reports or financial statements in such form or detail as may be prescribed by the Corporation, including for purposes of assessing whether the Clearing Member is meeting the financial requirements for clearing membership on an ongoing basis.~~

~~(b) Exempt Non-U.S. Clearing Members shall cause to be filed with the Corporation such financial reports at such times as the Corporation may specify. The Corporation may require any such Clearing Member at any time to file the financial reports required by the Corporation with the Corporation on a more frequent basis or to file such other reports or financial statements containing such additional information in such form or detail as may be prescribed by the Corporation. In the event such Clearing Member's Non-U.S. Clearing Agency shall at any time require such Clearing Member to file financial reports with such Agency on a more frequent basis, then such Clearing Member shall file the financial reports required by the Corporation on such basis.~~

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

~~**.01** Every exempt Non-U.S. Clearing Member that is a Canadian Clearing Member shall cause to be filed with the Corporation a true and complete copy of its Form 1 of the International Financial Reporting Standards ("Form 1") within 30 calendar days of the end of each month, except for that month which concludes the fiscal year of such Clearing Member and such other month in the fiscal year of such Clearing Member as is designated by the Foreign Regulatory Agency of such Clearing Member as a month in which such Clearing Member is to file a Form 1. Every such Clearing Member shall cause to be filed with the Corporation a true and complete copy of its Form 1 within 35 calendar days after the end of (i) such Clearing Member's fiscal year and (ii) such other month in the fiscal year of such Clearing Member as is designated by the Non-U.S. Regulatory Agency of such Clearing Member as a month in which such Clearing Member is to file a Form 1. Notwithstanding the foregoing, no such Clearing Member shall be required to file with the Corporation any Form 1 prior to the earlier of (x) the date when such Form 1 is filed with such Clearing Member's Non-U.S. Regulatory Agency or (y) the date when such Form 1 is required to be filed with such Agency pursuant to the rules, regulations or procedures of such Agency and any extensions of time duly granted to such Clearing Member thereunder.~~

~~**.02** Any Clearing Member that is not fully registered with the Securities and Exchange Commission as a broker-dealer under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934 but that is registered with the Commodity Futures Trading Commission (the "CFTC") as a futures commission merchant may, in lieu of filing reports on Form X-17A-5, cause to be filed with the Corporation a report of its financial condition on CFTC Form 1-FR-FCM within 17 business days after the end of each month (regardless of whether or not such Clearing Member is required to prepare or file such report on a monthly basis with another regulatory or self-regulatory organization). Additionally, a copy of the annual audited report on Form 1-FR-FCM required to be filed with the CFTC pursuant to CFTC Regulation 1.10(b)(ii) must be filed with the Corporation each year within 90 days (or such longer period to which the Corporation may consent) after the close of such Clearing Member's fiscal year. If the Clearing Member's designated self-regulatory organization ("DSRO") requires such Clearing Member to file any report on Form 1-FR-FCM on an earlier date or on a more frequent basis than is required under this Interpretation, then such Clearing Member shall file with the Corporation a true and complete copy of each such report at the same time it is filed with the DSRO. Notwithstanding the foregoing, no such Clearing Member will be required to file any report on Form 1-FR-FCM with the Corporation prior to the date specified in any extension of time duly granted by the CFTC or the DSRO, so long as such extension is not issued on a permanent basis and a copy of such extension is filed with the Corporation in a timely manner. The Corporation may require any Clearing Member at any time to make more frequent net capital computations or to file with the Corporation the above reports on a more frequent basis or to file such other reports or financial statements in such form or detail as may be prescribed by the Corporation, including for purposes of assessing whether the Clearing Member is meeting the financial requirements for clearing membership on an ongoing basis.~~

~~**.03** The Corporation shall deliver to the CFTC upon request any financial report provided to the Corporation pursuant to Rule 306 by a Clearing Member that is not a futures commission merchant.~~

[Relocated to new Rule 306B above, with proposed revisions]

~~**RULE 307 – Definitions**~~

~~The terms "net capital," "aggregate indebtedness", and "debt-equity total" shall be computed for a Clearing Member in accordance with Securities and Exchange Commission Rule 15c3-1; provided, however, that a Clearing Member that is registered as a futures commission merchant under Section 4f(a)(1) of the Commodity Exchange Act and is not otherwise required to calculate its net capital in accordance with Rule 15c3-1, may instead calculate net capital as required under the rules of the Commodity Futures Trading Commission. The term "alternative net capital requirements" shall mean the requirements set forth in paragraph (a)(1)(ii) of said Rule 15c3-1, and the term "satisfactory subordination agreement" shall mean a subordination agreement meeting the requirements of Appendix D to said Rule 15c3-1 and any additional requirements, not inconsistent therewith, imposed by a Clearing Member's Examining Authority. Except as otherwise limited by paragraph (a)(1)(ii) of said Rule 15c3-1, the term "aggregate debit items" shall be computed for a Clearing Member in accordance with the Formula for~~

~~Determination of Reserve Requirements for Brokers and Dealers (Exhibit A to Securities and Exchange Commission Rule 15c3-3). The term "Examining Authority" of a Clearing Member shall have the meaning set forth in the General Instructions to Part II of Securities and Exchange Commission Form X-17A-5 or shall mean the Clearing Member's "designated self-regulatory organization", as defined in the Rules of the Commodity Futures Trading Commission, as applicable. For the purpose of this Chapter III only, the term "customer" shall have the meaning set forth in paragraph (c)(6) of said Rule 15c3-1.~~

[Relocated to Rule 306A, Interpretation and Policy .01, with proposed revisions]

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

~~**.01** If a Clearing Member maintains proprietary options positions but carries those positions in an account or accounts with another Clearing Member and is otherwise eligible to calculate its net capital requirement in accordance with the provisions of Securities and Exchange Commission Rule 15c3-1(a)(6), the Clearing Member must nevertheless take the risk based haircuts associated with proprietary securities positions in determining its compliance with the Corporation's minimum net capital requirements. Clearing Members that were Clearing Members on June 13, 2005 will have until July 27, 2005 to comply with the foregoing Interpretation.~~

[Relocated to Rule 306A, Interpretation and Policy .02, with proposed revisions]

