

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="72"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2010"/> - * <input type="text" value="09"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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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 checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input 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, required when Initial is checked *).

NSCC proposes to modify its Rules and Procedures regarding the creation of a Universal Trade Capture application and an automated Special Representative facility.

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 * <input type="text" value="Jacqueline"/>	Last Name * <input type="text" value="Farinella"/>
Title * <input type="text" value="Counsel"/>	
E-mail * <input type="text" value="jfarinella@dtcc.com"/>	
Telephone * <input type="text" value="(212) 855-3216"/>	Fax <input type="text" value="(212) 855-3215"/>

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

(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 (required)

Add Remove View

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 (required)

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 and consists of modifications to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC”) regarding the creation of (i) a Universal Trade Capture (“UTC”) application which will standardize, streamline, consolidate and modernize NSCC’s existing legacy trade applications (specifically, NSCC’s Trade Comparison and Recording Operation) to create a more efficient centralized process, and (ii) an automated Special Representative facility.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed change was approved by the Risk Management Committee of the NSCC Board of Directors at a meeting duly called and held on April 12, 2010.

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

(a) NSCC is proposing to modify its Rules to accommodate the consolidation of its existing legacy trade capture and reporting applications to create a more efficient, centralized process via a Universal Trade Capture application (“UTC”), and create an automated Special Representative facility.

I. Universal Trade Capture (“UTC”)

A. Background

Since the 1970’s, NSCC has provided a framework for the clearance and settlement of transactions executed on national stock exchanges and in the Over-the-Counter (“OTC”) market, through its “Comparison and Trade Recording Operation”.¹ A Regional Interface Operation (the “Interregional Interface Service” or “RIO”) was established in 1974 through National Clearing Corporation (one of NSCC’s predecessor organizations), which permitted participating registered clearing corporations to provide for settlement, through the interface, of transactions in listed securities in the OTC market.² Over time, in efforts to promote straight-through processing, markets have

¹ On separate platforms, NSCC also provides services supporting mutual funds, alternative investments and insurance products, in addition to providing various other services.

² In 1983, the service was further expanded to facilitate the settlement of transactions which had been confirmed and affirmed through the facilities of a registered securities depository.

assumed responsibility for trade comparison (i.e., matching the buy and sell side of a securities transaction) at the point of trade, submitting the transaction to NSCC for trade recording purposes (i.e., the transaction details have already been compared, and the transaction is then submitted to NSCC on a “locked-in” basis).

Trade Comparison and Recording Operation

Transaction data is submitted to NSCC on a locked-in basis by Self-Regulatory Organizations (“SRO’s”) and Qualified Special Representatives (“QSR’s”) on behalf of Members for the purpose of Trade Recording, with purchaser and seller trade details compared by the SRO or QSR prior to submission to NSCC. NSCC then validates and records the transaction, and reports the details back to the SRO, QSR and/or Member, as appropriate. NSCC also provides a Comparison Operation for its Members, through which both the purchaser and seller may submit transactions which NSCC then validates, compares, and reports back to the Members. Compared and recorded trades are subsequently routed to the Continuous Net Settlement (“CNS”) Accounting Operation, the Balance Order Accounting Operation, or the Foreign Security Accounting Operation as applicable. NSCC makes transaction details available to Members, SRO’s and QSR’s on a real-time, intra-day and/or end-of-day basis, as applicable.

As NSCC’s systems for receipt of input and generation of output have evolved over time, depending upon the transaction and the originating entity, different reporting formats (for both input and output) may be utilized – there is currently no one, standard common record that is utilized by all market places or Members.

Regional Interface Operation

Originally, each participating clearing corporation had the opportunity to provide its own system for comparison, with the only common requirement being that inter-clearing corporation trades be matched by one of the two organizations involved in each of the inter-agency transactions (with an inter-clearing corporation being one side to each RIO trade). Over time, as organizations discontinued providing clearance and settlement services for their respective members (and those members ultimately became direct Members of NSCC, or entered into clearing arrangements with other NSCC Members), the reporting and settlement of trades submitted to NSCC changed.

With the discontinuance of the RIO service, NSCC nevertheless continued to accept trade input from regional exchanges and other market places, using the RIO formats. The formats used by regional exchanges for the submission of transaction data to NSCC are generally the same as the formats that had been used for information processed through the interface operation, and continue to commonly be referred to as “RIO”. Consequently, references today to “RIO” are not in reference to services previously provided under the service, but rather to information received in connection with NSCC’s receipt of data for the purposes of trade reporting.

B. Proposed Changes

The proposed rule change will amend, where applicable, the Rules of NSCC to accommodate the UTC application which will standardize, streamline, consolidate and modernize NSCC's existing legacy trade capture applications (specifically, with respect to trade recording, within NSCC's Trade Comparison and Recording Operation) to create a more efficient centralized process. The UTC application will accept and process a common input record from all marketplaces, and will provide for receipt and reporting of data in both real-time and intra-day/batch submissions to/from Members and SRO's.

UTC will replace all current locked-in Over-the-Counter ("OTC") and listed trade capture applications with one central real-time validation and reporting process. UTC will have the capability to accept or reject, validate, process, and send contract output to Members in real-time. Members will only have to support one standardized input and output format.

As further described below (see "Implementation Timeframe"), trade data will be received from markets in real-time and batch. NSCC will convert the existing input format to the new UTC input record format, which will enable the UTC to provide Members and SRO's with their trade output in the format of their choice (new or old).

As part of this effort, NSCC will also provide for enhancements to its Correspondent Clearing Service and QSR processing as further described below.

II. Automated Special Representative Facility for Special Representatives and Qualified Special Representatives

A. Background

NSCC's Correspondent Clearing Service is designed to provide an automated method by which a Member, acting as a Special Representative, may move an obligation (a position) that it has in the process of clearance at NSCC to the account of another Member (its correspondent) on whose behalf the original trade was executed. (The term "original trade" is used within Correspondent Clearing solely to distinguish between trades executed in the marketplace by the Special Representative, and transactions booked for accounting purposes to accommodate the movement of positions between Members as provided for in Procedure IV. Correspondent Clearing is not a mechanism for original trade submission.)

B. Proposed Changes

1. Expanding Permitted Use of Service

Currently, NSCC's rules provide the Correspondent Clearing Service may only be used in the following situations: first, to accommodate a Member with multiple affiliate accounts who wishes to move a position resulting from an "original trade" in the process

of clearance from one affiliate account to another, and second, to accommodate a Member that relies on its Special Representative to execute a trade in a market that the Member is precluded from due either to membership requirements (e.g., membership requirement for access to markets) or applicable regulation, to enable the resulting position to be moved from the Special Representative to that Member.

As it is not uncommon that Members utilize the services of other broker-dealers to execute trades in markets where they are members in order to facilitate their trading strategies, NSCC proposes to modify its Rules to provide that the Correspondent Clearing Service may be utilized by Members to accommodate a Member that relies on its Special Representative to execute a trade in any market (regardless of whether that Member maintains direct access to that market), to enable the resulting position to be moved from the Special Representative to that Member.

2. Creation of an Automated Special Representative Facility

Historically, Members participating in the Correspondent Clearing Service (and those utilizing the services of a QSR for the submission of original, locked-in trade data), have been required to complete and remit to NSCC, specific agreements for each relationship established. For example, in Correspondent Clearing, one Member completes documentation (commonly referred to as Form 9a - Application for Status as a Special Representative) by which they apply to NSCC for status as a Special Representative to submit transactions on behalf of a specified Member. That Member (the Correspondent) must then also complete and submit to NSCC documentation (commonly referred to as a Form 9b – Special Representative Consent) by which they consent to the establishment of that relationship. For QSR relationships, Members submit Forms 9a and Form 9b, along with an additional form that is specific to the QSR system being utilized (commonly referred to as an “Attachment 1”). NSCC then establishes these relationships on its internal Masterfile, subsequently terminating those relationships at the direction of either party.

To assist Members in controlling and monitoring their Special Representative and Qualified Special Representative relationships, NSCC proposes to create an automated, online, secure facility by which Members themselves may establish, monitor and maintain these relationships. Both the Special Representative Member and the Correspondent Member must submit matching instructions within the facility in order for the relationship to be established. Either party may submit a single entry to retire the relationship.

Members will be reminded, via formatting within the facility, of their existing (and unchanged) obligations under NSCC’s Rules with respect to utilizing these services – namely, that by establishing the relationship within the facility both Members continue to be bound by the Rules of NSCC; the Correspondent is bound by the details of all transactions submitted on their behalf by the Qualified Special Representative (or Special

Representative, as the case may be), and any errors or omissions or disputes relating to such relationships and related transactions must be resolved directly between the parties.

The establishment of relationships through the automated facility shall meet the written notice requirements for such services as otherwise set forth within NSCC's Rules and Procedures. Members will no longer be required to submit signed Forms to NSCC for these processes.

III. Rule Modifications

As the UTC functionality will provide for processing of a common input/output record from/to all marketplaces (validating the transaction and providing for real-time message output to Members and SRO's), NSCC is proposing to modify its Rules to make conforming changes to reflect, where appropriate, a single procedure or process for the submission and reporting of transaction data to and from SRO's and Members. In addition, NSCC will modify its Rules to provide for an automated online functionality for the establishment and retirement of Special Representative and Qualified Special Representative relationships, and references and provisions within the Rules that pertained to the now obsolete RIO Service will be eliminated.

Accordingly, NSCC proposes to amend the following³ Rules & Procedures, as set forth in Exhibit 5: Rule 7 (Comparison and Trade Recording Operation); Rule 40 (Interregional Interface Service); Procedure II (Trade Comparison and Recording Service); Procedure III (Trade Recording Service – Interface Clearing Procedures); and, Procedure IV (Special Representative Service).

³ In addition, the following Rules and Procedures will be generally modified to make conforming changes: Procedure VII (CNS Accounting Operation) – modified to conform an existing rule cross reference to a renamed Procedure; Procedure X (Execution of Buy-Ins) modified to eliminate references to regional accounts; Procedure XIII (Definitions), modified to remove a defined and now obsolete term “Qualified Non-Participant”; Procedure V (Balance Order Accounting Operation); Procedure VI (Foreign Security Accounting Operation); Addendum A (Fee Schedule) – modified to delete obsolete regional/inter-clearing corporation references; Addendum J (Statement of Policy – Locked-In Data from Service Bureaus) – modified to correct a pre-existing erroneous reference to Section 5 of Rule 7 where it should have referenced Section 6 of that Rule; Addendum K (Interpretation of the Board of Directors – Application of Clearing Fund)- modified to reflect specific reference to T Contracts, and Addendum N (Interpretation of the Board of Directors – Locked-In Data from Qualified Special Representatives) - modified to conform an existing rule cross reference to renumbered procedure subsection.

IV. Implementation Timeframe

Subject to regulatory approval, NSCC will implement the above changes by January 31, 2011.

With respect to UTC changes, to support the migration period, NSCC will provide a process (a conversion process) to support those markets that are not yet ready to submit transaction data in the new common input format (i.e., NSCC will accept data in the old format, and convert data into the new UTC format). The conversion process will enable NSCC to offer Members and SRO's the new output format regardless of whether the market has converted to the new standard. UTC will continue to support all existing interfaces with markets, Members and SRO's with respect to trade input and output.

To support maximum flexibility in allowing firms to migrate to their own schedules, NSCC will continue to support all existing interfaces with markets, Member's, SRO's and regulatory agencies for a period of time after UTC is implemented.

NSCC will establish a plan for the retirement of all legacy input and output formats, and by the end of the first quarter of 2012 will reassess the status of those firms utilizing legacy formats. At that time, NSCC will work with any Members, SRO's and regulatory agencies that have not yet converted from legacy reporting, affording such firms with sufficient lead time for migration.

(b) As the proposal will provide for additional efficiencies to NSCC and its participants while maintaining safe and secure operations, the proposed rule change facilitates the prompt and accurate clearance and settlement of securities. The proposal is consistent with the CPSS/IOSCO Recommendations for Central Counterparties (specifically, Recommendation 12) in that in addition to the additional efficiencies noted above, the UTC will also provide for cost-effectively meeting the requirements of NSCC's participants.

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

NSCC believes that the proposed rule change will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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. NSCC will notify the Commission of any written comments received by NSCC.

6. Extension of Time Period for Commission Action.

NSCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

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

- (a) Not applicable
- (b) Not applicable
- (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 upon the rules of another self-regulatory organization.

9. Exhibits

- Exhibit 1 - Notice of proposed rule change for publication in the Federal Register.
- Exhibit 2 – N/A
- Exhibit 3 – N/A
- Exhibit 4 – N/A
- Exhibit 5 – Proposed Changes to NSCC’s Rules

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-NSCC-2010-09

August 30, 2010

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Securities Clearing Corporation (“NSCC”) regarding the creation of a Universal Trade Capture Application and an automated Special Representative facility.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”), notice is hereby given that on _____ National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by NSCC. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change is annexed hereto as Exhibit 5.

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 these statements.

(A) Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

I. Universal Trade Capture (“UTC”)

A. Background

Since the 1970's, NSCC has provided a framework for the clearance and settlement of transactions executed on national stock exchanges and in the Over-the-Counter ("OTC") market, through its "Comparison and Trade Recording Operation".¹ A Regional Interface Operation (the "Interregional Interface Service" or "RIO") was established in 1974 through National Clearing Corporation (one of NSCC's predecessor organizations), which permitted participating registered clearing corporations to provide for settlement, through the interface, of transactions in listed securities in the OTC market.² Over time, in efforts to promote straight-through processing, markets have assumed responsibility for trade comparison (i.e., matching the buy and sell side of a securities transaction) at the point of trade, submitting the transaction to NSCC for trade recording purposes (i.e., the transaction details have already been compared, and the transaction is then submitted to NSCC on a "locked-in" basis).

