

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 28	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2013 - * 11 Amendment No. (req. for Amendments *)
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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"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <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 Section 806(e)(1) <input type="checkbox"/> Section 806(e)(2) <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) <input type="checkbox"/>
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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 *).

To add a new service to NSCC's Obligation Warehouse which would pair off and close certain open, pending obligations, reducing the number of open obligations in Obligation Warehouse.

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 * Jacqueline Last Name * Farinella
 Title * Director and Senior Associate Counsel
 E-mail * jfarinella@dtcc.com
 Telephone * (212) 855-3216 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 11/14/2013 Managing Director and General Counsel
 By Larry E. Thompson
 (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.

Persona Not Validated - 1356725050802,

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

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

Add Remove View

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) The proposed rule change is annexed hereto as Exhibit 5 and consists of modifications to the Rules & Procedures (“Rules”) of National Securities Clearing Corporation (“NSCC”) to add a new service to NSCC’s Obligation Warehouse (“OW”) which would pair off and close certain open obligations, reducing the number of open obligations in OW.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Clearing Agency

(a) The proposed change was approved by the Businesses and Products Committee of the Board of Directors of NSCC at a meeting duly called and held on August 13, 2013.

3. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) NSCC’s Obligation Warehouse, or “OW”, implemented in 2011, is a non-guaranteed, automated service that tracks, stores, and maintains unsettled ex-clearing and failed obligations, as well as obligations exited from NSCC’s Continuous Net Settlement (“CNS”) system, non-CNS Automated Customer Account Transfer Service (“ACATS”) Receive and Deliver Instructions, Balance Orders, and Special Trades, as defined in NSCC’s Rules (collectively “OW Obligations”). The service provides transparency, serves as a central storage of open (i.e. failed or unsettled) broker-to-broker obligations, and allows users to manage and resolve exceptions in an efficient and timely manner.

Simultaneously, OW provides on-going maintenance and servicing of matched obligations that have not been marked by a Member as subject to upcoming delivery, closure, or cancellation. Examples of this on-going maintenance and servicing include adjustments for certain corporate actions, daily review for CNS eligibility, and regular processing of the Reconfirmation and Pricing Service (“RECAPS”) in the OW on days announced by Important Notices. During the daily review for CNS eligibility, OW Obligations that are eligible for CNS are exited from the OW and forwarded to CNS. On days when RECAPS is run in the OW, OW Obligations that are eligible for RECAPS¹ are

¹ Obligations that are matched and have a settlement date of at least two days prior to the date on which the RECAPS process commences will be considered for inclusion in the RECAPS process, and therefore, fail items not already in the OW and eligible for RECAPS processing must be submitted by the Member prior to RECAPS processing.

re-netted and, if appropriate, are marked to the current market price,² and are provided with an updated settlement date of the next business day. NSCC is proposing to add a new service to OW, the Pair Off function, which would pair off and close certain open obligations, reducing the number of open obligations in OW. The Pair Off function would run once a day, immediately following the completion of the review for CNS eligibility.³

OW stores and maintains OW Obligations until they are settled, closed, or cancelled. Today, in order to reduce the number of obligations that remain on their books and records, Members may take actions away from NSCC to close out these open obligations. Those Members would then close the obligations in OW. The proposed Pair Off function would facilitate the close out of any OW Obligations that Members designate as eligible for the service. By facilitating the close out of these obligations in an automated manner within the OW, the Pair Off function would add transparency to the life cycle of these obligations that may otherwise be closed out away from NSCC. With respect to obligations that are removed from the OW as a result of a pair off, the function would also help Members to remove these obligations from their books and records, and would reduce those Members' administrative costs associated with maintaining these obligations in OW.

Under the proposed rule change, NSCC Members would have the opportunity to designate certain OW Obligations that are in "Open" status in the OW to which they are a party to be eligible to be paired off with other OW Obligations in the same CUSIP and ultimately closed.⁴ NSCC may, in its discretion, exclude certain obligations from the Pair Off function, and will announce by Important Notice which obligations are excluded. Initially, the following obligations may be excluded: (1) OW Obligations in which the underlying security is a mutual fund, a when-issued security,⁵ or is part of a syndicate; (2) OW Obligations that are identified in OW as an ACATS Receive and Deliver Instruction; (3) obligations that, as of the time the Pair Off function runs, are identified in the OW as

² In the event that the current market price for a security is not available, the obligation's price details will be unchanged from when it was previously matched.