~~**RULE 308 – Audits**~~

~~(a) Every Clearing Member that is not an exempt Non-U.S. Clearing Member and is not exempt under paragraph (d) of Securities and Exchange Commission Rule 17a-5 shall file each year with the Corporation a copy of the annual audited report required to be filed with the Securities and Exchange Commission pursuant to said Rule 17a-5.~~

~~(b) Any Clearing Member that is not an exempt Non-U.S. Clearing Member and is not subject to the filing requirements of Securities and Exchange Commission Rule 17a-5 shall file with the Corporation once each year an audited report of its financial condition prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of independent public accountants satisfactory to the Corporation.~~

~~(c) The report required to be filed by paragraph (a), (b) or (e) of this Rule shall be as of the same fixed or determinable date each year unless a change is approved by the Corporation, and shall be filed within sixty days after the date of the financial statements contained therein. Any extension of time for filing that has been duly granted to a Clearing Member by its designated Examining Authority, or, in the case of an exempt Non-U.S. Clearing Member, by its Non-U.S. Regulatory Agency, shall be recognized by the Corporation upon receipt of a copy of the extension granted.~~

~~(d) Every Clearing Member that is not an exempt Non-U.S. Clearing Member shall file with the Corporation concurrently with the report required to be filed by paragraph (a) or (b) of this Rule an accountant's supplemental report on material inadequacies as described in paragraph (j) of Securities and Exchange Commission Rule 17a-5.~~

~~(e) Every exempt Non-U.S. Clearing Member shall file each year with the Corporation such annual financial reports, audited in accordance with generally accepted auditing standards of the country in which such Clearing Member has its principal place of business by a firm of independent public accountants satisfactory to the Corporation, as the Corporation may prescribe.~~

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

~~**.01** An exempt Non-U.S. Clearing Member that is a Canadian Clearing Member shall cause to be filed each year with the Corporation true and complete copies of its audited Form 1 of the International Financial Reporting Standards and of any report in the nature of a supplemental report on material inadequacies prepared by the auditor performing such audit.~~
[Relocated to new Rule 306B(b) above, with proposed revisions]

~~RULE 309 – Managing Clearing Members and Managed Clearing Members~~

~~(a) As used herein, the term "Managing Clearing Member" shall mean a Clearing Member which provides any facilities management services to one or more other Clearing Members, and the term "Managed Clearing Member" shall mean a Clearing Member for which any management clearing services are provided by another Clearing Member.~~

~~(b) Every Managing Clearing Member shall at all times maintain net capital of not less than the greater of (i) the minimum net capital required under the provisions of Rule 302 or (ii) the sum of (A) $4,000,000 plus (B) $200,000 times the number of Managed Clearing Members in excess of four for which the Managing Clearing Member provides facilities management services.~~

~~(c) A Managing Clearing Member shall notify the Corporation promptly, and in any event prior to 3:00 p.m. Central Time (4:00 p.m. Eastern Time) of the following business day, if such Managing Clearing Member's net capital shall become less than the net capital required by paragraph (b) of this Rule 309.~~

~~(d) At any time when the net capital of a Managing Clearing Member shall be less than the minimum amount prescribed by paragraph (b) of this Rule 309, the Managing Clearing Member shall be subject to the restrictions on distributions set forth in Rules 304(a) and 304(b), and the Chief Executive Officer or 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 impose any or all of the limitations or restrictions set forth in Rule 305(a) on the positions, stock loan and borrow positions and transactions of the Managing Clearing Member and every Managed Clearing Member for which the Managing Clearing Member provides facilities management services.~~

(e) In the event that a facilities management agreement is to be terminated, the Managed Clearing Member will be required to withdraw from membership in the Corporation, effective as of the business day immediately preceding the termination date of the agreement, unless the Risk Committee has determined in accordance with Article V, Section 1 of the By-Laws either that the Managed Clearing Member has the operational capability, experience and competence to perform the managed services required of a Clearing Member or that the Managed Clearing Member has entered into a facilities management agreement, which is in a form approved by the Corporation, which provides for the performance of the managed services and which will become effective on or before such termination date.

(f) In the event that a Clearing Member proposes to become a Managed Clearing Member by entering into a facilities management agreement with a Managing Clearing Member, such Clearing Member shall not implement such agreement until the Risk Committee has determined that the agreement is in a form acceptable to the Corporation and otherwise meets the requirements of Article V, Section 1, Interpretation and Policy .05 of the By-Laws.

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

.01 A Clearing Member that proposes to become a Managed Clearing Member may request an expedited review of its proposed facilities management agreement. If the Corporation in its sole discretion consents to perform such a review, then the Chief Executive Officer, Chief Operating Officer, or any delegate of such officer shall have the authority to determine whether the submitted agreement meets the requirements of paragraph (f) of this Rule and to approve or disapprove the agreement. 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 agreement and determine de novo whether such requirements have been met and approve or disapprove the agreement. 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 or the Clearing Member prior to such modification or reversal shall not be invalidated nor shall any rights of any person arising out of such acts be affected. If the Risk Committee disapproves a facilities management agreement that was previously approved by the Corporation's management, the Clearing Member shall be given a reasonable period of time in which to enter into an appropriately revised agreement or cease to be a Managed Clearing Member.

.02 A Managed Clearing Member that proposes to operate without a facilities management agreement may request an expedited review of its proposal. If the Corporation in its sole discretion consents to perform such a review, then the Chief Executive Officer, Chief Operating Officer, or any delegate of such officer who is a Designated Officer shall have the authority to determine whether the Managed Clearing Member has the operational capability, experience and competency to perform the managed services as specified in paragraph (e) of this Rule and to approve or disapprove termination of its facilities management agreement. Thereafter, at the next scheduled meeting of the Risk Committee, the Risk Committee shall independently review the Managed Clearing Member's operational capability, experience and competency to determine de

novo whether the requirements of paragraph (e) have been met and approve or disapprove such termination. Should the Risk Committee's determination result in the modification or reversal of the action taken by the, Chief Operating Officer, or any delegate of such officer who is a Designated Officer, any acts taken by the Corporation or the Clearing Member prior to such modification or reversal shall not be invalidated nor shall any rights of any person arising out of such acts be affected. If the Risk Committee disapproves the termination of a facilities management agreement that was previously approved by the Corporation's management, the Clearing Member shall be given a reasonable period of time in which to enter into a new facilities management arrangement or terminate its clearing membership.

