

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="40"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2013"/> - * <input type="text" value="09"/>
Amendment No. (req. for Amendments *) <input type="text"/>		

Filing 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"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) <input type="checkbox"/>	Section 3C(b)(2) <input type="checkbox"/>
Section 806(e)(2) <input type="checkbox"/>	

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 action (limit 250 characters, required when Initial is checked *).

Proposed rule change to decommission the NSCC over-the-counter (OTC) Equity Comparison service and make various technical changes

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 action.

First Name * Last Name *

Title *

E-mail *

Telephone * Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date

By

(Name *)

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 EFFF website.

Form 19b-4 Information *

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 *

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies

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, security-based swap submission, or advance notice 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

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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 the Proposed Rule Change.

(a) The proposed change to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC”) is annexed hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change was approved by the Businesses and Products Committee of the Board of Directors at its meeting on June 26, 2012.

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

(a) NSCC provides a framework for the comparison and recording of transactions in eligible equity and debt securities executed on national stock exchanges and in the over-the-counter (“OTC”) market, through its Comparison and Trade Recording Operation, provided pursuant to Rule 7 and Procedure II of the Rules. NSCC also provides an Obligation Warehouse service pursuant to Rule 51 and Procedure IIA, under which certain transactions may be submitted for comparison that are not otherwise submitted for processing to NSCC through its other services. Over time, in efforts to promote straight-through processing, markets have assumed increasing responsibility for trade comparison (i.e., matching the buy and sell side of a securities transaction) at the point of trade, and submitting the transaction to NSCC on a “locked-in” basis for trade recording purposes (i.e., with the transaction details having been already compared). Today, all marketplaces interfacing with NSCC have assumed responsibility for equity comparison on their respective venues; as a result the level of over-the-counter bilateral submissions of equity transactions to the equity comparison operation has become nominal.¹ In addition, NSCC’s OTC Equity Comparison service operates through legacy batch processing at the end of the day. Trade capture processes now mostly run in a real-time environment.

Rule 7 and Procedure II each contain notes stating that the comparison function offered thereunder will discontinue once each exchange and/or marketplace assumes responsibility for trade comparison.² Therefore, in light of the assumption of the comparison function by each marketplace and minimal volume to equity trades submissions to the OTC Equity Comparison service, NSCC proposes to decommission its OTC Equity Comparison service offering. The proposed change will not, however,

¹ During May 2013, NSCC compared an average of approximately 90 sides (an approximate average of 45 trades) for equity transactions through its OTC Comparison service. As of June 24, 2013, NSCC compared a total of 74 sides (37 trades) for the entire month of June 2013 to date.

² See footnotes to Rule 7 and Procedure II.

impact comparison services with respect to debt transactions (which are compared through the Real Time Trade Matching (or “RTTM”) system) or transactions submitted to the Obligation Warehouse, both of which will continue to be processed in the ordinary course. Once the OTC Equity Comparison service is decommissioned, comparison submissions for equity transactions other than those submitted to the Obligation Warehouse in accordance with Rule 51 and Procedure IIA will not be accepted by NSCC and related output will not be produced. As a result, upon the effective date of this proposal, all equity transactions submitted for processing to NSCC, other than those submitted through the Obligation Warehouse, must be compared prior to submission (i.e., at the marketplace of execution or through FINRA/NASDAQ’s Automated Comparison Transaction facility (“ACT”) and submitted to NSCC on a locked-in basis for trade recording).

To facilitate this proposal, NSCC will amend Rule 7 (Comparison and Trade Recording Operation and Procedure II (Trade Comparison and Recording Service) to reflect rules text changes consistent with the above. NSCC also proposes to make technical changes to Procedure II to: (i) delete a provision relating to the submission of municipal securities transactions by Members on behalf of non-members, and (ii) delete a provision relating to potential announcement via Important Notice of the availability of the comparison service for when-issued corporate securities.³

In addition Rule 5 (General Provisions) will be revised to clarify that output issued by NSCC with respect to transactions either compared by it, or recorded locked-in transactions (defined as “Compared Contracts”), evidence valid, binding and enforceable compared transactions for purposes of the Rules. In this regard, Rule 1 (Definitions) will be revised to reflect the definition of “Compared Contracts”.

