

IMPORTANT NOTICE

National Securities Clearing Corporation



A#: 7059
P&S# 6630
Date: September 10, 2010
To: ALL PARTICIPANTS
Attention: MANAGING PARTNER/OFFICER, OPERATIONS
PARTNER/OFFICER, COMPLIANCE OFFICER
From: GENERAL COUNSEL'S OFFICE
Subject: **RULE CHANGE APPROVAL (SR-NSCC-2010-07) - AMENDMENT
TO IMPLEMENT RISK ENHANCEMENTS TO THE STOCK
BORROW PROGRAM**

On July 1, 2010, National Securities Clearing Corporation ("NSCC") filed, and on September 3, 2010 the U.S. Securities and Exchange Commission approved,¹ rule filing SR-NSCC-2010-07. The rule filing amends Addendum C to NSCC's rules to implement risk enhancements to the Stock Borrow Program.

NSCC will implement these changes into production on October 7, 2010. Members will be advised of the implementation details via subsequent Important Notices.

Proposed Changes:

In the course of daily operations, the Corporation's Continuous Net Settlement ("CNS") System often has a need for securities that exceeds the shares made available via Member deliveries to clearing. This need can arise from several sources, including the satisfaction of Member priority requests for allocation and buy-ins submitted by Members.

In order to improve the efficiency of the clearing system in dealing with these situations, the Corporation's Board authorized the implementation of automated stock borrow procedures (the Stock Borrow Program or "SBP") to satisfy needs for stock that are not filled via normal deliveries from Members.

This approved rule change renders municipal and corporate bonds ineligible for lending through the Stock Borrow Program and prevents a Member from lending securities issued by that Member or any of its affiliates through the Stock Borrow Program.

Questions regarding this Important Notice should be directed to Jennifer Kim, Associate Counsel, The Depository Trust & Clearing Corporation, at 212-855- 3283.

¹ See SEC Release No. 34-62849; File No. SR-NSCC-2010-07.