

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 checked="" 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).

Clarification to the Rules and Procedures of National Securities Clearing Corporation (NSCC) with regard to NSCCs ability to receive transaction data from trade reporting facilities that are facilities of a self-regulatory organization.

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 officer.

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 Proposed Rule Change.

(a) The proposed rule change is annexed hereto as Exhibit 5. It consists of a clarification to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”) with regard to NSCC’s ability to receive transaction data from trade reporting facilities that are facilities of a self-regulatory organization.

(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 this filing is to clarify NSCC’s Rule 7 (Comparison and Trade Recording Operation), in order to make clear that NSCC may accept transaction data on behalf of NSCC Members from trade reporting facilities that are affiliated with, and operated as a facility of, a self-regulatory organization (“Trade Reporting Facilities”, or “TRFs”).

Background

NSCC’s Rule 7 (Comparison and Trade Recording Operation) permits NSCC, in its discretion, to accept transaction data from self-regulatory organizations, as defined in the Securities Exchange Act of 1934 (and, similarly, from derivatives clearing organizations registered or deemed registered with the CFTC). Such data may be provided from the SRO directly, or through subsidiary or affiliated organizations.

In conjunction with the recent separation of the National Association of Securities Dealers, Inc. (“NASD”) and The Nasdaq Stock Market, Inc. (“Nasdaq”), the SEC approved the establishment by NASD and Nasdaq of the NASD/Nasdaq Trade Reporting Facility, which provides NASD members with an alternative means for reporting transactions in exchange-listed securities effected otherwise than on an exchange. Since then, NASD has established several additional new TRFs in conjunction with other registered securities exchanges, each of which provides NASD members with alternate means for reporting transactions in exchange-listed securities effected otherwise than on an exchange. All of these TRFs will operate as joint ventures with the relevant exchanges, but NASD, the “SRO Member” of each such venture, will have sole

regulatory responsibility for each TRF. As such, the TRFs are facilities “of NASD and subject to NASD’s registration as a national securities association.”¹

At the current time, NASD has filed proposed rule changes with the SEC relating to the establishment of the following TRFs: The NASD/Nasdaq TRF; the NASD/NSX TRF; the NASD/BSE TRF, and the NASD/NYSE TRF. To date, the NASD/Nasdaq TRF and NASD/NSX TRF are operational, and the NASD/BSE TRF and NASD/NYSE TRF are expected to commence operation by the end of the first quarter of 2007. The rules governing the operations of these facilities are: the NASD Rule 4000 and 6100 Series (NASD/Nasdaq TRF); the NASD Rule 4000C and 6000C Series (the NASD/NSX TRF); the NASD Rule 4000D and 6000D Series (the NASD/BSE TRF); and the NASD Rule 4000E and 6000E Series (the NASD/NYSE TRF). With the exception of the NASD/NYSE TRF, the applicable rules permit the TRFs, at the option of their NASD member participant, to submit the data relating to reported trades to NSCC for clearance and settlement.

In order to accommodate the NASD and promote the efficient processing of securities transactions, NSCC proposes to clarify its Rule 7, Section 5² to make clear that it may accept transaction data from such TRFs, as facilities of the NASD, the applicable self-regulatory organization. For this purpose, the proposed clarification provides that the TRF be affiliated with and operated as a facility of the SRO, and that the rules and operation of the TRF be the subject of a rule change of the SRO that has been duly filed with the SEC and is effective.³ By allowing NSCC to receive transaction data for clearing purposes from these facilities with respect to NSCC’s participants, broker-dealers will be able to report transactions for both reporting/regulatory and clearing purposes in a single report to the TRFs.

(b) The proposed rule change will promote processing efficiencies, thereby facilitating the prompt and accurate processing of securities transactions, consistent with the requirements of the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations promulgated thereunder applicable to NSCC.

¹ See, e.g., SEC Rel. No. 34-52049 (July 15, 2005) at p. 9, noticing the filing of SR-NASD-2005-087 (relating, at the referenced pages, to the establishment of the NASD/Nasdaq TRF), 70 FR 42398; SEC Rel. No. 34-54084 (June 30, 2006), approving SR-NASD-2005-087, 71 FR 38935 (see particularly 38944, column 1); SEC Rel. No. 34-54715 (November 6, 2006), approving SR-NASD-2006-108, regarding the establishment of the NASD/NSX TRF, 71 FR 66354; and SEC Rel. No. 34-54931 (December 13, 2006), approving SR-NASD-2006-115, regarding the establishment of the NASD/BSE TRF, 71 FR 76409.