NSCC will also: (i) amend its fee schedule in Addendum A to the Rules to delete references to charges associated with OTC equity comparison, and (ii) make technical changes to the numbering of footnotes and certain cross-references in the Rules to reflect the changes noted above.

The effective date of the proposed rule change will be announced via an NSCC Important Notice at least 30 days in advance of its implementation.

(b) The proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder, because it provides for operational efficiencies by promoting the comparison of transactions at the point of trade, and therefore facilitates the prompt and accurate clearance and settlement of securities transactions.

³ With respect to the former provision, the function described is no longer in use and the provision has become obsolete, and with respect to the latter provision, a comparison service is not currently scheduled to be implemented for corporate when-issued securities and NSCC would submit a rule filing to the Commission in the event such an implementation is proposed.

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

NSCC does not believe that the proposed rule change will have any impact, or impose any burden, on competition, as usage of the OTC Equity Comparison service has declined significantly and other alternatives (including NSCC's Obligation Warehouse and the ACT facility) are available.

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) or Section 19(b)(7)(D).

(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 on the rules of another self-regulatory organization or the Commission.

9. Exhibits

Exhibit 1 – n/a

Exhibit 1A - 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 Rule Text

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-[_____]; File No. SR-NSCC-2013-09

SELF-REGULATORY ORGANIZATIONS

Self-Regulatory Organizations; National Securities Clearing Corporation (NSCC); Proposed Rule Change Relating to the decommissioning of NSCC's over-the-counter (OTC) Equity Comparison service.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the "Act") and Rule 19b-4² thereunder notice is hereby given that on April 30, 2013, National Securities Clearing Corporation ("NSCC" or the "Corporation") filed with the Securities Exchange Commission (the "Commission") the proposed rule change as described in Item I, II and III below, which Items have been prepared primarily by the Corporation. The Commission is publishing this notice to solicit comments on the proposed change from interested person.

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

The proposed rule change consists of amendments to the Rules & Procedures ("Rules") of NSCC with respect to the decommissioning of the OTC Equity Comparison Service, as well as technical changes, as more fully described below.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

In its filing with the Commission, NSCC included statements concerning the purpose of and basis for the proposed rule change, and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NSCC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

(i) NSCC provides a framework for the comparison and recording of transactions in eligible equity and debt securities executed on national stock exchanges and in the over-the-counter (“OTC”) market, through its Comparison and Trade Recording Operation, provided pursuant to Rule 7 and Procedure II of the Rules. NSCC also provides an Obligation Warehouse service pursuant to Rule 51 and Procedure IIA, under which certain transactions may be submitted for comparison that are not otherwise submitted for processing to NSCC through its other services. Over time, in efforts to promote straight-through processing, markets have assumed increasing responsibility for trade comparison (i.e., matching the buy and sell side of a securities transaction) at the point of trade, and submitting the transaction to NSCC on a “locked-in” basis for trade recording purposes (i.e., with the transaction details having been already compared). Today, all marketplaces interfacing with NSCC have assumed responsibility for equity comparison on their respective venues; as a result the level of over-the-counter bilateral

submissions of equity transactions to the equity comparison operation has become nominal.³ In addition, NSCC's OTC Equity Comparison service operates through legacy batch processing at the end of the day. Trade capture processes now mostly run in a real-time environment.

