



## DCO Rules

### UNITED STATES COMMODITY FUTURES TRADING COMMISSION

<b>Submitter Information</b>	
<b>Organization Name</b> Options Clearing Corporation	
<b>Organization Type</b> DCO	<b>Organization Acronym</b> OCC
<b>Submitted By</b> [REDACTED]	<b>Email Address</b> [REDACTED]
<b>Cover Sheet</b>	
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<b>Submission Type</b> 40.6(a) Rule Certification	
<b>Submission Description</b> Rule Certification Concerning Updates to OCC Rules, By-Laws, and Clearing Member Documents in Connection with a Shortened Settlement Cycle	
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<b>Registered Entity Identifier Code</b>	
<b>Rule Numbers</b> OCC Rules, By-Laws, and Clearing Member Documents	
<b>Date of Intended Implementation</b> 2/1/2024	
<b>Documents</b>	
2024.01.18 CFTC Self-Certification (T+1).pdf Exhibits A - F.pdf	
<b>Request For Confidential Treatment - Detailed Written Justification</b>	
N/A	



January 18, 2024

**VIA CFTC PORTAL**

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

**Re: Rule Certification Concerning Updates to OCC Rules, By-Laws, and Clearing Member Documents in Connection with a Shortened Settlement Cycle**

Dear Secretary Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Commodity Futures Trading Commission (“CFTC”) Regulation 40.6, The Options Clearing Corporation (“OCC”) hereby certifies changes to its Rules, By-Laws, and certain Clearing Member documents<sup>1</sup> in connection with the recent amendments adopted by the Securities and Exchange Commission (“SEC”) to Rule 15c6-1(a)<sup>2</sup> under the Securities Exchange Act of 1934 (“Exchange Act”). The amendments to Rule 15c6-1(a)<sup>3</sup> shorten the standard settlement cycle for most broker-dealer securities transactions from two business days after the trade date to one business day after the trade date. The date of implementation of the rule is at least 10 business days following receipt of the certification by the CFTC and is further described below. The proposal has also been submitted to the SEC under Section 19(b) of the Exchange Act and Rule 19b-4 thereunder. The change will not be implemented until OCC has obtained all necessary regulatory approvals.

In conformity with the requirements of Regulation 40.6(a)(7), OCC states the following:

**Explanation and Analysis**

The purpose of the certification is to modify the OCC Rules, By-Laws, and certain Clearing Member documents in connection with the recently adopted amendments to SEC Rule 15c6-1(a) to shorten the standard settlement cycle for most broker-dealer securities transactions from two

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<sup>1</sup> The Clearing Member documents consist of contracts and forms, that in conjunction with OCC’s By-Laws and Rules, establish and govern the relationship between OCC and each Clearing Member. See Exchange Act Release No. 73577 (Nov. 12, 2014), 79 FR 68733 (Nov. 18, 2014) (File No. SR-OCC-2014-20).

<sup>2</sup> 17 CFR 240.15c6-1(a).

<sup>3</sup> Id.

business days after the trade date (“T+2”) to one business day after the trade date (“T+1”).<sup>4</sup> Specifically, OCC proposes to (i) revise provisions connected to late exercise that are impacted by a shortened settlement cycle, (ii) change timeframes related to the standard settlement cycle to reflect T+1, and (iii) make certain other conforming and clarifying changes. The compliance date regarding the amendments to Rule 15c6-1(a) is May 28, 2024.<sup>5</sup>

The proposed changes are included in Exhibits A through F. Material proposed to be added as currently in effect is underlined and material proposed to be deleted is marked in strikethrough text. All capitalized terms not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.<sup>6</sup>

### Background

Rule 15c6-1 establishes a standard settlement cycle for most purchases or sales of securities by broker-dealers. The SEC adopted Rule 15c6-1(a) in 1993 to establish T+3 as the standard trade settlement cycle (instead of five business days after the trade date), and it became effective in June 1995.<sup>7</sup> In March 1995, the SEC approved changes to OCC’s Rules that were proposed to ensure consistency with the new T+3 standard settlement cycle.<sup>8</sup> In 2017, the SEC amended Rule 15c6-1(a) to shorten the standard settlement cycle from T+3 to T+2.<sup>9</sup> In coordination with the SEC’s designated September 2017 compliance date, OCC adopted changes to its Rules and By-Laws to ensure consistency with the new T+2 standard settlement cycle.<sup>10</sup>

Since the change to T+2, the SEC and the financial services industry have continued to explore the idea of shortening the settlement cycle even further. In February 2021, the Depository Trust and Clearing Corporation (“DTCC”) published a White Paper discussing the benefits of accelerated settlement beyond T+2.<sup>11</sup> Following the publication, the securities industry formed an

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<sup>4</sup> Exchange Act Release No. 96930 (Feb. 15, 2023), 88 FR 13872 (Mar. 6, 2023) (“T+1 Adopting Release”).

<sup>5</sup> Id.

<sup>6</sup> OCC’s By-Laws and Rules can be found on OCC’s public website, available <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

<sup>7</sup> Exchange Act Release No. 33023 (Oct. 6, 1993), 58 FR 52891 (Oct. 13, 1993) (final rule adopting Rule 15c6-1); Exchange Act Release No. 34952 (Nov. 9, 1994), 59 FR 59137 (changing the effective date of the final rule from June 1, 1995 to June 7, 1995).

<sup>8</sup> Exchange Act Release No. 35552 (Mar. 30, 1995), 60 FR 17600 (Apr. 6, 1995) (SR-OCC-94-11).

<sup>9</sup> Exchange Act Release No. 80295 (Mar. 22, 2017), 82 FR 15564 (Mar. 29, 2017).

<sup>10</sup> Exchange Act Release No. 81008 (June 23, 2017), 82 FR 29598 (June 29, 2017) (SR-OCC-2017-015) (filed for immediate effectiveness on June 9, 2017).

<sup>11</sup> See DTCC, “Advancing Together: Leading the Industry to Accelerated Settlement” (Feb. 2021), available at <https://www.dtcc.com/-/media/Files/PDFs/White%20Paper/DTCC-Accelerated-Settle-WP-2021.pdf>.

Industry Steering Committee (“ISC”) and an Industry Working Group (“IWG”) to develop industry consensus to transition to an accelerated settlement cycle.<sup>12</sup> The ISC engaged Deloitte & Touche LLP (“Deloitte”) to support the effort, including facilitating analysis on the benefits and barriers to transitioning to T+1 and coordinating with the industry on the transition.<sup>13</sup> In December 2021, DTCC, SIFMA, and ICI, together with Deloitte, published a report containing the ISC’s recommendations for migrating to a T+1 standard settlement cycle.<sup>14</sup>

On February 9, 2022, the SEC proposed amendments to Rule 15c6-1(a) to shorten the standard settlement cycle to T+1 on the basis that the shorter settlement cycle would reduce the credit, market and liquidity risks in securities transactions faced by market participants and U.S. investors.<sup>15</sup> On February 15, 2023, the SEC adopted these amendments to Rule 15c6-1(a).<sup>16</sup> In light of this action by the SEC, OCC proposes to implement the changes described herein in connection with the T+1 settlement cycle on the SEC’s designated T+1 compliance date.

### Proposed Changes

OCC proposes certain amendments in light of the anticipated industry move to a T+1 settlement cycle. OCC has determined that shortening the settlement cycle to T+1 would require revisions to OCC Rules, By-Laws, and Clearing Member documents, which are currently aligned with a T+2 settlement cycle. Specifically, OCC proposes to (i) revise provisions connected to late exercise that are impacted by a shortened settlement cycle, (ii) change timeframes related to the standard settlement cycle to reflect T+1, and (iii) make certain other conforming and clarifying changes.

#### *(i) Provisions Connected to Late Exercise*

OCC proposes to amend provisions in Chapter VIII of the Rules that are affected by a shortened settlement cycle. Rules 801 and 805 require Clearing Members to submit exercise notices

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<sup>12</sup> Exchange Act Release No. 94196 (Feb. 9, 2022), 87 FR 10436 (Feb. 24, 2022) (“T+1 Proposing Release”).

<sup>13</sup> Id.

<sup>14</sup> See Deloitte, DTCC, Investment Company Institute (“ICI”), and Securities Industry and Financial Markets Association (“SIFMA”), “Accelerating the U.S. Securities Settlement Cycle to T+1” (Dec. 1, 2021), available at <https://www.sifma.org/wp-content/uploads/2021/12/Accelerating-the-U.S.-Securities-Settlement-Cycle-to-T1-December-1-2021.pdf>.

<sup>15</sup> T+1 Proposing Release, supra note 12; see also SEC Press Release 2022-21: “SEC Issues Proposal to Reduce Risks in Clearance and Settlement” (Feb. 9, 2022).

<sup>16</sup> T+1 Adopting Release, supra note 4.

within the timeframes prescribed by OCC.<sup>17</sup> These Rules currently set out an exception process to accommodate notices submitted after these timeframes. OCC's late exercise process provides final deadlines by which late exercise notices must be received by OCC and subjects Clearing Members to potential disciplinary action (as the filing of such notice may be deemed a violation) and liability for a late filing fee, among other things.<sup>18</sup> More specifically, subject to certain conditions, Rule 801, which addresses the exercise of options other than at expiration, allows a Clearing Member to file an exercise notice after the prescribed deadline solely for the purpose of correcting a bona fide error on the part of the Clearing Member or a customer and imposes liability for a late filing fee of \$250,000 per line item listed on the notice. Similarly, OCC Rule 805, which addresses exercises on expiration, imposes liability for a late filing fee of \$250,000 per line item on a Clearing Member that submits an exercise notice after the prescribed deadline.

OCC proposes to cease facilitating the late exercise process after the move to T+1. OCC reviewed its internal operational processes to assess the implications of the shortened settlement cycle on late exercises. Currently, when a late exercise is processed, OCC sends the delivery information to the National Securities Clearing Corporation ("NSCC") for T+1 settlement.<sup>19</sup> Reducing the standard settlement time to T+1 would reduce the time available to OCC and NSCC to transmit information and perform operational and risk management steps associated with their arrangement. Specifically, moving to T+1 would require settlement activity from a late exercise to be sent to NSCC for same-day settlement, which is not supported by the Accord. Late exercise activity would thus not be guaranteed by NSCC, resulting in various implications, as the link between OCC and NSCC allows common clearing members, and their customers, to realize financial and operational efficiencies through the combined settlement of obligations from their OCC and NSCC cleared positions. OCC proposes to no longer accommodate late exercises due to operational challenges for same-day settlement and limitations under the Accord. Even if OCC were to find another operational mechanism outside of NSCC to process the settlement of a late exercise submission in a T+1 environment, any such processing would negate the settlement certainty for all market participants that the SEC seeks to achieve in its T+1 proposal.

OCC does not believe that such changes represent a significant departure from its current practices or the practices of other self-regulatory organizations. As described above, OCC's Rules

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<sup>17</sup> The current deadline for submitting exercise notices other than at expiration is 6:00 p.m. CT. The current deadline for submitting exercise notices at expiration is 8:00 p.m. CT on monthly standard Friday expirations, 7:00 p.m. CT on weekly Friday expirations, and 6:30 p.m. CT on Monday and Wednesday expirations.

<sup>18</sup> Under Rule 801, the deadline for submitting late exercise notices is 6:00 a.m. CT. Under Rule 805, the deadline for submitting late exercise notices is the expiration time of the option, which is currently 10:59 p.m. CT (as set forth in Article 1, Section 1(E)(23) of the By-Laws).