³ NSCC will announce by Important Notice days on which Pair Off function will not run, which may include days on which the RECAPS process is run in the OW.

⁴ Members may either participate in the Pair Off function on an account level, designating all OW Obligations in an "Open" status in the OW to which they are a party as eligible for the Pair Off function, and then opt out of the function with respect to certain OW Obligations; or they may designate only certain OW Obligations as eligible for pair off.

⁵ A transaction in a "when issued" security is made conditionally because the underlying security has been authorized but not yet issued, and will only settle after the security has been issued.

being subject to a corporate action; and (4) an obligation that is marked in the OW as being in “Open” status but has already been sent to The Depository Trust Company’s Inventory Management System (IMS) as a pending delivery.

The Pair Off function would use a matching methodology that would pair off eligible OW Obligations based on the quantity of underlying securities, the final money amount, and the settlement dates of the underlying obligations. The Pair Off function would only match OW Obligations that have been designated as eligible for pair off by both Members that are party thereto, and that are in the same CUSIP and have the same counterparties, where the counterparties have offsetting long and short obligations. The methodology would pair off eligible OW Obligations in order by first pairing off those obligations that have the most criteria in common. For example, the methodology would first pair off eligible OW Obligations where the quantity of underlying securities, the settlement dates of the obligations, and the final money amounts are identical. The methodology would continue to review eligible OW Obligations subject to certain rules, beginning with eligible OW Obligations with the oldest settlement date, and eligible OW Obligations with the smallest number of underlying securities.

Under the proposal, eligible OW Obligations would be paired off where the quantity of underlying securities, the final money amount, or the settlement dates of the underlying obligations may not be identical, and, in certain cases, one OW Obligation would be paired off against multiple OW Obligations. However, a pair off would never occur if it would result in (1) a negative quantity of underlying securities in either of the original obligations, (2) a negative final money amount, or (3) at least one of the obligations subject to the pair off to remain open, with a reduced quantity of underlying securities and have a final money amount of zero or less than zero. Additionally, OW Obligations in municipal bonds would only be eligible for pair off where the quantity of the underlying securities in the obligations subject to the pair off is identical and no underlying securities remain.

Where the pair off criteria are met, the OW Obligations would either be closed or, where the quantities of underlying securities are not exactly matched between obligations being paired off, the pair off would result in one or more of the obligations being reduced by the quantity of securities that were paired off. Those obligations would remain in “Open” status in OW and would be adjusted to reflect the reduced number of underlying securities. Where the underlying final money amounts are not exactly matched between obligations being paired off, the pair off would result in a cash adjustment, which would be reflected in the Members’ money settlement with NSCC on the following business day.

Implementation Timeframe

Subject to approval of this filing, NSCC proposes to implement the Pair Off function during the first quarter of 2014. Pending Commission approval, Members will be advised of the implementation date through issuance of an NSCC Important Notice.

Proposed Rule Changes

NSCC is proposing to amend Rule 51 (Obligation Warehouse) and add a new Section E to the existing Procedure IIA (Obligation Warehouse) describing the Pair Off function. These changes are reflected in Exhibit 5 hereto.

(b) NSCC believes the proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (“Act”) and the rules and regulations thereunder applicable to NSCC, in particular Section 17A(b)(3)(F) of the Act,⁶ which requires that NSCC’s Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. By providing for greater efficiency and transparency with respect to obligations processed through the OW, the proposed rule change promotes the prompt and accurate clearance and settlement of securities transactions.