Trade Comparison and Recording Operation

Transaction data is submitted to NSCC on a locked-in basis by Self-Regulatory Organizations ("SRO's") and Qualified Special Representatives ("QSR's") on behalf of Members for the purpose of Trade Recording, with purchaser and seller trade details compared by the SRO or QSR prior to submission to NSCC. NSCC then validates and records the transaction, and reports the details back to the SRO, QSR and/or Member, as appropriate. NSCC also provides a Comparison Operation for its Members, through which both the purchaser and seller may submit transactions which NSCC then validates, compares, and reports back to the Members. Compared and recorded trades are subsequently routed to the Continuous Net Settlement ("CNS") Accounting Operation,

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² In 1983, the service was further expanded to facilitate the settlement of transactions which had been confirmed and affirmed through the facilities of a registered securities depository.

the Balance Order Accounting Operation, or the Foreign Security Accounting Operation as applicable. NSCC makes transaction details available to Members, SRO's and QSR's on a real-time, intra-day and/or end-of-day basis, as applicable.

As NSCC's systems for receipt of input and generation of output have evolved over time, depending upon the transaction and the originating entity, different reporting formats (for both input and output) may be utilized – there is currently no one, standard common record that is utilized by all market places or Members.

Regional Interface Operation

Originally, each participating clearing corporation had the opportunity to provide its own system for comparison, with the only common requirement being that inter-clearing corporation trades be matched by one of the two organizations involved in each of the inter-agency transactions (with an inter-clearing corporation being one side to each RIO trade). Over time, as organizations discontinued providing clearance and settlement services for their respective members (and those members ultimately became direct Members of NSCC, or entered into clearing arrangements with other NSCC Members), the reporting and settlement of trades submitted to NSCC changed.

With the discontinuance of the RIO service, NSCC nevertheless continued to accept trade input from regional exchanges and other market places, using the RIO formats. The formats used by regional exchanges for the submission of transaction data to NSCC are generally the same as the formats that had been used for information processed through the interface operation, and continue to commonly be referred to as "RIO". Consequently, references today to "RIO" are not in reference to services previously provided under the service, but rather to information received in connection with NSCC's receipt of data for the purposes of trade reporting.

B. Proposed Changes

The proposed rule change will amend, where applicable, the Rules of NSCC to accommodate the UTC application which will standardize, streamline, consolidate and modernize NSCC's existing legacy trade capture applications (specifically, with respect to trade recording, within NSCC's Trade Comparison and Recording Operation) to create a more efficient centralized process. The UTC application will accept and process a common input record from all marketplaces, and will provide for receipt and reporting of data in both real-time and intra-day/batch submissions to/from Members and SRO's.

UTC will replace all current locked-in Over-the-Counter ("OTC") and listed trade capture applications with one central real-time validation and reporting process. UTC will have the capability to accept or reject, validate, process, and send contract output to Members in real-time. Members will only have to support one standardized input and output format.

As further described below (see "Implementation Timeframe"), trade data will be received from markets in real-time and batch. NSCC will convert the existing input format to the new UTC input record format, which will enable the UTC to provide Members and SRO's with their trade output in the format of their choice (new or old).

As part of this effort, NSCC will also provide for enhancements to its Correspondent Clearing Service and QSR processing as further described below.

II. Automated Special Representative Facility for Special Representatives and Qualified Special Representatives

A. Background

NSCC's Correspondent Clearing Service is designed to provide an automated method by which a Member, acting as a Special Representative, may move an obligation (a position) that it has in the process of clearance at NSCC to the account of another

Member (its correspondent) on whose behalf the original trade was executed. (The term “original trade” is used within Correspondent Clearing solely to distinguish between trades executed in the marketplace by the Special Representative, and transactions booked for accounting purposes to accommodate the movement of positions between Members as provided for in Procedure IV. Correspondent Clearing is not a mechanism for original trade submission.)

B. Proposed Changes

1. Expanding Permitted Use of Service

Currently, NSCC’s rules provide the Correspondent Clearing Service may only be used in the following situations: first, to accommodate a Member with multiple affiliate accounts who wishes to move a position resulting from an “original trade” in the process of clearance from one affiliate account to another, and second, to accommodate a Member that relies on its Special Representative to execute a trade in a market that the Member is precluded from due either to membership requirements (e.g., membership requirement for access to markets) or applicable regulation, to enable the resulting position to be moved from the Special Representative to that Member.

As it is not uncommon that Members utilize the services of other broker-dealers to execute trades in markets where they are members in order to facilitate their trading strategies, NSCC proposes to modify its Rules to provide that the Correspondent Clearing Service may be utilized by Members to accommodate a Member that relies on its Special Representative to execute a trade in any market (regardless of whether that Member maintains direct access to that market), to enable the resulting position to be moved from the Special Representative to that Member.

2. Creation of an Automated Special Representative Facility

Historically, Members participating in the Correspondent Clearing Service (and those utilizing the services of a QSR for the submission of original, locked-in trade data), have been required to complete and remit to NSCC, specific agreements for each

relationship established. For example, in Correspondent Clearing, one Member completes documentation (commonly referred to as Form 9a - Application for Status as a Special Representative) by which they apply to NSCC for status as a Special Representative to submit transactions on behalf of a specified Member. That Member (the Correspondent) must then also complete and submit to NSCC documentation (commonly referred to as a Form 9b – Special Representative Consent) by which they consent to the establishment of that relationship. For QSR relationships, Members submit Forms 9a and Form 9b, along with an additional form that is specific to the QSR system being utilized (commonly referred to as an “Attachment 1”). NSCC then establishes these relationships on its internal Masterfile, subsequently terminating those relationships at the direction of either party.

To assist Members in controlling and monitoring their Special Representative and Qualified Special Representative relationships, NSCC proposes to create an automated, online, secure facility by which Members themselves may establish, monitor and maintain these relationships. Both the Special Representative Member and the Correspondent Member must submit matching instructions within the facility in order for the relationship to be established. Either party may submit a single entry to retire the relationship.

Members will be reminded, via formatting within the facility, of their existing (and unchanged) obligations under NSCC’s Rules with respect to utilizing these services – namely, that by establishing the relationship within the facility both Members continue to be bound by the Rules of NSCC; the Correspondent is bound by the details of all transactions submitted on their behalf by the Qualified Special Representative (or Special Representative, as the case may be), and any errors or omissions or disputes relating to such relationships and related transactions must be resolved directly between the parties.

The establishment of relationships through the automated facility shall meet the written notice requirements for such services as otherwise set forth within NSCC’s Rules

and Procedures. Members will no longer be required to submit signed Forms to NSCC for these processes.

III. Rule Modifications

As the UTC functionality will provide for processing of a common input/output record from/to all marketplaces (validating the transaction and providing for real-time message output to Members and SRO's), NSCC is proposing to modify its Rules to make conforming changes to reflect, where appropriate, a single procedure or process for the submission and reporting of transaction data to and from SRO's and Members. In addition, NSCC will modify its Rules to provide for an automated online functionality for the establishment and retirement of Special Representative and Qualified Special Representative relationships, and references and provisions within the Rules that pertained to the now obsolete RIO Service will be eliminated.

Accordingly, NSCC proposes to amend the following³ Rules & Procedures, as set forth in Exhibit 5: Rule 7 (Comparison and Trade Recording Operation); Rule 40 (Interregional Interface Service); Procedure II (Trade Comparison and Recording Service); Procedure III (Trade Recording Service – Interface Clearing Procedures); and, Procedure IV (Special Representative Service).

³ In addition, the following Rules and Procedures will be generally modified to make conforming changes: Procedure VII (CNS Accounting Operation) – modified to conform an existing rule cross reference to a renamed Procedure; Procedure X (Execution of Buy-Ins) modified to eliminate references to regional accounts; Procedure XIII (Definitions), modified to remove a defined and now obsolete term “Qualified Non-Participant”; Procedure V (Balance Order Accounting Operation); Procedure VI (Foreign Security Accounting Operation); Addendum A (Fee Schedule) – modified to delete obsolete regional/inter-clearing corporation references;. Addendum J (Statement of Policy – Locked-In Data from Service Bureaus) – modified to correct a pre-existing erroneous reference to Section 5 of Rule 7 where it should have referenced Section 6 of that Rule; Addendum K (Interpretation of the Board of Directors – Application of Clearing Fund)- modified to reflect specific reference to T Contracts, and Addendum N (Interpretation of the Board of Directors – Locked-In Data from Qualified Special Representatives) - modified to conform an existing rule cross reference to renumbered procedure subsection.

IV. Implementation Timeframe

Subject to regulatory approval, NSCC will implement the above changes by January 31, 2011.

With respect to UTC changes, to support the migration period, NSCC will provide a process (a conversion process) to support those markets that are not yet ready to submit transaction data in the new common input format (i.e., NSCC will accept data in the old format, and convert data into the new UTC format). The conversion process will enable NSCC to offer Members and SRO's the new output format regardless of whether the market has converted to the new standard. UTC will continue to support all existing interfaces with markets, Members and SRO's with respect to trade input and output.

To support maximum flexibility in allowing firms to migrate to their own schedules, NSCC will continue to support all existing interfaces with markets, Member's, SRO's and regulatory agencies for a period of time after UTC is implemented.

NSCC will establish a plan for the retirement of all legacy input and output formats, and by the end of the first quarter of 2012 will reassess the status of those firms utilizing legacy formats. At that time, NSCC will work with any Members, SRO's and regulatory agencies that have not yet converted from legacy reporting, affording such firms with sufficient lead time for migration.

(b) As the proposal will provide for additional efficiencies to NSCC and its participants while maintaining safe and secure operations, the proposed rule change facilitates the prompt and accurate clearance and settlement of securities. The proposal is consistent with the CPSS/IOSCO Recommendations for Central Counterparties (specifically, Recommendation 12) in that in addition to the additional efficiencies noted above, the UTC will also provide for cost-effectively meeting the requirements of NSCC's participants.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NSCC believes that the proposed rule change will not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

(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. 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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

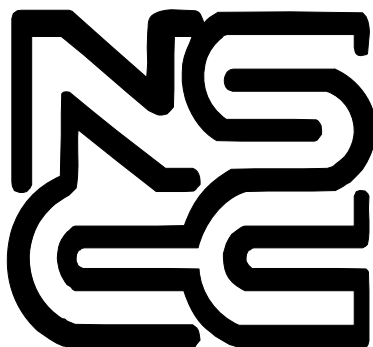
Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

- 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-2010-09 on the subject line.
- Paper comments should be sent in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington DC 20549-1090.

All submissions should refer to File Number SR-NSCC-2010-09. 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 Section 100 F Street, NE, Washington DC 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 Trading and Markets, pursuant to delegated authority.

Elizabeth M. Murphy
Secretary



NATIONAL
SECURITIES
CLEARING
CORPORATION

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Pending changes in Rule Filing SR-NSCC-2006-04 -- (Extension submitted 4/16/10 – 7/31/10)

Underlined and boldface text indicates new text
~~Strikethrough and boldface~~ indicates deleted text

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

SEC.1. A Member may submit to the Corporation for comparison or for trade recording, 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 t~~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 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 ~~f, 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 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

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.

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.

~~(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.

(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. 5. 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. 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 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 Members for input into

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.

the Corporation's Accounting Operation provided that a 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 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 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 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 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 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 Member from, or alter, amend or modify, any obligations of the 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 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 this prohibition shall apply to any Member (including any Special Representative or Qualified Special Representative) that, directly or indirectly, engages in such pre-netting.

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.**

RULE 40. INTERREGIONAL INTERFACE SERVICE (RULE NUMBER RESERVED FOR FUTURE USE)

~~The Corporation may establish a service in conjunction with one or more Registered Clearing Agencies to be known as the Interregional Interface Service and may provide such service to any Member which has executed such agreement with the Corporation as the Corporation may from time to time require. The Corporation may enter into such agreements as it may deem appropriate with any other Registered Clearing Agencies which agreements shall govern Interregional Interface Service transactions between the Corporation and such other Registered Clearing Agency. The Corporation may from time to time establish procedures which shall be applicable to the operation of the Interregional Interface Service.~~

~~The Interregional Interface Service shall provide a means whereby a Member may settle trades submitted to the Corporation for comparison through another Registered Clearing Agency or may settle trades submitted to another Registered Clearing Agency through the Corporation. Notwithstanding the above, the Corporation and one or more Registered Clearing Agencies may agree from time to time to include additional transactions in the Interregional Interface Service and additional services in one or more interfaces between the Corporation and the Registered Clearing Agencies.~~

PROCEDURE II. TRADE COMPARISON AND RECORDING SERVICE

A. Introduction

Trade Comparison is the first step in the clearance and settlement of securities transactions. It consists of reporting, validating and matching the buy and sell sides of a securities transaction and results in a compared trade. Trade data submitted by Self-Regulatory Organizations and Qualified Special Representatives on behalf of Members as permitted in this Procedure II is submitted on a locked-in basis for Trade Recording, and is converted (if necessary), validated, recorded and reported to Members. Except as specified below, compared and recorded trades are then entered into the CNS Accounting Operation, the Foreign Security Accounting Operation, or the Balance Order Accounting Operation.