<sup>19</sup> OCC maintains a link with NSCC to facilitate the settlement of physically settled stock options and stock futures. More specifically, OCC and NSCC are parties to a Stock Options and Futures Settlement Agreement that specifies the time at which responsibility for the settlement of such obligations passes from OCC to NSCC (the "Accord"). See Exchange Act Release No. 81266 (July 31, 2017), 82 FR 36484 (Aug. 4, 2017) (File No. SR-OCC-2017-013).

allow OCC to prescribe timeframes during which Clearing Members may submit exercise notices. Following the proposed changes, OCC would continue to maintain deadlines for receiving exercise notices. The Financial Industry Regulatory Authority (“FINRA”) and the options exchanges have similarly established a cut-off time for receiving exercise notices.<sup>20</sup> Moreover, the late exercise process at OCC is intended to be used in extenuating circumstances and is not routinely performed. The filing of a late exercise notice may be deemed a violation subject to disciplinary action under Rules 801 and 805. Most recently, in 2020, OCC raised the late filing fee from \$75,000 to \$250,000 per line item to further disincentivize late exercises.<sup>21</sup> For these reasons, OCC would cease accepting late exercise notices and proposes to amend the following provisions in connection with such change.

OCC proposes to revise Rule 801, which addresses the exercise of options other than at expiration. OCC propose to remove language in paragraph (a) that requires a Clearing Member to prepare and preserve a memorandum describing the error that gave rise to a late filing. OCC also proposes to remove paragraph (d) that grants certain individuals the discretion to permit a Clearing Member to file a late exercise notice to correct a bona fide error, subject to certain conditions, including liability for a late filing fee, a final deadline for submission, and potential disciplinary action.<sup>22</sup> OCC accordingly proposes to remove a reference to paragraph (d) in Rule 801, Interpretation and Policy .02.

OCC propose similar changes to Rule 805, which addresses exercises on expiration. OCC proposes to remove the language in paragraph (c) and related language in paragraph (e) that allows Clearing Members to file late exercise notices subject to a final deadline for submission. OCC would replace the text in paragraph (c) with the term “Reserved.” OCC proposes to remove paragraphs (g), (h), and (i) that set out various terms and conditions governing the submission of late exercise notices, including liability for a late filing fee and potential disciplinary action for the Clearing Member. OCC would eliminate and update references to the provisions in Rule 805 (including the Interpretation and Policy) and make conforming changes throughout the Rules, including in Rules 1305, 1401, and 2702.

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<sup>20</sup> See e.g., FINRA Rule 2360(b)(23)(A)(iii); Nasdaq Options 6B, Section 1(c); NYSE Arca Rule 6.24-O(c).

<sup>21</sup> See Exchange Act Release No. 88310 (Mar. 2, 2020), 85 FR 13198 (Mar. 6, 2020) (File No. SR-OCC-2020-001) (noting that the late exercise fee is intended to encourage Clearing Members to be diligent in processing exercise notices and to improve back office procedures).

<sup>22</sup> For the avoidance of doubt, Clearing Members may still correct errors following the proposed changes but must make any corrections prior to daily processing deadlines. OCC discussed the cessation of late exercises following T+1 with the Operations Roundtable, which solicits feedback from interested stakeholders such as Clearing Members. No substantive opposing views were raised in these discussions.

(ii) *Timeframes Related to the Standard Settlement Cycle*

OCC proposes changes to timeframes in its Rules, By-Laws, and Clearing Member documents that are related to the current T+2 standard settlement cycle. The following provisions would need to be updated to facilitate the move to T+1 and are discussed in more detail below:

- OCC Rule 901 (Settlement Through Correspondent Clearing Corporations);<sup>23</sup>
- OCC Rule 903 (Obligation to Deliver);
- OCC Rule 1302 (Delivery of Underlying Securities);
- OCC Rule 1302B (Delivery of Underlying Treasury Securities);
- OCC Rule 1503 (Exercise Settlement Date for Event Options and Range Options);
- OCC Rule 2201 (Instructions to the Corporation);
- OCC Rule 2208 (Settlement Date);
- Article XXI of OCC's By-Laws (Stock Loan/Hedge Program);
- OCC Rule 2209A (Termination of Market Loans); and
- OCC Rule 2502 (Settlement Date for BOUNDS).

OCC proposes to amend certain of its Rules that govern the settlement of physically-settled options and futures through NSCC. Rule 901 requires that certain obligations be settled through the facilities of NSCC. Consistent with the new standard settlement cycle, OCC proposes to amend paragraph (c) of Rule 901 to remove a parenthetical indicating that "regular way" settlement under NSCC's rules and procedures does not occur on T+1. Further, paragraph (d) permits OCC to revoke a specification in any delivery advice that settlement be made through the facilities of NSCC at any time prior to the obligation time. In such event, Rule 901(d) allows specified OCC senior officers to extend or postpone the time for delivery to no more than two business days after the date of such revocation. To be consistent with the T+1 settlement cycle, OCC proposes to change the amount of time that OCC has to extend or postpone the time of delivery to one business day.

OCC proposes related changes to conform language with the T+1 settlement cycle in Rule 901(f) and (g) and in certain associated Clearing Member documents. Rule 901(f) permits a Clearing Member (the "Appointing Clearing Member") that is not an NSCC member to appoint another Clearing Member that is an NSCC member (the "Appointed Clearing Member") to act on its behalf with respect to the settlement of exercised or matured cleared securities in its accounts through NSCC. OCC maintains a related Clearing Member document (the "Appointment of Clearing Member Form" or an "appointment form") that permits the Appointed Clearing Member to act on behalf of the Appointing Clearing Member for this purpose. Rule 901(g) permits a Canadian

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<sup>23</sup> Article I, Section 1.C.(32) of OCC's By-Laws defines the term "correspondent clearing corporation" to mean National Securities Clearing Corporation ("NSCC") or any successor thereto which, "by agreement with [OCC], provides facilities for settlements in respect of exercised option contracts or BOUNDS or in respect of delivery obligations arising from physically-settled stock futures." The Accord is the current agreement that governs NSCC settlement of OCC related activity.

Clearing Member, on behalf of which CDS Clearing and Depository Services Inc. (“CDS”)<sup>24</sup> maintains a subaccount at NSCC, to appoint CDS to act on its behalf with respect to the settlement of exercised or matured cleared securities in its accounts through NSCC. OCC also maintains a related Clearing Member document (the “Appointment of CDS — Stock Settlement Form” or an “appointment form”) that permits CDS to act on behalf of the Canadian Clearing Member for this purpose. Such appointments currently become effective as of the second business day following the day on which OCC receives written notice, or such later date as may be specified. Under the proposed rule change, OCC would replace the “second” business day with the “first” business day in Rule 901(f) and (g) and in the appointment forms.

Rule 903 governs a Clearing Member’s obligation to deliver when either a delivery advice or OCC directs that settlement be made on a broker-to-broker basis. Under Rule 903, the delivery date for physically-settled options is the second business day following the day on which the exercise notice was, or is deemed to have been, properly tendered to OCC, and the delivery date for physically settled security futures is generally the second business day following the maturity date. OCC proposes to replace references to the “second” business day with the “first” business day.

In Chapter XIII regarding futures, futures options and commodity options, OCC proposes to revise Rule 1302 concerning the delivery of underlying securities and Rule 1302B concerning the delivery of underlying Treasury securities. With certain exceptions, Rule 1302 currently provides that the delivery date for a physically-settled stock future is the second business day following the maturity date of the applicable series. Rule 1302B(a) currently provides that the delivery date for each physically-settled Treasury future in respect of which a delivery intent has been submitted (or deemed submitted) is the second business day following such submission (or deemed submission). OCC also maintains a related Clearing Member document (the “Designation of Clearing Member” or a “designation form”) that permits, among other things, a Clearing Member to designate another Clearing Member for the purposes of effecting settlement of physically-settled treasury futures through the Fixed Income Clearing Corporation (“FICC”).<sup>25</sup> OCC proposes to replace references to the “second” business day in Rules 1302 and 1302B and in the designation form with the “first” business day. OCC also proposes corresponding changes to update references from the “second” business day to the “first” business day with respect to applicable deadlines specified in paragraphs (d), (e), and (j) of Rule 1302B.

OCC proposes similar changes to make language consistent with the T+1 settlement cycle in Rule 1503. With certain exceptions, Rule 1503 currently provides that the exercise settlement date for a credit default option and credit default basket option is the second business day following the

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<sup>24</sup> CDS is Canada’s national securities depository, which, among other things, facilitates the settlement of cross-border transactions with the U.S. and has relationships with NSCC and The Depository Trust Company (“DTC”).

<sup>25</sup> FICC provides central counterparty services to firms that participate in the U.S. government and mortgage-backed securities markets.



date on which the option is deemed to have been exercised. Under the proposed rule change, OCC would replace the “second” business day with the “first” business day.

OCC also proposes to amend provisions of its Rules and By-Laws concerning its two Stock Loan Programs. OCC operates two programs in which it acts as a central counterparty for stock loan transactions: the Stock Loan/Hedge Program and Market Loan Program.<sup>26</sup> The Stock Loan/Hedge Program allows Clearing Members to use borrowed and loaned securities to reduce OCC margin requirements. The Market Loan Program is a program whereby OCC processes and maintains stock loan positions that have originated through a Loan Market.<sup>27</sup>

In respect of the Stock Loan/Hedge Program, Rule 2201(c) currently permits a Canadian Clearing Member on behalf of which CDS maintains a subaccount at DTC to appoint CDS to act on its behalf with respect to effecting delivery orders for stock loan and stock borrow transactions in its accounts through DTC. OCC also maintains a related Clearing Member document (the “Appointment of CDS — Stock Loan Form” or an “appointment form”) that permits CDS to act on behalf of the Canadian Clearing Member for this purpose. Such appointment currently becomes effective as of the second business day following the day on which OCC receives written notice, or such later date as may be specified. Under the proposed rule change, OCC would replace the “second” business day with the “first” business day in Rule 2201(c) and in the appointment form.

In addition, with respect to the Stock Loan/Hedge Program, Rule 2208(a) currently provides that the settlement date for the termination of a stock loan will be the earlier of: (1) the date on which the borrowing Clearing Member initiates the termination or (2) the date that is two stock loan business days after the date on which the lending Clearing Member initiates the termination. OCC proposes to amend Rule 2208(a) to change “two stock loan business days” to “one stock loan business day.”

OCC may terminate outstanding stock loans under certain conditions pursuant to Article XXI, Section 2(c) of OCC’s By-Laws with respect to the Stock Loan/Hedge Program. If any stock loans are so terminated, OCC is required to provide written notice to the affected Clearing Members specifying the date on which such termination is to become effective, which will be at least two stock loan business days after the date of such notice. OCC proposes to make the effective date consistent with the new T+1 settlement cycle by changing the minimum number of days between notice and termination from two to one.

Regarding the Market Loan Program, a market loan (i.e., a loan of eligible stock effected through a Loan Market) is terminated by the relevant Clearing Member providing a return or recall

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<sup>26</sup> Information on the Stock Loan/Hedge Program and Market Loan Program can be found on OCC’s public website, available at <https://www.theocc.com/clearance-and-settlement/stock-loan-programs>.