4. Clearing Agency’s Statement on Burden on Competition

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

5. Clearing Agency’s Statement on Comments on the Proposed Rule Change Received from Members, Members, or Others

Written comments relating to the proposed rule change have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

6. Extension of Time Period for Commission Action

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

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

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

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. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. 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 Changes to NSCC's Rules

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-NSCC-2013-11

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Add a New Service to NSCC's Obligation Warehouse ("OW") Which Would Pair Off and Close Certain Open Obligations, Reducing the Number of Open Obligations in OW

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 13, 2013, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Item I, II and III below, which Items have been prepared primarily by NSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

NSCC is proposing to modify its Rules & Procedures ("Rules") to add a new service to NSCC's Obligation Warehouse ("OW") which would pair off and close certain open obligations, reducing the number of open obligations in OW, as more fully described below.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

II. Clearing Agency'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) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is for NSCC to modify its Rules to add a new service to NSCC's Obligation Warehouse ("OW") which would pair off and close certain open obligations, reducing the number of open obligations in OW. NSCC's Obligation Warehouse, or "OW", implemented in 2011, is a non-guaranteed, automated service that tracks, stores, and maintains unsettled ex-clearing and failed obligations, as well as obligations exited from NSCC's Continuous Net Settlement ("CNS") system, non-CNS Automated Customer Account Transfer Service ("ACATS") Receive and Deliver Instructions, Balance Orders, and Special Trades, as defined in NSCC's Rules (collectively "OW Obligations"). The service provides transparency, serves as a central storage of open (i.e. failed or unsettled) broker-to-broker obligations, and allows users to manage and resolve exceptions in an efficient and timely manner.

Simultaneously, OW provides on-going maintenance and servicing of matched obligations that have not been marked by a Member as subject to upcoming delivery, closure, or cancellation. Examples of this on-going maintenance and servicing include

adjustments for certain corporate actions, daily review for CNS eligibility, and regular processing of the Reconfirmation and Pricing Service (“RECAPS”) in the OW on days announced by Important Notices. During the daily review for CNS eligibility, OW Obligations that are eligible for CNS are exited from the OW and forwarded to CNS. On days when RECAPS is run in the OW, OW Obligations that are eligible for RECAPS³ are re-netted and, if appropriate, are marked to the current market price,⁴ and are provided with an updated settlement date of the next business day. NSCC is proposing to add a new service to OW, the Pair Off function, which would pair off and close certain open obligations, reducing the number of open obligations in OW. The Pair Off function would run once a day, immediately following the completion of the review for CNS eligibility.⁵

OW stores and maintains OW Obligations until they are settled, closed, or cancelled. Today, in order to reduce the number of obligations that remain on their books and records, Members may take actions away from NSCC to close out these open obligations. Those Members would then close the obligations in OW. The proposed Pair Off function would facilitate the close out of any OW Obligations that Members designate as eligible for the service. By facilitating the close out of these obligations in

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⁴ In the event that the current market price for a security is not available, the obligation’s price details will be unchanged from when it was previously matched.

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an automated manner within the OW, the Pair Off function would add transparency to the life cycle of these obligations that may otherwise be closed out away from NSCC. With respect to obligations that are removed from the OW as a result of a pair off, the function would also help Members to remove these obligations from their books and records, and would reduce those Members' administrative costs associated with maintaining these obligations in OW.

Under the proposed rule change, NSCC Members would have the opportunity to designate certain OW Obligations that are in "Open" status in the OW to which they are a party to be eligible to be paired off with other OW Obligations in the same CUSIP and ultimately closed.⁶ NSCC may, in its discretion, exclude certain obligations from the Pair Off function, and will announce by Important Notice which obligations are excluded. Initially, the following obligations may be excluded: (1) OW Obligations in which the underlying security is a mutual fund, a when-issued security,⁷ or is part of a syndicate; (2) OW Obligations that are identified in OW as an ACATS Receive and Deliver Instruction; (3) obligations that, as of the time the Pair Off function runs, are identified in the OW as being subject to a corporate action; and (4) an obligation that is marked in the OW as being in "Open" status but has already been sent to The Depository Trust Company's Inventory Management System (IMS) as a pending delivery.