RULE 309A – Appointed Clearing Members and Appointing Clearing Members

(a) Every Appointed Clearing Member shall at all times maintain net capital of not less than the greater of (i) the minimum net capital required under the provisions of Rule 302 or (ii) the sum of (A) $4,000,000 plus (B) $200,000 times the number of Appointing Clearing Members in excess of four on whose behalf the Appointed Clearing Member makes settlement of obligations to deliver or receive underlying securities arising from the exercise or maturity of cleared securities.

(b) An Appointed Clearing Member shall notify the Corporation promptly, and in any event prior to 3:00 p.m. Central Time (4:00 p.m. Eastern Time) of the following business day, if such Appointed Clearing Member's net capital shall become less than the net capital required by paragraph (a) of this Rule 309A.

(c) At any time when the net capital of an Appointed Clearing Member shall be less than the minimum amount prescribed by paragraph (a) of this Rule 309A, the Appointed Clearing Member shall be subject to the restrictions on distributions set forth in Rules 304(a) and 304(b), and the Chief Executive Officer or 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 of the Corporation shall have the authority to impose any or all of the limitations or restrictions set forth in Rule 305(a) on the positions, stock loan and borrow positions and transactions of the Appointed Clearing Member and each of its Appointing Clearing Members.

. . . *Interpretations and Policies:*

.01 Every Appointed Clearing Member that was an Appointed Clearing Member as of October 1, 2003 shall meet the minimum net capital requirement of this Rule by October 1, 2004.

RULE 310 – Non-U.S. Clearing Members

(a) Except as otherwise provided in this Rule 310, every Non-U.S. Clearing Member shall cause to be filed with the Corporation those financial reports described in Rules 306(a) and 308(a), (b), and (d), prepared in accordance with United States accounting practices and standards and the accounting and financial reporting requirements of the Securities and Exchange Commission applicable to Domestic Clearing Members. In the event that the Corporation determines that such

~~reports do not comply with the requirements of the preceding sentence, the Corporation may, in its discretion: (1) impose any sanctions or restrictions available under the By-Laws and Rules, including the imposition of variation margins under Rule 609 and the imposition of the restrictions described in Rule 305(a); or (2) require such Non-U.S. Clearing Member to make additional Clearing Fund deposits and/or margin deposits, in such amounts as it shall determine, for the protection of the Corporation, its Clearing Members and the public.~~

~~(b) Any Canadian Clearing Member may elect in its application for admission to the Corporation to be an exempt Non-U.S. Clearing Member and thereby to file, in lieu of the financial reports described in Rules 306(a) and 308(a), (b) and (d), the financial reports described in Interpretation 1 to Rule 306 and Interpretation 1 to Rule 308. Such an election shall be irreversible except with the approval of the Corporation. A subordinated loan agreement of any such Clearing Member that is in the form of the Uniform Subordination Agreement or Uniform Standby Subordinated Loan Agreement approved by the Canadian stock exchanges shall be deemed satisfactory by the Corporation within the meaning of Appendix D to Securities and Exchange Commission Rule 15c3-1. The debt to debt-equity total ratio test in Rule 301 and Interpretation 5 to Rule 305 shall not apply to such Clearing Members (but Interpretation 4 to Rule 305 shall apply to such Clearing Members). Any Canadian securities firm that is applying for Clearing Membership as an exempt Non-U.S. Clearing Member shall specify in its application all of the affiliates and subsidiaries the assets and liabilities of which it proposes to consolidate in its financial reports to the Corporation, and shall supply such other information with respect to such affiliates and subsidiaries as the Corporation may require. Upon admission to Clearing Membership such firm shall not alter its reporting practice with respect to consolidation except with the approval of the Corporation.~~

~~(c) In evaluating the compliance of exempt Non-U.S. Clearing Members with the financial requirements imposed on Clearing Members under the By-Laws and Rules, and in determining the necessity or appropriateness of imposing restrictions or limitations on exempt Non-U.S. Clearing Members pursuant to Rule 305 (including evaluating the applicability to such Clearing Members of the interpretations and policies adopted under that Rule), the Corporation shall, where necessary, convert the financial information supplied by such Clearing Members, as nearly as may be, into a form consistent with the accounting concepts and principles of Securities and Exchange Commission Rule 15c3-1. The Corporation's conversion of such financial information shall be binding and conclusive upon such Clearing Members. For the purposes of making the evaluations and determinations described in this Rule 310(c), the Corporation shall deem exempt Non-U.S. Clearing Members not to have elected to operate pursuant to the alternative net capital requirements or under paragraph (a)(7) of Rule 15c3-1, and, except as otherwise specified in this Rule 310, the Corporation shall deem any subordinated loan agreement of an exempt Non-U.S. Clearing Member not satisfactory within the meaning of Appendix D to Securities and Exchange Commission Rule 15c3-1.~~

~~(d)(1) Beginning on the Section 871(m) Effective Date, (i) no FFI Clearing Member shall conduct any transaction or activity through the Corporation unless such FFI Clearing Member is a Qualified Intermediary Assuming Primary Withholding Responsibility and FATCA-Compliant, and (ii) no FFI Clearing Member shall conduct any transaction or activity through the~~

~~Corporation for its own account unless such Clearing Member is a Qualified Derivatives Dealer and such transaction is within the scope of the exemption from withholding tax for Dividend Equivalents paid to Qualified Derivatives Dealers pursuant to Chapters 3 and 4 of subtitle A, and Chapter 61 and Section 3406, of the Internal Revenue Code.~~

~~(2) Each FFI Clearing Member shall certify annually to the Corporation that it satisfies the requirements of Rule 310(d)(1) by providing to the Corporation appropriate tax documentation attesting to such Clearing Member's tax status, with the first such certification being delivered to the Corporation no later than the Section 871(m) Implementation Date. Each FFI Clearing Member shall also update its certification to the Corporation when required by applicable law or administrative guidance and, if sooner, whenever the certification is no longer accurate.~~