All locked-in trade data submitted by Self-Regulatory Organizations and Qualified Special Representatives for recording pursuant to this Procedure II must be submitted Real-time (as that term is defined in the definitions to these Procedures (Procedure XIII)).¹

Compared and recorded trades are routed to either the CNS Accounting Operation, the Balance Order Accounting Operation, or the Foreign Security Accounting Operation. Separate Trade Comparison and Recording is provided for regular way and when-issued and when distributed transactions in equity securities (a) executed on ~~NYSE and NYSE Alternext (round-lot transactions)~~ **securities exchanges**, and (b) traded in ~~the Over-the-Counter (OTC) market and on other national securities exchanges~~. Separate Trade Comparison and Recording is also provided for debt securities, including when issued and when-distributed transactions, for transactions in all marketplaces.²

B. ~~Regular Way NYSE/NYSE Alternext~~ Equity **and Listed Debt** Securities

1. **Locked-In** Trade Input

(i) Recording of Regular-Way Transactions

Self-Regulatory Organizations **and Qualified Special Representatives** on behalf of Members **(as applicable)** may submit to the Corporation trade data relating to regular way ~~round-lot~~ transactions in ~~equity~~ securities executed on ~~NYSE and NYSE~~

¹ **Real-time submission will be implemented on [insert date that is the first day of the ninth month following Commission approval of SR-NSCC-2006-04], at which time this paragraph will become effective, and this footnote will be removed from these rules.**

² 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.

~~**Alternext securities exchanges or OTC marketplaces. NYSE and NYSE Alternext odd-lot trades shall be submitted pursuant to Section III. E. of these Procedures.**~~ Regular way trade data may be submitted throughout T (**“trade date”**) until the time specified by the Corporation ~~**on the first day following trade date (T+1)**~~ (hereinafter referred to as "Original Trade Input"), and shall include quantity, security identification, identification of the marketplace of execution, contra-broker, trade value and other identifying details as the Corporation may require or permit.

Regular way trade data as submitted by Self-Regulatory Organizations **and Qualified Special Representatives** on behalf of Members ("Locked-in Trade Data") is converted, if necessary, and validated. Results of this process are reported by the Corporation to Members on such reports and in such formats as determined by the Corporation from time to time. Such reports are available to Members **on a real-time and/or** intra-day **basis as determined by the Corporation from time to time and on the morning of T+1.**

~~**The reports identify each security as being eligible (a CNS Security) or non-eligible (a Balance Order Security) for processing through the CNS system. Depending upon the format of the report, separate totals may be provided for each of these categories.**~~

~~**The Corporation provides SRO's with the ability to submit listed trades for processing on a trade-for-trade basis. Such transactions are referred to as Special Trades and may be classified as such, whether or not the security is a CNS Security. In addition, the Corporation itself may determine that some or all transactions in a security shall settle on a trade-for-trade basis.**~~

~~**Adjustment reports are produced at such intervals and in such formats as determined by the Corporation showing all compared trade data resulting from T+1 and older adjustments processed by the NYSE and NYSE Alternext, as well as step-out transactions processed that day. Designations for CNS Securities and Balance Order securities are shown in the same manner as on the reports issued as a result of T input. If trades are listed on reports which include totals, the new data is added to or subtracted from such totals, to arrive at new totals. The new totals represent the combined input for T through such cutoff time on T+3 as the Corporation may designate. Trades received after such cutoff time as established on T+3 are not included in the normal settlement cycle. Such trades will be assigned a new settlement date which will be the next settlement day following the date the trade is received by the Corporation.**~~

2. (ii) Recording of Cash, Next Day and Seller's Option Transactions

Qualified Special Representatives and Self-Regulatory Organizations on behalf of Members may submit to the Corporation, data relating to cash, next day, and seller's option transactions **on securities other than securities processed under Procedure VI.** Such trade data may be submitted during the timeframes specified by the Corporation from time to time and shall include such trade details as the Corporation

may specify (including, if the transaction is a seller's option, the settlement date, which may be no greater than 180 days beyond the trade date). Results of this input are reported by the Corporation to Members on a separate section of the Adjustment reports such reports and in such formats as determined by the Corporation from time to time, and if the securities covered by such trades are CNS-eligible, the recorded trades will be entered into the CNS accounting operation (unless otherwise provided in these Procedures). Cash trades received after such cutoff time as the Corporation designates will be recorded and reported, but may only be settled directly between the parties. Next day as-of trades received on Settlement Date prior to the Corporation's designated cutoff time will settle on that date; otherwise the trade will be assigned a new settlement date which will be the next settlement day following the date the trade is recorded by the Corporation. Trades that are either (i) designated as Special Trades, (ii) in a security which is not CNS-eligible, or (iii) in a security undergoing a corporate action, or (iv) are scheduled to settle between a dividend X date and record date, will be processed on a trade-for-trade basis.

~~C. Regular Way Over-the-Counter and Other Exchange Equity Securities~~

~~12. Trade Input and Comparison~~

(i) Comparison of Member Input

Members, ~~Self-Regulatory Organizations and Qualified Special Representatives on behalf of Members~~, may submit to the Corporation trade data relating to regular way transactions executed OTC ~~and on other securities exchanges or marketplaces (other than NYSE and NYSE Alternext)~~. Regular way trade data may be submitted throughout T until the time specified by the Corporation ~~on the first day following trade date (T+1)~~ (hereinafter referred to as "Original Trade Input"), and shall include quantity, security identification, identification of the marketplace of execution, contra-broker, trade value and other identifying details as the Corporation may require or permit.

Trade input, submitted by a Member, shall identify the major and minor side executing brokers and the major side Member. The minor side Member may also be submitted. If not submitted, the Corporation shall insert the proper information in accordance with the list maintained by the Corporation as provided for by Section 3(e) of Rule 3.

Regular way trade data as submitted by Members, ~~and regular way trade data submitted by Self-Regulatory Organizations or Qualified Special Representatives on behalf of Members ("Locked-in Trade Data")~~, is converted, if necessary, validated and ~~with respect to data submitted by Members~~, matched by the Corporation to insure that the details of each trade are in agreement between the purchaser and seller. Results of this process are reported by the Corporation to Members on such reports and in such formats as determined by the Corporation from time to time. Reports are available to Members on a real-time and/or intra-day basis as determined by the

~~Corporation from time to time With regard to Locked-in Trade Data reported on T by Self-Regulatory Organizations and Qualified Special Representatives, the Corporation may report back such data to Members on separate reports. If data received from a Self Regulatory Organization is the result of a trade executed on a system which provides trading anonymity (i.e. the contra side is not revealed at the time of the trade) the report may list, in lieu of the actual contra side for the trade, an acronym designated by such Self Regulatory Organization. In this case, the contra side shall, for all purposes, be deemed to be one of the entities which the Self Regulatory Organization includes as an eligible entity which may participate in the anonymous trading system.³ Reports are available to Members intra-day and on the morning of T+1.~~

~~The Reports for trade data other than Locked-in Trade Data will categorize the trade data as compared, uncomparing and advisory, and may display such other data relevant to such trades as the Corporation shall determine from time to time.~~

~~(a) Compared – Items identified as compared are those for which both a purchaser and a seller submitted identical trade data and for which a comparison has been effected.~~

~~(b) Uncomparing – Items identified as uncomparing reflect trades submitted by the Member for which the opposite side either did not submit data or did not submit data which agreed in all respects.~~

~~(c) Advisory – Advisory data represents trades submitted by another party against the Member, but which did not match any trade the Member submitted. Advisory reports may be generated by the Corporation for items listed as advisory data. The use of Advisory reports explained below.~~

~~As with listed equity reports, reports for OTC and other exchange trades will identify each security as being eligible (a CNS Security) or non-eligible (a Balance Order Security) for processing through the CNS system and depending on the format of the report may provide separate totals for each of these categories.~~

~~The Corporation provides Members with the ability to clear and settle any compared trade on a trade-for-trade basis. Such transactions are referred to as Special Trades and may be classified as such, whether or not the security is a CNS Security. In order for a transaction to be classified as a~~

³ ~~In the event that the Corporation ceases to act for a Member which is the unidentified contra side of any such trade and the Corporation determines that such trade is to be exited from trade processing, the Self Regulatory Organization shall have the responsibility to identify to Members the trades included in reports produced by the Corporation which are with the affected Member.~~

~~Special Trade, each of the purchaser and seller must agree to settle on a trade-for-trade basis and must identify the transaction in its trade input as a Special Trade. If only one party identifies a transaction as a Special Trade, it will not be compared. In addition, the Corporation itself may determine that some or all transactions in a security shall settle on a trade-for-trade basis.~~

~~Trade input, submitted by a Member, shall identify the major and minor side executing brokers and the major side Member. The minor side Member may also be submitted. If not submitted, the Corporation shall insert the proper information in accordance with the list maintained by the Corporation as provided for by Section 3(e) of Rule 3.~~

~~In order to maximize the number of compared trades, if the major and minor side executing broker information, when used as a criteria in the trade comparison process, results in an uncomparing trade, the Corporation will recycle the trade data without the major and/or minor side executing broker information originally submitted. The Regular Way T+1 Contract Lists will indicate when a resulting compared or uncomparing trade has been processed without the use of the major and/or minor side executing broker information.~~

~~2. Recording of Cash, Next Day and Seller's Option Transactions~~

~~Qualified Special Representatives and Self-Regulatory Organizations on behalf of Members may submit to the Corporation data relating to cash, next day and seller's option transactions on securities other than securities processed under Procedure VI. Such trade data may be submitted during the timeframes specified by the Corporation from time to time and shall include such trade details as the Corporation may specify (including, if the transaction is a seller's option, the settlement date, which may be no greater than 180 days beyond the trade date). Results of this input are reported by the Corporation to Members on such reports and in such formats as determined by the Corporation from time to time, and if the securities covered by such trades are CNS-eligible, the recorded trades will be entered into the CNS accounting operation (unless otherwise provided in these Procedures). Cash trades received after such cutoff time as the Corporation designates will be recorded and reported, but may only be settled directly between the parties. Next day as of trades received on Settlement Date prior to the Corporation's designated cutoff time will settle on that date; otherwise the trade will be assigned a new settlement date which will be the next settlement day following the date the trade is recorded by the Corporation. Trades that are either (i) designated as Special Trades, (ii) in a security which is not CNS-eligible, or (iii) in a security undergoing a corporate action, or (iv) are scheduled to settle between a dividend X and record date, will be processed on a trade-for-trade basis.~~

3. (iii) Resolution of Uncompared Transactions

The Corporation provides the following procedures for resolution of uncompared regular way OTC and other securities exchange equity securities transactions:

(a) Advisory reports are generated by the Corporation for each item listed on output as advisory data. A Member may respond to an advisory listing by submitting acceptance input in such times as determined by the Corporation. If a trade is accepted, it will be reflected on the applicable output as a compared trade.

(b) Transactions may be added through the use of an As-Of submission on T+1 or thereafter. Both the purchaser and the seller must submit the As-Of. If data submitted by each Member matches in all respects, the trade is added for both Members.

(c) Compared odd-lot trades for Balance Order Securities, to the extent that they cannot be aggregated into round-lots with the same contra broker or the balance or shares remaining after the round-lots are aggregated, will be netted and allotted independently from the round-lots.

The Corporation provides a joint service with Self-Regulatory Organizations for the receipt of Locked-in Trades executed on other Exchanges or marketplaces. The results of this input are reported to Members on reports together with OTC transactions.

(d) Reports are produced at such intervals and in such formats as determined by the Corporation showing all compared trade data which occurs after T input. Designations for CNS Securities and Balance Order securities are shown in the same manner as on reports issued as a result of T input. If such trades are listed on reports which include totals, the new data is added to or subtracted from such totals to arrive at new totals. The new totals represent the combined input for T through such cutoff time on T+3 as the Corporation may designate that is now compared. Trades compared after such cutoff time as established on T+3 are not included in the normal settlement cycle. Such trades will be assigned a new settlement date which will be the next settlement day following the date the trade is compared or received by the Corporation.

DC. Debt Securities

1. Trade Input and Comparison

The Corporation provides the following procedures for trade input and comparison of transactions in regular way debt securities, including unit

investments trusts, in any par value (excluding fractions and decimals), other than securities submitted through the correspondent clearing service and by regional exchanges/marketplaces or Qualified Securities Depositories:

(a) Trade data as submitted by Members and Municipal Comparison Only Members for comparison processing is converted, if necessary, validated and matched by the Corporation to insure that the details of each trade are in agreement between the purchaser and the seller.

(b) Trade data may be submitted during the timeframes specified by the Corporation from time to time, and shall include quantity, security identification, identification of the marketplace of execution, contra-broker, trade value, settlement date (which may be no greater than 50 business days beyond the trade date), trade date, unique reference number (x-ref), and other identifying details as the Corporation may require or permit and shall be in such formats as specified by the Corporation relative to the method utilized for trade submission.

(c) If the purchaser and seller have submitted trade data that matches in all required respects other than for trade value, the trades shall be deemed compared if one of the following tolerances apply:

(1) Trades that are submitted prior to the cut-off time for intraday comparison established by the Corporation from time to time shall be deemed compared using the seller's contract amount if the contract amounts are within (i) a net \$2 difference for trades of \$1 million or less and (ii) \$2 per million for trades greater than \$1 million.