⁶ Members may either participate in the Pair Off function on an account level, designating all OW Obligations in an "Open" status in the OW to which they are a party as eligible for the Pair Off function, and then opt out of the function with respect to certain OW Obligations; or they may designate only certain OW Obligations as eligible for pair off.

⁷ A transaction in a "when issued" security is made conditionally because the underlying security has been authorized but not yet issued, and will only settle after the security has been issued.

The Pair Off function would use a matching methodology that would pair off eligible OW Obligations based on the quantity of underlying securities, the final money amount, and the settlement dates of the underlying obligations. The Pair Off function would only match OW Obligations that have been designated as eligible for pair off by both Members that are party thereto, and that are in the same CUSIP and have the same counterparties, where the counterparties have offsetting long and short obligations. The methodology would pair off eligible OW Obligations in order by first pairing off those obligations that have the most criteria in common. For example, the methodology would first pair off eligible OW Obligations where the quantity of underlying securities, the settlement dates of the obligations, and the final money amounts are identical. The methodology would continue to review eligible OW Obligations subject to certain rules, beginning with eligible OW Obligations with the oldest settlement date, and eligible OW Obligations with the smallest number of underlying securities.

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the underlying securities in the obligations subject to the pair off is identical and no underlying securities remain.

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Implementation Timeframe

Subject to approval of this filing, NSCC proposes to implement the Pair Off function during the first quarter of 2014. Pending Commission approval, Members will be advised of the implementation date through issuance of an NSCC Important Notice.

Proposed Rule Changes

NSCC is proposing to amend Rule 51 (Obligation Warehouse) and add a new Section E to the existing Procedure IIA (Obligation Warehouse) describing the Pair Off function.

2. Statutory Basis

NSCC believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to NSCC, in particular

Section 17A(b)(3)(F) of the Act,⁸ which requires that NSCC's Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. By providing for greater efficiency and transparency with respect to obligations processed through the OW, the proposed rule change promotes the prompt and accurate clearance and settlement of securities transactions.

(B) Clearing Agency's Statement on Burden on Competition

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

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments relating to the proposed rule change have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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

Within 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 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 a proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

⁸ 15 U.S.C. 78q-1(b)(3)(F).

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:

- Use 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-2013-11 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NSCC-2013-11. 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

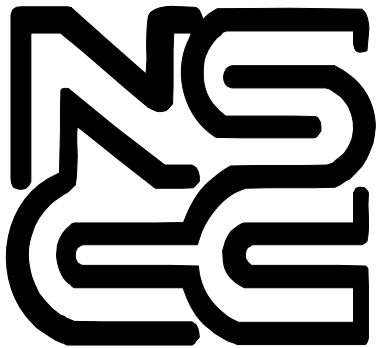
3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on NSCC's website

(http://dtcc.com/legal/rule_filings/nsc/2013.php). 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-2013-11 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.⁹

Elizabeth M. Murphy
Secretary

⁹ 17 CFR 200.30-3(a)(12).



NATIONAL
SECURITIES
CLEARING
CORPORATION

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Underlined and boldface text indicates new text

~~Strikethrough and boldface~~ indicates deleted text

RULE 51. OBLIGATION WAREHOUSE

SEC. 1. General

The Corporation may offer a service to Members for: (i) the comparison of securities transactions that are not otherwise submitted by or on behalf of Members for trade comparison or recording through other NSCC systems or services, (ii) tracking, storage and maintenance of obligations either compared through the service, or forwarded to it from other NSCC accounting operations or services in accordance with the Rules and Procedures through the time of settlement of such obligations (such obligations shall collectively be referred to as “OW Obligations”), **and** (iii) the repricing and updating of fail obligations, **(iv) the pair off of certain eligible open obligations**. As regards to tracking and maintenance, the Corporation will cause CNS-eligible OW Obligations to be entered into the CNS Accounting Operation on a regular basis.¹ This service shall be known as the “Obligation Warehouse” service. In addition, in accordance with this Rule and the Obligation Warehouse Procedure, a Member shall submit to the Obligation Warehouse for repricing, netting and allotting, fail data with respect to transactions already compared through the facilities of the Corporation or other facilities.