Rule 7 and Procedure II each contain notes stating that the comparison function offered thereunder will discontinue once each exchange and/or marketplace assumes responsibility for trade comparison.⁴ Therefore, in light of the assumption of the comparison function by each marketplace and minimal volume to equity trades submissions to the OTC Equity Comparison service, NSCC proposes to decommission its OTC Equity Comparison service offering. The proposed change will not, however, impact comparison services with respect to debt transactions (which are compared through the Real Time Trade Matching (or "RTTM") system) or transactions submitted to the Obligation Warehouse, both of which will continue to be processed in the ordinary course. Once the OTC Equity Comparison service is decommissioned, comparison submissions for equity transactions other than those submitted to the Obligation Warehouse in accordance with Rule 51 and Procedure IIA will not be accepted by NSCC and related output will not be produced. As a result, upon the effective date of this proposal, all equity transactions submitted for processing to NSCC, other than those submitted through the Obligation Warehouse, must be compared prior to submission (i.e., at the marketplace of execution or through FINRA/NASDAQ's Automated Comparison Transaction facility ("ACT") and submitted to NSCC on a locked-in basis for trade recording).

³ During May 2013, NSCC compared an average of approximately 90 sides (an approximate average of 45 trades) for equity transactions through its OTC Comparison service. As of June 24, 2013, NSCC compared a total of 74 sides (37 trades) for the entire month of June 2013 to date.

⁴ See footnotes to Rule 7 and Procedure II.

To facilitate this proposal, NSCC will amend Rule 7 (Comparison and Trade Recording Operation) and Procedure II (Trade Comparison and Recording Service) to reflect rules text changes consistent with the above. NSCC also proposes to make technical changes to Procedure II to: (i) delete a provision relating to the submission of municipal securities transactions by Members on behalf of non-members, and (ii) delete a provision relating to potential announcement via Important Notice of the availability of the comparison service for when-issued corporate securities.⁵

In addition Rule 5 (General Provisions) will be revised to clarify that output issued by NSCC with respect to transactions either compared by it, or recorded locked-in transactions (defined as “Compared Contracts”), evidence valid, binding and enforceable compared transactions for purposes of the Rules. In this regard, Rule 1 (Definitions) will be revised to reflect the definition of “Compared Contracts”.

NSCC will also: (i) amend its fee schedule in Addendum A to the Rules to delete references to charges associated with OTC equity comparison, and (ii) make technical changes to the numbering of footnotes and certain cross-references in the Rules to reflect the changes noted above.

The effective date of the proposed rule change will be announced via an NSCC Important Notice at least 30 days in advance of its implementation.

⁵ With respect to the former provision, the function described is no longer in use and the provision has become obsolete, and with respect to the latter provision, a comparison service is not currently scheduled to be implemented for corporate when-issued securities and NSCC would submit a rule filing to the Commission in the event such an implementation is proposed.

(ii) Statutory Basis. The proposed rule change is consistent with the requirements of Section 17A(b)(3)(F)⁶ of the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder, because it provides for operational efficiencies by promoting the comparison of transactions at the point of trade, and therefore are designed to promote the prompt and accurate clearance and settlement of securities transactions.

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

NSCC does not believe that the proposed rule change will have any impact, or impose any burden, on competition, as usage of the OTC Equity Comparison service has declined significantly and other alternatives (including NSCC’s Obligation Warehouse and the ACT facility) are available.

(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 with respect to this filing.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer

⁶ 15 U.S.C. 78q-1(b)(3)(F).

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 or disapprove 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-comments@sec.gov. Please include File Number SR-NSCC-2013-09 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.

All submissions should refer to File Number SR-NSCC-2013-09. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of National Securities Clearing Corporation. 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 submissions should refer to File Number SR-NSCC-2013-09 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.

Elizabeth M. Murphy, Secretary

EXHIBIT 5

Bold, underlined text indicates additional language proposed by this rule filing.

~~Bold, strike-through~~ text indicated deletions proposed by this rule filing.

Bold, underlined, shaded text indicates additional language proposed by SR-NSCC-2013-05, as amended.

~~Bold, strike-through, shaded~~ text indicates deletions proposed by SR-NSCC-2013-05, as amended.

RULES AND PROCEDURES
OF
NATIONAL SECURITIES CLEARING CORPORATION

RULE 1. DEFINITIONS

Compared Contract

The term “Compared Contract” has the meaning set forth in Rule 5.

