

Proposed Rule Change by National Securities Clearing Corporation
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 type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input checked="" type="checkbox"/> 19b-4(f)(4)	<input type="checkbox"/> 19b-4(f)(6)
			<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).

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 Last Name
 Title
 E-mail
 Telephone Fax

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.

Date
 By Vice President and Deputy General Counsel
 (Name) (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 EFFS 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

Add Remove View

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 the Proposed Rule Change.

- (a) The proposed rule change is annexed hereto as Exhibit 5.
- (b) Not applicable.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The approval of NSCC's Board of Directors is not required in connection with this proposed rule change.

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

(a) The purpose of the proposed rule change is to make technical and updating changes to NSCC's procedures regarding its Reconfirmation and Pricing Service ("RECAPS") (Procedure II, Section G).

NSCC's RECAPS service is a mandated service for all full-service Members that reconfirms and reprices Members' aged fails in RECAP-eligible securities that represent positions that are currently failing outside of NSCC (i.e. non-CNS items). It thus provides a mechanism for reducing outstanding non-CNS member fails. The proposed revisions to the procedures reflect enhancements to the service, conforming processing changes with current regular way processes, and deletion of obsolete reports. These changes are explained below.

The RECAPS service is currently offered quarterly, with a processing schedule as follows:

- On Tuesday, the first day of the processing cycle, Members submit CUSIP files for municipal securities designated for processing through the service. The data on these files is used to obtain current prices for the designated municipal bonds.

- On Friday, Members submit eligible aged fails to NSCC up until a designated cut-off time.

- On Saturday, NSCC distributes RECAPS contract sheets, RECAPS CNS and Non-CNS Compared Trade Summaries, Balance Orders (for matched transactions in Balance Order securities), and a CNS RECAPS Projection Report and an Advisory Listing.

- On Monday, Members take action on unmatched items, and

- On Tuesday, the last day of the RECAPS cycle, all matched fails are scheduled to settle.

The process enhancements eliminate the need for early submission of municipal securities CUSIP files, as current price information can be obtained on Friday when Members submit their aged fails for reconfirmation and pricing. In addition, the process

enhancements enable the distribution of reports at an earlier time on Saturday, and fails will settle on the next Settlement Day after they match (i.e. fails that are matched on Friday will settle on Monday (as opposed to Tuesday in the current schedule), and those that match on Monday will settle on Tuesday).

The CNS RECAPS Projection report is being eliminated because the relevant information will be provided on the existing CNS Projection Report. Similarly, to conform with current trade processing practices where NSCC has eliminated print image Balance Order and Receive and Deliver tickets--such information instead being shown on the Consolidated Trade Summaries¹, RECAPS Balance orders and RECAPS Trade-for-Trade Receive and Deliver Orders will now be evidenced by the information contained on the RECAPS Non-CNS Compared Trade Summary.

Finally, the RECAPS Procedure is being revised to clarify that reconfirmed fails in securities where the original fail price was less than one penny per share will settle on a trade-for-trade basis as a "Special Trade" with the RECAPS value being the original comparison value (as opposed to the system-generated price of one cent per share). Clarifying language is also being added to distinguish between information that appears on the RECAPS CNS Compared Trade Summary and information on the RECAPS Non-CNS Compared Trade Summary.

As the RECAPS Procedures provides for the Corporation to determine not only when and how often RECAPS is run, but also the processing schedule for each such RECAPS cycle, NSCC advises its participants of the RECAPS calendar and the processing schedule via Important Notices. Participants have been advised of the proposed scheduling changes outlined above, as well as the other enhancements described in this filing, in Important Notice A#6323 P&S#5893 dated October 26, 2006.

(b) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, because updating the procedures to reflect operational enhancements will further facilitate the accurate clearance and settlement of securities transactions, in particular, the settlement of aged fails.

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

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

¹ Balance Order and Receive and Deliver Tickets were eliminated as part of the "CNS Rewrite" in 2004; SR NSCC-2004-01, approved July 15, 2004 in SEC Rel. No. 34-50026 (FR Vol. 69, Wed., July 21, 2004 at 43650).

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. On October 26, 2006, Members were advised by Important Notice, A#6323, P&S#5893, of the proposed enhancements to RECAPS. NSCC will notify the Commission of any written comments it receives.

6. Extension of Time Period for Commission Action.

Not applicable.