(2) Trades that remain un-compared after the intraday comparison process shall be deemed compared during the end-of-day enhanced comparison process using the seller's contract amount if the contract amounts are within (i) a net \$10.00 difference for trades of \$100,000 or less and (ii) \$.10 per \$1,000 for trades greater than \$100,000.

(d) Trades that are submitted prior to the cut-off time for intraday comparison established by the Corporation from time to time shall be deemed compared if the purchaser and seller have submitted trade data that matches in all required respects, including contract amounts which were deemed matched pursuant to the money tolerances in subsection (c), except for the trade date. In such case, the earlier of the two trade dates is used.

(e) Trades deemed compared pursuant to subsections (c) and/or (d) shall be identified on output made available by the Corporation in such format as determined by the Corporation from time to time. Trades that remain un-compared after any end-of-day enhanced comparison process shall be treated as if they were submitted prior to the cut-off time for the next available comparison processing cycle.

(f) Trade input must indicate one of the following: OTC, municipal security transactions or unit trust fund transactions.

(g) Corporate bond trades in quantities of other than multiples of a thousand (round-lots) must be divided into separate trade submissions of the round lot quantity and the odd-lot quantity (multiples of less than one thousand). All compared corporate bond trades in odd-lot quantities will be processed on a trade-for-trade basis. Transactions in municipal securities must be in multiples of a thousand.

(h) Results of the comparison process shall be provided on intraday or end-of-day output, as applicable, and shall categorize trade data as:

(1) Compared/Matched - Items identified either as compared or matched on applicable output are those for which both a purchaser and a seller submitted mandatory trade details that were either identical or were compared pursuant to subsections (c) and/or (d) above and for which a comparison has been effected.

(2) Uncompared/Unmatched - Items identified as uncompared or unmatched on applicable output reflect trades submitted by the Member or the Municipal Comparison Only Member for which the opposite side either did not submit data or did not submit data which agreed in all required respects including the use of tolerances set forth in subsections (c) and (d) above.

(3) Advisory/Match Request – Items identified as advisory or match request on applicable output represent trades submitted by another party against the Member or Municipal Comparison Only Member, but which did not match any trade the Member or Municipal Comparison Only Member submitted.

Information made available to Members and Municipal Comparison Only Members shall identify each trade as being CNS-eligible, non-CNS-eligible or trade-for-trade/Special Trade through such designation as the Corporation shall determine from time to time.

Depending upon whether trade data is submitted on T or T+n and the format in which output is produced with respect to such data, the output may reflect totals. Information made available to Members and Municipal Comparison Only Members may reflect such other details as the Corporation may determine from time to time.

(i)(i) The Corporation provides Members with the ability to clear and settle any compared trade on a trade-for-trade basis. Such transaction is referred to as a Special Trade and may be classified as such, whether or not the security is a CNS security. In order for a transaction that is submitted for comparison processing to be classified as a Special Trade, each of the purchaser and seller must indicate the appropriate trade-for-trade indicator (“Trade-for-Trade Indicator”) on its trade input and such Trade-for-Trade Indicator shall be part of

the terms and conditions of the applicable contract. Unless both parties submit the identical Trade-for-Trade Indicator, the trade will not compare. In addition, the Corporation itself may determine that some or all transactions in a security shall settle on a trade-for-trade basis.

(ii) The Corporation provides Members and Municipal Comparison Only Members with the ability to submit trades for comparison-only processing. Trade input must indicate that the trade is being submitted for comparison-only processing and such trade will not be reflected on a Consolidated Trade Summary. Information made available with respect to such trades will not designate such trades as being CNS-eligible, non-CNS-eligible or trade-for-trade/Special Trades.

(j) Members and Municipal Comparison Only Members may override clearing agent designations by submitting trade input for comparison using the appropriate Trade-for-Trade Indicator.

(k)(i) All compared trades between Members in municipal securities which are not eligible for deposit in a Qualified Securities Depository will be processed on a trade-for-trade basis.

(ii) All compared trades in municipal securities between Members and Municipal Comparison Only Members and between two Municipal Comparison Only Members, whether or not eligible for deposit in a Qualified Securities Depository, will be processed on a trade-for-trade basis.

(l)(i) All compared trades in municipal securities which have been processed on a trade-for-trade basis will be listed on the applicable Consolidated Trade Summaries at the original contract price. Each such individual listing (including any such listing pursuant to Section E.2(A)(2)(a) below) will constitute a security order for all purposes of the Corporation's Rules and Procedures, including the National Securities Clearing Corporation Fee Structure. The Corporation may make additional information regarding such trades (e.g., any clearing agent indicated by the applicable contra-party) available to Members and Municipal Comparison Only Members by such means as the Corporation determines from time to time.

(ii) Compared trades between Members in municipal securities which are eligible for deposit in a Qualified Securities Depository will be entered into the CNS Accounting System or processed on a trade-for-trade basis, depending upon the Member's standing instructions to the Corporation; provided, however, that if a Member has a CNS standing instruction and the contra side has a trade-for-trade standing instruction, the transaction will be processed on a trade-for-trade basis notwithstanding the CNS standing instruction, provided, further, that Members may override a CNS

standing instruction by submitting trade input for comparison as a Special Trade.

(m) When the Corporation processes municipal securities transactions as Special Trades (with the exception of comparison-only trades), the resultant compared trades, as indicated on the applicable Consolidated Trade Summaries, are subject to the rules of the MSRB, including but not limited to the close-out provisions and delivery requirements and the transactions will not be included in the Balance Order Accounting Operation. Settlement of the resultant compared trades is the responsibility of the parties to the trades.

(n) The Corporation may accept locked-in trade data reported by Self-Regulatory Organizations, Qualified Special Representatives and Service Bureaus on behalf of Members and Municipal Comparison Only Members. Such trade data will be reflected on appropriate output as determined by the Corporation. Receipt of a locked-in trade that satisfies the Corporation's trade input requirements shall result in a compared trade. The status of such transaction as a compared trade shall not be affected by output indicating a status of "match request" or "unmatched".

Submission of any input or instruction by a Member or Municipal Comparison Only Member on behalf of whom locked-in trade data is being submitted shall have no legal effect notwithstanding output made available by the Corporation as a result of such submission.

Data submitted by a Qualified Special Representative which identifies a trade as a syndicate takedown shall be rejected.

(o) If a trade, other than a trade which the parties have identified as being submitted for comparison-only processing, is submitted with a settlement date of or prior to the date of submission after such cutoff time as the Corporation may designate, the Corporation will assign a delivery date of the next Settlement Date.

(p) Trade input and comparison of transactions submitted for T+2 settlement is handled in the same manner as set forth above with respect to transactions submitted for regular way settlement.

(q) The Corporation shall accept cash and next day transactions for comparison-only processing. Results of the comparison-only process for these items are reported by the Corporation as specified from time to time. Settlement of the resultant compared trades is the responsibility of the parties to the trades.

2. Resolution of Uncompared Trades in Regular Way Debt Securities

The Corporation provides the following procedures for resolution of uncompared trades in Regular Way Debt Securities:

(a) In order to accept a trade that is reported as advisory or match request, a Member or Municipal Comparison Only Member must submit the appropriate instruction within the timeframes specified by the Corporation from time to time.

(b) A Member or a Municipal Comparison Only Member with an advisory or match request that does not agree with the terms of the trade may respond with the appropriate instruction indicating the reason, if any, that the member disagrees with the terms of the trade. Submission of such instruction must be submitted within the timeframes specified by the Corporation from time to time and will cause the trade to be deleted from processing. The Member or Municipal Comparison Only Member may submit a subsequent instruction on the same day to return the trade to processing.

(c) Members and Municipal Comparison Only Members who, subsequent to their submission of trade data, find that such trade data is incorrect may delete uncomparing trades by forwarding the appropriate instruction by the time specified by the Corporation from time to time.

(d) No partial deletions for transactions in debt securities will be permitted.

(e) Previously compared trades may be deleted through the submission of offsetting trade details by both parties to the transaction. Each of the purchaser and the seller must submit the trade details within the timeframes specified by the Corporation from time to time and they must match in all respects or match pursuant to subsections (c) and/or (d) of Section ~~H2.DC~~.1 above ("Trade Input and Comparison").

(f) Transactions which are deleted and offsetting transactions which are submitted and matched will appear on the appropriate output. Unless otherwise specified herein, deletion of a trade will not extinguish the rights and obligations of either party with respect to such trade.

(g) The Corporation may permit uncomparing trade details to be modified by the submitter on the submission date through the use of the appropriate instruction within the timeframes specified by the Corporation from time to time. After the submission date, only such fields as determined by the Corporation from time to time may be modified by the submitter.

(h) Transactions which compare for the first time after such cutoff time as the Corporation may designate on the date on which they were scheduled to settle or later will be assigned a new Settlement Date, which will be the next business day following the date the trade is compared by the Corporation. The assignment of a new Settlement Date applies to both CNS, Balance Order Securities and Special Trades other than those submitted for comparison-only processing.

(i) Trade input which is not compared by such timeframes as determined by the Corporation from time to time shall be deleted from processing.

(j) The Corporation shall have no responsibility for determining whether any trade submission is duplicative of an earlier trade submission. Any such input shall be treated as a separate submission for all purposes of these Rules and Procedures.

(k) Only the submitter of a locked-in trade may submit subsequent processing instructions with respect to such trade and any action in this respect taken by the Member or Municipal Comparison Only Member on behalf of whom such trade has been submitted shall have no legal effect notwithstanding output made available by the Corporation as a result of such action.

ED. When-Issued and When-Distributed Securities

The Corporation provides Members with the ability to compare transactions in equity and debt when-issued securities.

1. Equity

(a) Input and Comparison

Trade data for when-issued and when-distributed equity transactions **executed on the NYSE or NYSE Alternext** must be submitted and will be compared in the same manner as specified in **Section subsection B of this Procedure II,** ~~paragraph 1 of subsection B. Trade data for when-issued and when-distributed equity transactions executed OTC or on other securities exchanges, must be submitted in the same manner as specified in Section II, paragraph 1 of subsection C. When-issued and when-distributed trade data may be submitted separately or combined with regular way input.~~

(b) Resolution of Uncompared Trades

When-issued and when-distributed Contract Lists are produced for when-issued and when-distributed transactions. Adjustments to When-issued and when-distributed Contract Lists are made in the same manner as specified for regular way transactions. Time schedules for the submission of contract adjustments are the same as those for regular way trades.

Adjustments may be submitted as long as the security remains in a when-issued and when-distributed status. Any additions and deletions are reflected on **Supplemental When-issued and When-distributed Contracts, or for NYSE or NYSE Alternext equity transactions, on the Adjustment Contract reports and/or output provided by the Corporation.** Such positions are accumulated and carried forward until the security is due for settlement.

(c) Settlement

The Settlement Date for issues traded on a when-issued and when-distributed basis is established by the appropriate regulatory authority. When-issued and when-distributed compared trades will be netted and allotted with regular way

trades for the same Settlement Date as the when-issued and when-distributed trades.

When-issued and when-distributed trading activity may enter either the Balance Order Accounting Operation, the Foreign Security Accounting Operation, or the CNS Accounting Operation for settlement at the appropriate time. Determination of eligibility for CNS is at the discretion of the Corporation.

2. Debt

(A) If the Corporation has information that a municipal or corporate debt security⁴ is coming to market, the following provisions shall apply:

(1)(a) Municipal and corporate securities transactions that are submitted at least one day prior to the initial Settlement Date for the issue will be processed in accordance with this Section 2(A) if they specify (i) a final settlement amount and a settlement date that is the initial Settlement Date for the issue, (ii) a final settlement amount, a settlement date and a specified number of days after the Initial Settlement Date for the issue, (iii) a dollar price or a dollar price and a specified number of days after the initial Settlement Date for the issue, or (iv) for municipal securities, a price-to-yield and concession (if any) or a price-to-yield concession and a specified number of days after the Initial Settlement Date for the issue.

(b) Municipal and corporate securities transactions that are submitted two days prior to the initial Settlement Date for the issue or later, and contain a settlement date which is after the initial Settlement Date for the issue, but do not meet the above criteria will be treated as regular way transactions. All other transactions that are not submitted as specified above will be rejected.

(2) Trade input, comparison/trade recording, resolution of uncomparing trades and settlement for transactions accepted by the Corporation pursuant to subsection (1)(a) of this Section 2(A) above function in the same manner as with respect to regular way transactions, except for the following:

(a) When the initial Settlement Date and all required pricing information for an issue is known by the Corporation (and, if deemed necessary by the Corporation, confirmed in a manner satisfactory to the Corporation), the Corporation will calculate the final settlement amount for all transactions that do not have a final settlement amount, and trades will be deemed compared either if the final settlement amounts are identical or if the final settlement amounts fall within the money tolerances set forth in subsection

⁴ The comparison service is not currently available with respect to when-issued corporate debt securities transactions. Members shall be notified via important notice when the service does become available for such transactions.

(c) of Section II.D.1 above (“Trade Input and Comparison”). In addition, when the initial Settlement Date has been changed and the Corporation is notified of a new initial Settlement Date least 2 days prior to such date (independently confirmed, to the extent deemed necessary), the Corporation will recalculate the final settlement amounts for all affected transactions (whether or not the original final settlement amount was calculated by the Corporation), and the new final settlement amounts will be set forth on the applicable contract lists or other applicable output made available by the Corporation.

