

Proposed Rule Change by The Depository Trust Company  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action <input type="checkbox"/> Date Expires <input type="text"/>			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the proposed rule change (limit 250 characters).

The purpose of this filing is to amend the applicant disqualification criteria contained in the Rules of DTC in an effort to harmonize them with similar rules of DTCs affiliates, NSCC and FICC.

**Contact Information**  
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="Allison"/>	Last Name	<input type="text" value="Finnegan"/>
Title	<input type="text" value="Associate Counsel"/>		
E-mail	<input type="text" value="afinnegan@dtcc.com"/>		
Telephone	<input type="text" value="(212) 855-3283"/>	Fax	<input type="text" value="(212) 855-3215"/>

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date	<input type="text" value="04/30/2007"/>
By	<input type="text" value="Nikki Poulos"/>
	(Name)
	<input type="text" value="As delegated of the General Counsel"/>
	(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change.

(a) The text of the proposed rules changes is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The Credit and Market Risk Management Committee of DTC approved the proposed rule filing on February 14, 2007.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) The purpose of this filing is to amend the applicant disqualification criteria contained in the Rules of The Depository Trust Company (“DTC”) in an effort to harmonize them with similar rules of DTC’s affiliates, National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC”). Substantive changes to the rules of DTC are as follows:

(i) Statutory Disqualification

DTC Rule 2 sets forth the basic standards for the admission of DTC Participants as well as defines certain criteria that may disqualify the applicant from participation. While the factors that may disqualify an applicant are generally consistent among the DTC, FICC and NSCC rules, DTC’s rules do not specifically reference an order of statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934 (the “Act”) among its disqualification criteria.<sup>1</sup> To promote uniformity among the rules of DTC and its affiliates, DTC is proposing to add such a provision to its rules.

(ii) Associated Persons

The DTC rules extend the reach of certain applicant disqualification criteria to persons and/or entities “associated” with the applicant firm. Because it is not easily ascertainable as to what entities or individuals are “associated” with a particular entity, DTC is proposing to amend these provisions in the rules so that they are consistent with internal surveillance procedures. References to persons “associated” with the applicant will be changed to references to “Controlling Management,” which will include those officers of the applicant that are currently screened by Risk Management pursuant to internal procedures.

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<sup>1</sup> As a clearing agency registered under the Securities Exchange Act of 1934, DTC must evaluate those members subject to an order of statutory disqualification as defined in the Act.

(iii) Amendment to “Willful” Violation

The DTC rules currently include as a disqualification criterion the applicant’s or an associated Person’s “willful” violation of the Securities Act of 1933, the Exchange Act, the Investment Company Act, the Investment Advisors Act, or any rule or regulation promulgated thereunder. DTC proposes to remove the word “willful” from this provision, as DTC believes that a violation of these provisions, whether or not willful, should be considered as a potential disqualification criterion.

Conforming changes as outlined in section (i) and (ii) above will be made to DTC’s Rule 10, “Discretionary Termination”.

(b) The proposed rule changes are consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, because they provide consistency and transparency with respect to the applicant and member disqualification criteria in the DTC, NSCC and FICC rules, thereby promoting the prompt and accurate clearance and settlement of securities transactions.

4. Self-Regulatory Organization's Statement on Burden on Competition.

DTC does not believe that the proposed rule change will have any impact, or impose any burden, on competition.

5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others.

Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

6. Extension of Time Period for Commission Action.

DTC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2).

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.

Certain portions of the proposed rule changes are based on conforming changes that will be proposed by DTC's affiliates, the National Securities Clearing Corporation and the Fixed Income Clearing Corporation.

9. Exhibits

Exhibit 1 – Notice of proposed rule change for publication in the Federal Register.  
Exhibit 5 - Text of the Proposed Rules Changes.

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_\_ ; File No. SR-DTC-2007-07)**

**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by THE DEPOSITORY TRUST COMPANY (“DTC”) relating to applicant and Participant disqualification criteria.

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on \_\_\_\_\_, DTC filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The text of the proposed rule change is attached hereto as Exhibit 5.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of such statements.