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

- (a) The proposed rule change is to take place pursuant to paragraph A of Section 19(b)(3) of the Act and subparagraph (f)(4) of Rule 19b-4 thereunder.
- (b) The proposed rule change effects a change that (i) does not adversely affect the safeguarding of securities or funds in the custody of NSCC or for which it is responsible; and (ii) does not significantly affect the respective rights or obligations of NSCC or persons using this service.
- (c) Not applicable.
- (d) Not applicable

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

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

9. Exhibits

- Exhibit 1 - Notice of proposed rule change for publication in the Federal Register.
- Exhibit 2 – NSCC Important Notice A#6323, P&S#5893, dated October 26, 2006
- Exhibit 3 – N/A
- Exhibit 4 – N/A
- Exhibit 5 - Proposed Rule Text

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-NSCC-2007-03)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Securities Clearing Corporation (“NSCC”) is to make technical and updating changes to NSCC’s procedures regarding its Reconfirmation and Pricing Service (“RECAPS”) (Procedure II, Section G).

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 _____, NSCC 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 NSCC. 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 as Exhibit 5 to the filing.

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

In its filing with the Commission, NSCC 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. NSCC 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.

The purpose of the proposed rule change is to make technical and updating changes to NSCC’s procedures regarding its Reconfirmation and Pricing Service (“RECAPS”) (Procedure II, Section G).

NSCC’s RECAPS service is a mandated service for all full-service Members that reconfirms and reprices Members’ aged fails in RECAP-eligible securities that represent

positions that are currently failing outside of NSCC (i.e. non-CNS items). It thus provides a mechanism for reducing outstanding non-CNS member fails. The proposed revisions to the procedures reflect enhancements to the service, conforming processing changes with current regular way processes, and deletion of obsolete reports. These changes are explained below.

The RECAPS service is currently offered quarterly, with a processing schedule as follows:

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- On Tuesday, the last day of the RECAPS cycle, all matched fails are scheduled to settle.

The process enhancements eliminate the need for early submission of municipal securities CUSIP files, as current price information can be obtained on Friday when Members submit their aged fails for reconfirmation and pricing. In addition, the process enhancements enable the distribution of reports at an earlier time on Saturday, and fails will settle on the next Settlement Day after they match (i.e. fails that are matched on Friday will settle on Monday (as opposed to Tuesday in the current schedule), and those that match on Monday will settle on Tuesday).

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Finally, the RECAPS Procedure is being revised to clarify that reconfirmed fails in securities where the original fail price was less than one penny per share will settle on a trade-for-trade basis as a "Special Trade" with the RECAPS value being the original comparison value (as opposed to the system-generated price of one cent per share). Clarifying language is also being added to distinguish between information that appears

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on the RECAPS CNS Compared Trade Summary and information on the RECAPS Non-CNS Compared Trade Summary.

As the RECAPS Procedures provides for the Corporation to determine not only when and how often RECAPS is run, but also the processing schedule for each such RECAPS cycle, NSCC advises its participants of the RECAPS calendar and the processing schedule via Important Notices. Participants have been advised of the proposed scheduling changes outlined above, as well as the other enhancements described in this filing, in Important Notice A#6323 P&S#5893 dated October 26, 2006.

(b) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, because updating the procedures to reflect operational enhancements will further facilitate the accurate clearance and settlement of securities transactions, in particular, the settlement of aged fails.

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

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

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. On October 26, 2006, Members were advised by Important Notice, A#6323, P&S#5893, of the proposed enhancements to RECAPS. NSCC will notify the Commission of any written comments it receives.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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. Please include File No. SR-NSCC-2007-03 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 D.C. 20549-0609.

All submissions should refer to File Number SR-NSCC-2007-03. 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, 100 F Street, NE, Washington D.C. 20549-9303. 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

IMPORTANT NOTICE

National Securities Clearing Corporation



A#6323

P&S#5893

DATE: October 26, 2006

TO: All Participants

ATTENTION: MANAGING PARTNER / OFFICER, OPERATIONS PARTNER / OFFICER, DIRECTOR OF OPERATIONS, DATA PROCESSING MANAGER, MANAGER P & S DEPARTMENT, COMPLIANCE OFFICER

FROM: Product Management

SUBJECT: RECAPS Enhancements

NSCC is in the process of enhancing its Reconfirmation and Pricing Service (RECAPS). It is anticipated that, subject to SEC approval, the enhancements will take effect for the March 2007 RECAPS cycle. Further notices will be forthcoming announcing the exact implementation dates.

The enhancements listed below were recommended and endorsed by participants and by a sub-committee of the SIA's Securities Operations Division (SOD) Regulatory & Clearance division, which provided extensive feedback on RECAPS enhancements.

FUTURE RECAPS ENHANCEMENTS:

CUSIP submission on Tuesday eliminated:

When RECAPS is enhanced, CUSIPs on anticipated fails should no longer be supplied to NSCC on the Tuesday prior to Friday fail submission. NSCC is eliminating this participant requirement. Participant CUSIP data is currently submitted to RECAPS via DATATRAK System ID #17508. When RECAPS is enhanced, this System ID will be eliminated.