<sup>27</sup> Article I, Section 1.L.(5) of OCC’s By-Laws defines “Loan Market” as an electronic platform included in OCC’s Market Loan Program that supports securities lending and borrowing transactions by matching lenders and borrowers based on loan terms that each party is willing to accept.

notice to the Loan Market with respect to a specified quantity of loaned stock under Rule 2209A. Rule 2209A(a)(3) discusses the scenario where a recall transaction fails to settle by the settlement time on the second stock loan business day following the day that the transaction was first submitted. OCC proposes to replace “second” stock loan business day with “first” stock loan business day. Under Rule 2209A(d), OCC may terminate outstanding market loans under certain conditions. If any market loans are so terminated, OCC is required to provide written notice to the affected Clearing Members specifying the date on which such termination is to become effective, which will be at least two stock loan business days after the date of such notice. OCC proposes to make the effective date consistent with the new T+1 settlement cycle by changing the minimum number of days between notice and termination from two to one.

OCC proposes to amend Rule 2502 concerning the settlement date for BOUNDS. Namely, OCC proposes to update the settlement date for a BOUND contract from the second business day following the expiration date to the first business day.

*(iii) Conforming and Clarifying Changes*

OCC proposes changes to Chapter VI of its Rules related to deposits in lieu of margin. In lieu of depositing margin, OCC permits a Clearing Member or an approved custodian to deposit eligible collateral in respect of certain option contracts included in a short position in accordance with OCC Rule 610. More specifically, OCC permits certain types of deposits in lieu of margin, including member specific deposits, third-party specific deposits, and escrow deposits, which are further described in Rules 610A, 610B and 610C, respectively.<sup>28</sup>

With certain exceptions, OCC Rule 610C(o) provides that any escrow deposit in respect of a short position in stock put options will be released by OCC on its own initiative at a specified time on the fourth business day following the expiration date.<sup>29</sup> OCC proposes to amend this outdated provision to state that such deposits will be released by OCC at a specified time following the expiration date. Reference to the specific business day would be removed from the Rules and, instead, would be centralized in and made available through the Operations Manual, along with other timeframes and deadlines specified by OCC. The Operations Manual would state that this release of collateral would occur on the next business day following the expiration date. Shortening the period for the automatic release of collateral to the next business day following the expiration date would be in line with the changes described above to shorten the current settlement cycle to

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<sup>28</sup> Member specific deposits are equity securities deposited by clearing members at DTC at the direction of their customers; third-party specific deposits are equity securities deposited by custodian banks at DTC at the direction of their customers; and escrow deposits can consist of cash deposits held at a custodian bank for the benefit of OCC, in addition to equities, and U.S. Government securities pledged to OCC through DTC by escrow deposit banks at the direction of their customers.

<sup>29</sup> The exceptions in OCC Rule 610C(o) include that (1) the Clearing Member’s obligations in respect of such short position have not been satisfied or (2) the deposit is subject to a “hold” instruction (i.e., an instruction requesting that OCC not release such deposit).

T+1. OCC believes that such change would align with the goals of the T+1 Adopting Release to reduce central counterparty exposure to credit, market, and liquidity risk arising from its obligations to its participants, as there is no need for OCC to hold the collateral for an extended period of time.<sup>30</sup>

OCC proposes conforming changes throughout Chapter VI. OCC proposes to amend Rule 610B(d)(2) regarding third-party specific deposits<sup>31</sup> and Rule 610C(p) regarding escrow deposits in respect of a short position in index options<sup>32</sup> to uniformly state that such deposits will be released by OCC at a specified time following the expiration date, which would be consistent with the language described above in amended Rule 610C(o). OCC also proposes language in new paragraph (2) of Rule 610A(c) to address the automatic release of any member specific deposits by OCC, which would largely align with the language in amended Rule 610B(d)(2).<sup>33</sup> This addition is intended to be clarifying in nature, as OCC currently releases member specific deposits in the same general manner as set out in Rule 610B(d)(2) for third-party specific deposits. Consistent with the change described above, automatic release would occur on the next business day following the expiration date for member specific, third-party specific and escrow deposits and would be set out in the Operations Manual. These changes are intended to ensure consistent language and practices to promote clarity for market participants. These changes are made in conjunction with the revisions to Rule 610C(o) and align with the goals of the T+1 Adopting Release to reduce central counterparty exposure to credit, market, and liquidity risk arising from its obligations to its participants, as there is no need for OCC to hold the collateral for an extended period of time.<sup>34</sup>

OCC further proposes revisions to Chapter XIV in relation to Treasury securities options. As U.S. Treasury securities commonly settle on a T+1 basis, OCC proposes to update the exercise settlement date for Treasury securities options from the second business day following the expiration date to the first business day in Rule 1402(a). Additionally, Clearing Members are required to notify OCC within a prescribed timeframe if a trade required to be completed pursuant to Rule 1403 has

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<sup>30</sup> See T+1 Adopting Release, supra note 4.

<sup>31</sup> Rule 610B(d)(2) provides that any third-party specific deposit will be released by OCC on its own initiative at a specified time on the business day following the exercise settlement date unless (1) the settlement obligations in respect of such short position have not been met, that NSCC has determined to suspend, decline or cease to act for the Clearing Member in respect of whose account such deposit was made, or, that NSCC has determined to prohibit or limit such Clearing Member's access to services; (2) OCC has directed that the exercise be settled otherwise than through NSCC; or (3) the deposit is subject to a "hold" instruction.

<sup>32</sup> Rule 610C(p) provides that such escrow deposit will be released by OCC on its own initiative at a specified time on the first business day following the expiration date unless (1) the Clearing Member carrying the short position is not in full compliance with its obligations to OCC or (2) the deposit is subject to a "hold" instruction.

<sup>33</sup> The proposed text in Rule 610A(c)(2) would mirror the amended text in Rule 610B(d)(2) with minor changes to remove or replace provisions associated with third-party specific deposits with member specific deposits.

<sup>34</sup> See T+1 Adopting Release, supra note 4.

not been successfully matched at FICC.<sup>35</sup> Under Rule 1404, if OCC receives timely notice of a failure to match a trade, the affected Clearing Members are required to attempt to resolve the failure such that settlement could occur through FICC by the specified deadline on the second business day following the expiration date. If the failure is not resolved by such deadline, the Clearing Members are required to notify OCC within a specified time on the second business day following the expiration date. OCC also proposes to update these references from the “second” business day to the “first” business day in Rule 1404. Similar to the changes described above, these changes would promote consistency between OCC’s Rules and the settlement cycle for the relevant asset class.

### Implementation Timeframe

As discussed above, OCC would implement the proposed rule change in coordination with the SEC’s compliance date for the amendments to Rule 15c6-1(a) and the transition to T+1. OCC would provide notice to Clearing Members of the implementation through an Information Memorandum posted to its public website at least two (2) weeks prior to implementation.

### **Consistency with DCO Core Principles**

OCC reviewed the DCO core principles (“Core Principles”) as set forth in the Act, the regulations thereunder, and the provisions applicable to a DCO that elects to be subject to the provisions of 17 CFR Subpart C (“Subpart C DCO”). During this review, OCC identified the following as potentially being impacted:

**Legal Risk Considerations.** OCC believes that the proposed changes are consistent with Core Principle R<sup>36</sup> and the CFTC Regulations thereunder, which require a DCO to have a well-founded, transparent, and enforceable legal framework for each aspect of the activities of the DCO. Specifically, CFTC Regulation 39.27(b) requires, among other things, that a DCO operate pursuant to a well-founded, transparent, and enforceable legal framework that addresses each aspect of the activities of the DCO.<sup>37</sup> The proposed changes are designed to modify OCC’s Rules, By-Laws, and Clearing Member documents that would otherwise become outdated upon the change to the T+1 standard settlement cycle, or present other operational difficulties or concerns. The proposed changes would allow OCC to maintain provisions and practices that are both clear and consistent with the standard settlement cycle that is specified in Rule 15c6-1(a), which would help ensure that OCC’s Rules, By-Laws, and Clearing Member documents remain well-founded, clear, transparent, and enforceable. Additional changes are proposed to OCC’s Rules that would amend an outdated provision and ensure consistency with the settlement cycle for the relevant asset class and regarding

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<sup>35</sup> Under Rule 1403, OCC requires every Treasury Securities Clearing Member to be a participant in the Government Securities Division (“GSD”) of FICC or designate a GSD participant as its representative to submit trade information into FICC’s real-time trade matching system.

<sup>36</sup> 7 U.S.C. 7a-1(c)(2)(R).

<sup>37</sup> 17 CFR 39.27(b).

the automatic release of deposits, which would ensure that OCC's Rules are well-founded, clear, transparent, and enforceable.

For these reasons, OCC believes that the proposed changes are consistent with the requirements of the DCO Core Principles and the CFTC Regulations thereunder.

Opposing Views

No substantive opposing views were expressed related to the rule amendments by OCC's Board members, Clearing Members or market participants.

Notice of Pending Rule Certification

OCC hereby certifies that notice of this rule filing has been given to Clearing Members of OCC in compliance with Regulation 40.6(a)(2) by posting a copy of this certification on OCC's website concurrently with the filing of this submission.

Certification

OCC hereby certifies that the rules set forth in Exhibits A through F of the enclosed filing comply with the Act and the CFTC's regulations thereunder.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

/s/ [REDACTED] \_\_\_\_\_  
[REDACTED]  
Assistant General Counsel

Enclosure: Exhibits A and F

**EXHIBIT A**



**OCC Rules**

Red underlined text indicates new text

~~Red strikethrough~~ text indicates deleted text

## CHAPTER VI – MARGINS

### RULE 610A – Member Specific Deposits

(a) – (b) [No change]

(c) *Method of Making Withdrawals.* (1) Member specific deposits made through the Depository’s EDP Pledge System may be withdrawn or released through such system on each business day between such times as the Corporation may specify, with authorization by the Corporation, so long as the margin requirements under this Chapter VI in respect of the account of the Clearing Member in respect of which the deposit was made would still be met after giving effect to such withdrawal or release.

(2) Any member specific deposit made in accordance with this Rule shall be released by the Corporation on its own initiative at a time specified by the Corporation following the expiration date unless (i) the Corporation has received notice from the correspondent clearing corporation by such time indicating that the settlement obligations in respect of such short position have not been met; that the correspondent clearing corporation has determined to suspend, decline or cease to act for the Clearing Member in respect of whose account such deposit was made; or, that the correspondent clearing corporation has determined to prohibit or limit such Clearing Member’s access to services offered by the correspondent clearing corporation, in which case the deposit shall not be released until such time as the Corporation determines it has no further obligations in respect of the short position, or (ii) the Corporation has directed that the exercise be settled otherwise than through the correspondent clearing corporation, in which case the deposit shall not be released until the Corporation determines it has no further obligations in respect of the short position and approves the release of such deposit.

(d) [No change]

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### RULE 610B – Third-Party Specific Deposits

(a) – (c) [No change]

(d) *Method of Making Withdrawals.* (1) An approved custodian may request the release of a third-party specific deposit by submitting a request through the Depository’s EDP Pledge System. No requested release shall be given effect by the Corporation unless (i) the margin requirements under this Chapter VI in respect of the customers’ account of the Clearing Member in respect of which the deposit was made would still be met after giving effect to such release; (ii) the Clearing Member has approved the release through the Depository’s EDP Pledge System, and (iii) the deposit is not subject to a “hold” instruction pursuant to Rule 610B(d)(3).