SEC. 2. Eligible Obligations

The Obligation Warehouse shall be available for use by Members for the tracking, records storage and maintenance of transactions in such securities or classes of securities as the Corporation shall determine from time to time.

SEC. 3. Non-Guaranteed Service and Settlement

The Obligation Warehouse shall not be a guaranteed service of the Corporation. Except with respect to: (i) OW Obligations that have been forwarded to the CNS Accounting Operation in accordance with Procedure II A. and Procedure VII, and (ii) any cash adjustment forwarded to the settlement system of the Corporation in accordance with the Obligation Warehouse Procedure, the settlement of OW Obligations shall occur between the parties themselves. Any obligations (settlement or otherwise) arising from OW Obligations shall be the sole responsibility of the Members that are parties to the obligation. In the event of the default of a Member, the Corporation within such time frames as determined from time to time and whether before or after settlement on any business day, may: (i) exit all OW Obligations of such Member, (ii) reverse all credits and debits for the Member relating to OW Obligations that have entered the CNS Accounting Operation, and (iii) reverse any cash adjustment of the Member forwarded to settlement pursuant to the Obligation Warehouse Procedures.

¹ This functionality will be made available to Members at a date no less than 10 business days following announcement of its implementation by Important Notice.

SEC. 4. Limitations on Liability

(a) Notwithstanding any other provision in the Rules of the Corporation; the Corporation will not be liable for any action taken, or any delay or failure to take any action, hereunder or otherwise to fulfill the Corporation's obligations to users of the Obligation Warehouse service, other than for losses caused directly by the Corporation's gross negligence, willful misconduct, or violation of federal securities laws for which there is a private right of action.

(b) Under no circumstances will the Corporation be liable for any indirect, consequential, incidental, special, punitive or exemplary loss or damage (including, but not limited to, loss of business, loss of profits, trading losses, loss of opportunity and loss of use) howsoever suffered or incurred, regardless of whether the Corporation has been advised of the possibility of such damages or whether such damages otherwise could have been foreseen or prevented.

PROCEDURE II A. OBLIGATION WAREHOUSE

A. Introduction

The Obligation Warehouse (the "OW") is a service available to Members for (i) comparison of transactions that are not otherwise submitted by Members, Self-Regulatory Organizations, or Qualified Special Representatives on behalf of Members for trade comparison or recording through other services of the Corporation, (ii) tracking, storage and maintenance of obligations either compared through the service or forwarded to it from other services of the Corporation in accordance with the Rules and Procedures, and (iii) the repricing and updating of fail obligations.¹

Other than Balance Order Contracts and obligations that have been forwarded to CNS from the OW, which shall continue to be subject to the Rules, all Buy-Ins; deliveries, receives and reclamations; adjustments for corporate actions, whether mandatory or voluntary; and transactions of a Member that have been DK'ed, shall be remain subject to the rules of the appropriate marketplace.

Members may submit to the Corporation trade data relating to securities eligible for OW processing as provided in this Procedure. Obligations eligible for submission must have a valid CUSIP or ISIN and be denominated in U.S. Dollars or such other currencies as the Corporation determines from time to time. NSCC will designate certain security or transaction types as eligible for the OW process from time to time.² Comparison of items submitted directly by Members to the OW shall occur daily on a real-time basis in accordance with the OW Comparison process set forth below. Each OW Obligation shall be assigned a unique "OW Control Number" to facilitate tracking the obligation through its settlement, cancellation or closure. OW Obligations (as defined in Rule 51) will be tracked, stored, and maintained until settled or otherwise cancelled by Members or otherwise removed by the Corporation in accordance with the Rules and Procedures. In addition, for those Members participating in the OW Service, transactions exited from CNS, ACATS Receive and Deliver transactions (e.g., ACATs deliveries that settle outside of CNS) Balance Orders, and Special Trades shall automatically be entered by the Corporation into the OW for storage and for Reconfirmation and Pricing Service ("RECAPS") processing, as set forth below. In addition, the Corporation will cause CNS-eligible OW Obligations to be entered into the CNS Accounting Operation on a regular basis.