**A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.**

(i) The purpose of this filing is to amend the applicant disqualification criteria contained in the Rules of The Depository Trust Company (“DTC”) in an effort to harmonize them with similar rules of DTC’s affiliates, National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC”). Substantive changes to the rules of DTC are as follows:

*(i) Statutory Disqualification*

DTC Rule 2 sets forth the basic standards for the admission of DTC Participants as well as defines certain criteria that may disqualify the applicant from participation. While the factors that may disqualify an applicant are generally consistent among the DTC, FICC and NSCC rules, DTC's rules do not specifically reference an order of statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934 (the "Act") among its disqualification criteria.<sup>1</sup> To promote uniformity among the rules of DTC and its affiliates, DTC is proposing to add such a provision to its rules.

(ii) Associated Persons

The DTC rules extend the reach of certain applicant disqualification criteria to persons and/or entities "associated" with the applicant firm. Because it is not easily ascertainable as to what entities or individuals are "associated" with a particular entity, DTC is proposing to amend these provisions in the rules so that they are consistent with internal surveillance procedures. References to persons "associated" with the applicant will be changed to references to "Controlling Management," which will include those officers of the applicant that are currently screened by Risk Management pursuant to internal procedures.

(iii) Amendment to "Willful" Violation

The DTC rules currently include as a disqualification criterion the applicant's or an associated Person's "willful" violation of the Securities Act of 1933, the Exchange Act, the Investment Company Act, the Investment Advisors Act, or any rule or regulation promulgated thereunder. DTC proposes to remove the word "willful" from this provision, as DTC believes that a violation of these provisions, whether or not willful, should be considered as a potential disqualification criterion.

Conforming changes as outlined in section (i) and (ii) above will be made to DTC's Rule 10, "Discretionary Termination".

(ii) The proposed rule changes are consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, because they provide consistency and transparency with respect to the applicant and member disqualification criteria in the DTC, NSCC and FICC rules, thereby promoting the prompt and accurate clearance and settlement of securities transactions.

**B. Self-Regulatory Organization's Statement on Burden on Competition.**

DTC does not believe that the proposed rule change will have any impact, or impose any burden, on competition.

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<sup>1</sup> As a clearing agency registered under the Securities Exchange Act of 1934, DTC must evaluate those members subject to an order of statutory disqualification as defined in the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others.

Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

- Electronic comments may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or send an e-mail to [rule-comment@sec.gov](mailto:rule-comment@sec.gov). Please include File No. SR-DTC-2007-07 on the subject line.
- Paper comments should be sent in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington DC 20549-1090.

All submissions should refer to File Number SR-DTC-2007-07. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C 552, will be available for inspection and copying in the Commission's Public Reference Room Section 100 F Street, NE, Washington DC 20549-1090. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All comments received will be posted without

change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submission should refer to the file number above and should be submitted within \_\_\_\_\_ days after the date of publication.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Nancy M. Morris

THE DEPOSITORY TRUST COMPANY RULEBOOK

RULE 1 – DEFINITIONS; GOVERNING LAW

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**Controlling Management**

**The term “Controlling Management” shall mean the Chief Executive Officer, the Chief Financial Officer, and the Chief Operations Officer, or their equivalents, of an applicant or Participant.**

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RULE 2

PARTICIPANTS AND PLEDGEEES

*Section 1.* The Corporation shall make its services, or certain of its services, available to partnerships, corporations or other organizations or entities which (i) apply to the Corporation for the use of such services, (ii) meet the qualifications specified in Rule 3, (iii) are approved by the Corporation and (iv) if required, make a Required Participants Fund Deposit pursuant to Section 1 of Rule 4 and Required Preferred Stock Investment pursuant to Section 2 of Rule 4. The Corporation shall approve applications only upon a determination by the Corporation that the applicant meets the standards of financial condition, operational capability and character defined below:

(a) the applicant has demonstrated that it has sufficient financial ability to make any Required Participants Fund Deposit and Required Preferred Stock Investment and meet all of its anticipated obligations to the Corporation;