RULE 5. GENERAL PROVISIONS

SEC. 1. Receive data covering the buy side and deliver data covering the sell side of any contract calling for delivery of Cleared Securities may be sent for comparison by a Member to the Corporation; such contracts shall be compared by the Corporation **to the extent provided for under these Rules and the Procedures.** **Trade Data may also be provided to the Corporation on a locked-in basis as provided pursuant to the Rules and the Procedures. Output made available by the**

Corporation on: (i) contracts compared by the Corporation, and (ii) locked-in transactions recorded by the Corporation from data received from a Member or Self-Regulatory Organization (collectively, "Compared Contracts"), shall evidence valid, binding and enforceable compared transactions for purposes of these Rules (notwithstanding with respect to locked-in transactions that the underlying data is not matched with corresponding data submitted to the Corporation by the affected contra-Member). Compared Contracts ~~compared contracts~~ for CNS Securities and other transactions in respect of CNS Securities submitted to the Corporation under these Rules ("CNS Contracts") shall be accounted for in the CNS System; ~~compared contracts~~ **Compared Contracts** for Balance Order Securities and other transactions in respect of Balance Order Securities submitted to the Corporation under these Rules ("Balance Order Contracts") shall be accounted for in the Balance Order System; ~~compared contracts~~ **Compared Contracts** for Foreign Securities and other transactions in respect of Foreign Securities submitted to the Corporation under these Rules ("Foreign Security Contracts") shall be accounted for in the Foreign Security System.¹ Delivery of CNS Securities to the Corporation, except as specified in Section 9 of Rule 11, shall be made through the facilities of the Corporation or a Qualified Securities Depository and payment therefore shall be made through the Corporation or such agent as it may designate; delivery of Balance Order Securities may be made through the Corporation in which case payment therefore shall be made through the Corporation or such agent as it may designate; delivery of Foreign Securities shall be made pursuant to arrangements mutually agreed upon by the parties, and the Rules of the Corporation shall not govern such delivery or the failure to deliver such securities. Such comparison, accounting, and, with respect to CNS Securities and Balance Order Securities, delivery and payment shall be effected as hereinafter prescribed in these Rules, in such regulations with respect thereto as the Corporation may from time to time adopt and in the Procedures.

When issued and when distributed cleared transactions shall be settled and payment therefor made at such time, in such manner and by the delivery of securities and/or other property as the Corporation may determine, or shall be canceled and thereafter shall be null and void if the Corporation determines that the plan or proposal pursuant to which the securities were to be issued or distributed has been abandoned or materially changed.

SEC. 2. Every Member, Mutual Fund/Insurance Services Member, Settling Bank Only Member, Municipal Comparison Only Member, Insurance Carrier/Retirement Services Member, TPA Member, TPP Member, Investment Manager/Agent Manager, Fund Member, Data Services Only Member and AIP Member (each hereinafter referred to as a "participant" for purposes of this Rule 5) shall designate a representative that is authorized in the name of the participant to sign all instruments, to correct errors and to perform such other duties as may be required under these Rules and to transact all business requisite in connection with the operations of the Corporation which

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.~~

representative shall be capable of taking such action in a manner consistent with the daily time schedules and other requirements established by or pursuant to these Rules. If the representative of the participant is not a general partner or officer of the participant's firm, such representative shall, in the case of a firm, be authorized to act by written power of attorney, or in the case of a corporation, by resolution by the board of directors of such corporation. Such power of attorney or resolution, as the case may be, shall be in such form as approved by the Corporation.

Members, Settling Bank Only Members, Municipal Comparison Only Members, Insurance Carrier/Retirement Services Members, TPA Members, TPP Members, Investment Manager/Agent Members, Fund Members and Data Services Only Members shall file with the Corporation the signatures of the members of their firms or the officers of their corporations and of the representatives of such firms or corporations who are authorized to sign checks, agreements, receipts, orders and other papers necessary for conducting business with the Corporation together with the powers of attorney or other instruments giving such authority.