(2) Any third-party specific deposit made in accordance with this Rule shall be released by the Corporation on its own initiative at a time specified by the Corporation ~~on the business day~~ following the ~~exercise settlement~~expiration date unless (i) the Corporation has received notice

from the correspondent clearing corporation by such time indicating that the settlement obligations in respect of such short position have not been met; that the correspondent clearing corporation has determined to suspend, decline or cease to act for the Clearing Member in respect of whose account such deposit was made; or, that the correspondent clearing corporation has determined to prohibit or limit such Clearing Member's access to services offered by the correspondent clearing corporation, in which case the deposit shall not be released until such time as the Corporation determines it has no further obligations in respect of the short position, (ii) the Corporation has directed that the exercise be settled otherwise than through the correspondent clearing corporation, in which case the deposit shall not be released until the Corporation determines it has no further obligations in respect of the short position and approves the release of such deposit, or (iii) the deposit is subject to a "hold" instruction pursuant to Rule 610B(d)(3), in which case, notwithstanding clauses (i) or (ii), the deposit shall be treated in accordance with paragraph (e) of this Rule.

(3) A Clearing Member may request a "hold" with respect to a third-party specific deposit by submitting an instruction requesting that the Corporation not release such deposit, either upon request of the relevant approved custodian or on its own initiative, for so long as such instruction is in effect.

(e) – (g) [No change]

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## **RULE 610C – Escrow Deposits**

A participating escrow bank, which must be a participant of the Depository unless it effects escrow deposits consisting only of cash, may effect escrow deposits in respect of short positions in stock put option contracts and index put or call option contracts and may effect "roll overs" and withdrawals of such deposits, and a Clearing Member may instruct the Corporation with regard to short positions to be covered by such deposits, by submitting instructions to the Corporation through an EDP Pledge System, subject to the following provisions of this Rule:

(a) – (n) [No change]

(o) *Release of Escrow Deposits in Respect of Stock Put Options upon Expiration.* Any escrow deposit in respect of a short position in stock put options shall be released by the Corporation on its own initiative at a time specified by the Corporation ~~on the fourth business day~~ following the expiration date for the short position covered by such escrow deposit, unless:

(1) the Corporation has received notice from the correspondent clearing corporation indicating that the Clearing Member's obligations in respect of such short position have not been satisfied, in which case the escrow deposit shall not be released until such time as the Corporation determines it has no further obligations in respect of the short position; or

(2) the deposit is subject to a "hold" instruction, in which case the procedures set forth in paragraph (s) below shall apply.



(p) *Release of Escrow Deposits in Respect of Index Options upon Expiration.* Any escrow deposit made in respect of a short position in index options shall be released by the Corporation on its own initiative at a time specified by the Corporation ~~on the first business day~~ following the expiration date for the short position covered by such escrow deposit, unless:

(1) the Clearing Member carrying the short position is not in full compliance with its obligations to the Corporation; or

(2) the deposit is subject to a “hold” instruction, in which case the procedures set forth in paragraph (s) below shall apply.

(q) – (t) [No change]

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## ***CHAPTER VIII – EXERCISE AND ASSIGNMENT***

### **RULE 801 – Exercise of Options**

Issued and unexpired option contracts may, subject to Exchange Rules and the By-Laws, be exercised as follows:

(a) A Clearing Member desiring to exercise an American option contract on any business day other than its expiration date shall submit exercise notices to the Corporation on such business day through electronic means prescribed by the Corporation for that purpose within such timeframe as the Corporation shall prescribe; provided that no option contract expiring on a day that is not a business day may be exercised on the business day immediately preceding its expiration date. The Corporation may change such timeframes upon not less than thirty days’ prior written notice to affected Clearing Members. Every submission of an exercise notice in accordance herewith shall become irrevocable at the applicable deadline specified by the Corporation on the date of submission. No Clearing Member shall revoke or modify any exercise notice after the applicable deadline. ~~Each Clearing Member that files an exercise notice after the applicable deadline shall prepare and preserve, for not less than three years, a memorandum describing in reasonable detail the error that gave rise to late filing.~~

(b) Any expiring American option contract may be exercised on its expiration date in accordance with Rule 805. Any capped or European option contract may be exercised (other than automatically exercised in the case of a capped option) only on its expiration date in accordance with Rule 805. Any binary options that meet the exercise parameters set forth in Rule 1501 will be automatically exercised in accordance with that rule. Notwithstanding the foregoing, any expiring flexibly structured index option contract, quarterly index option contract, monthly index option contract, weekly index option contract, short term index option contract or OTC index option contract that meets the exercise parameters set forth in Rule 1804(c) will be automatically exercised on its expiration date in accordance with that Rule. No option contract expiring on a

day that is not a business day may be exercised on the business day immediately preceding its expiration date.

(c) Option contracts may be exercised only in a unit of trading or an integral multiple thereof. Exercise notices may be filed in respect of opening purchase transactions which have not yet been accepted by the Corporation, and shall be assigned by the Corporation at the same time and in the same manner as exercise notices filed on the same business day in respect of issued option contracts, provided that any such exercise notice shall be deemed to be null and void and of no force or effect if the opening purchase transaction in respect of which it was filed is not accepted by the Corporation on the business day immediately following the date on which such exercise notice was filed.

~~(d) Notwithstanding the foregoing provisions of this Rule, and except as otherwise provided in this paragraph (d), the Chief Executive Officer, Chief Operating Officer, or any delegate of such officer, may in the sole discretion of such person permit a Clearing Member to file any exercise notice after an applicable deadline prescribed pursuant to paragraph (a) of this Rule, solely for the purpose of correcting a bona fide error on the part of the Clearing Member or a customer, subject to the following conditions:~~

~~(1) The Clearing Member shall request permission to file such exercise notice at a time early enough, in the judgment of the authorized individual acting on the request, to allow the Corporation to complete its nightly processing in a reasonably timely manner notwithstanding any delay resulting from the granting of the request.~~

~~(2) The Clearing Member shall be liable to the Corporation for a late filing fee of \$250,000 per line item listed on any exercise notice accepted for filing after the start of critical processing, and shall be informed of such fee at the time a request to file any exercise notice subject to such fee is submitted to the Corporation. Fifty percent of any late filing fee shall be distributed to the assigned Clearing Member or pro-rata to the assigned Clearing Members.~~

~~The Corporation will not accept any late exercise request received after 6:00 A.M. Central Time (7:00 A.M. Eastern Time). Clearing Members that have been assigned a late exercise notice shall be notified of the assignment by 8:00 A.M. Central Time (9:00 A.M. Eastern Time).~~

~~Notwithstanding any other provision of the Rules or By-Laws, the Corporation will not accept any request to revoke or modify a previously submitted exercise notice.~~

~~(3) The Clearing Member shall deliver to the Corporation, within two business days after submitting a filing pursuant to this paragraph (d), a memorandum describing in reasonable detail the error that gave rise to such action. Every memorandum shall be reviewed by the Chief Executive Officer, Chief Operating Officer, or any other officer of the Corporation designated by the Chief Executive Officer or Chief Operating Officer, as applicable, and, in his or her sole discretion such officer shall make a submission for remission of any late filing fee pursuant to subparagraph (d)(5).~~

~~(4) The filing of an exercise notice pursuant to this paragraph (d) may be deemed a violation of the procedures of the Corporation, and may be subject to disciplinary action pursuant to Chapter XII of the Rules.~~

~~(5) The Corporation may remit, in whole or in part, any late filing fee imposed pursuant to subparagraph (d)(2), 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 finds that the filing giving rise to the fee was necessitated by circumstances beyond the reasonable control of the Clearing Member and its customer, or that remission is otherwise equitable in the circumstances.~~

~~(6) An exercise notice accepted by the Corporation pursuant to this paragraph (d) after Midnight shall be deemed for all purposes to have been properly submitted to the Corporation on the preceding day.~~

~~Filing of exercise notices after the applicable deadline specified by the Corporation shall not be permitted under any circumstances in respect of (i) futures options of such classes, or traded on such futures market(s), as may be designated by the Corporation and specified in its procedures or (ii) any exercise notice that the Corporation has determined not to be eligible for late processing.~~

*. . . Interpretations and Policies:*

**.01** The Corporation may permit one or more Clearing Members to tender, revoke, or modify exercise notices by electronic data entry, provided that electronic data entry procedures shall not apply to exercises governed by Rule 805. See Rule 205 with respect to the extension of cut-off times in the event of power failures, equipment malfunctions, and other unusual or unforeseen conditions.

**.02** The Corporation may designate earlier cut-off times than those specified in Rule 801 when the Exchanges announce an early close. The Corporation shall give Clearing Members such notice of the designation of any such earlier cut-off time, ~~including any change in the cut-off times specified in Rule 801(d)(2)~~, as the Corporation deems practical under the circumstances.

**.03** The Corporation may make available to each Clearing Member, during a business day, updated information as to exercise notices submitted by such Clearing Member. Such updated information on exercises submitted by a Clearing Member shall be considered provisional and informational only and is subject to revision at any time. Only delivery advices and exercise and assignment reports (as the case may be) may be relied upon as definitively reflecting exercise notices accepted by the Corporation.

**.04** With respect to any securities or futures account, the Corporation shall process sell transactions in respect of American option contracts prior to exercises in respect of such contracts.

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## **RULE 805 – Expiration Exercise Procedure**

(a) At or before such time and date as the Corporation shall from time to time specify with respect to each expiration date, the Corporation shall make available to each Clearing Member an Expiration Exercise Report.

(b) Upon retrieving an Expiration Exercise Report, each Clearing Member may submit exercise instructions in response to such report through electronic means prescribed by the Corporation for that purpose. Such instructions shall indicate, with respect to each series of options listed for each of the Clearing Member's accounts, the number of option contracts of that series, if any, to be exercised for that account. If no option contracts of a particular series are to be exercised for a particular account, the Clearing Member may so indicate opposite the title of that series. Each Clearing Member desiring to submit instructions in accordance with the preceding provisions of this subparagraph (b) shall submit such instructions to the Corporation before such time and date as the Corporation shall from time to time specify with respect to an expiration date. Instructions to exercise given pursuant to this subparagraph (b) shall become irrevocable at such time and date with respect to each expiration date as the Corporation shall from time to time specify.

~~(c) If, after the deadline prescribed pursuant to subparagraph (b) for the submission of exercise instructions in response to Expiration Exercise Reports, but prior to the expiration time for such option contracts on the expiration date, a Clearing Member desires to exercise option contracts expiring on such expiration date in addition to those which the Clearing Member has previously instructed the Corporation to exercise, the Clearing Member may do so by tendering to the Corporation, prior to such expiration time, a written exercise notice on such form as the Corporation shall prescribe, provided that (i) the Corporation may designate in its procedures classes of futures options with respect to which no late exercise notices will be accepted; and (ii) the Corporation will not accept any late exercise notices with respect to OTC options. Reserved.~~

(d) Each Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation, immediately prior to the expiration time for such option contracts on each expiration date, an exercise notice with respect to:

(1) each option contract listed in the Clearing Member's Expiration Exercise Report that the Clearing Member has instructed the Corporation to exercise in accordance with subparagraph (b) ~~or (e)~~, and

(2) every option contract of each series listed in the Clearing Member's Expiration Exercise Report that has an exercise price below (in the case of a call) or above (in the case of a put) the closing price of the underlying security by \$0.01 or more, unless the Clearing Member shall have duly instructed the Corporation, in accordance with subparagraph (b), to exercise none, or fewer than all, of the option contracts of such series carried in such account, provided that in the case of options with an exercise price expressed as a multiple of the per-unit price, in making the above calculations such multiple shall be applied to the closing price. If a Clearing Member desires that any such option contract not be exercised, it shall be the responsibility of the Clearing Member to give appropriate instructions to the Corporation in accordance with subparagraph (b).