(b) the applicant has demonstrated that it has adequate personnel capable of handling transactions with the Corporation and adequate physical facilities, books and records and procedures to fulfill its anticipated commitments to, and to meet the operational requirements of, the Corporation, other Participants and Pledgees with necessary promptness and accuracy and to conform to any condition and requirement which the Corporation reasonably deems necessary for its protection; and

(c) the Corporation has received no substantial information which would reasonably and adversely reflect on the applicant or **[any Person associated with the applicant] its Controlling Management** to such extent that access of the applicant to the Corporation should be denied; and any such applicant may be deemed not to meet the qualifications set forth in this paragraph **[only]** if:

(i) the Corporation shall have reasonable grounds to believe that the applicant or **[any Person associated with the applicant] its Controlling Management** to be responsible for [(A) **fraud, fraudulent acts or breach of fiduciary duty, (B)**] **(A)** making a misstatement of a material fact or omitting to state a material fact to the Corporation in connection with its application to become a Participant or thereafter or **([C] B) fraudulent acts or** the **[willful]** violation of the Securities Act, the Exchange Act, the Investment Company Act, the Investment Advisers Act or any rule or regulation thereunder;

(ii) the applicant or **[any Person associated with the applicant] its Controlling Management** has been convicted within the ten years preceding the filing of its application to become a Participant or at any time thereafter of any crime, felony or misdemeanor which involves the purchase, sale or transfer of any security **or the breach of fiduciary duty,** or arose out of conduct of the business of a broker, dealer, investment company, investment adviser, underwriter, bank, trust company, fiduciary, insurance company or other financial institution; or involves robbery, larceny, embezzlement, fraudulent conversion, forgery or misappropriation of funds, securities or other property; or involves any violation of Section 1341, 1342 or 1343 of Title 18 of the United States Code;

(iii) the applicant or **[any Person associated with the applicant] its Controlling Management** is permanently or temporarily enjoined by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as[, **or as a Person associated with,**] a broker, dealer, investment company, investment adviser, underwriter, bank, trust company, fiduciary, insurance company or other financial institution or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or Delivery of any security, **and the enforcement of such injunction or prohibition has not been stayed;**

(iv) the applicant or **[any Person associated with the applicant] its Controlling Management** has been expelled or suspended, **or had its participation terminated** from a national securities association or exchange registered under the Exchange Act, **a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act,** or a corporation which engages in clearance and settlement activities or a securities depository or has been barred or suspended from being associated with any member of such an exchange, association, corporation or securities depository;

**(v) the applicant is subject to an order of statutory disqualification as defined in Section 3(a)(39) of the Securities**

**Exchange Act of 1934, or an order of similar effect issued by a Federal or State banking authority, or other examining authority or regulator, including a non-U.S. examining authority or regulator.**

**The Corporation shall retain the right to deny participation to an applicant if the Corporation becomes aware of any factor or circumstance about the applicant or its Controlling Management which may impact the suitability of that particular applicant as a Participant of the Corporation.**

The Corporation may approve the application of any applicant, either unconditionally or on an appropriate temporary or other conditional basis, if the Corporation determines that any standard specified in this Section, as applied to such applicant or **[any Person associated with such applicant] its Controlling Management**, is unduly or disproportionately severe or that the conduct of such applicant or **its Controlling Management** **[Person associated with such applicant]** has been such as not to make it against the interest of the Corporation, other Participants or Pledges or the public to approve such application.

Notwithstanding the foregoing, the Corporation may decline to accept the application of any applicant upon a determination by the Corporation that the Corporation does not have adequate personnel, space, data processing capacity or other operational capability at that time to perform its services for additional Participants without impairing the ability of the Corporation to provide services for its existing Participants, to assure the prompt, accurate and orderly processing and settlement of Securities transactions, to safeguard the funds and Securities held by or for the Corporation for Participants or Pledges or otherwise to carry out its functions; provided, however, that applicants whose applications are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit in the order in which their applications were filed with the Corporation.

