

# IMPORTANT NOTICE

National Securities Clearing Corporation



The Depository Trust &  
Clearing Corporation

**A#6591**

**P&S #6161**

**DATE:** March 18, 2008,

**TO:** ALL PARTICIPANTS

**ATTENTION:** MANAGING PARTNER/OFFICER, OPERATIONS  
PARTNER/OFFICER, COMPLIANCE OFFICER

**FROM:** General Counsel's Office

**SUBJECT:** RULE CHANGE – SR-NSCC-2008-01 (NSCC's Automated Stock  
Borrow Program)

National Securities Clearing Corporation ("NSCC") has filed a rule change with the Securities and Exchange Commission ("SEC"), pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934. **This rule change will be implemented on March 28, 2008.**

The purpose of the proposed rule change is to modify Addendum C of NSCC's Rules & Procedures (NSCC Automated Stock Borrow Procedures) with respect to the formula used to determine the order of priority among Members from whom NSCC will borrow securities made available by those Members.

Historically, NSCC's SBP has utilized a formula to determine the order of priority among members from which NSCC will borrow securities made available by Members. The formula included the assignment of a random allocation number for each security made available to NSCC for potential borrowing, and a factor for each Member developed by dividing the percentage of each Members average loans as they relate to the total NSCC borrowings by the percentage of each Members average fees paid for trade comparison, trade recording and clearance as they relate to the total of these fees for all Members.<sup>1</sup>

NSCC proposes to simplify this process by eliminating this formula and instead, use an SBP random allocation algorithm already used by NSCC to determine other priorities. Random allocation algorithms have been routinely utilized by NSCC, in particular with respect to CNS processing. For example, CNS uses a random allocation methodology whereby, after securities are received by NSCC from Members making deliveries to CNS, they are then allocated to other Members that are expecting receipt of those securities.<sup>3</sup> Adopting a random allocation algorithm to determine the order in which NSCC will borrow securities made available by Members within the SBP would make SBP processing more consistent with current processing routines already utilized by NSCC.

<sup>1</sup> See Addendum C (NSCC Automated Stock Borrow Procedures) Steps I, II and III.

<sup>2</sup> See NSCC Procedure VII. E. 4. (CNS Accounting Operations - Controlling Receipts From CNS – Allocation Algorithm).

The full text of this rule change (SR-NSCC-2008-01) may be obtained by visiting NSCC's website at [www.nsc.com](http://www.nsc.com). Written comments on the proposed rule filing may be addressed to Lisa T. Siebold, Director and Assistant Secretary, National Securities Clearing Corporation, 55 Water Street, New York, New York 10041, and your comments will be forwarded to the SEC. You may also address your written comments to the Secretary of the Commission, Securities and Exchange Commission, 100 F Street NE, Washington, D.C. 20549. We request that you provide NSCC with a copy of your comments.

Questions regarding the Stock Borrow Program may be directed to Vincent Mc Devitt, Director, Product Management, at (212) 855-5694. Questions regarding the rule filing may be directed to Lisa T. Siebold at (212) 855-3206.

Larry Thompson  
Managing Director and General Counsel