Accelerate Settlement:

Fails matched on Friday night's submission currently settle the following Tuesday. RECAPS will be enhanced to have Friday's matched fails settle the following Monday.

RECAPS matched fails settling Monday will be subject to NSCC CNS one day settlement processing. **Delivering firms with standing CNS Exemption Default instructions to not deliver One Day CNS settlement items, will need to override those instructions to deliver RECAPS CNS items on Monday.**

CNS positions resulting from RECAPS activity will continue to appear on NSCC's CNS Projection Report. CNS positions resulting from RECAPS fails matched on Friday, will now appear on the CNS Projection Report distributed Saturday morning for Monday's settlement. CNS RECAPS fails matched on Monday, will continue to appear on the CNS Projection Report distributed Monday night for Tuesday's settlement.

The RECAPS CNS Projection Report will be eliminated due to accelerated settlement (see details below.)

Firms currently receive a NSCC settlement code 20, RECAPS Cash Adjustment, on the Tuesday when RECAPS Non CNS fails settle. When RECAPS is enhanced, firms will have an additional Code 20 on Monday for Non CNS RECAPS fails matched on Friday's input.

New Submission Time For Friday Night Input:

The current RECAPS fail submission deadline of 2:00 a.m. ET Saturday morning will be changed. In order to accelerate settlement, NSCC will require RECAPS fail submission (DATATRAK System ID 17608) to be received no later than 10:00 p.m. ET on Friday night, **without exception**. Submission extensions will not be granted. Firms should examine their existing RECAPS submission schedules to submit System ID 17608 by 10:00 p.m. ET.

Elimination of redundant/obsolete RECAPS reports & files:

The following current RECAPS reports and files will be eliminated when RECAPS is enhanced:

- RECAPS CNS Projection Report File (AutoRoute # 02050021) and Print Image (02050013) - unnecessary due to accelerated settlement. (RECAPS CNS items will continue to appear on the regular NSCC CNS Projection Report.)
- RECAPS Open Advisory Report (02050115) – advisories are listed on RECAPS Contracts which will remain in production.
- RECAPS Stock R&D tickets 02050004 and Bond R&D tickets 02050116 - data for these items appear on the RECAPS Non CNS Compared Summary.

No Format Changes to RECAPS Output:

There will be no new data elements on RECAPS fail input or output. There will be new settlement date values as detailed below.

The **RECAPS CNS Compared Trade Summary** (Autoroute MRO #02050081 & Print Image 02050080) & **RECAPS Non CNS Compared Trade Summary** (Autoroute MRO 02050020 & Print Image 02050019) produced late Friday night/early Saturday morning will have a settlement date of Monday instead of Tuesday.

The **RECAPS Contract sheets** (Autoroute MRO #02050117 & Print Image Purchase 020500113 and Print Image Sales 02050114) produced late Friday night/early Saturday morning will have a settlement date of Monday instead of Tuesday.

A data output file with test data will be provided for firms requesting test output in the machine readable version of these AutoRoute products containing the accelerated settlement date. Firms can contact DTCC's Enterprise Service Center at (212) 855-1144, option 6 in late January to request this output.

The AutoRoute #s for the test output will be:

<u>AutoRoute Name</u>	<u>AutoRoute Product Number</u>
RECAPS CNS Compared Trade Summary	02980081
RECAPS Non CNS Compared Trade Summary	02980020
RECAPS Contract sheets	02980117

RECAPS Monday Processing

RECAPS correction processing that occurs on Monday will continue, as is, when RECAPS is enhanced. Fails that match on Monday will settle on Tuesday.

Training

The RECAPS manual will be updated and a webcast will be made available for firms to view in early 2007.

Any questions on this notice can be directed to the Relationship Services Group at (800) 422-0582 or the undersigned at (212) 855-7623.

Ed Fanning
Director, Product Management

Exhibit 5

Underlined, Boldfaced Text indicates additional language

[Bracketed, Boldfaced Strikeout Text] indicates deleted language

PROCEDURE II. TRADE COMPARISON AND RECORDING SERVICE

* * *

G. Reconfirmation and Pricing Service

The Reconfirmation and Pricing Service ("RECAPS") is a fail clearance system run by the Corporation. The system will be run from time-to-time as established by the Corporation for such securities as the Corporation shall determine. The system provides an opportunity to reconfirm and reprice transactions that already have been compared.