(e) It shall be the duty of each Clearing Member to review each Expiration Exercise Report against the Clearing Member's own position records and to verify the accuracy of the closing prices reflected in such report. If a Clearing Member discovers any error or omission in any Expiration Exercise Report, the Clearing Member shall immediately notify the Corporation thereof and cooperate with the Corporation in reconciling any discrepancies. ~~If a Clearing Member's position records reflect expiring option contracts not listed in its Expiration Exercise Report, and the Clearing Member and the Corporation are unable to reconcile their respective position records before the deadline for the submission of exercise instructions prescribed in subparagraph (b), the Clearing Member may exercise any option contracts not listed in its Expiration Exercise Report (to the extent that such option contracts are subsequently determined to have existed in the Clearing Member's accounts) by tendering written exercise notices with respect to such option contracts in accordance with subparagraph (e).~~ The Corporation shall have no liability to any Clearing Member or to any other person in respect of any loss or expense resulting from the exercise or non-exercise of any option contract due to any error or omission (whether relating to the inclusion of option contracts, the determination of closing prices, the making of computations or otherwise) in any Expiration Exercise Report.

(f) With respect to any expiration date, the Corporation may in its discretion extend any or all of the times and dates prescribed pursuant to subparagraphs (a) and (b). If unusual or unforeseen conditions (including but not limited to power failures or equipment malfunctions) prevent the Corporation from making Expiration Exercise Reports available to Clearing Members on a timely basis, or Clearing Members from submitting on-line responses to such reports, prior to any applicable deadline, the Corporation, in its discretion, may prescribe such alternative procedures for exercising expiring options period as the Corporation deems reasonable, practicable and equitable under the circumstances. Notwithstanding the foregoing, in no event shall the deadline for submitting exercise instructions be extended beyond the expiration time for such option contracts except pursuant to Article VI, Section 18 of the By-Laws.

~~(g) In the event that a Clearing Member tenders an exercise notice pursuant to subparagraph (e) (a "supplementary exercise notice") after the deadline prescribed pursuant to subparagraph (b) for the submission of exercise instructions in response to Expiration Exercise Reports, such Clearing Member shall be liable to the Corporation for a late filing fee of \$250,000 per line item for any supplementary exercise notice tendered after the commencement of critical expiration processing and shall be informed of such fee at the time the supplementary exercise notice is tendered.~~

~~The tender of a supplementary exercise notice may also be deemed to be a violation of the procedures of the Corporation, and may be subject to disciplinary action pursuant to Chapter XII of the Rules.~~

~~(h) Notwithstanding the provisions of subparagraph (g), exercise instructions properly given in a supplementary exercise notice shall be valid and effective provided that such exercise notice is tendered prior to the expiration time for the option contracts sought to be exercised and in accordance with the procedures prescribed by the Corporation from time to time. Any tender of a supplementary exercise notice not made in accordance with such prescribed procedures shall be~~

~~deemed null and void. If a Clearing Member files an exercise notice after the deadline prescribed pursuant to subparagraph (b) for the submission of exercise instructions in response to Expiration Exercise Reports, the Clearing Member shall be obligated to advise the Corporation in writing of the specific reasons therefor within two business days thereafter.~~

~~(i) The Corporation may remit, in whole or in part, any filing fee imposed pursuant to subparagraph (g), 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 finds that the tendering of the supplementary exercise notice giving rise to the fee was necessitated by circumstances beyond the reasonable control of the Clearing Member or its customer, or that remission is otherwise equitable under the circumstances.~~

(~~g~~<sup>i</sup>) The term “closing price”, as used with respect to an underlying security in this Rule 805, including the underlying security for cash-settled equity flex options, means the last reported sale price for the underlying security during regular trading hours (as determined by the Corporation) on the trading day immediately preceding the expiration date, or on the expiration date if the expiration date is a trading day, on such national securities exchange or other domestic securities market as the Corporation shall determine. Notwithstanding the foregoing, if an underlying security was not traded on such market during regular trading hours on the trading day immediately preceding the expiration date, or if the underlying security was traded during regular trading hours on such trading day but the Corporation is unable to obtain a last sale price, the Corporation may, in its discretion, (i) fix a closing price on such basis as it deems appropriate in the circumstances (including, without limitation, using the last sale price during regular trading hours on the most recent trading day for which a last sale price is available) or (ii) suspend the application of subparagraph (d)(2) to option contracts for which that security is an underlying security. During the term of any such suspension, Clearing Members may exercise such option contracts only by giving affirmative exercise instructions in accordance with subparagraph (b) ~~or (e)~~.

(m) [Rescinded September 20, 1982.]

*... Interpretations and Policies:*

**.01** When the day immediately preceding a Saturday expiration date is a holiday under Exchange Rules, the Corporation may, upon reasonable notice to Clearing Members, advance the exercise procedures provided for in Rule 805 by 24 hours. In that event:

(1) Expiration Exercise Reports will be made available by the Corporation, and Clearing Members will be required to submit exercise instructions in response to such Reports, on the day immediately preceding the expiration date.

(2) The provisions of Rule 805 with respect to the irrevocability of exercise instructions (including instructions deemed to have been given pursuant to Rule 805(d)(2)) shall apply notwithstanding the completion of exercise procedures on the day before the expiration date.

~~(3) Clearing Members may tender supplementary exercise notices at any time prior to the expiration time for such option contracts in accordance with Rule 805(e), but subject to the provisions of Rules 805(g) and (h).~~

.02 The exercise thresholds provided for in Rule 805(d) and elsewhere in the rules are part of the administrative procedures established by the Corporation to expedite its processing of exercises of expiring options by Clearing Members, and are not intended to dictate to Clearing Members which positions in customers' accounts should or must be exercised.

.03 The exercise procedures set forth in Rule 805 shall apply to the exercise of flexibly structured equity options (physically settled and cash settled, except that an American-style flexibly structured option on fund shares that is cash settled and subject to delayed settlement for any deliverable component will not be subject to Rule 805(d)), quarterly equity options, monthly equity options, weekly equity options and short term equity options, except that the time when the Corporation makes an Expiration Exercise Report available pursuant to paragraph (a) of Rule 805, and the time specified by the Corporation as the deadline for the submission of exercise instructions pursuant to paragraph (b) of Rule 805 for such options, may be different from the corresponding times that apply to standard options.

.04 With respect to any securities or futures account, the Corporation shall process sell transactions in respect of option contracts prior to exercises in respect of such contracts.

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## ***CHAPTER IX – DELIVERY OF UNDERLYING SECURITIES AND PAYMENT***

### **RULE 901 - Settlement Through Correspondent Clearing Corporations**

(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.

(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~~one business days after the date of such revocation.

(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.

(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~~first 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 211, 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.

(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 **secondfirst** 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.

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### **RULE 903 - Obligation to Deliver**

When a Delivery Advice or the Corporation directs that settlement be made on a broker-to-broker basis, the Delivering Clearing Member shall deliver each underlying security specified in the Delivery Advice against payment of the aggregate purchase price therefor on the delivery date specified therein, which, in the case of options, shall be the **secondfirst** business day following the day on which the exercise notice was, or is deemed to have been, properly tendered to the Corporation pursuant to Chapter VIII of the Rules, and, in the case of security futures, shall be the **secondfirst** business day following the maturity date, except for series that are designated by the Exchange on which such series are traded for settlement on the first business day following the maturity date of the applicable series, provided that:

(a) the Corporation may designate a different delivery date for property that is deliverable as a result of an adjustment of a contract pursuant to the By-Laws and Rules; and

(b) the Chief Executive Officer, Chief Operating Officer or delegate of such officer may extend or postpone the time for delivery whenever, in such person's opinion, such action is required in the public interest or to meet unusual conditions.

\* \* \* \* \*

## ***CHAPTER XIII – FUTURES, FUTURES OPTIONS AND COMMODITY OPTIONS***

### **RULE 1302 - Delivery of Underlying Securities**

At maturity of a physically-settled stock future, in addition to the final variation payment (if any) required by Rule 1301(d), the Clearing Member that is, or that represents, the seller shall be obligated to deliver, and the Clearing Member that is, or that represents, the buyer shall be obligated to receive and pay for, a quantity of the underlying security equal to the unit of trading at the aggregate purchase price. Settlement of the obligations to deliver and pay for such

underlying securities shall be effected in accordance with the provisions of Chapter IX of the Rules. The delivery date shall be the ~~second~~first business day following the maturity date of the applicable series of physically-settled stock futures except for series that are designated by the Exchange on which such series are traded for settlement on the first business day following the maturity date of the applicable series.

\* \* \* \* \*

#### **RULE 1302B – Delivery of Underlying Treasury Securities**

(a) A Clearing Member that is, or represents, the seller in respect of a physically-settled Treasury future may make delivery of the underlying Treasury securities on any business day of the maturity month for such physically-settled Treasury future and, in the case of a physically-settled Treasury future for which the underlying Treasury security is a Treasury Note designated by the Exchange as “medium-term” or “short-term,” on the first, second or third business day of the month following the maturity month. A Clearing Member that has not closed out a short position in a series of physically-settled Treasury futures prior to the close of trading on the last trading day for such series must make delivery no later than the last permissible delivery date. The delivery process shall be initiated through the submission (or deemed submission) by such Clearing Member of a delivery intent in accordance with this Rule 1302B. The delivery date for each physically-settled Treasury future in respect of which a delivery intent has been submitted (or deemed to have been submitted) shall be the ~~second~~first business day following such submission (or deemed submission). The Corporation shall from time to time in its discretion prescribe the times by which Clearing Members must submit delivery intents, make delivery or payment or take certain other actions required by this Rule 1302B in connection with deliveries of the underlying interests for physically-settled Treasury futures.

(b) – (c) [No change]

(d) By the applicable deadline on the ~~second~~first business day preceding the first day of a delivery month for physically-settled Treasury futures and on each business day thereafter through and including the final trading day within such delivery month, each Clearing Member that is, or represents, the buyer shall provide to the Corporation, in such format as the Corporation may prescribe, a report of all open long positions in such futures, grouped by account type and trade date.

(e) A Clearing Member intending to make delivery in respect of a short position in physically-settled Treasury futures on a particular delivery date shall tender a delivery intent by the applicable deadline on the ~~second~~first business day preceding such delivery date. The Corporation shall assign delivery intents in accordance with prescribed procedures to Clearing Members with open long positions in the same series of futures, and such Clearing Members shall be obligated to take delivery. Upon making such assignment, the Corporation shall furnish to each Delivering Clearing Member the names of the Receiving Clearing Members assigned to take delivery from such Delivering Clearing Member, and to each Receiving Clearing Member the names of the Delivering Clearing Members assigned to make delivery to such Receiving Clearing Member.

(f) – (i) [No change]

(j) If a physically-settled Treasury future carried in a short position remains open subsequent to the close of trading on the last trading day for the relevant series of physically-settled Treasury futures, and the Corporation has not received a delivery intent with respect to such future by the applicable deadline on the ~~second~~first business day preceding the final permissible delivery date, the Clearing Member shall be deemed to have submitted a delivery intent in respect of each such future (and shall be deemed to be a Delivering Clearing Member), and, in the event that the Clearing Member fails to make delivery of the underlying Treasury security, the provisions of Rule 1308B shall apply.