¹ Members should note that in accordance with MSRB rules, NSCC reports transactions in municipal securities matched through its Real-Time Trade Matching ("RTTM") service to the MSRB on behalf of Members. Transactions submitted through the OW will not be reported to the MSRB. In order to remain compliant with MSRB reporting requirements, transactions subject to MSRB rules should continue to be submitted by Members to NSCC's RTTM service.

² The Corporation may determine from time to time, and shall announce by Important Notice, which items are eligible for the Obligation Warehouse service.

B. OW Comparison

The following steps will apply with respect to transactions submitted to the Obligation Warehouse for comparison:

1. Transaction data as submitted by Members for processing in the Obligation Warehouse is compared by the Corporation to ensure that the matching criteria of each obligation are in agreement between the purchaser and the seller.
2. Data may be submitted during the timeframes and in such form as may be specified by the Corporation from time to time. Data required for a valid submission will include quantity, which party is deliverer or receiver, security identification, contra-broker, deliverer's final money, settlement date, unique reference number ("x-ref"), market participant identification (MPID), where applicable, whether a transaction should be excluded from CNS processing and other identifying details as NSCC may require or permit, and shall be in such formats as specified by the Corporation relative to the method utilized for submission. Criteria which must match between contra-parties to effect a comparison of transaction details includes quantity, an indication as to which party is deliverer or receiver, security identification, contra-broker, deliverer's final money, settlement date, whether a transaction should be excluded from CNS processing and other identifying details as NSCC may require or permit (collectively referred to herein as the "Required Matching Fields").
3. Upon receipt and validation by the Corporation of obligation information from the initiating party, the contra side will receive an Advisory, to which they must respond by submitting like details to facilitate a compared obligation or they can DK the obligation entry. Any submission of a DK must include the applicable reason code pertaining to the Member's disagreement with the transaction.
4. A Member against which a DK is submitted may respond with modifying details of the applicable transaction within the timeframes specified by the Corporation from time to time, otherwise the item will be deleted from processing in accordance with timeframes specified by the Corporation from time to time. If a Member submits modifying details in response to a DK from a counterparty, the item will be treated as a new submission pursuant to Section B(1) of this Procedure.

5. A Member may modify trade details of, or cancel, a transaction, that it has submitted and is designated by the Corporation as uncomparing by forwarding the appropriate instruction to the Obligation Warehouse by the time specified by the Corporation from time to time, so long as notification of settlement of the uncomparing transaction has not been received by the Obligation Warehouse prior thereto. If a Member submits modifying details, the item will be treated as a new submission pursuant to Section B(1) of this Procedure.
6. If the deliverer and receiver submit trade data that matches in all required respects, the trades will be deemed compared if it meets money tolerances as announced by the Corporation from time to time, and deemed an OW Obligation.
7. The Corporation may delete trade input which is not matched by such timeframes as determined by the Corporation from time to time.
8. 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.

C. Obligation Warehouse Storage, Tracking, Maintenance and Settlement

1. The Corporation will track, store and maintain each OW Obligation until settled or otherwise cancelled by the Members party to the obligation or otherwise closed by the Corporation.
2. The Corporation may adjust compared OW Obligations with respect to the following mandatory reorganization events: forward stock splits, name changes, mergers (both cash and stock) and full calls with respect to bonds.³ In the case of such an event, at such time on or after the effective date of the event as the Corporation shall determine it has all relevant information, the affected OW Obligation will be adjusted in accordance with the terms of the reorganization event.⁴ With respect to name changes and forward stock splits, OW positions in the subject security shall be converted into the equivalent positions of the new securities and/or cash and a new obligation will be created automatically as part of the processing for OW. Any cash adjustment associated with a mandatory

³ Please note that the processing of dividends and interest will not be done for OW transactions and remain the responsibility of the parties outside the facilities of the Corporation.

⁴ If the Corporation determines that it does not have the relevant information, Members may adjust OW Obligations subject to such events by cancelling and resubmitting them.

reorganization will be included as part of the Member's daily money settlement with the Corporation and will appear on reports generated in the OW.