The Corporation shall apply the foregoing requirements on a nondiscriminatory basis. Any applicant aggrieved by action taken by the Corporation in applying such qualifications shall be entitled to a right of appeal in accordance with Rule 22.

**[For purposes of this Section, the term “Person associated with” when applied to any Person shall mean any partner, officer or director of such Person or any Person directly or indirectly controlling or controlled by such Person, including any employee of such Person.]**

## **RULE 10**

### **DISCRETIONARY TERMINATION**

*Section 1.* Based on its judgment that adequate cause exists to do so, the Corporation may at any time (a) cease to act for a Participant with respect to a particular transaction or transactions, a Program or transactions generally or (b) terminate a Participant’s right to act as a Settling Bank. Adequate cause for ceasing to act for a

Participant or terminating a Participant's right to act as a Settling Bank shall be deemed to exist if:

(i) the Participant has failed to make any payments required by Rule 4 for a period of ten Business Days after demand;

(ii) the Participant has failed to make any required deposit with the Corporation;

(iii) the Participant or Settling Bank has failed to pay any fine, fee or other charge provided for in these Rules or the Procedures on the payment date therefor;

(iv) the Participant has failed to pay any amounts owing with respect to Securities subject to Delivery to it, other than Securities as to which a reclamation is made pursuant to the Procedures, by the time required by the Procedures or reasonable grounds exist for a determination by the Corporation that the Participant will not make such timely payment;

(v) the Participant or the Settling Bank is in such financial or operating condition that reasonable grounds exist for a determination by the Board of Directors, or by the Corporation if time does not permit action by the Board of Directors, that its continuation as a Participant or Settling Bank would jeopardize the interests of the Corporation, other Participants or Pledges;

(vi) the Board of Directors or a committee authorized thereby, shall have reasonable grounds to believe (A) that the Participant or **[any Person associated with the Participant] its Controlling Management** to be responsible for (1) fraud[,] or fraudulent acts [or breach of fiduciary duty], (2) making a misstatement of a material fact or omitting to state a material fact to the Corporation in connection with its application to become a Participant or thereafter, (3) violating any Rule or any agreement with the Corporation or (4) the **[willful]** violation of the Securities Act, the Exchange Act, the Investment Company Act, the Investment Advisers Act, or any rule or regulation thereunder, or (B) that such ceasing to act is necessary for the protection of the Corporation, other Participants or Pledges or to facilitate the orderly and continuous performance of the Corporation's services;

(vii) the Participant or **[any Person associated with the Participant] its Controlling Management** has been convicted within the ten years preceding the filing of its application to become a Participant or at any time thereafter of any crime, felony or misdemeanor which involves the purchase, sale or transfer of any Security or the breach of fiduciary duty, or arises out of conduct of the business of a broker, dealer, investment company, investment adviser, underwriter, bank, trust company, fiduciary, insurance company or other financial institution; or involves robbery, larceny, embezzlement, fraudulent conversion, forgery or misappropriation of funds, Securities or other property; or involves any violation of Section 1341, 1342 or 1343 of Title 18 of the United States Code;

(viii) the Participant or **[any Person associated with the Participant] its Controlling Management** is permanently or temporarily enjoined by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as a broker, dealer, investment company, investment adviser, underwriter, bank, trust company, fiduciary, insurance company or other financial institution or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or transfer of any Security **and the enforcement of such injunction or prohibition has not been stayed**; or

(ix) the Participant or **[any Person associated with the Participant] its Controlling Management** is expelled or suspended from a national securities association or exchange registered under the Exchange Act, **a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act** or a corporation which engages in clearance and settlement activities or a securities depository or has been barred or suspended from being associated with any member of such an exchange, association, corporation or securities depository;

(x) **the Participant or the Settling Bank is subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934, or an order of similar effect issued by a Federal or State banking authority, or other examining authority or regulator, including a non-U.S. examining authority or regulator.**

The Corporation may continue to act for a Participant, either unconditionally or on an appropriate temporary or other conditional basis, if the Corporation determines that any standard specified in this Section, as applied to such Participant or **[any Person associated with the Participant] its Controlling Management** is unduly or disproportionately severe or that the conduct of such Participant or **[any Person associated with the Participant] its Controlling Management** has been such as not to make it against the interest of the Corporation, other Participants or Pledges or the public to continue to act for such Participant.