² Which section is proposed to be renumbered as part of other changes pending pursuant to rule filing SR-NSCC-2006-04.

³ NASD filed a proposed rule change relating to the establishment of the NASD/NYSE TRF for immediate effectiveness, asserting that such proposed rule change was “non-controversial” because it was substantially similar to the rules relating to the other TRFs, which were subject to notice and comment and approved by the SEC. See SEC Rel. No. 55325 (February 21, 2007), 72 FR 8820 (February 27, 2007) (notice of filing and immediate effectiveness of SR-NASD-2007-011).

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.

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 changes have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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).

(a) The proposed rule change is to take effect pursuant to paragraph A of Section 19(b)(3) of the Act and Rule 19b-4(f)(1) thereunder.

(b) The proposed rule change constitutes a stated policy, practice or interpretation with respect to the meaning, administration or enforcement of an existing rule.

(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 changes for publication in the Federal Register.

Exhibit 2 – N/A

Exhibit 3 – N/A

Exhibit 4 – N/A

Exhibit 5 – Proposed Rule Text

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-NSCC-2007-05)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Securities Clearing Corporation (“NSCC”).
The purpose of this filing is to clarify NSCC’s Rules & Procedures with regard to NSCC’S ability to receive transaction data from trade reporting facilities that are facilities of a self-regulatory organization.

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 proposed rule change consists of modifications to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”), and is annexed 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.

(a) The purpose of this filing is to clarify NSCC’s Rule 7 (Comparison and Trade Recording Operation), in order to make clear that NSCC may accept transaction data on behalf of NSCC Members from trade reporting facilities that are affiliated with, and operated as a facility of, a self-regulatory organization (“Trade Reporting Facilities”, or “TRFs”).

Background

NSCC's Rule 7 (Comparison and Trade Recording Operation) permits NSCC, in its discretion, to accept transaction data from self-regulatory organizations, as defined in the Securities Exchange Act of 1934 (and, similarly, from derivatives clearing organizations registered or deemed registered with the CFTC). Such data may be provided from the SRO directly, or through subsidiary or affiliated organizations.

In conjunction with the recent separation of the National Association of Securities Dealers, Inc. ("NASD") and The Nasdaq Stock Market, Inc. ("Nasdaq"), the SEC approved the establishment by NASD and Nasdaq of the NASD/Nasdaq Trade Reporting Facility, which provides NASD members with an alternative means for reporting transactions in exchange-listed securities effected otherwise than on an exchange. Since then, NASD has established several additional new TRFs in conjunction with other registered securities exchanges, each of which provides NASD members with alternate means for reporting transactions in exchange-listed securities effected otherwise than on an exchange. All of these TRFs will operate as joint ventures with the relevant exchanges, but NASD, the "SRO Member" of each such venture, will have sole regulatory responsibility for each TRF. As such, the TRFs are facilities "of NASD and subject to NASD's registration as a national securities association."¹

At the current time, NASD has filed proposed rule changes with the SEC relating to the establishment of the following TRFs: The NASD/Nasdaq TRF; the NASD/NSX TRF; the NASD/BSE TRF, and the NASD/NYSE TRF. To date, the NASD/Nasdaq TRF and NASD/NSX TRF are operational, and the NASD/BSE TRF and NASD/NYSE TRF are expected to commence operation by the end of the first quarter of 2007. The rules governing the operations of these facilities are: the NASD Rule 4000 and 6100 Series (NASD/Nasdaq TRF); the NASD Rule 4000C and 6000C Series (the NASD/NSX TRF); the NASD Rule 4000D and 6000D Series (the NASD/BSE TRF); and the NASD Rule 4000E and 6000E Series (the NASD/NYSE TRF). With the exception of the NASD/NYSE TRF, the applicable rules permit the TRFs, at the option of their NASD member participant, to submit the data relating to reported trades to NSCC for clearance and settlement.

¹ See, e.g., SEC Rel. No. 34-52049 (July 15, 2005) at p. 9, noticing the filing of SR-NASD-2005-087 (relating, at the referenced pages, to the establishment of the NASD/Nasdaq TRF), 70 FR 42398; SEC Rel. No. 34-54084 (June 30, 2006), approving SR-NASD-2005-087, 71 FR 38935 (see particularly 38944, column 1); SEC Rel. No. 34-54715 (November 6, 2006), approving SR-NASD-2006-108, regarding the establishment of the NASD/NSX TRF, 71 FR 66354; and SEC Rel. No. 34-54931 (December 13, 2006), approving SR-NASD-2006-115, regarding the establishment of the NASD/BSE TRF, 71 FR 76409.