~~(3) Each FFI Clearing Member shall provide the Corporation with information relating to Dividend Equivalents the Corporation pays or is treated as paying to such Clearing Member in sufficient detail and in a sufficiently timely manner to enable the Corporation to report under Chapters 3 and 4 of subtitle A of the Internal Revenue Code the required amounts and other information relating to Dividend Equivalents and transactions giving rise thereto between OCC and the FFI Clearing Member on IRS Forms 1042 and 1042-S (or successor forms).~~

~~(4) Beginning on the Section 871(m) Implementation Date, each FFI Clearing Member shall promptly inform the Corporation in writing if it (i) undergoes a change in circumstance that would affect its compliance with this Rule 310(d), or (ii) otherwise knows or has reason to know that it is not, or will not be, in compliance with this Rule 310(d), in each case, within two days of knowledge thereof.~~

~~(5) An FFI Clearing Member shall indemnify the Corporation for any loss, liability or expense (including taxes and penalties) sustained by the Corporation as a result of such FFI Clearing Member failing to comply with the requirements of this Rule 310(d).~~

[Rule 310(d) is being relocated to new Rule 202 above]

~~RULE 311 – Clearing Member Risk Management~~

~~(a) Each Clearing Member must maintain current written risk management policies and procedures that address the risks the Clearing Member may pose to the Corporation.~~

~~(b) Each Clearing Member must provide to the Corporation such information and documentation as may be requested by the Corporation from time to time regarding such Clearing Member's risk management policies, procedures, and practices, including, but not limited to, information and documents relating to the liquidity of its financial resources and its settlement procedures.~~

~~(c) Each Clearing Member must provide to the Commodity Futures Trading Commission such information and documentation as requested by the Commodity Futures Trading Commission regarding such Clearing Member's risk management policies, procedures, and practices~~.

[Relocated to new Rule 305, with proposed revisions]

RULE ~~217~~ 308 ~~Clearing Members Who Are or Become Subject to a~~ Statutory Disqualifications

(a) In the event a Clearing Member is or becomes subject to a Statutory ~~statutory~~ Disqualification ~~disqualification (as defined in the Interpretations and Policies under Article V, Section 1 of the By-Laws), and in the case of a Clearing Member that is registered with the CFTC as a futures commission merchant, if a principal of the Clearing Member is or becomes subject to statutory disqualification under Section 8a(2) (4) of the Commodity Exchange Act~~, the Corporation may impose protective measures under Rule 307 or conduct a hearing or institute a disciplinary proceeding in accordance with Chapter XII of the Rules to determine ~~not~~ whether to no longer permit~~, and will not permit if so ordered by the SEC,~~ such Clearing Member to continue in Clearing Membership ~~subject to the provisions of this Rule~~. The Corporation will not permit such Clearing Member to continue its membership if so ordered by the SEC.

~~(c) Any failure to provide the notice and supporting documentation required by paragraph (b) of this Rule may be deemed a violation of the Corporation's Rules and subject a Clearing Member to Disciplinary Proceedings as provided for in Chapter XII of the Rules. Following the receipt of such notification, or in the event the Corporation becomes aware that a Clearing Member is subject to a statutory disqualification and has failed to submit a notification pursuant to paragraph (b) of this Rule within the required time period, the Corporation may convene a Disciplinary Committee to conduct a hearing or institute a disciplinary proceeding concerning the matter pursuant to Chapter XII of the Rules.~~

~~(d) Any Clearing Member which is the subject of a Chapter XII disciplinary proceeding under this Rule shall promptly submit any information requested by the Corporation in connection with such proceeding.~~

~~(e) No determination to discontinue or condition Clearing Membership shall take effect until the review procedures under Chapter XII of the Rules have been exhausted or the time for review has expired.~~

(~~f~~b) The Corporation may ~~waive all or certain of the provisions of this Rule when a~~ delay a final decision regarding a Clearing Member's Statutory Disqualification until any proceeding ~~is pending~~ before another self-regulatory organization ~~to determine whether to permit a Clearing Member to continue in Clearing Membership notwithstanding a statutory disqualification~~ is concluded. The Corporation ~~shall~~ will determine whether it will concur in any Exchange Act Rule 19h-1 filing made by another self-regulatory organization with respect to the Clearing Member.

~~(g) The Corporation also may waive the hearing provisions hereof with respect to a Clearing Member if the Corporation intends to grant the Clearing Member's application to continue in Clearing Membership and either: (i) there is no requirement under Exchange Act Rule 19h-1(a)(2) or Exchange Act Rule 19h-1(a)(3) that the Corporation make a notice filing with the Commission to permit the Clearing Member to continue in Clearing Membership; or (ii) the~~

~~Corporation determines that it is otherwise appropriate to waive the hearing provisions under the circumstances.~~

* * * * *

Chapter VI – MARGINS

Introduction [No change]

RULE 601 – Margin Requirements

(a) through (e) [No change]

(f) *Exclusions from Margin Requirement Calculation*. The following shall be excluded from the margin requirement calculation for any account pursuant to Rule 601(c), (d), or (e):

(1) through (3) [No change]

(4) exercised or assigned option contracts or matured physically-settled stock futures contracts that are CCC-eligible with respect to which the Corporation has no further settlement obligations under Rules 901(~~c~~b) and 901(~~d~~c).

(g) [No change]

* * * * *

Rule 602 through Rule 603 [No change]

Rule 604 – Form of Margin Assets

(a) through ~~(f)~~(g) [No change]

~~(g)~~(h) ~~The Corporation may, in its discretion, require Clearing Members to deposit a specified amount of cash to satisfy its margin requirements as a protective measure if such Clearing Member is determined to present increased credit risk and is subject to enhanced monitoring and surveillance under the Corporation's watch level reporting process. Clearing Members may be required to satisfy such required cash deposits through their daily margin requirements under Rule 601 or through intra-day margin calls under Rule 609.~~

* * * * *

Rule 605 through Rule 608 [No change]

RULE 609 – Intra-Day Margin

(a) *Margin Calls*. The Corporation may require the deposit of ~~such~~ additional margin ("intra-day margin") by any Clearing Member in any account at any time during any business day~~, as such officer deems advisable~~ to reflect changes in:

(~~i~~1) the market price during such day of any series of options held in a short position in such account or of any underlying interest underlying any cleared contract (including an exercised option) in such account or of any Loaned Stock that is the subject of a stock loan or borrow position in such account~~;~~;

(~~ii~~2) the size of such Clearing Member's positions in cleared contracts or stock loan or borrow positions~~;~~;

(~~iii~~3) the value of securities deposited by the Clearing Member as margin~~;~~;

(~~iv~~4) the financial, operational, or risk management ~~position~~ condition of the Clearing Member, or otherwise to protect the Corporation, other Clearing Members or the general public~~;~~; or

(~~v~~5) stress test exposures such that a Sufficiency Stress Test (as defined in Rule 1001(a)) identifies an exposure that exceeds 75% of the current Clearing Fund requirement less deficits.