Each participant will be allotted a number which must be included in all submissions by him in connection with the operations of the Corporation.

The official date of the Comparison Operation, the Accounting Operation and the settlement of contracts is the Settlement Date for such contracts and summaries, security balance orders, security orders, CNS System reports, checks relating thereto, except as may be otherwise directed by the Corporation, either in general or in particular instances, shall bear that date even though they may be issued on a preceding day.

SEC. 3. A participant may appoint one or more persons as its agent(s) with respect to all data, contracts or transactions, transmitted or received, compared, confirmed, accounted for, settled, delivered or carried out through or by the Corporation and all matters relating thereto, provided that such appointment has been consented to by the Corporation and is evidenced by such appointments, authorizations, certifications and other agreements in such form as may be required by the Corporation.

SEC. 4. The Corporation may, in its discretion, require a participant to provide appropriate staff in their offices during specified hours on non business days when such is deemed necessary by the Corporation to insure the integrity of its systems and/or for the protection of the Corporation.

SEC. 5. All reports in electronic format shall be deemed delivered to and received by each participant when made available for retrieval by the Corporation, and each such entity shall be obligated to retrieve and review such reports and notify the Corporation promptly of any error contained in such reports.

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

SEC.1. A Member acting as a Special Representative or Qualified Special Representative, 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. A Member may also submit to the Corporation for comparison trade data on any transaction calling for delivery of Cleared Securities that are also debt securities between it and another person, or for other transactions as otherwise provided through the Obligation Warehouse service in accordance with Rule 51 and Procedure II A. ~~The Corporation will, in accordance with this Rule and the Procedures, handle the comparison of transactions reflected in trade data so submitted to it~~⁴

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 for which it will act. The Corporation will not act upon any instruction received from a Special Representative which applies pursuant to this paragraph until each Member for which the Special Representative proposes to act has consented thereto in a writing delivered to the Corporation.

(b) A Special Representative may submit to the Corporation transaction data, ~~which may reflect the netted results of other transactions,~~ as to the rights and obligations of Members which calls for the delivery of Cleared Securities and is between Members, ~~notwithstanding the fact that the rights and obligations do not represent transactions compared under this Rule.~~ The obligations of the Member reflected in 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~~ Compared Contract under this Rule ~~and shall be deemed to be transactions compared under this Rule.~~ A Member which has been so designated by a Special Representative shall resolve any differences or claims regarding the rights and obligations reflected in the transaction data submitted by the Special Representative with the Special Representative, and the Corporation shall have no responsibility in respect thereof or to adjust its records or the accounts of the

⁴ ~~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.~~

Member in any way, otherwise than pursuant to the instructions of the Special Representative.

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. **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 transaction 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~~ Compared Contract 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 organizations^{2 1}) and/or service bureaus, initial, or supplemental trade data on behalf of Members for input into the Corporation's Comparison Operation **(with respect to debt securities)** or compared trade data, **on a trade-by-trade basis which may reflect the netted results of other transactions,** on behalf of Members for **trade recording and** input into 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

^{2 1} 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.

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(b) 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 Rule^{3 2}, 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 2} **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.**

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. **Except with respect to certain transactions eligible and submitted for processing through the Obligation Warehouse service and provided under these Rules & Procedures, Trade Comparison for transactions in equity securities occurs outside of the Corporation through the facilities of relevant Self-Regulatory Organizations and/or Qualified Special Representatives. The Corporation may provide Comparison services with respect to transactions in debt securities.** 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 Procedure XIII.

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 securities exchanges, and (b) traded in the Over-the-Counter (OTC) market. Separate Trade Comparison and Recording is also provided for debt securities, including when issued and when-distributed transactions, for transactions in all marketplaces.⁴

B. Equity and Listed Debt Securities—Locked-In Trade Input

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

⁴ ~~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.~~

way transactions in securities executed on securities exchanges or OTC marketplaces. Regular way trade data may be submitted throughout T (“trade date”) until the time specified by the Corporation (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 a real-time 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.