In order to accommodate the NASD and promote the efficient processing of securities transactions, NSCC proposes to clarify its Rule 7, Section 5² to make clear that it may accept transaction data from such TRFs, as facilities of the NASD, the applicable self-regulatory organization. For this purpose, the proposed clarification provides that the TRF be affiliated with and operated as a facility of the SRO, and that the rules and operation of the TRF be the subject of a rule change of the SRO that has been duly filed with the SEC and is effective.³ By allowing NSCC to receive transaction data for clearing purposes from these facilities with respect to NSCC's participants, broker-dealers will be able to report transactions for both reporting/regulatory and clearing purposes in a single report to the TRFs.

(b) The proposed rule change will promote processing efficiencies, thereby facilitating the prompt and accurate processing of securities transactions, consistent with the requirements of the Securities Exchange Act of 1934 (the "Act") and the rules and regulations promulgated thereunder applicable to NSCC.

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 changes have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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) of the Act and subparagraph (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 the 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

² Which section is proposed to be renumbered as part of other changes pending pursuant to rule filing SR-NSCC-2006-04.

³NASD filed a proposed rule change relating to the establishment of the NASD/NYSE TRF for immediate effectiveness, asserting that such proposed rule change was "non-controversial" because it was substantially similar to the rules relating to the other TRFs, which were subject to notice and comment and approved by the SEC. See SEC Rel. No. 55325 (February 21, 2007), 72 FR 8820 (February 27, 2007) (notice of filing and immediate effectiveness of SR-NASD-2007-011).

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-2007-05 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-NSCC-2007-05. 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. 20549-1090. Copies of such filing also will be available for inspection and copying at the principal office of NSCC. 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

Underline and bold indicate new text.

~~[Bold, Brackets and Strikethrough]~~ indicate deleted text.

Shaded Rule text indicates pending changes in rule filings SR-NSCC-2006-04 and SR-NSCC-2006-17.

**RULE 7 COMPARISON AND TRADE RECORDING OPERATION
(INCLUDING SPECIAL REPRESENTATIVE/INDEX RECEIPT AGENT)**

SEC.1. A Member may submit to the Corporation for comparison trade data on any transaction calling for delivery of Cleared Securities between it and another person. The Corporation will, in accordance with this Rule and the Procedures, handle the comparison of transactions reflected in trade data so submitted to it.¹ In addition, in accordance with this Rule and the Procedures, a Member shall submit to the Corporation for reconfirmation and repricing trade data with respect to transactions already compared through the facilities of the Corporation or other facilities.

SEC. 2. **Special Representatives**

(a) **For the purposes of these Rules, a “Special Representative” shall be either a Member or a Registered Clearing Agency which applies to the Corporation for such status and designates those Members and other parties which are not Members (“non-participants”) for which it will act, provided, however, that the Corporation will not act upon any instruction received from a Special Representative which applies pursuant to this paragraph until (i) 10 business days after written notice of its designation as such is delivered by the Corporation to [Settling] Members and the Members and non-participants for which the Special Representative proposes to act which notice shall be delivered by the Corporation promptly after its receipt of such application or (ii) each Member and non-participant for which the Special Representative proposes to act has consented thereto in a writing delivered to the Corporation.**

(b) A Special Representative may submit to the Corporation transaction data **which may reflect the netted results of other transactions,** as to the rights and obligations of Members which calls for the delivery of Cleared Securities and is between Members, notwithstanding the fact that the rights and obligations do not represent transactions compared under this Rule. The obligations of the Member reflected in

¹ At such time as each exchange and/or marketplace assumes responsibility for trade comparison for transactions executed on or subject to the rules of such exchange and/or marketplace, the Corporation will cease providing comparison services for such transactions.

such transaction data shall be deemed to have been confirmed and acknowledged by each Member designated by the Special Representative as a party thereto and to have been adopted by such Member and, for the purposes of these Rules and determining the rights and obligations between the Corporation and any such Member under these Rules shall be valid and binding upon such Member to the same extent as any transaction compared under this Rule and shall be deemed to be transactions compared under this Rule. A Member which has been so designated by a Special Representative shall resolve any differences or claims regarding the rights and obligations reflected in the transaction data submitted by the Special Representative with the Special Representative, and the Corporation shall have no responsibility in respect thereof or to adjust its records or the accounts of the Member in any way, otherwise than pursuant to the instructions of the Special Representative.

