



MEMORANDUM – 2023-018

TO : THE TRADING PARTICIPANTS AND THE INVESTING PUBLIC

SUBJECT : AMENDMENTS TO THE CMIC RULES
RELATIVE TO T+2 SETTLEMENT CYCLE



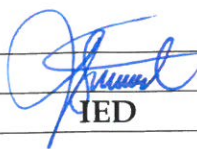
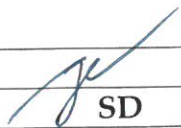
DATE : 22 AUGUST 2023

The Securities and Exchange Commission has approved the proposed amendments by the Capital Markets Integrity Corporation ("CMIC") to its Rules relative to the T+2 settlement cycle. Thus, attached is a signed copy of the following amended provisions of the CMIC Rules:

- (a) Article VII, Section 5 (a);
- (b) Article VII, Section 10 (d);
- (c) Article VIII-A, Section 2 (2.4) (B) (3);
- (d) Article VIII-A, Section 2 (2.6) (A) (A.1) (a) (a.24);
- (e) Article VIII-A, Section 2 (2.6) (A) (A.3) (c) (c.2) (ii); and
- (f) Article VIII-A, Section 2 (2.6) (A) (A.6) (b) (b.7) (iii).

These amendments shall take effect only upon implementation of the new settlement cycle, T+2.

Thank you.

			
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**ARTICLE VII.
CUSTOMER PROTECTION**

Section 5. *Purchases and Sales in Cash Account.* (a) Purchases by a customer in a cash account shall be paid in full within the settlement period provided by the Exchange or the Clearing Agency, or as may be prescribed by the Commission.

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Section 10. *Regulation of Short Sale.* Short selling transactions shall be governed by these rules and the revised Rules on Short Selling and implementing guidelines. (a) Calculation. The Trading Participant shall calculate, as of 15th day and as of the last day of each calendar month, the aggregate short position of each individual account in respect of each security.

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(d) Determination of Good Delivery. No Trading Participant shall accept a long sale order from a customer, unless he has made a determination that the customer owns the security and will deliver in good deliverable form within the settlement period provided by the Exchange or the Clearing Agency, or as may be prescribed by the Commission. The determination must include a notation on the order ticket at the time the order is taken which reflects the conversation with the customer as to the present location of the securities, whether they are in good deliverable form, and the customer's ability to make delivery.

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ARTICLE VIII.
CAPITALIZATION REQUIREMENTS OF TRADING PARTICIPANTS

A. RISK BASED CAPITAL ADEQUACY REQUIREMENT

Section 2. RBCA Guidelines. In monitoring compliance with the RBCA framework, CMIC, shall observe the following guidelines:

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2.4 Provisioning for Overdue Accounts.

(A) Provisions for Overdue Accounts.

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(B) Provisioning for Overdue Accounts.

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(3) Specific and General Provisions for Overdue Accounts shall be computed in accordance with the schedule duly prescribed by the Commission.

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2.6 Risk Based Capital Adequacy Requirements.

(A) Risk Based Capital Adequacy Ratio Requirements (RBCA).

A.1 Definition and Interpretation

a. Definition

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a.24. Negative Exposure - shall mean the loss due to market or price risk in the event of a default by a Trading Participant as a member of the Clearing Agency in its settlement obligations. It shall be based on the existing obligations of the Trading Participant over the settlement period provided by the Exchange or the Clearing Agency, or as may be prescribed by the Commission.

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A.3 Computation of Net Liquid Capital (NLC)

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- c. Computation of Net Liquid Capital (NLC). In computing NLC, the Equity Eligible for Net Liquid Capital of a Trading Participant is adjusted by the following, provided, however, that in determining net worth, all long and all short securities position shall be marked to their market value:

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- c.2. Deducting fixed assets and assets which cannot be readily converted into cash [less any indebtedness excluded in accordance with paragraph (iv) of the Definition of the term Aggregate Indebtedness] including, among other things:

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- ii. All unsecured advances and loans; deficits in customers' and non-customers' unsecured and partly secured notes; deficits in special omnibus accounts or similar accounts carried on behalf of another Trading Participant, after application of calls for margin, marks to the market or other required deposits that are outstanding within the settlement period provided by the Exchange or the Clearing Agency, or as may be prescribed by the Commission; deficits in customers' and non-customers' unsecured and partly secured accounts after application of calls for margin, marks to the market or other required deposits that are outstanding within the settlement period provided by the Exchange or the Clearing Agency, or as may be prescribed by the Commission, except deficits in cash accounts for which no more than one extension respecting a specified securities transaction has been requested and granted; the market value of stock loaned in excess of the value of any collateral

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received therefore; and any collateral deficiencies in secured demand notes in conformity with SRC Rule 49.1 (G).

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A.6 Counterparty Risk Requirement

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b. Computation of Counterparty Risk Requirement

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b.7. Free Deliveries

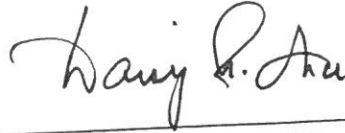
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- iii. Notwithstanding the computation in Subsection A.6 (b.7) (ii) above, where delivery or settlement is not made within the settlement period provided by the Exchange or the Clearing Agency, or as may be prescribed by the Commission, the Counterparty Risk Requirement of the Trading Participant shall be the full contract value of the transaction.

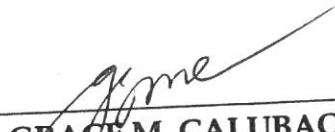
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- Middle right: A signature that appears to be "James".
- Bottom right: A signature that appears to be "Harry L. Rice".
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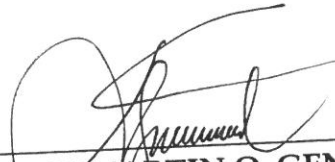
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