(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 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.

~~2. Trade Comparison~~

~~(i) Comparison of Member Input~~

~~Members may submit to the Corporation trade data relating to regular way transactions executed OTC. Regular way trade data may be submitted throughout T until the time specified by the Corporation (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, 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 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.~~

~~(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.~~

C. 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 \$250,000 or less and (ii) \$.04 per \$1,000 for trades greater than \$250,000.

(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 uncomparing 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) Uncomparing/Unmatched - Items identified as uncomparing 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)~~ D.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 uncompared 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 2-C.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 uncompared 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.

D. When-Issued and When-Distributed Securities

The Corporation provides Members with the ability to compare transactions in ~~equity and~~ debt when-issued securities. **Trade Comparison for transactions in equity when-issued securities occurs outside of the Corporation through the facilities of relevant Self-Regulatory Organizations and/or Qualified Special Representatives.**

1. Equity

(a) Input ~~and Comparison~~

Trade data for when-issued and when-distributed equity transactions must be submitted and will be **compared recorded** in the same manner as specified in subsection B of this Procedure II.

~~(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 reports and/or output provided by the Corporation. Such positions are accumulated and carried forward until the security is due for settlement.~~

~~(e)~~ **(b)** 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 security²¹ 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 subsection** 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 uncompleted trades and settlement for transactions accepted by the Corporation pursuant to **subsection subsection** (1)(a) of this **Section subsection** 2(A) above function in the same manner as with respect to regular way transactions, except for the following:

² ~~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.~~

(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 (c) of Section ~~II.D.4~~ C.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 subsection 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 subsection 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 subsection~~ 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.

~~E. Trade Comparison by an Authorized Agent~~

~~The Corporation permits Trade Comparison to be conducted by a Member for another person.~~

~~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 (the principal).~~

~~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. E. 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.

G.F. 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 ~~G. 2.~~ **F. 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.

H. G. 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.³²

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

³² 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.

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 is 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 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.

I. H. 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.

ADDENDUM A

NATIONAL SECURITIES CLEARING CORPORATION

FEE STRUCTURE

I. TRADE COMPARISON AND RECORDING SERVICE FEES - represents the fees to enter and correct original trade data.

A. Trade Comparison:

- ~~1. Each side of each stock, warrant or right trade submitted - \$0.10 per 100 shares, with a minimum fee of \$0.30 and a maximum fee of \$0.60 being applicable.~~
2. 1. Each side of each bond trade submitted - \$0.85 per side.
- ~~3. Each side of a compared trade in Foreign Securities - \$0.75, in addition to the fees provided for in I.A.1. above.~~

B. Trade Correction Fees:¹

~~1. OTC Equity System Correction Fees:~~

~~a. All supplemental input after the night of Trade Date (Advisory, As Of:~~

- ~~(1) T+1 - \$0.40 to the submitter~~
- ~~(2) T+2 - \$0.60 to the submitter~~
- ~~(3) after T+2 - \$1.00 to the submitter~~

2. 1. Listed Equity System Correction Fees:

Suggested Name Deletes submitted to the Corporation directly by participants on T+1 - \$.40 to both sides.

~~3. 2.~~ Bond Correction Fees:

a. All supplemental input after T (Advisory, As Of, Withhold) except for Trades Deleted:

- (1) T+1 - \$.60 to the submitter
- (2) T+2 - \$.90 to the submitter
- (3) after T+2 - \$1.50 to the submitter

¹ Trade Submission Fees (see I.A. above) will be charged in addition to the Trade Correction Fees detailed in I.B. Trade Correction Fees will not be applied on OCS, IDC and ACT input.

b. Trades Deleted:

- (1) T+1 - \$.60 to both sides
- (2) T+2 - \$.90 to both sides
- (3) after T+2 - \$1.50 to both sides

4. Trade Rejection Fee: \$.50 per bond reject.

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

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 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.~~ F. 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.