A Clearing Member ~~shall~~ must satisfy a required deposit of intra-day margin in immediately available funds within the time prescribed by ~~such officer~~ the Corporation or, in the absence thereof, within one hour of the Corporation's issuance of an instruction debiting the applicable bank account of the Clearing Member.

(b) [No change]

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Rule 609A through Rule 614 [No change]

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CHAPTER IX – DELIVERY OF UNDERLYING SECURITIES AND PAYMENT

Introduction

The Rules in this Chapter are applicable to the discharge of delivery and payment obligations arising out of the exercise of physically settled stock option contracts and the maturity of physically settled stock futures contracts. As a general policy, the Corporation will direct that such obligations be settled through the facilities of the correspondent clearing corporation as specified in Rule 901 to the extent that the security to be delivered and received is CCC-eligible, and will direct that such obligations be settled on a broker-to-broker basis as specified in Rules 903 through 912 to the extent that the security to be delivered and received is not CCC-eligible. However, the Corporation may in its discretion make exceptions to this policy, either to direct

that the delivery of CCC-eligible securities be made on a broker-to-broker basis as specified in Rules 903 through 912, utilizing services of the correspondent clearing corporation or otherwise, or (with the agreement of the correspondent clearing corporation) to direct that the delivery of non-CCC-eligible securities be made through the facilities of the correspondent clearing corporation as specified in Rule 901. The Corporation may alter a previous designation of a settlement method at any time (i) prior to the obligation time (as defined in Rule 901(~~c~~b)) for any settlement to be made through the facilities of the correspondent clearing corporation pursuant to Rule 901 or (ii) prior to the designated delivery date for any settlement to be made on a broker-to-broker basis pursuant to Rules 903 through 912 by giving the affected Clearing Members such notice thereof as is practicable under the circumstances.

RULE 901 – Settlement Through Correspondent Clearing Corporations

~~(a) Every Stock Clearing Member and every Clearing Member that effects transactions in physically-settled stock futures shall be and remain a participant in good standing of the correspondent clearing corporation; provided, however, that the foregoing shall not apply to: (i) an Appointing Clearing Member during a period when such Appointing Clearing Member has in effect an appointment of an Appointed Clearing Member pursuant to subparagraph (g) hereof; or (ii) a Canadian Clearing Member on behalf of which CDS maintains an identifiable subaccount in a CDS account at the correspondent clearing corporation, provided that CDS is a participant in good standing of the correspondent clearing corporation during the period when such Canadian Clearing Member has in effect an appointment of CDS pursuant to subparagraph (h) hereof.~~
[Relocated to proposed Rule 302(e) with modifications]

(~~b~~a) In the event a Delivery Advice or Exercise and Assignment Activity Report directs that settlement in respect of the exercised or matured cleared security or securities identified therein shall be made through the facilities of the correspondent clearing corporation, the Corporation shall report such settlement obligations to the correspondent clearing corporation, furnishing such information with respect thereto as shall be necessary to enable settlement to be effected in respect of such obligations in accordance with the rules of the correspondent clearing corporation on the delivery date (or, if the correspondent clearing corporation is not open for business on that date, on the next date on which it is open for business). In reporting settlement obligations to the correspondent clearing corporation hereunder, the Corporation may net obligations of a Clearing Member to deliver and receive the same underlying security on the same delivery date; provided, however, that obligations arising from exercised option contracts may not be netted against obligations arising from matured stock futures contracts.

(~~c~~b) Settlement obligations for CCC-eligible securities that settle "regular way," as defined in the rules and procedures of the correspondent clearing corporation, will ordinarily be directed for settlement through the facilities of the correspondent clearing corporation. Unless otherwise agreed between the correspondent clearing corporation and the Corporation, if (i) such settlement obligations are reported to and are not rejected by the correspondent clearing corporation; (ii) the correspondent clearing corporation has not notified the Corporation that it has ceased to act for the relevant Clearing Member or Appointed Clearing Member; and (iii) the clearing fund requirements of the relevant Clearing Member or Appointed Clearing Member owing to such

correspondent clearing corporation, as determined in accordance with its rules and procedures, are received by the correspondent clearing corporation, the Corporation shall have no further obligation in respect of such settlement obligations, other than such obligations as the Corporation may have pursuant to its agreement with the correspondent clearing corporation, and full settlement shall be deemed to have been made by the Corporation in respect of such settlement obligations, from and after the time when the correspondent clearing corporation becomes unconditionally obligated, in accordance with its rules, to effect settlement in respect thereof or to close out the securities contract arising therefrom (the "obligation time"). If an obligation to make delivery is netted by the Corporation against an obligation to receive in accordance with subparagraph (~~b~~a) hereof, full settlement shall be deemed to have been made in respect thereof at the opening of business of the Corporation on the delivery date. If the Corporation takes action pursuant to subparagraph (~~e~~d) hereof, settlement shall be made in accordance with the provisions of subparagraph (~~e~~d). From and after the time when settlement is deemed to have been made pursuant to the second sentence of this subparagraph (~~c~~b), the obligations of the Delivering and the Receiving Clearing Member in respect of the contracts deemed to have been settled, and any other obligations resulting from settlement in respect thereof, shall be determined by the rules and procedures of the correspondent clearing corporation.