If a submission contains a settlement date and a final settlement amount, but the Corporation does not have confirmation satisfactory to it of the initial Settlement Date for the issue, then the Corporation will report the transaction as a memo item on the output it makes available to Members. If the Corporation obtains, within 2 days of the submission, confirmation satisfactory to it of the initial Settlement Date for the issue which matches the settlement date submitted or matches the settlement date submitted by taking into account the specified number of extended settlement days submitted, the memo items will be changed to compared or uncomparing/advisory as appropriate. If no such confirmation is obtained within 2 days of submission, the items will be dropped.

(b) Any when-issued compared trade which is to be entered into the CNS Accounting Operation will enter the CNS Accounting Operation prior to the opening of business on the day prior to the Settlement Date or prior to the opening of business on the day prior to the date the parties intended to settle the trade for which extended settlement was designated and will be netted with any regular-way compared trades for the same Settlement Date.

(c) Output provided by the Corporation reflecting compared, uncomparing and advisory data will provide totals.

(d) (i) The initial Settlement Date for municipal issues is established by the issuer or underwriter, but except as provided below for syndicate takedown trades, the settlement date may be extended by agreement of the submitting parties similar to regular way municipal trades.

(ii) The initial Settlement Date for corporate debt issues is established by the appropriate authority.

(e)(i) If the Corporation is notified that the initial Settlement Date is postponed after the applicable Consolidated Trade Summary has been made available, the fact that trades in such issue are indicated in such Consolidated Trade Summary will be of no force and effect for purposes of the Corporation's Rules and Procedures unless the Corporation notifies Members to the contrary. In such

case, the Corporation may adjust accrued interest as determined by the Corporation from time to time. The provisions of this paragraph also apply to transactions that are treated as regular way transactions pursuant to subsection (1)(b) of this Section 2(A) above.

(f) If the Corporation receives notice that an entire issue has been canceled prior to its initial Settlement Date, trades in such issue will be deleted by the Corporation from the comparison process and, if the applicable Consolidated Trade Summary has been made available, trades in such issue that are indicated in such Consolidated Trade Summary will be considered null and void by the Corporation. To the extent that any trades in such issue have been entered into the CNS Accounting Operation, such trades will be journalled out of CNS. The provisions of this paragraph also apply to transactions that are treated as regular way transactions pursuant to subsection (1)(b) of this Section 2(A) above.

(g) Transactions that remain uncomparing at the close of business on the day prior to the initial Settlement Date for the issue shall be deleted from processing.

(h) With respect to municipal securities:

(i) Syndicate takedown trades may only be submitted for comparison by the syndicate manager and such trade input must be identified as a syndicate takedown trade. Submission of a syndicate takedown trade will result in a compared trade which will be reported to the syndicate manager and the syndicate member on output made available by the Corporation. The status of such transaction as a compared trade shall not be affected by output indicating a status of "match request" or "unmatched". If a syndicate manager or a syndicate member does not agree with the terms of a takedown trade as reported on the contract sheet, he may delete the trade by submitting the appropriate instruction to the Corporation by the time specified by the Corporation.

(ii) Syndicate takedown submissions against Members and Municipal Comparison Only Members designated as brokers' brokers by the Corporation will be rejected. The Corporation shall maintain a list of such brokers' brokers which shall be available to Members upon request.

(iii) Only the syndicate manager may submit a withhold or a reversal and such trade input must be identified as a syndicate takedown trade. Submission of a withhold/reversal will result in a compared withhold/reversal trade which will be reported to the

syndicate manager and syndicate member on output made available by the Corporation.

(iv) Submission of any instruction by the syndicate member not otherwise provided for under these Rules and Procedures shall have no legal effect notwithstanding output made available by the Corporation as a result of such submission.

(v) All syndicate takedown trades will settle on a trade-for-trade basis. Extended settlement date will not be available for syndicate takedown trades.

(B) If the Corporation has received a transaction in a security for which the Corporation does not have information with respect to its coming to market that satisfies subsection (A)(1)(a) of this Section 2 above, the Corporation shall pend the transaction. If the Corporation does not receive information that the security is coming to market by the cut-off time on the submission date, the transactions shall be deleted.

F E. Trade Comparison by an Authorized Agent

The Corporation permits Trade Comparison to be conducted by a Member for another person. ~~For example, a Member which is a Qualified Clearing Agency may participate in Trade Comparison on behalf of one of its participants whether or not its participant is a Member.~~

The Member (the agent) may submit trade data for comparison pursuant to subsections B through E above on behalf of, and as agent for, another Member ~~or a Qualified Non-Participant~~ (the principal).

~~A Non-Participant may become a Qualified Non-Participant by applying to the Corporation for an identifying number in which event the Corporation shall issue an identifying number to the Non-Participant.~~

If the agent submits trade data on behalf of a principal, it shall identify the principal by name and the number assigned to the principal by the Corporation in the trade data.

The agent shall have all the obligations of the principal under the Rules and these Procedures except that if the principal is a Member which has agreed with the Corporation that it shall have such obligations, it shall have such obligations in lieu of the agent.

In all cases, the agent shall be obligated to settle any CNS Contracts or Balance Order Contracts of its principal pursuant to these Procedures.

The Corporation may also permit trade comparison to be conducted by a Member for the municipal securities transactions of a non-Member. The Member may submit municipal security trade data for comparison pursuant to subsections D and E above on

behalf of the non-Member. With respect to these transactions submitted by the Member on behalf of the non-Member, the non-Member shall be liable as principal on the underlying transaction.

F.-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 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 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 settlement dates specified by the Corporation.

(c) Trade-for-Trade – The RECAPS Non-CNS Compared Trade Summary will also include receive and deliver information for reconfirmed fails in securities not eligible for the CNS or Balance Order Systems, which will settle on a trade-for-trade basis 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 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.

G. Special Trades

The Corporation provides (i) Members with the ability to clear and settle any compared trade on a trade-for-trade basis, and (ii) SRO's with the ability to submit trades for processing on a trade-for-trade basis. Such transactions are

referred to as Special Trades and may be classified as such, whether or not the security is a CNS Security. With respect to transactions submitted by Members, both the purchaser and seller must agree to settle on a trade-for-trade basis and must identify the transaction in its trade input as a "Special Trade". If only one party identifies a transaction as a Special Trade, it will not be compared by the Corporation. In addition, the Corporation itself may determine that some or all transactions in a security shall settle on a trade-for-trade basis.

H. Index Receipts

1. Composition and Preliminary Financial Data

Each day, by such time as required by the Corporation from time to time, the Index Receipt Agent shall report to the Corporation, a) the composition of index receipts for creations and redemptions occurring on the next business day ("T"), i.e., the shares and their associated quantities, b) the cash value of the portfolio for cash creates and redeems, and, if applicable, c) the estimated cash amount, representing accrued dividend and balancing amount data (hereinafter referred to as the "Dividend/Balancing Cash Amount"), and d) such other financial data as the Corporation may require or permit from time to time.

Each evening, by such time as determined by the Corporation from time to time, the Corporation will make available to Members a Portfolio Report detailing, if applicable, the estimated Dividend/Balancing Cash Amount, other financial data and the composition of the next business day's index receipts. The composition data may be used by the Corporation to process index receipt creations and redemptions on the next business day.

2. Creation/Redemption Input

On T, by such time as established by the Corporation from time to time, an Index Receipt Agent may submit to the Corporation on behalf of Members, index receipt creation and redemption instructions and their scheduled settlement date, the final Dividend/Balancing Cash Amount relative to such instructions and a transaction amount representing the Index Receipt Agent's fee for the processing of the index receipt. The Index Receipt Agent may elect a Settlement Date of T+1, T+2 or T+3 for the Index Receipts and the component securities or cash. The Index Receipt Agent may submit as-of index creation and redemption instructions, but only if such as-of data is submitted by the cut-off time as designated by the Corporation from time to time, with next day settling creates and redeems required to be submitted by such cut-off time on T.

On T+1, the Corporation will report to Members on the Index Receipt Detail Report the details of the creations and redemptions submitted, the underlying security components of netted creation and redemption instructions and index receipt positions. The report will indicate the quantity of each component and

index receipt to be delivered and received on Settlement Date. The report will also indicate the final Dividend/Balancing Cash Amount that must be paid or received and the transaction amount that must be paid on Settlement Date. The Corporation may remove next day settling index receipt transactions (including T+2 settling as-of creates and redeems submitted on T+1) from the system if either the Member or Index Receipt Agent to the applicable trade has not timely satisfied its Clearing Fund obligation on Settlement Date.

3. Settlement

Index receipts and the underlying component securities which are eligible for CNS or cash, if applicable, will be reported on the Consolidated Trade Summary, or, in the case of next day settling index receipts, the Second Supplemental Consolidated Trade Summary. The applicable Consolidated Trade Summary will also separately indicate the other component securities, or cash component, if applicable, due to settle. Component securities will be netted with all other CNS and Non-CNS securities and entered into the CNS and Balance Order Accounting operations for settlement. Subject to the provisions of Section H. 2. of this Procedure, next day settling index receipts which are CNS eligible will be processed in the day cycle of the CNS Accounting Operation after receipt of applicable Clearing Fund payments.

I. Reports and Output

Reports and output may be made available to Members on a real-time and/or on an intra-day basis as determined by the Corporation from time to time.

Reports identify each security as being eligible (a CNS Security) or non-eligible (a Balance Order Security) for processing through the CNS system. Depending upon the format of the report, separate totals may be provided for each of these categories. If designated as a Special Trade, such designation will be reflected upon the report/output.

With regard to Locked-in Trade Data reported on T by Self-Regulatory Organizations and Qualified Special Representatives, the Corporation may report back such data to Members on separate reports. If data received from a Self Regulatory Organization is the result of a trade executed on a system which provides trading anonymity (i.e. the contra side is not revealed at the time of the trade) the report may list, in lieu of the actual contra side for the trade, an acronym designated by such Self Regulatory Organization. In this case, the contra side shall, for all purposes, be deemed to be one of the entities which the Self Regulatory Organization includes as an eligible entity which may participate in the anonymous trading system.⁵

⁵ ~~In the event that the Corporation ceases to act for a Member which is the unidentified contra side of any such trade and the Corporation determines that such trade is to be exited from trade processing, the Self Regulatory Organization shall have the responsibility to identify to~~

Reports are produced at such intervals and in such formats as determined by the Corporation showing all compared trade data resulting from T+1 and older adjustments processed by a Self-Regulatory Organization, as well as step out transactions processed that day. Designations for CNS Securities and Balance Order securities are shown in the same manner as on the reports issued as a result of T input. If trades are listed on reports which include totals, the new data is added to or subtracted from such totals, to arrive at new totals. The new totals represent the combined input for T through such cutoff time on T+3 as the Corporation may designate. Trades received after such cutoff time as established on T+3 are not included in the normal settlement cycle. Such trades will be assigned a new settlement date which will be the next settlement day following the date the trade is received by the Corporation.

The Reports for trade data other than Locked-in Trade Data will categorize the trade data as compared, uncomparing and advisory, and may display such other data relevant to such trades as the Corporation shall determine from time to time.

(a) Compared - Items identified as compared are those for which both a purchaser and a seller submitted identical trade data and for which a comparison has been effected.

(b) Uncomparing - Items identified as uncomparing reflect trades submitted by the Member for which the opposite side either did not submit data or did not submit data which agreed in all respects.

(c) Advisory - Advisory data represents trades submitted by another party against the Member, but which did not match any trade the Member submitted. Advisory reports may be generated by the Corporation for items listed as advisory data. The use of Advisory reports explained below.

As with listed equity reports, reports for OTC and other exchange trades will identify each security as being eligible (a CNS Security) or non-eligible (a Balance Order Security) for processing through the CNS system and depending on the format of the report may provide separate totals for each of these categories.

In order to maximize the number of compared trades, if the major and minor side executing broker information, when used as a criteria in the trade comparison process, results in an uncomparing trade, the Corporation will recycle

~~Members the trades included in reports produced by the Corporation which are with the affected Member.~~

the trade data without the major and/or minor side executing broker information originally submitted. Reports/output will indicate when a resulting compared or uncomparing trade has been processed without the use of the major and/or minor side executing broker information.

J. I. Consolidated Trade Summaries

The Corporation produces a Consolidated Trade Summary and one or more Supplemental Consolidated Trade Summaries for the reporting of CNS, Balance Order, and trade-for-trade transactions. On each Settlement Day, the Consolidated Trade Summary and the Supplemental Consolidated Trade Summaries include Receive and Deliver instructions for items designated by the Corporation to settle trade-for-trade that day and the next Settlement Day. To facilitate settlement of such items, the Corporation may aggregate Receive and Deliver instructions for trade-for-trade items between counterparties such that a Member may have only one aggregate buy obligation and one aggregate sell obligation in a particular security on a given day with a given counterparty.