A Settling Bank's right to act as such shall terminate at such time as it ceases to be a Participant.

**[For purposes of this Section, the term "Person associated with" when applied to any Person shall mean any partner, officer or director of such Person or any Person directly or indirectly controlling or controlled by such Person including any employee of such Person.]**

A written report of the reasons for such action shall be promptly made and filed with the Corporation's records. When the Corporation ceases to act for a Participant with respect to a particular transaction or transactions, it shall notify such Participant and such other Participants and Pledges as it deems proper and shall determine what steps are to be taken with respect to the transaction or transactions with respect to which it is ceasing to act for such Participant. When the Corporation ceases to act for a Participant with

respect to a Program or transactions generally, it shall notify such Participant and all other Participants and Pledges. The notice that the Corporation has ceased to act for a Participant given by the Corporation shall state in at least general terms how pending transactions will be affected.

*Section 2.* Notwithstanding Section 1 of this Rule, the Corporation may not at any time refuse to Deliver a Participant's Deposited Securities to such Participant.

*Section 3.* After the Corporation has ceased to act for a Participant generally, except as provided by the Board of Directors in any particular case:

(a) The Corporation shall decline to accept instructions from other Participants with respect to any Delivery of Deposited Securities to the Participant and shall decline to accept instructions from the Participant with respect to the Delivery of Deposited Securities to other Participants or Pledges.

(b) The Corporation shall not give effect to the net result to date of the aggregation of instructions between the Participant and any other Participant pursuant to the fourth or fifth paragraph of Section 1 of Rule 9(A), and shall provide the Participant and any such other Participant with a list of the net quantity of each issue of Securities with respect to which the Corporation shall not in the future effect such instructions. The Participant shall be free to seek such remedies as shall be available to it from any such other Participant for any loss it may suffer because such instructions were not effected by the Corporation. The Corporation shall not, however, have any liability with respect to any such loss (provided that the loss is not caused by the Corporation's gross negligence or willful misconduct).

Notwithstanding the foregoing, the Corporation shall Deliver to the Participant any Securities Pledged by such Participant to a Pledgee upon the instructions of such Pledgee.

*Section 4.* After the Corporation has ceased to act for a Participant with respect to a Program, so far as that Program is concerned, except as provided by the Board of Directors in any particular case:

(a) The Corporation shall decline to accept instructions from other Participants with respect to any Delivery of Deposited Securities to the Participant and shall decline to accept instructions from the Participant with respect to the Delivery of Deposited Securities to other Participants or Pledges.

(b) The Corporation shall not give effect to the net result to date of the aggregation of instructions between the Participant and any other Participant pursuant to the fourth or fifth paragraph of Section 1 of Rule 9(A), and shall provide the Participant and any such other Participant with a list of the net quantity of each issue of Securities with respect to which the Corporation shall not in the future effect such instructions. The Participant shall be free to seek such remedies as shall be available to it from any such other Participant for any

loss it may suffer because such instructions were not effected by the Corporation. The Corporation shall not, however, have any liability with respect to any such loss (provided that the loss is not caused by the Corporation's gross negligence or willful misconduct).

Notwithstanding the foregoing, the Corporation shall Deliver to the Participant any Securities pledged by such Participant to a Pledgee upon the instructions of such Pledgee.

*Section 5.* After the Corporation has ceased to act for a Participant with respect to either a particular transaction or transactions generally, the Corporation shall nevertheless have the same rights and remedies with respect to any Net Debit Balance due from such Participant or any liability incurred on its behalf or on account of its default as though the Corporation had not ceased to act for it.

*Section 6.* The provisions of this Rule shall not apply in a case where a Participant is insolvent, as defined in Rule 12, and in such case the provisions of Rule 12 shall govern.