(~~d~~c) It will ordinarily be the policy of the Corporation to cause settlement of exercised stock option contracts and matured physically-settled stock futures contracts for CCC-eligible securities that are scheduled to be settled on the first business day after exercise or maturity (i.e., securities that do not settle "regular way" as defined in the rules and procedures of the correspondent clearing corporation) to be made through the facilities of the correspondent clearing corporation in accordance with the rules and procedures of the correspondent clearing corporation. If such settlement obligations are reported to and are not rejected by the correspondent clearing corporation prior to the time when it becomes unconditionally obligated, in accordance with its rules, to effect settlement in respect thereof or to close out the securities contract arising therefrom, the Corporation shall have no further obligation in respect of such settlement obligations. However, the Corporation may in its discretion determine to alter this policy in particular circumstances.

(~~e~~d) A specification in any Delivery Advice that settlement is to be made through the facilities of the correspondent clearing corporation pursuant to this Rule 901 may be revoked by the Corporation at any time prior to the obligation time by an appropriate notice to the Receiving and Delivering Clearing Members. In the event of such revocation, delivery and payment shall be made in accordance with Rules 903 through 912; provided, however, that the Chief Executive Officer or 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 of the Corporation may, upon the application of the Receiving or the Delivering Clearing Member, extend or postpone the time for delivery to a date not more than two business days after the date of such revocation.

(~~f~~e) When an exercise notice is properly tendered to the Corporation pursuant to Rule 801, or when the maturity date of a physically-settled stock future occurs, prior to an "ex" date (as fixed by the primary market for the underlying security) for any distribution, whether or not an

adjustment is required to be made pursuant to the By-Laws, Clearing Members effecting settlement in respect thereof pursuant to this Rule shall have such rights and obligations in respect of such distribution as may be provided under the rules and procedures of the correspondent clearing corporation; provided, however, that the Corporation may in its discretion direct that additional adjustments be made as between Receiving and Delivering Clearing Members to prevent inequities in respect of any distribution.

(~~g~~f) An Appointing Clearing Member may, in lieu of being a participant of the correspondent clearing corporation, appoint, in such manner as the Corporation shall from time to time prescribe, an Appointed Clearing Member to act on its behalf with respect to the settlement of all exercised or matured cleared securities in the accounts of the Appointing Clearing Member which are settled through the correspondent clearing corporation pursuant to this Rule 901. An appointment pursuant to this subparagraph shall become effective as of the second business day following the day on which the Corporation shall receive written notice, in such form as the Corporation shall from time to time prescribe, from the Appointed Clearing Member of its acceptance of the appointment, or such later date as may be specified by the Appointed 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 Appointing Clearing Member or the Appointed Clearing Member, written notice of revocation of the appointment, and shall remain effective thereafter, with respect to each obligation to make delivery or payment in respect of exercised or matured cleared securities directed to the Appointed Clearing Member for settlement prior to the effective date of the revocation, until settlement of such obligation is completed. During the effectiveness of such an appointment, the Corporation shall report each obligation of the Appointing Clearing Member to make delivery or payment in respect of an exercised or matured cleared security to the correspondent clearing corporation, and the Appointed Clearing Member shall be deemed to be the Delivering Clearing Member or the Receiving Clearing Member, as the case may be, in respect of each such contract for all purposes under this Rule 901. For purposes of Rule 2~~08~~11, any report made available to an Appointed Clearing Member shall be deemed to have been made available to the Appointing Clearing Member at the time that it is made available to the Appointed Clearing Member.

(~~h~~g) A Canadian Clearing Member on behalf of which CDS maintains an identifiable subaccount in a CDS account at the correspondent clearing corporation may appoint, in such manner as the Corporation shall from time to time prescribe, CDS to act on its behalf with respect to the settlement of all exercised or matured cleared securities in the accounts of the Canadian Clearing Member which are settled through the correspondent clearing corporation pursuant to this Rule 901. An appointment pursuant to this subparagraph 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 Clearing Member, or such later date as may be specified by the Canadian 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 Clearing Member or CDS, written notice of revocation of the appointment, and shall remain effective thereafter, with respect to each obligation to make delivery or payment in respect of exercised or matured cleared securities

directed to CDS for settlement prior to the effective date of the revocation, until settlement of such obligation is completed. During the effectiveness of an appointment pursuant to this subparagraph, the Corporation shall report each obligation of the Canadian Clearing Member to make delivery or payment in respect of an exercised or matured cleared security to the correspondent clearing corporation.

(~~i~~h) Notwithstanding any other provision of the By-Laws and Rules, the obligations of a Clearing Member to the Corporation in respect of the settlement of any securities contract arising from an exercised or matured cleared security which is settled by or on behalf of the Clearing Member through the correspondent clearing corporation pursuant to this Rule 901 will be deemed to be completed and performed once the obligation time, as defined in Rule 901(~~e~~b), in respect of such securities contract has occurred and the Corporation has no further responsibility in respect of such securities contract to the correspondent clearing corporation.

. . . Interpretations and Policies:

.01 When the Corporation extends or postpones settlements pursuant to Rule 903 the Corporation may for technical reasons defer reporting affected exercised or matured contracts to the correspondent clearing corporation until a new delivery date is fixed. If an ex-date for a dividend or other distribution on the underlying stock occurs between the date of an exercise of an option or maturity date of a stock future and the date when the Corporation reports the resulting settlement obligations to the correspondent clearing corporation, the Delivering Clearing Member may not be obligated, under the rules of the correspondent clearing corporation, to deliver the distributed property. In order to prevent resulting inequities, the Board of Directors has determined pursuant to Rule 901(~~f~~e) that in such cases Delivering Clearing Members shall be obligated to deliver the distributed cash or other property on the delivery date notwithstanding the absence of an obligation to do so under the rules of the correspondent clearing corporation. In the case of cash distributions, such delivery shall be made by appropriate charges and credits to the settlement accounts of Delivering and Receiving Clearing Members with the Corporation. In the case of non-cash distributions, delivery shall be made in such manner as the Corporation shall direct.