PROCEDURE III. ~~TRADE RECORDING SERVICE (INTERFACE CLEARING PROCEDURES) (INTERFACE WITH QUALIFIED CLEARING AGENCIES)~~

A. Introduction

~~Through arrangements with Qualified Clearing Agencies, the Corporation offers an interface service which allows trades from different marketplaces to be cleared and settled through a single Qualified Clearing Agency the Corporation. Thus, a Member may have its trades which are executed in other marketplaces routed to the Corporation for settlement. Conversely, a participant in a Qualified Clearing Agency may choose to have its trades which are executed on the NYSE or NYSE Alternext and compared by the Corporation routed to that Qualified Clearing Agency for settlement. Transactions entered by a Special Representative (see Section IV) or recorded pursuant to subsection E of this Section may be routed through these interfaces.~~

~~B. Trades to be Settled at a Qualified Clearing Agency~~

~~A Member which wishes to settle a compared trade through a Qualified Clearing Agency must issue standing instructions to that effect to the Corporation. All compared trades, as well as transactions entered through the Trade Recording or Special Representative Services, are automatically routed to the designated Qualified Clearing Agency. A Member may override its standing instruction for a specific compared trade by submitting an Interface Exclusion to the Corporation.~~

~~Compared trades and other transactions transmitted to a Qualified Clearing Agency for settlement are reported to Members on an Interface Clearing Report. Trades and other transactions which are subsequently corrected in the Trade Comparison, Trade Recording or Special Representative Services are transmitted to the Qualified Clearing Agency and reported to Members.~~

~~In order to transmit the Member's settlement obligation to the Qualified Clearing Agency, the Qualified Clearing Agency is substituted in the Corporation's records for the Member. Security and money balances are then settled directly between the Corporation and the Qualified Clearing Agency and by the Qualified Clearing Agency with the Member.~~

~~Only compared trades and other transactions in those securities and emanating from those Services which have been mutually agreed upon by the Corporation and a Qualified Clearing Agency will be eligible for transmission through this Service.~~

~~If the receiving Qualified Clearing Agency refuses to accept Interface Clearing input for any Member or security, the originating Member will be obligated to settle the transaction with the Corporation.~~

C. ~~Trades to be Settled at the Corporation~~

~~Members which have entered into agreements with a Qualified Clearing Agency may have trades from the Qualified Clearing Agency settled through the facilities of the Corporation. Trade data is received by the Corporation from the Qualified Clearing Agency and is reported to Members on an Interface Clearing Report. Such trades are recorded for the Member's account in either the Balance Order Accounting Operation or CNS Accounting Operation.~~

~~Correction input received on subsequent days from the Qualified Clearing Agency is reported by the Corporation to its Members. Settlement of corrected transactions is accomplished within normal settlement period if the input is received in time for the normal processing. Otherwise, such transactions are settled on an As-Of basis.~~

~~If for any reason the Corporation ceases to act for a Member or ceases to clear a particular security, the Corporation may refuse to accept Interface Clearing input for such Member or such security.~~

~~D-B.~~ Settlement of Option Exercises and Assignments (E&A)

Through an arrangement with Options Clearing Corporation (OCC), Members which have entered into agreements with the OCC may settle security and money obligations arising out of the exercise or assignment of an option through the facilities of the Corporation. ~~The procedures are similar to those described in subsection C, above. The recording and reporting of such transactions is similar to those set forth in Procedure II.~~ A Member which wishes to utilize this Service must advise the Corporation and execute an agreement with OCC in the form acceptable to OCC.

E&A data is received by the Corporation from OCC on a locked-in basis and is reported to Members on such reports and in such formats as determined by the Corporation from time to time. ~~Input for exercises and assignments is submitted to the Corporation by OCC in the same manner as described in Section III, subsection C, above, and Members receive the same reports.~~

Exercised calls and assigned puts appear as purchases. Exercised puts and assigned calls appear as sells.

The date of the exercise at OCC is recorded as the trade date for the exercise or assignment. The Settlement Date for such transactions is three days later. If the exercise occurs on a Saturday during exercise weekend, the preceding OCC business day is the trade date.

The Corporation may require a special mark-to-market payment from Members as a result of such transactions being entered on its records.

Exercises and assignment transactions are routed to the Balance Order Accounting Operation or the CNS Accounting Operation.

If for any reason the Corporation ceases to act for a Member or ceases to clear a particular security, the Corporation may refuse to accept Interface Clearing input for such Member or such security.

E. ~~NYSE and NYSE Alternext Odd-Lot Trades~~

~~NYSE and NYSE Alternext odd-lot trades received by the Corporation are recorded in the same manner as compared round-lot trades. Odd-lot transactions are included in the overall contract totals for CNS and Balance Order Securities. Separate totals for odd-lot regular way and when-issued transactions are also provided.~~

~~Each day the Corporation receives input regarding corrections against prior day's transactions.~~

~~Corrections received on T+1 appear on the Adjustment Contract List as Adds and Deletes in the same manner as round-lots. Corrections received on T+2 are recorded on the Adjustment Contract List. Corrections received after such time as established by the Corporation on T+3 are not included in the normal settlement cycle. Such trades will be assigned a new Settlement Date which will be the next settlement day following the day the trade is received by the Corporation.~~

~~Odd-lot when-issued and when-distributed trades received by the Corporation are recorded on the NYSE/NYSE Alternext When-Issued Contract List along with round-lots. When-issued transactions are accumulated and carried forward as long as the security is traded on a when-issued basis.~~

PROCEDURE IV.

PROCEDURE IV. SPECIAL REPRESENTATIVE SERVICE

A. Introduction

A Special Representative, ~~which may be a Member or a Registered Clearing Agency~~ which has been authorized by one or more other persons to act on their behalf, may submit transactions in securities to the Corporation.

The Special Representative submits a transaction which is treated by the Corporation in the same manner as if both parties had agreed to the details of the transactions. Transactions entered by Special Representatives ~~are eligible for processing through interface clearing procedures (see Section III) or~~ may enter the Accounting Operation.

B. Institutional Clearing Service

The Institutional Clearing Service is a means by which a broker/dealer Member can clear its customer-side activity through the accounting systems offered by the Corporation when the customer is a Member or institutional participant of a Qualified Clearing Agency¹.

The Institutional Clearing Service utilizes the institutional clearing and delivery services operated by various Qualified Clearing Agencies for input and affirmation purposes. Transactions which are affirmed through these systems and which are between a broker/dealer Member and customer Member or institutional participant of a Qualified Clearing Agency, as principal or agent, are then entered to the Accounting Operation for purposes of delivery and settlement. The Qualified Clearing Agency is the Special Representative in the Institutional Clearing Service.

The broker/dealer Member submits input to the institutional system in accordance with the rules and/or procedures of the Qualifying Clearing Agency. After the agent bank or institutional participant affirms the transaction, the transaction is removed from the institutional system and entered as a compared trade into the CNS Accounting Operation or Balance Order Accounting Operation as a transaction between (a) the broker/dealer and (b) the customer Member.

If the customer is not a Member or elects not to clear transactions through this Service, the broker/dealer-side of the transaction is removed from the institutional system and entered into the CNS Accounting Operation or the Balance Order Accounting Operation.

¹ For the purposes of this procedure, a Qualified Clearing Agency shall include an entity that performs institutional trade matching and confirmation services that has received an exemption under the Securities Exchange Act of 1934, as amended, to register as a clearing agency.

The customer clears the transaction through the institutional system according to the rules and/or procedures of the Qualified Clearing Agency involved.

C. Correspondent Clearing Service

The Correspondent Clearing Service permits **firm's Members** to clear and settle transactions executed for them by others **Members** acting as their Special Representative in the following situations: first, to accommodate a Member with multiple affiliate accounts who wishes to move a position resulting from an "original trade" in the process of clearance from one affiliate account to another, and second, to accommodate a Member that relies on its Special Representative to execute a trade in any market on its behalf that the Member is precluded from due either to membership requirements (e.g., membership requirement for access to markets) or applicable regulation, to enable the resulting position to be moved from the Special Representative to that Member. ~~(including direct market access (DMA) offsets). In order to participate in this service, the firm must be a Member or a Qualified Non-Participant.~~

Through the Correspondent Clearing Service, the Special Representative offsets trades that it has executed on behalf of the Member ~~or Qualified Non-Participant~~, which are in the process of clearance and settlement ("original trades")⁴² by inputting transaction data as described below.

The Member functioning as a Special Representative submits transaction data to the Corporation. For example, if the original trade is a purchase order, the Special Representative inputs a transaction where it is the seller, and the Member is the purchaser. The Member ~~(or Qualified Non-Participant)~~ agrees to be bound by the details of all transactions submitted on its behalf by the Special Representative. Any errors or omissions must be resolved directly between the Member ~~(or Qualified Non-Participant)~~ and the Special Representative. Corrective input may be submitted to the Corporation by the Special Representative on a subsequent day.

The Corporation produces reports for both the Special Representative and the Member ~~(or Qualified Non-Participant)~~. These reports identify the details of each transaction as submitted by the Special Representative and identifies any transactions which have not been accepted by the Corporation.

Transactions (other than cash, or next day fixed-income transactions, or cash equity transactions received after the Corporation's designated cut-off time) which are accepted by the Corporation are then entered into the Balance Order Accounting Operation or CNS Accounting Operation (pursuant to Procedure V and VII) which, when processed through the Balance Order Accounting Operation or CNS Accounting Operation, effectively net the Special Representative out of the original trade.

⁴² The term "original trade" is used solely to distinguish between trades executed in the marketplace, and trades booked for accounting purposes to accommodate the movement of positions between Members as permitted in this Procedure.

~~If the firm is a Qualified Non-Participant, the transactions are removed from the Accounting Operation by the interface clearing mechanism. The transaction is then routed to the appropriate Qualified Clearing Agency for delivery and settlement.~~

The Correspondent Clearing Service is not intended, and therefore may not be utilized, by Special Representatives for the purpose of submitting original locked-in trade input (whether acting in their capacity as Qualified Special Representative, or otherwise). This prohibition shall apply to any Member, including any Special Representative or Qualified Special Representative that, directly or indirectly, engages in such activity.

As such, transaction data entered through this service is not subject to the requirement of Rule 7 Section 7, or Procedure II.A (Real-time submission).

D. Qualified Special Representatives ~~Other Special Representative Services~~

~~The Corporation may accept other transaction input from Special Representatives on behalf of Members and/or Qualified Non-Participants. Such transactions are treated in the same manner as specified in subsection C of this Section.~~

A Qualified Special Representative is a Special Representative who meets the requirements set forth in Rule 7. As such, and subject to the requirements of Rule 7 and as otherwise set forth in these Rules, a Qualified Special Representative may submit locked-in trades (pursuant to Procedure II above) for other Members and/or their correspondent.

E. Automated Special Representative Facility

The Corporation may determine, in its discretion, to provide an automated facility through which Members may establish and ultimately retire their Special Representative relationships. A Member may appoint another Member as its Special Representative through the automated facility, and that Member must then consent to via the automated facility to acting in such capacity (or vice versa).

The establishment of such relationships through the automated facility shall meet the written notice requirements for such services as otherwise set forth within these Rules and Procedures. Member's agree to be bound by the details of all transactions submitted on their behalf by the Special Representative, and any errors or omissions or disputes relating to such relationships and related transactions must be resolved directly between the parties.

PROCEDURE V. BALANCE ORDER ACCOUNTING OPERATION

A. Introduction

The Balance Order Accounting Operation includes transactions in all Balance Order Securities and transactions which have been identified as Special Trades including Special Trades in CNS Securities. The Balance Order Accounting Operation processes trades compared or recorded under the provisions of Section II, trades recorded under the provisions of Section III and transactions entered by Special Representatives under the provisions of Section IV. The Balance Order Accounting Operation produces Balance Orders which identify the receive and deliver obligations of Members. Balance Orders may be issued on a trade-for-trade basis or a net basis. The Corporation will make available to participants information detailing their receive or deliver obligations, on a trade-for-trade or net basis, as applicable, in respect of Balance Order transactions.

B. Trade-for-Trade Balance Orders

All transactions either: (i) identified as Special Trades, (ii) compared or otherwise entered to the Balance Order Accounting Operation on SD-1 or thereafter, (iii) in securities which are subject to a voluntary corporate reorganization which have a trade date on or before the expiration of the voluntary corporate reorganization and which are compared or received after SD-1 and at least one day prior to the end of the protect period, or (iv) identified as cash, next day or seller's option transactions in Balance Order Securities, or in securities which are subject to any corporate action, whether mandatory or voluntary, are processed on a trade-for-trade basis. Receive and Deliver Orders are produced instructing Members to deliver or receive a quantity of securities to or from the contra-Member involved in that transaction.

C. Net Balance Orders

Trades in Balance Order Securities ~~executed on the NYSE, NYSE Alternext and OTC~~ (except for Special Trades) which are compared on T and T+1, and transactions entered through the Trade Recording or Special Representative procedures on T and T+1, are netted so that the Member becomes a net purchaser or net seller in each security issue in which it had activity. An allotting procedure matches these net quantities and produces Net Balance Orders. Net Balance Orders are instructions to a Member to deliver or receive a quantity of securities to or from another Member. Net Balance Orders have the same status under the Rules and these Procedures as Balance Orders.

In order to net trades executed at different prices, a uniform Settlement Price is used. The Settlement Price is as follows:

1. If the current per share price of the Balance Order Security is under \$2.00, the Settlement Price will be established to the nearest cent.
2. If the current per share price of the Balance Order Security is between \$2.00 and \$10.00, the Settlement Price will be to the nearest quarter dollar.
3. If the current per share price of the Balance Order Security is over \$10.00, the Settlement Price will be to the nearest whole dollar.

A mechanism is required to adjust the differences between Contract Money (i.e., the price at which the trade was executed) and Settlement Money. To avoid calculating an adjustment for each Balance Order, the Corporation computes a single adjustment amount for each Member. This amount is called the Clearance Cash Adjustment. The Clearance Cash Adjustment amount for all Balance Orders, both bond and equity, plus the net amount of both figures will appear on the Consolidated Trade Summary which is available on T+2.

Since Special Trades produce Balance Orders at the Contract Price, Settlement Money is the same as Contract Money and requires no Clearance Cash Adjustment.