~~[(b)]~~ (c) A Special Representative may submit to the Corporation transaction data ~~[, which may reflect the netted results of other transactions,]~~ as to the rights and obligations of itself and ~~[another party which is not a Member (a [" non-participant["])]~~ which calls for the delivery of Cleared Securities notwithstanding the fact that the rights and obligations do not represent transactions compared under the foregoing sections of this Rule, provided that the Special Representative designates a Registered Clearing Agency as responsible for the obligations of the non-participant. The obligations of the Special Representative and the non-participant reflected in such transaction data shall be deemed to have been compared and acknowledged by the Special Representative for the purposes of this Rule. In the event that the Registered Clearing Agency does not accept responsibility for the obligations of the non-participant reflected in such transaction data, the Special Representative shall be responsible therefor.

SEC. 3. Qualified Special Representatives

(a) For the purposes of these Rules, a Qualified Special Representative is a Special Representative who:

(1) operates an automated execution system where it is always the contra side to each transaction; or

(2) has a parent corporation or affiliated corporation that operates an automated execution system where the Special Representative is always the contra side to each transaction; or

(3) clears for a broker/dealer who operates an automated execution system where the broker/dealer is always the contra side to each transaction, and the subscribers to the automated execution system enter into an agreement with the broker/dealer and the Special Representative acknowledging the Special Representative's role in the clearance of trades executed on the automated execution system.

(b) A Qualified Special Representative may submit to the Corporation in automated form trade data from such automated execution system as locked-in trades which would appear on T-Contracts. All such trades must be submitted on a trade-by-trade basis in the actual form executed with original trade terms unaltered. The obligations of the Member reflected in such trade data as the Qualified Special Representative's contra-party shall be deemed to have been confirmed and acknowledged by each Member designated by the Qualified Special Representative as the contra party thereto and to have been adopted by such Member and, for the purposes of these Rules and determining the rights and obligations between the Corporation and any such Member under these Rules, shall be valid and binding upon such Member to the same extent as any trade compared under this Rule. A Member which has been designated as the contra-party to a trade by a Qualified Special Representative shall resolve any differences or claims regarding the rights and obligations reflected in the trade data submitted by the Qualified Special Representative with the Qualified Special Representative, and the Corporation shall have no responsibility in respect thereof or to adjust its records or the accounts of the Member in any way, other than pursuant to the instructions of the Qualified Special Representative.

SEC. 4. Index Receipt Agent

(a) For the purposes of these Rules an Index Receipt Agent shall be a Member which has entered into an Index Receipt Authorization Agreement as required by the Corporation from time to time.

~~[(e)]~~ **(b)** An Index Receipt Agent may submit to the corporation transaction data, which may reflect the netted results of other transactions, as to the rights and obligations of Members which calls for the delivery of cleared securities and is between Members, notwithstanding the fact that the rights and obligations may not represent transactions compared under this rule. The obligations of the Member reflected in such transaction data shall be deemed to have been confirmed and acknowledged by each Member or designated by the Index Receipt Agent as a party thereto and to have been adopted by such Member and, for the purposes of these Rules and determining the rights and obligations between the Corporation and any such Member under these Rules shall be valid and binding upon such Member to the same extent as any transaction compared under this Rule and shall be deemed to be transactions compared under this Rule.

SEC. ~~315~~. Trade data submitted to the Corporation by a Member pursuant to Section 1 of this Rule **or by a Qualified Special Representative pursuant to Section 3 of this Rule,** and transaction data submitted to the Corporation by a Special Representative or Index Receipt Agent pursuant to Section 2 **or 4** of this Rule, **as applicable,** shall be submitted in the form and manner, and in accordance with the time schedules, prescribed by, or pursuant to, the Procedures.

The name of a Member, Special Representative, **Qualified Special Representative** or Index Receipt Agent printed, stamped or written on any form,

document or other item issued by him or used in a transmission received from him pursuant to this Rule or the Procedures shall be deemed to have been adopted by him as his signature and shall be valid and binding upon him in all respects as though he had manually affixed his signature to such form, document or other item or transmission.

Each Member, Special Representative, **Qualified Special Representative** and Index Receipt Agent shall promptly check all information in any format that is made available to him by the Corporation pursuant to this Rule or the Procedures.

Any trade data submitted to the Corporation by a Member pursuant to Section 1 of this Rule which is not compared by the Corporation, or any such item compared by the Corporation which is subsequently deleted as provided in the Procedures and not later compared, or any transaction data received by the Corporation which is subsequently deleted as provided in the Procedures shall be adjusted directly between the parties.