3. On a regular basis, the Corporation will review all OW Obligations for CNS eligibility. Unless otherwise excluded by a Member through its submission of an appropriate instruction, the Corporation will cause all CNS-eligible OW Obligations: (i) that have not reached their scheduled settlement date to be reported on the CNS Miscellaneous Activity Report the night prior to Settlement Date (SD-1) and entered into the CNS Accounting Operation for the night cycle on SD (i.e., the evening of SD-1), and (ii) that have reached or passed their scheduled settlement date to be reported on the Miscellaneous Activity Report on the evening of the date they become CNS-eligible and entered into the CNS Accounting Operation for settlement on the next Settlement Day (i.e, the night cycle which runs on the same evening of the Miscellaneous Activity reports covering the obligations is issued). Such items shall be subject to Rule 11 and other provisions of these Rules and Procedures; provided, however, that subject to any rights the Corporation may have as provided in these Rules generally, the Corporation will guarantee the settlement of any such OW Obligation only to the extent that the Member pays the Corporation its full settlement obligation on the date the obligation is scheduled to settle in the CNS Accounting Operation. To the extent that such Member fails to pay in full its settlement obligation, in the sole discretion of the Corporation, OW Obligations which have been sent to the CNS Accounting Operation may, in whole or in part, be removed from the CNS Accounting Operation by reversing all credits and debits for the Member relating to OW Obligations that have entered the CNS Accounting Operation. Settlement of such item shall be effected between the Receiving and Delivering Member and not through the facilities of the Corporation.
4. The Corporation will update OW Obligations for which deliveries have been made through a Qualified Securities Depository to reflect their status as settled, in accordance with instructions received from the Qualified Securities Depository.⁵ The Qualified Securities Depository's instructions shall use the OW Control Number and contain such other information as the Corporation determines from time to time. In the event of a partial delivery through a Qualified Securities Depository, the

⁵ In order to effect such an update, Members must provide the Qualified Securities Depository with instructions in accordance with the Procedures of the Qualified Securities Depository.

Corporation, in accordance with proper instructions from the Qualified Securities Depository, will update the records of the respective OW Obligation accordingly.

5. In order to reflect the settlement of a transaction effected otherwise than through a Qualified Securities Depository, one party must submit the relevant obligation details, similar to the data required for OW comparison (including the actual settlement date, quantity and amount settled), as specified by the Corporation. At that point, the counterparty will receive an advisory, to which they must respond by submitting like details, or by notification that it does not accept the submitted settlement details. If the parties submit settlement data that matches in all required respects, the obligation will be updated to reflect the amount so settled, if it meets money tolerances as announced by the Corporation from time to time. If the counterparty responds to an advisory that it does not accept the submitted settlement details, however, the initiating party may submit modifying details to the applicable transaction, in which case the item will be treated as a new update of the settlement details.
6. Obligations that have been reflected in the OW as settled in accordance with these Procedures may be re-opened (either partially or fully), as a result of a delivery reclaim message sent by either party to the obligation to OW. Updates to reflect reclaims of settled transactions will be made once one party enters details of the original transaction, and the original transaction's OW Control Number. Once these details are submitted, an advisory of the reclaim will be sent to the counterparty, who must either submit identical transaction details to facilitate the reclaim and re-open the obligation in OW, or submit notification that it does not accept the reclaim details entered by the initiating party. Updates for reclaims may only be submitted to the OW for a period of two business days following the actual settlement date of the relevant obligation. If the reclaim message is not accepted by the counterparty, it will be deleted from the OW, and the parties will need to generate a new reclaim message in OW. If the original obligation has been settled for longer than two business days, any reclaim message will be rejected.

D. Reconfirmation and Pricing

1. Introduction

The OW system includes a reconfirmation and pricing service (“RECAPS”) which will be run from time-to-time as established by the Corporation for such securities in the OW system as the Corporation shall determine. The system provides an opportunity to reconfirm and reprice transactions that already have been compared.⁶ The time on the day that the Corporation determines to commence a cycle of the RECAPS process shall be referred to as “R”.