(k) [No change]

\* \* \* \* \*

#### **RULE 1305 – Exercise Procedures for Options on Futures**

(b) The expiration exercise procedures set forth in Rule 805 shall apply to options on futures contracts except for paragraphs (d) and (~~g~~j) thereof. The provisions of Rule 805 shall be supplemented by paragraphs (b) and (c) of this Rule.

\* \* \* \* \*

#### **CHAPTER XIV – TREASURY SECURITIES OPTIONS**

##### **RULE 1401 – Expiration Exercise Procedure for Treasury Securities Options**

The expiration exercise procedures set forth in Rule 805 shall be applicable to European-style Treasury securities options, except paragraph (~~g~~j) thereof. For purposes of this Rule 1401, the term “closing price” as used with respect to an underlying security in Rule 805 means the price provided by the Exchange to the Corporation. Notwithstanding the foregoing, if the Exchange does not furnish a closing price or if two or more Exchanges trade Treasury securities options on the same underlying security and provide different prices for such security, the Corporation may, in its discretion, (i) fix a closing price on such basis as it deems appropriate in the circumstances or (ii) suspend the application of Rule 805(d)(2) to options contracts for which that security is the underlying security. During the term of any such suspension, Clearing Members may exercise such contracts only by giving affirmative exercise instructions in accordance with Rules ~~805(b)~~ ~~or (e)~~.

\* \* \* \* \*

##### **RULE 1402 – Exercise Settlement Date for Treasury Securities Options**

(a) The exercise settlement date for Treasury securities options shall be the ~~second~~first business day following the expiration date.

\* \* \* \* \*

#### **RULE 1404 – Failure to Match**

(a) If the Corporation, pursuant to Rule 1403(d), receives timely notice of a failure to match a trade, the affected Clearing Members shall attempt to resolve any such failure so that settlement may still occur through FICC by such time on the **secondfirst** business day following the expiration date as the Corporation shall specify. If by such deadline the failure has not been resolved and the trade has still not been successfully matched at FICC, the Delivering Clearing Member and the Receiving Clearing Member shall notify the Corporation in such manner and within such time on the **secondfirst** business day following the expiration date as the Corporation shall specify. If the Corporation has not received such notification by the specified deadline, regardless of whether settlement actually occurs, any obligation of the Corporation to guarantee or effect settlement shall be extinguished as of such deadline (unless such obligation has already been extinguished pursuant to Rule 1403(b)), provided however that the Delivering Clearing Member and the Receiving Clearing Member shall not be relieved of any settlement obligations they may have to FICC or one another.

\* \* \* \* \*

#### ***CHAPTER XV – BINARY OPTIONS; RANGE OPTIONS***

##### **RULE 1503 - Exercise Settlement Date for Event Options and Range Options**

(a) The exercise settlement date for a credit default option or credit default basket option shall be the **secondfirst** business day following the date on which the option is deemed to have been exercised; provided, however, that in the case of an option that is deemed to have been exercised on the expiration date, the exercise settlement date shall be the business day following the expiration date.

\* \* \* \* \*

#### ***CHAPTER XXII – STOCK LOAN/HEDGE PROGRAM***

##### **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 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 such Clearing Member through the Depository. An appointment pursuant to this paragraph will become effective as of the **secondfirst** business day following the day on which the Corporation receives written notice of the appointment from the Clearing Member, or such later date as may be specified by the

Clearing Member, and (unless the Corporation terminates the appointment at an earlier time) will remain effective until the close of business on the thirtieth calendar day after the Corporation receives, from either the Clearing Member or CDS, written notice of revocation of the appointment, and remains effective thereafter, with respect to each obligation of the 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 Clearing Member with respect to effecting delivery orders for stock loan and stock borrow transactions, the Corporation may require the 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.

\* \* \* \* \*

#### **RULE 2208 - Settlement Date**

(a) The termination of a Stock Loan, or any portion thereof, may be initiated by either (i) the Borrowing Clearing Member by giving the Depository instructions (including the appropriate “reason code”) to transfer a specified quantity of the Loaned Stock to the specified account of the Lending Clearing Member at the Depository, against payment of the settlement price in respect thereof (which shall be specified in such instructions) by the Lending Clearing Member to the specified account of the Borrowing Clearing Member at the Depository, or (ii) the Lending Clearing Member, by giving an irrevocable notice to the Borrowing Clearing Member, in such manner as the Corporation may specify from time to time and prior to a time established by the Corporation from time to time, that the Lending Clearing Member is terminating the Stock Loan, or a portion thereof, and specifying in such notice the number of shares of the Loaned Stock in respect of which the Lending Clearing Member is terminating the Stock Loan (the quantity of the Loaned Stock that the Borrowing Clearing Member wishes to return or that the Lending Clearing Member wishes to recall shall be referred to herein as the “Specified Quantity”). The settlement date for any such termination shall be the earlier of: (1) the date on which the Borrowing Clearing Member initiates the termination or (2) the date that is ~~two~~one stock loan business days after the date on which the Lending Clearing Member initiates the termination. The fact that a Lending Clearing Member has initiated the termination of a Stock Loan, or a portion thereof, shall not preclude the Borrowing Clearing Member from terminating such Stock Loan, or a portion thereof, before the date that would otherwise have been the settlement date.

\* \* \* \* \*

### ***CHAPTER XXIIA – MARKET LOAN PROGRAM***

#### **RULE 2209A - Termination of Market Loans**

(a) The termination of a Market Loan, or any portion thereof, may be initiated by (i) the Borrowing Clearing Member, by giving a return notice to the relevant Loan Market indicating its intention to return a specified quantity of the Loaned Stock, or (ii) the Lending Clearing Member, by giving a recall notice to the relevant Loan Market calling for the return of a specified quantity of the Loaned Stock.

(1) – (2) [No change]

(3) On each stock loan business day, any return/recall transactions originated through a Loan Market that are not settled by the Depository and confirmed by the Corporation shall have no further effect as to the Corporation; provided, however, that the Loan Market shall resubmit to the Corporation any return/recall transaction that was not completed, and the Corporation in turn shall resubmit its instructions to the Depository on the next stock loan business day. If (i) a recall transaction fails to settle by the Settlement Time on the ~~second~~first stock loan business day following the day that the transaction was first submitted, or (ii) a return transaction fails to settle by the Settlement Time on the stock loan business day on which it was submitted, the Lending Clearing Member or the Borrowing Clearing Member, as applicable, may initiate at any time thereafter the “buy-in” or “sell-out” process, as applicable, set forth in paragraphs (b) and (c) of this Rule, respectively. For purposes of clause (ii) of the preceding sentence, a return transaction submitted after a cutoff time specified by the Loan Market shall be deemed to have been submitted on the following stock loan business day.

(b) – (c) [No change]

(d) The relevant Loan Market may issue return/recall instructions to the Corporation to terminate all or a portion of the outstanding Market Loans carried in the account(s) of a Market Loan Clearing Member. If any such termination fails to settle on the specified termination date, the relevant Loan Market may direct the Lending Clearing Member or the Borrowing Clearing Member, as applicable, to initiate the buy-in or sell-out process described in this Rule, as applicable, in accordance with any instructions the Loan Market may provide. The Corporation may also at any time terminate the outstanding Market Loans relating to one or more particular Eligible Stocks upon a determination by the Corporation, in its sole discretion, that such action is warranted by reason of the lack of substantial volume in such Market Loans, the impending termination of business on the part of the Corporation, the inability of the Corporation from time to time to maintain in effect satisfactory arrangements with the Depository, or other circumstances in which the Corporation in its sole discretion determines that such action is necessary or appropriate for the protection of the Corporation, its Clearing Members or the public. For Market Loans terminated at the election of the Corporation, the Corporation shall provide written notice thereof to all affected Market Loan Clearing Members specifying the date on which such termination is to become effective, which date shall be a stock loan business day at least ~~two~~one stock loan business days after the date of such notice. If any such termination fails to settle on the specified termination date, the relevant Market Loan Clearing Members may initiate on the morning of the next stock loan business day the “buy-in” or “sell-out” process described in this Rule, as applicable.

\* \* \* \* \*

## ***CHAPTER XXV – BOUNDS***

### **RULE 2502 - Settlement Date for BOUNDS**

The settlement date for a BOUND contract shall be the ~~second~~first business day following the expiration date. Notwithstanding the foregoing, the Corporation may extend or postpone any cash settlement date or any delivery date for any class of BOUNDS whenever, in its opinion, such action is required in the public interest or for the protection of investors.

\* \* \* \* \*

## ***CHAPTER XXVII – PACKAGED SPREAD OPTIONS***

### **RULE 2702 – Exercise Procedure**

(a) The expiration exercise procedures set forth in Rule 805 shall apply to packaged spread option contracts except that (i) options deemed to have been exercised pursuant to subparagraph (d)(2) of Rule 805 shall be those packaged spread options for which the exercise settlement amount will be \$1.00 or more per option contract (regardless of the account in which the contract is carried), or such other amount as the Corporation may from time to time establish on not less than 30 days prior written notice to all Index Clearing Members, and (ii) the term “closing price” as used elsewhere in Rule 805(e) shall be deemed to mean the current index value used by the Corporation in calculating the exercise settlement amount, or the exercise settlement amount itself, as the context requires. If such value or amount is unavailable at the time a report is issued in accordance with Rule 805(a), the Corporation may determine not to fix a value or amount for purposes of such report, in which case options may be exercised only through submission of an exercise instruction in accordance with Rule 805(b). ~~Rule 805(i) does not apply to packaged spread options.~~

\* \* \* \* \*

**EXHIBIT B**



**OCC By-Laws**

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***ARTICLE XXI – STOCK LOAN/HEDGE PROGRAM***

**Role of the Corporation**

SECTION 2. (a) – (b) [No change]

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

\* \* \* \* \*

**EXHIBIT C**



**Appointment of Clearing Member**

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## **Appointment of Clearing Member**

The undersigned Clearing Member (the "Appointing Clearing Member" or the "undersigned") of The Options Clearing Corporation ("OCC") hereby appoints \_\_\_\_\_ as its Appointed Clearing Member pursuant to OCC Rule 901(f). Capitalized terms used but not defined herein have the meanings ascribed to them in OCC's By-Laws and Rules.