.02 [No change]

Rule 902 through Rule 911 [No change]

RULE 912 – Delivery After "Ex" Date

Subject to the provisions of Rule 901(~~f~~e), when an exercise notice is properly tendered to the Corporation pursuant to Rule 801, or when the maturity date of a physically-settled stock future occurs, prior to an “ex” date (as fixed by the primary market for the underlying security) for a distribution that causes an adjustment to be made pursuant to the By-Laws, the Delivering Clearing Member shall make delivery as required by such adjustment unless the parties otherwise agree. When an exercise notice is properly tendered to the Corporation, or when the maturity date of a physically-settled stock future occurs, prior to such an “ex” date for a

distribution that does not cause an adjustment to be made pursuant to the By-Laws, and delivery of the underlying security is made too late to enable the Receiving Clearing Member to transfer the security into its name and to receive such distribution, the Delivering Clearing Member shall, at the time of delivery, issue its due bill check to the Receiving Clearing Member for the amount of the distribution, which check shall be payable on the payment date of such distribution.

Rule 914 through Rule 916 [No change]

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CHAPTER X – CLEARING FUND CONTRIBUTIONS

Introduction through Rule 1005 [No change]

RULE 1006 – Purpose and Use of Clearing Fund

(a) through (g) [No change]

(h) *Making Good of Charges to the Clearing Fund*. (A) *Replenishment*. [No change]

(B) *Cooling-Off Period; Assessments*. [No change]

(C) *Termination During Cooling-Off Period*. After the expiration of the cooling-off period, a Clearing Member will not be liable for replenishment of the Clearing Fund as required by paragraph (A) of this Rule 1006(h) or assessments as contemplated by paragraph (B) of this Rule 1006(h), if (i) not later than the last day of the cooling-off period the Clearing Member ~~notifies the Secretary of the Corporation in writing that it is terminating its status as a Clearing Member~~ submits a Voluntary Termination Notice to the Corporation, (ii) after giving such notice no opening purchase transaction or opening writing transaction is submitted for clearance through any of the Clearing Member's accounts and (if the Clearing Member is a Market Loan Clearing Member or a Hedge Clearing Member) no Stock Loan is initiated through any of the Clearing Member's accounts after the giving of such notice, and (iii) the Clearing Member closes out or transfers all of its open positions with the Corporation, in each case not later than the last day of the cooling off period. A Clearing Member that so terminates its status as a Clearing Member ~~shall~~ will be ineligible to be readmitted to such membership unless the Clearing Member agrees to such reimbursement of the persons who were Clearing Members at the time of such termination as the Board of Directors deems fair and equitable in the circumstances. In the event a Clearing Member notifies the Corporation of its intent to terminate its status as a Clearing Member in accordance with ~~paragraph (C) of this Rule 1006(h)~~ this Rule, and such Clearing Member's computed contribution is less than its minimum required contribution, then the Clearing Member ~~shall~~ must also make good 100% of the amount equal to its minimum required contribution less its computed contribution to the Clearing Fund.

(i) through (j) [No change]

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Rule 1007 through Rule 1011 [No change]

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CHAPTER XII – DISCIPLINARY PROCEEDINGS

RULE 1201 – Sanctions

(a) The Corporation may censure, suspend, expel or limit the activities, functions or operations of any Clearing Member for any violation of the By-Laws and Rules or its agreements with the Corporation. The Corporation may, in addition to or in lieu of such sanctions, impose a fine on any Clearing Member for any violation of the By-Laws or Rules or procedures of or its agreements with the Corporation or the correspondent clearing corporation, or for any neglect or refusal by such person to comply with any applicable order or direction of the Corporation or the correspondent clearing corporation, or for any error, delay or other conduct embarrassing the operations of the Corporation, or for not providing adequate personnel or facilities for its transactions with the Corporation or the correspondent clearing corporation.

(b) ~~Minor Rule Violation Plan. In lieu of commencing a disciplinary proceeding pursuant to Rule 1201(a), the Corporation may, subject to the requirements set forth herein, impose a fine not to exceed $2,500, on any Clearing Member with respect to any violation of the By-Laws and Rules of the Corporation that is designated in the By-Laws or Rules as a "minor rule violation." Any such minor rule violation shall be deemed a "minor rule violation" and this Rule 1201(b) shall be deemed a "plan" within the meaning of Rule 19d-1(c)(2) under the Securities Exchange Act of 1934, as amended. Any fine imposed by the Corporation for a minor rule violation that is not contested as described below shall be reported by the Corporation to the Securities and Exchange Commission on a quarterly basis, except as otherwise required by the Securities and Exchange Commission or by any other regulatory authority. Any Clearing Member against whom a fine for a minor rule violation is imposed shall be served with a written statement, prepared by the Corporation, setting forth: (i) the provision of the By-Laws or Rules the violation of which constitutes such minor rule violation, (ii) the act or omission constituting such minor rule violation, and (iii) the fine imposed for such minor rule violation. Any Clearing Member that receives the written statement described above with respect to a minor rule violation may provide written notice to the Corporation, not later than 10 business days from the date of the written statement that the Clearing Member wishes to appeal the minor rule violation. The failure of a Clearing Member to provide timely notice that it wishes to appeal a minor rule violation shall constitute a waiver of the Clearing Member's right to an appeal. Upon receipt of a notice that a Clearing Member wishes to appeal the violation, the Corporation shall begin a disciplinary proceeding in accordance with Rule 1202. The issuance of a fine for a minor rule violation for which a Clearing Member does not contest the fine shall not be deemed to be an admission by the Clearing Member of the facts set forth in the written statement describing the minor rule violation.~~

[Relocated to new Rule 1203 below, with proposed revisions]

. . . Interpretations and Policies:

.01 A decision to suspend or expel a Clearing Member pursuant to this Chapter XII ~~shall~~ will constitute a suspension or expulsion from a self-regulatory organization and therefore be grounds for summary suspension under Rule 1102.