Balance Order Contracts produced in accordance with the Procedures on the basis of trade data submitted by Members **or Qualified Special Representatives** pursuant to Section 1 **or 3, as applicable**, of this Rule or transaction data submitted by Special Representatives and Index Receipt Agents pursuant to Section 2 **or 4, as applicable** of this Rule will, as specified in the Procedures, either (i) be entered in the Balance Order Accounting Operation or (ii) be excluded from the Balance Order Accounting Operation in which case appropriate receive and deliver security orders will be issued by the Corporation in connection therewith and such security orders shall have the same status as security balance orders issued in connection with the Balance Order Accounting Operation and will be subject to all Rules pertaining to such security balance orders unless otherwise specified by the Corporation.

CNS Contracts produced in accordance with the Procedures on the basis of trade data submitted by Members **or Qualified Special Representatives** pursuant to Section 1 **or 3, as applicable**, of this Rule or transaction data submitted by Special Representatives and Index Receipt Agents pursuant to Section 2 **or 4, as applicable**, of this Rule will be entered in the CNS Accounting Operation for settlement as provided in the Procedures and shall be subject to Rule 11.

Foreign Security Contracts produced in accordance with the Procedures on the basis of trade data submitted pursuant to this Rule will be entered in the Foreign Security Accounting Operation as provided in the Procedures.

Notwithstanding the foregoing, Special Trades in Balance Order Securities and CNS Securities shall not enter the Accounting Operation, but will instead be subject to the provisions of Section 9 of Rule 11.

SEC. **[5]6**. The Corporation may determine, in its discretion, to accept, from self-regulatory organizations, as defined in the Securities Exchange Act of 1934, and/or derivatives clearing organizations that are registered or deemed to be registered with

the Commodity Futures Trading Commission pursuant to the Commodity Exchange Act (either directly or through subsidiary or affiliated organizations²) and/or service bureaus, initial, or supplemental trade data on behalf of **[Settling]** Members for input into the Corporation's Comparison Operation or compared trade data, **on a trade-by-trade basis [which may reflect the netted results of other transactions,]** on behalf of **[Settling]** Members for input into the Corporation's Accounting Operation provided that a **[Settling]** Member is a party to the trade or transaction. Such data shall be in a form acceptable to the Corporation, in its discretion, and within such time frames as the Corporation may, in its discretion, require. The Corporation shall deem the report of any such data by any such organization to have been authorized by the **[Settling]** Member on whose behalf the data shall have been reported. Data reported by any such organization(s) to the Corporation shall not be deemed to be reported by the **[Settling]** Member to the Corporation until such data is accepted by the Corporation.

A determination by the Corporation to accept data from such organization(s) on behalf of a **[Settling]** Member shall not be deemed to be an approval of such organization(s), or an assumption by the Corporation of any responsibility or liability for such organization's operation or failure to operate, which shall remain solely between the **[Settling]** Member and such organization(s). The Corporation shall be entitled to rely upon any data so submitted without inquiry into the accuracy or validity of such data. It shall be the responsibility of the **[Settling]** Member to take appropriate corrective action to resolve any differences resulting from the submission of incorrect data to the Corporation. Acceptance by the Corporation of data from such organization(s) shall not relieve the **[Settling]** Member from, or alter, amend or modify, any obligations of the **[Settling]** Member pursuant to the Corporation's Rules.

The Corporation may determine, in its discretion, to provide comparison services for participants of any such self-regulatory organization(s), who are not **[Settling]** Members of the Corporation, under such terms and conditions which the Corporation, in its discretion, may determine are appropriate or necessary.

SEC. 7. All trade data submitted to the Corporation for trade recording pursuant to Sections 3 or 6 of this Rule shall be submitted on a trade-by-trade basis, in the form executed without any form of "pre-netting" of such trades prior to their submission. The Corporation shall deem any form of trade summarization, compression, or other form of netting or practice that combines two or more trades prior to their submission to the Corporation, or any practice or action designed to contravene this prohibition, as a violation of this Rule³; and

² **This may include a trade reporting facility that: (i) is affiliated with, and is operated as a facility of, a self-regulatory organization (SRO), and (ii) the rules and operations of which are the subject of a rule change of the SRO that has been duly filed with the Securities and Exchange Commission and is effective.**

³ **Trades executed in the normal course of business between a Member that clears for other broker/dealers, and its correspondent, or between correspondents of such Member, which correspondent(s) is not itself a Member and settles such obligations through such clearing Member ("internalized trades") are not required to be submitted to the Corporation and shall not be considered to violate the pre-netting prohibition of this Rule.**

this prohibition shall apply to any Member (including any Special Representative or Qualified Special Representative) that, directly or indirectly, engages in such pre-netting.