In making this appointment, the undersigned understands and agrees as follows:

1. This appointment shall permit the Appointed Clearing Member to act on behalf of the undersigned with respect to the settlement of all exercised and assigned cleared securities and all matured cleared securities in its accounts with OCC which are to be settled through a correspondent clearing corporation, as defined in OCC's By-Laws, pursuant to the provisions of OCC Rule 901.
2. This appointment shall have no effect with respect to any settlement of exercised, assigned or matured cleared securities between the undersigned and another Clearing Member of OCC which are effected on a broker-to-broker basis pursuant to any other applicable provisions of OCC's By-Laws and Rules as they may be amended from time to time.
3. The undersigned will continue to be subject to OCC's margin requirements (as set forth from time to time in OCC's Rules) with respect to any exercised, assigned or matured cleared securities in its accounts with OCC directed to the Appointed Clearing Member for settlement through the National Securities Clearing Corporation ("NSCC") or any successor thereto.
4. In the event of the suspension of the Appointed Clearing Member by OCC, the Appointed Clearing Member ceasing to be a participant in NSCC or any default by the Appointed Clearing Member in its obligations to NSCC in respect of any of the exercised and assigned cleared securities and matured cleared securities of the undersigned, in each case for any reason whatsoever, OCC shall be entitled, in its discretion and in addition to taking any other action authorized by its By-Laws and Rules, to (a) close out exercised and assigned cleared securities and matured cleared securities of the undersigned which have been directed to the Appointed Clearing Member for settlement or (b), to the extent it is feasible to do so, direct that obligations of the undersigned to make delivery or payment in respect of an exercised or matured cleared security be settled between the undersigned and the contra Clearing Member of OCC to such cleared security on a broker-to-broker basis.
5. The undersigned acknowledges that its obligations to OCC in respect of its exercised and assigned cleared securities and matured cleared securities shall not be satisfied until the Appointed Clearing Member has satisfied its obligations to NSCC arising from such cleared securities and OCC has no further responsibility in respect of such cleared securities to NSCC, and the undersigned accordingly acknowledges that OCC may use (a) any and all long positions, securities, margin and other funds and assets maintained by the undersigned in the OCC account from which such cleared securities originated and (b) the Clearing Fund contributions made by the undersigned, to satisfy any obligation of OCC resulting from such cleared securities, including any obligation of OCC to NSCC or the Appointed Clearing Member resulting from such cleared securities. The determination of OCC as to the amount of any such obligation shall be conclusive and binding against the undersigned and any other person, including any customer of the undersigned.

6. The Appointed Clearing Member, in consideration of agreeing to so act for the undersigned, may require collateral from the undersigned to secure such Appointed Clearing Member for the Appointing Clearing Member's obligations to it. No part of the margin held by OCC for the undersigned shall be available to satisfy the undersigned's obligations to such Appointed Clearing Member.
7. This appointment shall be effective as of the ~~second~~first business day following the day on which OCC shall receive written notice from the Appointed Clearing Member of its acceptance of this appointment, or such later date as may be specified by the Appointed Clearing Member, and shall thereafter remain effective as and to the extent specified in OCC Rule 901, or any successor thereto.
8. In the event that OCC receives notice from NSCC to the effect that NSCC has incurred a loss in respect of the positions of the Appointed Clearing Member at NSCC, OCC may hold any or all margin funds and assets deposited by the undersigned with OCC until such time as NSCC advises OCC of the actual loss incurred by NSCC in respect of such positions.
9. This Appointment of Clearing Member supersedes any Appointment of Clearing Member dated prior to the date of this Appointment of Clearing Member.

Appointing Clearing Member: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_  
(Authorized Partner or Officer)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Acceptance of Appointment as  
Appointed Clearing Member**

The undersigned, being the Appointed Clearing Member appointed by the above-signed Appointing Clearing Member pursuant to OCC Rule 901(f), hereby accepts such appointment effective ~~two~~one business days from the date this acceptance is executed, or such later effective date as may be specified by the Appointing Clearing Member below. In accepting this appointment, the undersigned understands and agrees as follows:

1. That it will act as agent of the Appointing Clearing Member for the purpose of settling all of such Appointing Clearing Member's obligations to make delivery or payment in respect of exercised or matured cleared securities through the undersigned's designated clearing corporation.
2. That all margin requirements on such cleared securities will be the responsibility of the Appointing Clearing Member and that no part of the margin or any other positions, securities, funds or assets held by OCC for the account of such Appointing Clearing Member will be available to secure the Appointing Clearing Member's obligations to the undersigned.
3. That it is the responsibility of the undersigned to require such collateral from the Appointing Clearing Member to secure the Appointing Clearing Member's obligations to the undersigned as the undersigned deems appropriate.
4. That it will maintain at all times the net capital required by Rule 309A and acknowledges that it will be subject to the provisions of Rule 309A until this appointment is terminated.
5. That, unless OCC shall terminate this appointment at an earlier time, this appointment shall remain effective until the close of business on the thirtieth calendar day after OCC shall have received notice of the revocation of this appointment by the undersigned or by the Appointing Clearing Member, and that this appointment 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.

Appointed Clearing Member: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_  
(Authorized Partner or Officer)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Later Effective Date: \_\_\_\_\_

Appointing Clearing Member: \_\_\_\_\_

**EXHIBIT D**



**Appointment of CDS Clearing and Depository Services Inc. — Stock Settlement**

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## **Appointment of CDS Clearing and Depository Services Inc. — Stock Settlement**

The undersigned Clearing Member (the “Appointing Clearing Member” or the “undersigned”) of The Options Clearing Corporation (“OCC”) is a “Canadian Clearing Member” within the meaning of OCC’s By-Laws. The undersigned hereby appoints (this “Appointment”), pursuant to OCC Rule 901(g), CDS Clearing and Depository Services Inc. (“CDS”) to effect settlement of exercised and assigned cleared securities and matured cleared securities through a subaccount identified to the undersigned in an account maintained by CDS at National Securities Clearing Corporation (“NSCC”). Capitalized terms used but not defined herein have the meanings ascribed to them in OCC’s By-Laws and Rules.

In appointing CDS to act on its behalf, the undersigned understands and agrees as follows:

1. This Appointment shall permit CDS to act on behalf of the undersigned with respect to the settlement of all exercised and assigned cleared securities and all matured cleared securities in its accounts with OCC which are to be settled through NSCC pursuant to the provisions of OCC Rule 901.
2. This Appointment shall have no effect with respect to any settlement of exercised, assigned or matured cleared securities between the undersigned and another Clearing Member of OCC which are effected on a broker-to-broker basis pursuant to any other applicable provisions of OCC’s By-Laws and Rules as they may be amended from time to time.
3. The undersigned will continue to be subject to OCC’s margin requirements (as set forth from time to time in OCC’s Rules) with respect to any exercised, assigned or matured cleared securities in its accounts with OCC directed to CDS for settlement through NSCC.
4. In the event that NSCC ceases to act for CDS, CDS’ ceasing to be a participant in NSCC or any default by CDS in its obligations to NSCC in respect of any of the exercised and assigned cleared securities and matured cleared securities of the undersigned, in each case for any reason whatsoever, OCC shall be entitled, in its discretion and in addition to taking any other action authorized by its By-Laws and Rules, to (a) close out exercised and assigned cleared securities and matured cleared securities of the undersigned which have been directed to CDS for settlement or (b), to the extent it is feasible to do so, direct that obligations of the undersigned to make delivery or payment in respect of an exercised or matured cleared security be settled between the undersigned and the contra Clearing Member of OCC to such cleared security on a broker-to-broker basis.
5. The undersigned acknowledges that its obligations to OCC in respect of its exercised and assigned cleared securities and matured cleared securities shall not be satisfied until CDS has satisfied its obligations to NSCC arising from such cleared securities and that OCC has no further responsibility in respect of such cleared securities to NSCC, and the undersigned accordingly acknowledges that OCC may use (a) any and all long positions, securities, margin and other funds and assets maintained by the undersigned in the OCC account from which such cleared securities originated and (b) the Clearing Fund contributions made by the undersigned, to satisfy any obligation of OCC resulting from such cleared securities, including any obligation of OCC to NSCC resulting from any default by CDS in its obligations to NSCC in respect of such cleared securities. The determination of OCC as to the amount of any such obligation of OCC shall be

conclusive and binding against the undersigned and any other person, including any customer of the undersigned.

6. CDS, in consideration of agreeing to so act for the undersigned, may require collateral from the undersigned to secure it for the undersigned's obligations to it. No part of the margin held by OCC for the undersigned shall be available to satisfy the undersigned's obligations to CDS.
7. This Appointment shall be effective as of the ~~second~~first business day following the day on which OCC shall receive written notice from CDS of its acceptance of this Appointment, or such later date as may be specified by CDS, and shall thereafter remain effective as and to the extent specified in OCC Rule 901, or any successor thereto.
8. In the event that OCC receives notice from NSCC to the effect that NSCC has incurred a loss in respect of the positions of CDS at NSCC, OCC may hold any or all margin funds and assets deposited by the undersigned with OCC until such time as NSCC advises OCC of the actual loss incurred by NSCC in respect of such positions.
9. This Appointment of CDS supersedes any appointment of CDS or Canadian Depository for Securities Limited dated prior to the date of this Appointment of CDS.

Canadian Clearing Member: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_  
(Authorized Partner or Officer)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Clearing Member Number: \_\_\_\_\_

CDS Subaccount Number at the Depository: \_\_\_\_\_



### **CDS Acknowledgement of Appointment**

The CDS Clearing and Depository Services Inc. ("CDS") hereby acknowledges that a representative account has been established at CDS for the above-signed Canadian Clearing Member. In addition, CDS hereby acknowledges that:

1. Effective on the earlier of \_\_\_\_\_ or the date on which the appointment is acknowledged by NSCC of such Canadian Clearing Member, CDS has been appointed by such Canadian Clearing Member to settle, through such Canadian Clearing Member's CDS representative account with NSCC, such Canadian Clearing Member's obligations to make delivery or payment in respect of exercised or matured cleared securities which are to be settled at NSCC.
2. If CDS determines that it should require collateral to secure such Canadian Clearing Member's obligations to CDS, CDS will require such collateral from such Canadian Clearing Member independent of the margin and other positions, securities, funds and assets held by OCC for the account of such Canadian Clearing Member to secure such Canadian Clearing Member's obligations to OCC.
3. Unless OCC shall terminate this appointment at an earlier time, this appointment shall remain effective until the close of business on the thirtieth calendar day after OCC shall have received notice of the revocation of this appointment by CDS or by such Canadian Clearing Member, 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.

The CDS Clearing and Depository Services Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_  
(Authorized Partner or Officer)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Acknowledgement of Appointment of CDS by National Securities Clearing Corporation**

The undersigned hereby acknowledges that (i) the above-signed Canadian Clearing Member has appointed CDS Clearing and Depository Services Inc. (“CDS”) to effect settlement of exercised, assigned and matured cleared securities on its behalf and (ii) CDS is a participant in good standing of the undersigned.

National Securities Clearing Corporation:

By: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT E**



**Appointment of CDS Clearing and Depository Services Inc. — Stock Loan**

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## **Appointment of CDS Clearing and Depository Services Inc. — Stock Loan**

The undersigned Clearing Member (the “Appointing Clearing Member” or the “undersigned”) of The Options Clearing Corporation (“OCC”) is a “Canadian Clearing Member” and desires to be designated as a “Canadian Hedge Clearing Member,” both within the meaning of OCC’s By-Laws. The undersigned hereby appoints (this “Appointment”), pursuant to Interpretations and Policies .07 of Section 1 of Article V of OCC’s By-Laws or any successor thereto, CDS Clearing and Depository Services Inc. (“CDS”) as its agent to effect delivery and payment of stock loan and stock borrow transactions through a subaccount identified to the undersigned in an account maintained by CDS at the Depository Trust Company (the “Depository”). Capitalized terms used but not defined herein have the meanings ascribed to them in OCC’s By-Laws and Rules.