Rule 1202 [No change]

RULE 1203 – Minor Rule Violations

(~~b~~a) ~~Minor Rule Violation Plan.~~ In lieu of commencing a disciplinary proceeding pursuant to Rule 1201(a), the Corporation may, subject to the requirements set forth herein, impose a fine not to exceed $2,500, on any Clearing Member with respect to any violation of the By-Laws and Rules of the Corporation that is designated in the By-Laws or Rules as a "minor rule violation." Any such minor rule violation ~~shall~~ will be deemed a "minor rule violation" and this Rule ~~1201(b)~~1203 ~~shall~~ will be deemed a "plan" within the meaning of Rule 19d-1(c)(2) under the Securities Exchange Act of 1934, as amended. Any fine imposed by the Corporation for a minor rule violation that is not contested as described below ~~shall~~ will be reported by the Corporation to the Securities and Exchange Commission on a quarterly basis, except as otherwise required by the Securities and Exchange Commission or by any other regulatory authority. Any Clearing Member against whom a fine for a minor rule violation is imposed ~~shall~~ will be served with a written statement, prepared by the Corporation, setting forth: (i) the provision of the By-Laws or Rules the violation of which constitutes such minor rule violation, (ii) the act or omission constituting such minor rule violation, and (iii) the fine imposed for such minor rule violation. Any Clearing Member that receives the written statement described above with respect to a minor rule violation may provide written notice to the Corporation, not later than 10 business days from the date of the written statement that the Clearing Member wishes to appeal the minor rule violation. The failure of a Clearing Member to provide timely notice that it wishes to appeal a minor rule violation ~~shall~~ will constitute a waiver of the Clearing Member's right to an appeal. Upon receipt of a notice that a Clearing Member wishes to appeal the violation, the Corporation ~~shall~~ must begin a disciplinary proceeding in accordance with Rule 1202. The issuance of a fine for a minor rule violation for which a Clearing Member does not contest the fine ~~shall~~ will not be deemed to be an admission by the Clearing Member of the facts set forth in the written statement describing the minor rule violation.

[Relocated from Rule 1201(b), with proposed revisions]

.~~01~~(b) ~~The Corporation may fine a Clearing Member for its failure to provide any notice, documents, or information as required under paragraphs (a), (b), (c) or (d) of this Rule 215. Fines will follow the schedule below:~~ A violation of the following rules may constitute a minor rule violation under the Corporation's plan: Rule 205, Rule 208, Rule 210, Rule 302(b) - (d), Rule 303(c), Rule 306A(a)(2)(e), Rule 306A(b), Rule 306A(c), and Rule 306B. The failure to provide such other requested documents and information in connection with the requirements of Chapters II and III of the Rules, including, but not limited to, financial, regulatory and other information,

as the Corporation may in its discretion require, may also constitute a minor rule violation subject to the plan.

First Occasion	Second Occasion	Third Occasion	Fourth Occasion
$300	$600	$1,500	***

(c) *** Clearing Members may be fined $1,500 for the first minor rule violation and $2,500 for a second violation occurring within a rolling twenty-four-month period. FourThree or more violations within a rolling twenty-four (24) month period will result in a disciplinary proceeding in accordance with Chapter XII of the Rules.

(d) Fines to will be levied for offenses within a rolling twenty-four (24) month period beginning with the first occasion.
For purposes of this Fine Schedule, documents and information shall include, but not be limited to, the financial, regulatory and other information required to be submitted to the Corporation.
[New Rules 1203(b) - (d) relocated from Rule 215(f) and Interpretation and Policy .01, with proposed revisions]

(e) Nothing in this Rule 2151203, including the Interpretations and Policies, shall will prohibit the Corporation from instituting disciplinary proceedings against a Clearing Member pursuant to Chapter XII of the Rules for a violation of this any Rule covered by the minor rule violation plan.
[Relocated from Rule 215(e), with proposed revisions]

RULE 1203 1204 – Discipline by Other Self-Regulatory Organizations

Nothing in this Chapter XII shall will affect the right of any self-regulatory organization to discipline its members pursuant to the provisions of its rules for a violation of the By-Laws and Rules of the Corporation.

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Chapter XXII – STOCK LOAN/HEDGE PROGRAM

Introduction [No change]

RULE 2201 – Instructions to the Corporation

(a) – (b) [No change]

(c) A Canadian 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 will 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 such Clearing

Member through the Depository. An appointment pursuant to this paragraph ~~shall~~ will become effective as of the second business day following the day on which the Corporation ~~shall~~ receives 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~~ terminates the appointment at an earlier time) ~~shall~~ will remain effective until the close of business on the thirtieth calendar day after the Corporation ~~shall have received~~ receives, from either the ~~Canadian Hedge~~ Clearing Member or CDS, written notice of revocation of the appointment, and ~~shall~~ remains 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, in part, from OCC By-Laws, Article V, Section 1, Interpretation and Policy .07, with proposed revisions]

(d) During the effectiveness of an appointment pursuant to ~~this~~ paragraph (c) above, the ~~Canadian Hedge~~ Clearing Member ~~shall~~ remains 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, in part, from OCC By-Laws, Article V, Section 1, Interpretation and Policy .07, with proposed revisions]

. . . Interpretations and Policies:

.01 At any time on any business day prior to the deadline specified by the Corporation, an eligible ~~Hedge~~ Clearing Member may transfer all or any portion of an existing stock loan or stock borrow position (including positions resulting from that day's activity) among its accounts by submitting an appropriate transfer instruction to the Corporation that designates the accounts and/or sub-accounts from and to which the positions ~~shall~~ will be transferred. If a ~~Hedge~~ Clearing Member's request for transfer exceeds the number of stock loan or stock borrow shares available in the account from which the shares will be transferred, then the transfer instruction will be rejected.

.02 Returns of shares ~~shall~~ will be reflected in the ~~Hedge~~ Clearing Member's account or sub-account designated on a delivery order submitted by the Depository. If there are insufficient shares in the designated account to fulfill the return instruction, or if there is no account designated in the Depository delivery order, the excess shares to be returned ~~shall~~ will be taken from the Clearing Member's default account. If there are insufficient shares in the default

account to fulfill the return instruction, the remaining shares ~~shall~~ will be rejected and the return instruction will be void to that extent.

Rule 2202 through Rule 2212 [No change]

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CHAPTER XXV – BOUNDS

Introduction through Rule 2502 [No change]

RULE 2503 – Expiration Settlement for BOUNDs

(a) – (c) [No change]

[Rule 2503 replaces paragraphs (~~b~~a) through (~~e~~d) of Rule 901 and supplements the other Rules in Chapter IX. Rule 911 shall have no application to BOUNDs.]

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