D. Balance Order Contracts

Balance Orders issued under subsections B and C above are Balance Order Contracts as defined in Rule 5.

E. Consolidated Trade Summaries

On each settlement day, a Consolidated Trade Summary and one or more Supplemental Consolidated Trade Summaries indicating Balance Order transactions settling that day and the next settlement day will be made available to participants.

PROCEDURE VI. FOREIGN SECURITY ACCOUNTING OPERATION

A. Introduction

The Foreign Security Accounting Operation includes transactions in all Foreign Securities. The Foreign Security Accounting Operation processes trades compared **and recorded** under the provisions of Section II and transactions entered by Special Representatives under the provisions of Section IV. The Foreign Security Accounting Operation produces Foreign Security receive and deliver instructions which identify the receive and deliver obligations of Members.

B. Trade-for-Trade Foreign Security Receive and Deliver Instructions

Transactions identified as Special Trades and all transactions compared otherwise entered to the Foreign Security Accounting Operations on T+2 or thereafter are processed on a trade-for-trade basis. Receive and deliver instructions are produced instructing Members to deliver or receive a quantity of securities to or from the contra-Member involved in that transaction.

C. Netted Member-to-Member Receive and Deliver Instructions

Transactions in Foreign Securities will net only on a Member-to-Member basis. Netted Member-to-Member receive and deliver instructions are produced representing the netted positions of each Member with respect to its transactions with another Member in each Foreign Security issue in which it had activity on the morning following comparison. Unless specified otherwise by the Corporation, establishment of a uniform Settlement Price, and calculation of a Foreign Security Clearance Cash Adjustment will be conducted in the same manner as with respect to Net Balance Orders, as provided in Section V.C. above; provided, however, that both the settlement of the underlying transaction and payment of the Foreign Security Clearance Cash Adjustment will not be guaranteed by the Corporation, and in the event a Member fails to make settlement with the Corporation, the Corporation will reverse all Foreign Security Clearing Cash Adjustment debits and credits with respect to that Member, and the netted Member-to-Member Foreign Securities receive and deliver instructions issued that day with respect to that Member will be null and void.

PROCEDURE VII. CNS ACCOUNTING OPERATION

A. Introduction

The CNS Accounting Operation processes transactions in CNS Securities. Subject to the provisions of Procedure XVI, and for the purposes of this Procedure VII, references to CNS Securities shall include Eligible ID Net Securities.

Transactions in CNS Securities which are reported as compared or recorded on the various report output issued through such time on Settlement Date, as the Corporation may determine, ~~as well as transactions recorded through Trade Recording (Interface Clearing)~~ and those submitted by Special Representatives, are reported on Consolidated Trade Summaries. The netted obligations are then entered into the CNS Accounting Operation.

CNS is an on-going accounting system which nets today's Settling Trades with yesterday's Closing Positions, producing new short or long positions per security issue for each Member. The Corporation is always the contra side for all positions. The positions are then passed against the Member's Designated Depository positions and available securities are allocated by book-entry. This allocation of securities is accomplished through an evening cycle followed by a day cycle. Positions which remain open after the evening cycle may be changed as a result of trades accepted for settlement that day. Members may control the receipt and delivery of their securities through the use of Exemptions (for deliveries) or Priorities (for receipts).

Money settlement is not associated with the individual security movements but is the result of comparing the Closing Money Balance to the Closing Net Market Value of the Member's CNS account.

Dividends and interest are credited or charged to the Member's account according to the security positions that exist on record date. The record date positions are automatically updated for "As-Of" trades and appropriate due bill activity.

* * *

PROCEDURE X. EXECUTION OF BUY-INS

A. CNS System

1. Equity Securities and Corporate Debt Securities

A Member who has transmitted a Buy-In Notice under subsection J of section VII (the originator) and not received the Buy-In Position shown on its Notice by the date and time specified in such subsection on the expiration date of the Buy-In, may instruct the Corporation to buy-in the remaining position by transmitting a Buy-In Order to the Corporation, in such form and within such time as determined by the Corporation from time to time.

Members who receive CNS Retransmittal Notices and do not satisfy them (Subject Members) assume liability for the loss, if any, which occurs as a result of the buy-in. Those Members with the oldest short positions after 3:00 PM on expiration date of the Buy-In will first be held liable for an executed buy-in.¹

The Buy-In Order is executed by the Corporation in such marketplace and through such agents as it shall elect, and such execution shall be subject to the relevant rules of such marketplace. The quantity bought-in is pro rated among the Subject Members.

N.B. If the Buy-In Order is not executed on its expiration date, the Buy-In Order will not be executed thereafter, and it will be necessary for the originator to recommence the Buy-In Procedure in order to have his long position bought-in.

When a Buy-In Order has been executed, the quantity bought-in will be removed from the long position of the originating Member and the contract money will be credited to his account by journal entry. The short positions of the Subject Members will be reduced by the portion of the quantity bought-in allocated to each, and the appropriate portion of the contract money will be debited to their accounts, by journal entry. These journal entries will be processed by the evening of the day the Buy-In execution is reported and will affect the CNS records on such day and be reported in the Miscellaneous Activity Report for such day.

NOTE: At the same time the originator submits a Buy-In Order to the Corporation under the CNS System, the Buy-In Order should contain instructions for execution on a cash, next day or regular-way ex-CNS basis (Special Trade).

¹ If pursuant to the preceding paragraph the originator transmits to the Corporation and does not timely rescind a Buy-In Order, notwithstanding any agreements that may have been entered into between such Subject Member(s) and the originator, such Subject Member(s) shall remain liable for the executed buy-in.

2. Municipal Securities

As provided for in Rule 11 Section 7(a), the filing of a Notice of Intention to Buy-In will be treated as an instruction to remove the Buy-In Position from the CNS System, which shall be accomplished in accordance with the procedures in subsection J of Procedure VII.

B. Balance Order System

A Member (the originator) holding a receive balance order in respect of which securities are not delivered by the time on the Settlement Date specified by the Corporation may cause such securities to be bought-in; provided, however, that the buy-in shall not be effected prior to the third business day following the Settlement Date and provided further, that a Buy-In Notice or Retransmittal Notice (as described below) shall not be submitted if it would cause the Member holding the deliver balance order (the "Subject Member") (after the buy-in) to be left with an odd-lot position which did not appear on the original balance order.

The originator submits to the Member holding the deliver balance order (the Subject Member) a Buy-In Notice in paper format or in automated format through the facilities of a self-regulatory organization which provides an automated communication system. If the Buy-In Notice is submitted in paper format the originator shall attach a copy of his receive balance order thereto or such other evidence as permitted by the Corporation from time to time ("qualifying evidence") and specify the proposed execution date and the quantity of securities, not exceeding the quantity specified in the receive balance order which he intends to buy-in (Buy-In Position). If the Buy-In Notice is submitted in automated format the originator shall submit the Balance Order Control Number and specify the proposed execution date and the Buy-In Position. The Buy-In Notice shall be delivered or initiated not later than the time specified by the Corporation at least two business days before the proposed execution of the buy-in. A Subject Member, upon receipt of a Buy-In Notice, may submit in paper format or automated format a Retransmittal Notice to another Member who holds a deliver balance order for all or a portion of the same securities that were contained in the Buy-In Notice. If the Retransmittal Notice is submitted in paper format it shall specify the originator, the date of the original buy-in and the quantity of securities not exceeding the quantity specified in the original Buy-In Notice and a copy of the Receive Balance Order or such other qualifying evidence shall be attached thereto. If a Retransmittal Notice is submitted in automated format, it shall specify the Balance Order Control Number, the date of the original buy-in and the quantity of securities not exceeding the quantity specified in the original Buy-In Notice. Retransmittal Notices shall be delivered or initiated not later than the time specified by the Corporation at least one business day before the proposed execution of the buy-in.

An originator who has not received the Buy-In Position shown on his Buy-In Notice by the time specified by the Corporation on the business day of the proposed execution of the buy-in may buy-in the Buy-In Position in such market as he shall elect. In the event the buy-in is not executed on the day proposed, the Buy-In Notice shall expire at the close of business on such day. The originator must be prepared to defend the price at which the buy-in is executed relative to the current market at the time of the buy-in. Upon the execution of a Buy-In Order, the Subject Member shall be liable for any damages which may accrue to the originator, provided, however, that in the event a Buy-in or Retransmittal Notice is not acknowledged by the Subject Member, the originating Member proceeds at its own risk with regard to the execution of the buy-in. All claims for such damages shall be made promptly.

If the balance order is for warrants, rights, convertible securities or other securities which have been called for redemption or are due to expire or on which a call or expiration date is impending or which is subject to a tender or exchange offer or other event which will expire, and the last day on which the securities must be delivered or surrendered (the "expiration date") is the Settlement Date for the balance order or any day after the Settlement Date, the Member holding the receive balance order may deliver a notice to the contra party by the time specified by the Corporation on the business day preceding the expiration date (a "Liability Notice"). If a Liability Notice is so delivered to the contra party, and the contra party fails to deliver the securities on expiration date, the contra party shall be liable for any damages which may accrue thereby. All claims for such damage shall be made promptly.

For the purposes of the preceding paragraph, the term "expiration date" shall be defined as the latest time and date on which securities must be delivered or surrendered, up to and including the last day of the protect period, if any.

Receive and deliver instructions issued upon the removal of eligible securities from the CNS System (see Section VII.H.1) shall be deemed to be balance orders for the purpose of this subsection B.

1. Extensions of Time for Buy-Ins of OTC Securities

For the purposes of this Section of the Procedures, the term "listed security(ies)" shall be deemed to mean a security(ies) traded on the NYSE and/or NYSE Alternext, and the term "OTC security(ies)" shall be deemed to mean a security(ies) traded other than on the NYSE or NYSE Alternext. Extensions of time for execution will be granted by the Corporation under the following conditions:

Member Originated Buy-In - A short Member who has received a Buy-In Notice from a Member for a balance order issued by the Corporation may take a seven (7) calendar day extension due to transit or transfer consistent with the NASD's Uniform Practice Code (UPC). Upon request, certificate numbers will be furnished by the short Member requesting the extension.

If the securities are in transfer, and due to the transfer agent, transfer is delayed, the Corporation may grant an additional seven (7) calendar days. If the short Member cannot take the extension but retransmits a Member originated buy-in to a non-Member UPC broker, and the UPC broker takes a UPC transfer or transit delay, the short Member will advise the Corporation which will extend the execution date for the same period of time.

Extensions of the execution of a Buy-In of a "listed security" will not be granted by the Corporation.

2. Interpretation of the Board of Directors

Pursuant to Rule 33, the Board of Directors is authorized to prescribe Procedures and other regulations in respect of the business of the Corporation. The Board of Directors hereby adopts the following interpretation as a regulation of the Corporation:

Section X.B. of the Corporation's Procedures provides, in part, for a seven (7) calendar day extension of the execution of Buy-Ins in the Balance Order System for OTC securities if the certificate(s) needed to satisfy the Buy-In Notice is (are) in transfer or transit. This Procedure further provides that the Corporation may grant an additional seven (7) calendar day extension if the security has been sent to transfer and due to the transfer agent, the transfer has been delayed.

This procedure has been interpreted by the Board of Directors to include the granting of a seven (7) calendar day extension to afford a Member, who has physical possession of the proper security to satisfy a Buy-In Notice, a reasonable amount of time to obtain the certificate(s) in the proper denomination(s). ~~For purposes of this Procedure, the regional interface accounts and similarly treated accounts which the Corporation maintains shall be considered Members of the Corporation.~~

The Board of Directors believes that the granting of a seven (7) day extension to permit a Member to obtain the certificate(s) in the correct denomination(s) is within the intent of the Procedures in that it tends to eliminate losses incurred when a Member ~~or regional interface account~~ receives the proper security prior to the execution of a Buy-In, but is unable to satisfy its obligation because the certificate(s) is (are) in the wrong denomination(s). The seven (7) calendar days will provide a reasonable amount of time to have the certificate(s) transferred into certificate(s) of the proper denomination(s). The execution of a Buy-In, however, may not be extended beyond the fourteenth calendar day from which it was originally scheduled.

PROCEDURE XIII. DEFINITIONS

Clearing Center - A branch facility of the Corporation.

CNS Stock Record - The CNS System accounting of all CNS Securities owed to and by the Corporation which operates on a perpetual inventory basis providing each Member a single long or short position per CNS Security.

Contract - A Balance Order Contract or CNS Contract.

Contract List - **A list reports and or output** prepared by the Corporation showing compared trades, un-compared trades and advisory data.

Contract Money - The unit price of the securities traded multiplied by the quantity of securities traded or the stated value agreed to by both parties to the trade.

Current Market Value - The number of units of a security multiplied by the Current Market Price per unit.

Current Position - The long or short position of a Member in the CNS Stock Record at any time or, when the term is used in a report or statement to a Member, at the time the report or statement is prepared.

Designated Depository - The Qualified Securities Depository designated by a Member.

ESS - The Envelope Settlement Service provided for under Section 1 of Rule 9.

IESS - The Intercity Envelope Settlement Service provided for under Section 2 of Rule 9.

Non-Participant - A participant in a Qualified Clearing Agency who is not a Member.

NYSE - New York Stock Exchange LLC.

NYSE Alternext – NYSE Alternext US LLC.

OCC - The Options Clearing Corporation.

OTC - The over-the-counter securities market.

Primary Clearing Center - The Clearing Center designated as such by a Member.