In appointing CDS to act on its behalf, the undersigned understands and agrees as follows:

1. This Appointment shall permit CDS to act on behalf of the undersigned with respect to the delivery and payment of stock loan and stock borrow transactions in its accounts with OCC which are to be settled through the Depository pursuant to the Stock Loan/Hedge Program provided for in Article XXI of the By-Laws and Chapter XXII of the Rules.
2. The undersigned will continue to be subject to OCC’s margin requirements (as set forth from time to time in OCC’s Rules) with respect to any stock loan and stock borrow positions in its accounts with OCC directed to CDS for delivery or payment.
3. In the event that the Depository ceases to act for CDS, CDS fails to be a participant of the Depository eligible to perform the necessary functions pursuant to this Appointment on behalf of undersigned, or in the event of any default by CDS in its obligations to the Depository with respect to effecting delivery orders of any of the stock loan or stock borrow transactions of the undersigned, in all cases for any reason whatsoever, OCC shall be entitled, in its discretion and in addition to taking any other action authorized by its By-Laws and Rules, to the extent it is feasible to do so, to direct that obligations of the undersigned to make delivery or payment in respect of an open stock loan or stock borrow position be settled between the undersigned and the contra Clearing Member of OCC to such position through alternative means.
4. The undersigned acknowledges that its obligations to OCC in respect of its stock loan and stock borrow positions continue regardless of any non-performance by CDS or failure by CDS to satisfy its obligations to the Depository arising from such positions and that OCC has no further responsibility in respect of such positions to the Depository. The undersigned further acknowledges that OCC may treat any failure by CDS to complete delivery or payment required in connection with a stock loan or borrow transaction or position of the undersigned that is cleared, or to be cleared, by OCC pursuant to OCC’s By-Laws and Rules as a default by the undersigned, and OCC may exercise against the undersigned all remedies that OCC has under its By-Laws and Rules against a defaulting Clearing Member and the collateral deposited by the Clearing Member. The undersigned accordingly acknowledges that OCC may use (a) any and all long positions, securities, margin and other funds and assets maintained by the undersigned in respect of the OCC account from which such positions originated and (b) the Clearing Fund contributions made by the undersigned, to satisfy any obligation of OCC resulting from such positions, including any obligation of OCC to the Depository resulting from any default by CDS in its obligations to the Depository in respect of such positions. The determination of OCC as to the amount of any such obligation of OCC shall be conclusive and binding against the undersigned and any other person, including any customer of the undersigned.

5. CDS, in consideration of agreeing to so act for the undersigned, may require collateral from the undersigned to secure it for the undersigned's obligations to it. No part of the margin held by OCC for the undersigned shall be available to satisfy the undersigned's obligations to CDS.
6. This Appointment shall be effective as of the ~~second~~first business day following the day on which OCC shall receive written notice from the Appointing Clearing Member of CDS' acceptance of this Appointment, or such later date as may be specified by the Appointing Clearing Member, and shall thereafter remain effective as and to the extent specified in Interpretations and Policies .07 of Section 1 of Article V of OCC By-Laws, or any successor thereto.
7. This Appointment of CDS in connection with OCC's Stock Loan/Hedge Program supersedes any appointment of CDS or Canadian Depository for Securities Limited in connection with OCC's Stock Loan/Hedge Program and dated prior to the date of this Appointment of CDS.

Canadian Clearing Member: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_  
(Authorized Partner or Officer)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Clearing Member Number: \_\_\_\_\_

CDS Subaccount Number at the Depository: \_\_\_\_\_

**CDS Acknowledgement of Appointment**

CDS Clearing and Depository Services Inc. (“CDS”) hereby acknowledges that an account has been established at CDS for the above-signed Canadian Clearing Member. In addition, CDS hereby acknowledges that:

1. Effective on the earlier of \_\_\_\_\_ or the date on which the appointment is acknowledged by the Depository, CDS has been appointed by such Canadian Clearing Member to settle, through such Canadian Clearing Member’s CDS-sponsored account with the Depository, such Canadian Clearing Member’s obligations to make delivery or payment in respect of stock loan or stock borrow positions which are to be settled at the Depository.
2. If CDS determines that it should require collateral to secure such Canadian Clearing Member’s obligations to CDS, CDS will require such collateral from such Canadian Clearing Member independent of the margin and other positions, securities, funds and assets held by OCC for the account of such Canadian Clearing Member to secure such Canadian Clearing Member’s obligations to OCC.
3. Unless OCC shall terminate this appointment at an earlier time, this appointment shall remain effective until the close of business on the thirtieth calendar day after OCC shall have received written notice of the revocation of this appointment by CDS or by such Canadian Clearing Member, and shall remain effective thereafter, with respect to each obligation to make delivery or payment in respect of stock loan or stock borrow positions directed to CDS for settlement prior to the effective date of the revocation, until close out of all such positions is completed, provided that this provision shall not be construed to limit the right of CDS to suspend or cease to act for any Canadian Clearing Member as the result of any insolvency or event of default of the Canadian Clearing Member, and CDS agrees to inform OCC of any such occurrence as promptly as possible.

The CDS Clearing and Depository Services Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_  
(Authorized Partner or Officer)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Acknowledgement of Appointment of CDS by Depository Trust Company**

The undersigned hereby acknowledges that (i) the above-signed Canadian Clearing Member has appointed CDS Clearing and Depository Services Inc. (“CDS”) to effect delivery and payment of stock loan and stock borrow transactions on its behalf and (ii) CDS is a participant of the undersigned eligible to perform the necessary functions on behalf of the Canadian Clearing Member during the period in which such Canadian Clearing Member has in effect such an appointment of CDS.

Depository Trust Company:

By: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT F**



**Designation of Clearing Member**

Red underlined text indicates new text

~~Red strikethrough~~ text indicates deleted text





## Designation of Clearing Member

The undersigned Clearing Member (the "Designating Clearing Member" or the "undersigned") of The Options Clearing Corporation ("OCC") hereby designates \_\_\_\_\_ as its Designated Clearing Member for the purposes of effecting settlement of physically-settled Treasury securities option contracts, as defined in OCC's By-Laws ("Treasury Securities Options"), and physically-settled treasury futures, as governed by Chapter XIII of OCC's Rules ("Treasury Futures"), through the Fixed Income Clearing Corporation ("FICC"). Capitalized terms used but not defined herein have the meanings ascribed to them in OCC's By-Laws and Rules.

In making this designation, the undersigned understands and agrees as follows:

1. This designation shall permit the Designated Clearing Member to act on behalf of the undersigned with respect to the settlement of all exercised and assigned Treasury Securities Options contracts and all matured Treasury Securities Options and Treasury Futures contracts in its accounts with OCC which are to be settled through FICC pursuant to the provisions of OCC Rules.
2. The undersigned will continue to be subject to OCC's margin requirements (as set forth from time to time in OCC's Rules) with respect to any exercised, assigned or matured Treasury Securities Options and Treasury Futures in its accounts with OCC directed to the Designated Clearing Member for settlement through FICC.
3. In the event of the suspension of the Designated Clearing Member by OCC, the Designated Clearing Member's ceasing to be a participant in the Government Securities Division of FICC or any default by the Designated Clearing Member in its obligations to FICC in respect of any of the exercised, assigned or matured Treasury Securities Options and Treasury Futures of the undersigned, in either case for any reason whatsoever, OCC shall be entitled, in its discretion and in addition to taking any other action authorized by its By-Laws and Rules, to close out exercised, assigned and matured Treasury Securities Options and Treasury Futures of the undersigned which have been directed to the Designated Clearing Member for settlement.
4. The undersigned acknowledges that its obligations to OCC in respect of its exercised, assigned or matured Treasury Securities Options and Treasury Futures shall not be satisfied until the Designated Clearing Member has satisfied its obligations under OCC's By-Laws and Rules arising from such Treasury Securities Options and Treasury Futures. In addition, OCC will presume trade match at FICC has occurred, and OCC will have no further responsibility in respect of such Treasury Securities Options and Treasury Futures after the relevant notification deadline has passed pursuant to OCC Rules, if OCC does not receive proper notification of a failure to match at FICC in accordance with OCC Rules. The undersigned acknowledges that OCC may treat any failure to complete delivery of Treasury securities or failure to match or make damages payments required in connection with a Treasury Securities Options and Treasury Futures as a default or rule violation under OCC's By-Laws and Rules, and OCC may exercise against the undersigned all remedies that OCC has under its By-Laws and Rules against the undersigned. The undersigned accordingly acknowledges that OCC may use (a) any and all long positions, securities, margin and other funds and assets maintained by the undersigned in the OCC account from which such Treasury Securities Options and Treasury Futures originated and (b) the Clearing Fund contributions made by the undersigned, to satisfy any obligation of OCC resulting from such Treasury Securities Options and Treasury Futures, including any obligation of OCC to FICC of the Designated Clearing Member resulting from such Treasury Securities Options and Treasury Futures. The determination of OCC as to the amount of any such obligation shall be conclusive.

and binding against the undersigned and any other person, including any customer of the undersigned.

5. The Designated Clearing Member, in consideration of agreeing to so act for the undersigned, may require collateral from the undersigned to secure such Designated Clearing Member for the Designating Clearing Member's obligations to it. No part of the margin held by OCC for the undersigned shall be available to satisfy the undersigned's obligations to such Designated Clearing Member.
6. This designation shall be effective as of the ~~second~~first business day following the day on which OCC shall receive written notice from the Designated Clearing Member of its acceptance of this designation, or such later date as may be specified by the Designated Clearing Member, and, unless OCC shall terminate this designation at an earlier time, this designation shall remain effective until the close of business on the thirtieth calendar day after OCC shall have received notice of the revocation of this designation by the undersigned or by the Designating Clearing Member, and that this designation shall remain effective thereafter, with respect to each obligation to make delivery or payment in respect of exercised, assigned or matured Treasury Securities Options and Treasury Futures directed to the Designated Clearing Member for settlement prior to the effective date of the revocation, until settlement of such obligation is completed.
8. This Designation of Clearing Member supersedes any Designation of Clearing Member dated prior to the date hereto.

Designating Clearing Member: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_  
(Authorized Partner or Officer)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Acceptance of Designation**

The undersigned, being the Designated Clearing Member designated by the above-signed Designating Clearing Member, hereby accepts such designation effective ~~twone~~ **one** business days from the date this acceptance is executed, or such later effective date as may be specified by the Designating Clearing Member below. In accepting this designation, the undersigned represents, understands and agrees as follows:

1. That it is a participant in the Government Securities Division (“GSD”) of the Fixed Income Clearing Corporation (“FICC”) and will notify OCC in the event that it ceases to be a GSD participant.
2. That it will act as agent of the Designating Clearing Member for the purpose of settling all of such Designating Clearing Member's obligations to make delivery or payment in respect of exercised, assigned or matured Treasury Securities Options and Treasury Futures through FICC.
3. That all margin requirements on such Treasury Securities Options and Treasury Futures will be the responsibility of the Designating Clearing Member and that no part of the margin or any other positions, securities, funds or assets held by OCC for the account of such Designating Clearing Member will be available to secure the Designating Clearing Member's obligations to the undersigned.
4. That it is the responsibility of the undersigned to require such collateral from the Designating Clearing Member to secure the Designating Clearing Member's obligations to the undersigned as the undersigned deems appropriate.
5. That, unless OCC shall terminate this designation at an earlier time, this designation shall remain effective until the close of business on the thirtieth calendar day after OCC shall have received notice of the revocation of this designation by the undersigned or by the Designating Clearing Member, and that this designation shall remain effective thereafter, with respect to each obligation to make delivery or payment in respect of exercised, assigned or matured Treasury Securities Options and Treasury Futures directed to the Designated Clearing Member for settlement prior to the effective date of the revocation, until settlement of such obligation is completed.

Designated Clearing Member: \_\_\_\_\_

By: \_\_\_\_\_  
(Authorized Partner or Officer)

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Later Effective Date: \_\_\_\_\_

Designating Clearing Member: \_\_\_\_\_