Members shall submit to the Corporation, on a day specified by the Corporation, at the time and in the manner established by the Corporation, RECAPS fail information. The day such information is submitted to the Corporation is referred to as "R." RECAPS fail information submitted on R shall be hereinafter referred to as "RECAPS Input." On a day specified by the Corporation, at the time and in the manner established by the Corporation, the Corporation will produce RECAPS Contracts containing standard contract categories (i.e., compared, uncomparing and advisory columns). On the next business day after R, at the time and in the manner established by the Corporation, Members: (1) may submit an As-of-trade if the Member failed to timely submit a transaction to RECAPS and (2) must respond to a transaction submitted by a contra side that has not been reconfirmed after processing of RECAPS Input (hereinafter referred to as an "Unreconfirmed RECAP") by submitting in such form as determined by the Corporation an advisory, a DK or a reject and, in the case of a reject, indicating the reason(s) for the rejection and such other information as the Corporation may require. Failure to respond to an Unreconfirmed RECAP shall result in the transaction being deemed DK'ed. A DK'ed transaction extinguishes the rights, if any, of the DK'ing Member in respect of the transaction. Transactions of a Member that have been DK'ed shall be subject to the rules of the appropriate marketplace. As-Of trades will be compared only if there is an exact match; no trade resolution process will be available.

On a day specified by the Corporation, at the time and in the manner established by the Corporation, the Corporation will issue a second set of RECAPS Contracts, reflecting the RECAPS supplemental input received. Settlement information will be distributed to Members depending on the system in which the reconfirmed transaction will settle and settlement will occur, as follows:

- (a) CNS - Reconfirmed fails in Securities eligible for CNS at the time of the RECAPS cycle will be forwarded to CNS for settlement on a

day specified by the Corporation. A ~~[CNS RECAPS Projection Report will be issued along with a]~~ RECAPS CNS Compared Trade Summary will be issued concurrent with the production of the first or second RECAPS Contracts, whichever is appropriate.

(b) Balance Orders - Reconfirmed fails in Balance Order Securities will be netted and allotted, and ~~[Balance Orders and]~~ a RECAPS Non-CNS Compared Trade Summary will be issued, concurrent with the production of the first or second RECAPS Contracts, whichever is appropriate, that will indicate such RECAP Balance Orders and the ~~[for]~~ settlement dates ~~[on a day]~~ specified by the Corporation.

(c) Trade-for-Trade – The RECAPS Non-CNS Compared Trade Summary will also include receive and deliver information for ~~[For]~~ reconfirmed fails in securities not eligible for the CNS or Balance Order Systems, which will settle on a trade-for-trade basis ~~[the Corporation will issue RECAPS Receive and Deliver instructions (except in the case of reconfirmed fails in municipal securities, where such instructions may, but need not, be issued) and a Non-CNS Compared Trade Summary concurrent with the production of the first or second RECAPS Contracts, whichever is appropriate, for settlement]~~ on a day specified by the Corporation.

In the event that the current market price for a security is not available, or if the original fail price was less than one penny per share, the trade will settle on a trade-for-trade basis as a "Special Trade," with the value on the RECAPS Non-CNS Compared Trade Summary ~~[Receive and Deliver Instructions]~~ being the amount at which the trade previously was compared. For reconfirmed fails in debt securities, the current market price will include accrued interest from the previous interest payment date to the new Settlement Date. If a fail was open over an interest payment date, the two parties to the trade will be required to settle that interest payment outside RECAPS, although the parties could use the Corporation's Dividend Settlement Service.

The RECAPS CNS Compared Trade Summary and the RECAPS Non-CNS Compared Trade Summary also will include the aggregate value of the original fails~~[,]~~. In addition, the RECAPS Non-CNS Compared Trade Summary also includes the aggregate value of the Repriced RECAPS positions (i.e., the current market price of the reconfirmed trades) and the difference between the two, or the net cash adjustment. The net cash adjustment will settle the day the underlying RECAPS contract settles and will be included as part of the Member's daily money settlement with the Corporation. RECAPS, however, will not be a guaranteed service of the Corporation, so that if the Corporation fails to receive payment from a Member, the Corporation, in its discretion, may reverse in whole or part any credit previously given to any Member who is the contra side to a trade reconfirmed and repriced through RECAPS.

For the purposes of the Corporation's Buy-In Rules and Procedures, the Original Settlement Date for transactions reconfirmed through RECAPS, except for transactions in Municipal Securities, shall be considered to be the RECAPS Settlement Date for the reconfirmed transaction. For Municipal Securities, the Settlement Date shall continue to be the original date of the fail unless provided otherwise by the rules of the Municipal Securities Rulemaking Board, and the buy-in rules of the MSRB shall apply.

At the end of the RECAPS cycle, the Corporation will make available to Members a RECAPS Activity Report, in such form and by such time as determined by the Corporation, containing such information as determined by the Corporation regarding the Member's activity for the RECAPS cycle.

* * *