Qualified Clearing Agency - A Registered Clearing Agency which has entered into an agreement or agreements with the Corporation pursuant to which transactions submitted to the Corporation or the Registered Clearing Agency may be transferred to the other for comparison and/or settlement.

~~Qualified Non-Participant – A Non-Participant which has applied for and been granted status as a Qualified Non-Participant by the Corporation.~~

Real-time – The term “Real-time”, with respect to the submission of trade data to the Corporation, means the submission of trade data on a trade-by-trade basis promptly after trade execution, in any format and by any communication method acceptable to the Corporation.¹

Security - A cleared security.

SIAC - Securities Industry Automation Corporation

T - T denotes the day on which the trade occurred. T+1 is the next business day, and so on. T+3 is normally the Settlement Day.

when-issued transaction - Typically, a transaction in a security which has occurred prior to the issuance of such security and is determined to be a when-issued transaction by the marketplace or exchange on which it trades.

when-distributed transaction - Typically, a transaction in a security which has occurred prior to the initial distribution of such security and is determined to be a when-distributed transaction by the marketplace or exchange on which it trades.

¹ **Real-time submission will be implemented on [insert date that is the first day of the ninth month following Commission approval of SR-NSCC-2006-04], at which time this definition will become effective, and this footnote will be removed from this Procedure.**

ADDENDUM A

NATIONAL SECURITIES CLEARING CORPORATION

FEE STRUCTURE

* * *

VII. APPLICATION OF FEES

With the exception of certain registered clearing agencies, all fees will be charged uniformly to all participants and collected through the settlement system if possible. ~~Charges will not be made to registered clearing agencies for inter-clearing corporation OTC trade comparison if the agency provides its own intra-clearing corporation OTC trade comparison, or for interface processing.~~ Fees for other standard services provided to registered clearing agencies will be the same as those charged to other participants. Special services performed for ~~other~~ registered clearing agencies ~~such as intra-clearing corporation OTC trade comparison and sharing of branches,~~ will be contracted on an individual basis.

* * *

ADDENDUM J

STATEMENT OF POLICY
LOCKED-IN DATA FROM SERVICE BUREAUS

Rule 7, Section **5 6** permits the Corporation

to accept, from self-regulatory organizations (either directly or through a subsidiary or affiliated organizations) and/or service bureaus, initial or supplemental trade data on behalf of Members for input into the Corporation's Comparison Operation or compared trade data, which may reflect the netted results of other transactions, on behalf of Members for input into the Corporation's Accounting Operation provided that a Member is a party to the trade or transaction.

Pursuant to the provisions of this Rule, the Corporation presently accepts from the NYSE, NYSE Alternext and National Association of Securities Dealers, locked-in trade data on a Member's behalf for input into the Corporation's comparison system. The Corporation has received requests from Members to accept, in addition to locked-in trade data, two sided trade data from service bureaus. Two sided trade data would encompass the complete details of both sides of a trade.

The NYSE, NYSE Alternext and the National Association of Securities Dealers are self-regulatory organizations ("SROs") which are regulated by the Securities and Exchange Commission. Consequently, they operate pursuant to recognized standards and therefore, the integrity of their operations is subject to periodic examination and review. Service bureaus, which are not SROs, are not subject to regulatory control.

Accordingly, in order to assure that the integrity of the Corporation's systems would not be jeopardized by the acceptance of two sided trade data from service bureaus that are not SRO's, the Corporation has determined to adopt the following criteria which such a service bureau must meet in order to be approved to submit two sided trade data pursuant to Rule 7, Section **56**:

- (1) Service bureau would have to: (a) be or become a Member of the Corporation; or (b) be affiliated with a Member of the Corporation. The Member would have to make a Clearing Fund deposit with the Corporation and have adequate capitalization to insure its continuing ability to honor its commitments to the Corporation.
- (2) Service bureau would have to have an established business history of at least two years.

- (3) Service bureau would have to be able to submit the following data for each trade:
 - (a) buy or sell;
 - (b) parties to trade;
 - (c) quantity;
 - (d) CUSIP number;
 - (e) executing price;
 - (f) net money;
 - (g) trade date;

and any additional data the Corporation may be called upon to provide to a regulatory body in connection with the Corporation's regulatory responsibilities (e.g., additional data required by a SRO for audit trail purposes).

- (4) Service bureau would be required to have at least ten (10) of the Corporation's Members as its subscribers.
- (5) Service bureau would be required to furnish to the Corporation such information and make available such books and records as the Corporation, in its sole discretion, deems necessary to evaluate service bureau's financial responsibility and operational capability.

In addition to the foregoing, service bureau would be required to enter into an Agreement, in writing, with the Corporation whereby service bureau would agree:

- (1) To maintain the following insurance coverage in an appropriate amount, depending upon the size of the service bureau's operation: (a) Broker Blanket Bond or equivalent; (b) Errors and Omissions; and, (c) General Liability.
- (2) To submit detailed plans respecting its automated execution system which at a minimum would detail: a description of the system; the physical safeguards of the system; and, the integrity, backup, recovery ability, and contingency plans of the service bureau in the event of an emergency or disaster.
- (3) (a) To obtain, on a yearly basis, an independent audit of its financial statements and an opinion prepared by its independent auditors as to service bureau's internal controls for its automated system and to submit such audit and opinion annually to the Corporation; and

- (b) to perform internal interim six month reviews of the internal controls of the automated execution system, and to submit the results of this internal review to the service bureau's independent auditors.
- (4) To have the Member submit monthly financial statements to the Corporation.
- (5) To notify the Corporation upon any material change in any of the criteria required for acceptance as an approved service bureau or of the management or operation of the service bureau (e.g. cancellation of insurance, changes in the automated execution system, major change in stock ownership or management, outstanding law suits).
- (6) To indemnify and hold harmless the Corporation, its Clearing Fund, Shareholders, Directors, Officers, Employees, and Agents from and against any and all claims, losses, costs, damages, or liabilities, including reasonable attorney's fees, which may be asserted against, suffered, or incurred by the Corporation arising from entering into such Agreement and/or providing or failing to provide trade data to the Corporation, except that the foregoing indemnification shall not be required to cover any claims, losses, costs, damages, or liabilities which may be asserted against, suffered, or incurred by the Corporation arising from the Corporation's willful misconduct or gross negligence.
- (7) That in the event of a disagreement between subscribers of the service bureau and/or non-subscribers concerning the trade data submitted or failed to be submitted by the service bureau to the Corporation, the Member of the Corporation will interpose itself in the trade and take responsibility for the trade.
- (8) To pay to the Corporation the costs, if any, of the Corporation's changing any of its systems to be able to receive trade data from service bureau.
- (9) To submit to the Corporation, for each subscriber of the service bureau which is a Member of the Corporation on whose behalf the service bureau may submit trade data, evidence of the service bureau's authority to submit to the Corporation trade data on behalf of such subscriber.

The Corporation may waive one or more of the foregoing criteria if the Corporation determines that it is in the best interests of the Corporation and its Members to approve a service bureau so as to assure the prompt, accurate, and orderly processing and settlement of securities transactions or to otherwise carry out the functions of the Corporation.

ADDENDUM K

INTERPRETATION OF THE BOARD OF DIRECTORS APPLICATION OF CLEARING FUND

Pursuant to Rule 47, the Board of Directors has the authority to interpret the Rules of the Corporation. The purpose of this interpretation is to clarify certain provisions of Rule 4 and the extent to which the Clearing Fund may be applied to a loss or liability of the Corporation.

I. APPLICATION OF THE CLEARING FUND TO LOSSES SUSTAINED BY A SYSTEM

1. Section 1 of Rule 4 provides that each Member's Required Deposit shall be allocated by the Corporation among the services for which the Corporation assumes responsibility for completion of transactions and which are designated as such by the Corporation (collectively the "Systems" and individually a "System") and in which the Member participates.
2. The Corporation has in practice assumed responsibility for completion of transactions in each of the following services, and has deemed each of these services to be a System, even though the Corporation has not previously made a formal designation of each such service as a System within the definition of Section 1 of Rule 4:

The Corporation guarantees the completion of compared and locked-in CNS and balance orders transactions from a fixed point in the clearance and settlement process. CNS transactions are guaranteed as of the later of: (i) midnight of T+1, and (ii) midnight of the day they are reported as compared or as of midnight on the day they appear on **T-Contracts reports/output** for locked-in trades. With respect to balance order transactions, such transactions are guaranteed as of the later of: (i) midnight of T+1, and (ii) midnight of the day they are reported to Members as compared/recorded on contracts and, in either case, through the close of business on T+3. The Corporation guarantees same day and one day settling trades as of the completion of trade comparison or trade recording processing and with respect to balance order transactions, the Corporation guarantees same day and one day settling trades as of the completion of trade comparison or trade recording through T+3; provided, however, that: (i) for transactions relating to one day index receipt creates and redeems, including their underlying components, and unless otherwise removed from processing pursuant to Procedure II. H. 2, such transactions will be guaranteed after such time on Settlement Date as the Corporation determines to complete processing of such items in the day cycle of the CNS Accounting Operation, and (ii) if the contra party to a same day or one day settling trade is a member of an interfacing clearing

corporation, such guarantee shall not be applicable unless an agreement to guarantee such trade exists between the Corporation and the interfacing clearing corporation. The Corporation has also adopted a policy of guaranteeing the completion of when-issued and when-distributed trades, as of the later of: (i) midnight of T+1, and (ii) midnight of the day the trades are reported to Members as compared/recorded on contracts and will consider all when-issued and when-distributed trades of Members as if they were CNS transactions for surveillance purposes regardless of the accounting operation in which they ultimately settle.

3. In connection with the expansion by the Corporation of its clearance and settlement business, it has become desirable for the Corporation to make formal designations of the services constituting Systems within the definition of Section 1 of Rule 4. Accordingly, the Board hereby designates the services referred to in paragraph I.2. above as services for which the Corporation assumes the responsibility for the completion of transactions, and therefore as Systems within the Rule 4, Section 1 definition. These services are the only services so designated as of this date.

II. APPLICATION OF THE CLEARING FUND TO EXCESS LOSSES AND LOSSES OUTSIDE OF A SYSTEM

1. Section 2(b) of Rule 4 provides that the use of the Clearing Fund in its entirety (which consists in part of all the Funds) shall be limited to satisfaction of losses or liabilities of the Corporation incident to the operation of the clearance and settlement business of the Corporation other than losses or liabilities of a System.
2. Pursuant to Section 2(b) of Rule 4, the entire Clearing Fund must be available to satisfy losses arising outside of a System. There are various circumstances pursuant to which the entire Clearing Fund may be available to satisfy losses outside of a System:
 - One circumstance arises out of the Mutual Fund Services. Members that do not participate in the Mutual Fund Services are shielded from exposures to the Mutual Fund Services losses as long as the Corporation continues to have active participants in Mutual Fund Services.

If the Corporation were to have an unsatisfied Mutual Fund Services loss, such loss may be satisfied from the entire Clearing Fund (less the amounts paid in respect of the Mutual Fund Services).

- An additional circumstance arises out of the Insurance and Retirement Processing Services. If the Corporation were to have an unsatisfied loss due to a Member's, Mutual Fund/Insurance

Services Member's or Insurance Carrier/Retirement Services
Member's use of the Insurance and Retirement Processing
Services, such loss may be satisfied from the entire Clearing Fund.

ADDENDUM N

THE TEXT OF THIS ADDENDUM IS PENDING DELETION AS PART OF RULE FILING SR-NSCC-2006-04. The text of this addendum will be deleted effective [insert date that is the first day of the ninth month following Commission approval of SR-NSCC-2006-04] [January 1, 2007.]

INTERPRETATION OF THE BOARD OF DIRECTORS
LOCKED-IN DATA FROM QUALIFIED SPECIAL REPRESENTATIVES

Pursuant to Rule 47, the Board of Directors has the authority to interpret the Rules of the Corporation. The purpose of this interpretation is to clarify certain provisions of the Corporation's Procedure II. ~~C.1(e)~~ **B.2.** ("Procedure") regarding the submission to the Corporation of locked-in trade data from Qualified Special Representatives on trade date plus one ("T+1").

It is expected that Qualified Special Representatives will have sufficient capability and systems which will enable them to submit locked-in trade data on T. The Corporation acknowledges that, in practically all instances to date, the T submission deadline has been met. The Corporation recognizes, however, that there may be circumstances which preclude Qualified Special Representatives from submitting part or all of their locked-in trade data on T. In these cases, to avoid requiring Members on whose behalf a Qualified Special Representative acts, to submit data to the Corporation, the Corporation has provided a capability to accept from Qualified Special Representatives locked-in trade data submissions on T+1. However, it is the Corporation's desire that comparison be accomplished as early as possible. The Corporation does not intend that Qualified Special Representatives submit locked-in trade data, on a routine basis, on T+1. Submissions on T+1 are expected to occur only in the event of extraordinary circumstances.

The Corporation intends to periodically monitor the submission of locked-in trade data by Qualified Special Representatives. The Corporation may require a Qualified Special Representative to submit a written explanation for any T+1 submission. If the Corporation, in its sole discretion, determines that a Member is inappropriately using the T+1 submission facility, the Corporation may send an advisory notification to the Qualified Special Representative's Designated Examining Authority, if any, and to the Securities and Exchange Commission. If the Qualified Special Representative continues to inappropriately use the T+1 submission facility, the Corporation may determine to limit the Qualified Special Representative's right to continue to submit such locked-in trade data.

This interpretation shall also be applicable to Service Bureaus which submit locked-in trade data to the Corporation.