2. RECAPS Processing

(a) Eligibility

OW Obligations (i.e., items that have either: (i) been matched pursuant to this Procedure, or (ii) forwarded to the OW from other NSCC systems or services as provided in this Procedure) and have a settlement date of at least two days prior to the date of R will be considered for the RECAPS process; however, such OW Obligations can be excluded from the RECAPS process if so designated by the Member or the Corporation. Fail items not already in the OW but which are eligible for RECAPS processing must have been submitted to, and matched in, OW prior to R. Any such submission is subject to the eligibility and matching provisions of subsections A and B of this Procedure.

(b) RECAPS Processing

On R, except as provided below, each eligible OW Obligation will be re-priced, if appropriate, netted and allotted, if appropriate, the settlement date updated to the next business date and opened as a new obligation. Certain securities, including securities that are not CNS-eligible, securities that are designated to settle on a trade-for-trade basis, municipal securities and securities for which the current market price is not available, may not be netted and allotted.

In the event that the current market price for a security is not available, the fail obligation will be priced at the amount at which the obligation previously was compared and assigned a new settlement date; and such items may not be netted and allotted.

⁶ Obligations initially compared through the OW service, or forwarded to the OW from other NSCC systems or services, will not be reconfirmed; however, pre-existing fail obligations submitted by Members will be reconfirmed upon their submission to the OW subject to the matching process outlined in subsections A, B, and C above.

(c) Cash Adjustment

The difference between the aggregate value of a Member's original fails and the aggregate value of the Repriced RECAPS positions (i.e., the current market price of the reconfirmed trades) is known as the net cash adjustment. The net cash adjustment will settle on the Business Day following the date on which the RECAPS process is run and will be included as part of the Member's daily settlement with the Corporation.⁷

(d) Adjustment of Settlement Date

For the purposes of the Corporation's Buy-In Rules and Procedures the RECAPS Settlement Date shall be considered to be the original RECAPS Settlement Date for transactions processed through RECAPS.

E. Pair Off

(a) Eligibility

Members may designate OW Obligations to which they are a party that are in the "Open" status as eligible for pair off. NSCC may, in its discretion, exclude certain obligations from pair off, and will announce such exclusions by Important Notice.

(b) Pair Off Processing

On a regular basis, the OW system will apply a pair off methodology to all eligible OW Obligations based on the quantity of underlying securities, the final money amount, and the settlement dates of the underlying obligations.

Only OW Obligations that have been designated as eligible for pair off by both Members that are party thereto, and that are in the same CUSIP and have the same counterparties, where the counterparties have offsetting long and short obligations, will be paired-off. A pair off will never occur if it would result in (1) a negative quantity of underlying securities in either of the original obligations, (2) a negative final money amount, or (3) at least one of the obligations subject to the pair off to remain open, with a reduced quantity of underlying securities and have a final money amount of zero or less than zero.

⁷ Such net cash adjustments will be separately identified on Members' money settlement statements.

(c) Closed Out or Cash Adjustment

If a pair off is successful, the underlying OW Obligations will either be closed out of the OW or, where the quantities of underlying securities are not exactly matched between obligations being paired off, the pair off will result in one or more of the obligations being reduced by the quantity of securities that were paired off with another OW Obligation. OW Obligations that are not closed out as a result of a pair off will remain in "Open" status in OW, and will be adjusted to reflect the reduced quantity of underlying securities.

Where the underlying final money amounts are not exactly matched between obligations being paired off, the pair off will result in a cash adjustment, which will be reflected in the Members' money settlement with the Corporation on the following business day.

EF. Notifications and Reports

Members will be informed in real-time of status changes with respect to obligations submitted to the OW.

The Corporation shall make available to each Member a report which reflects the end-of-day status of OW activity which took place for such Member during each Business Day.

Activity relating to RECAPS processing will be separately identified on such reports.

Each Member participating in the OW service shall have an affirmative obligation to monitor status updates and reports issued by the Corporation with respect to its OW activity, and immediately inform the Corporation of any discrepancies between its OW activity and the contents of such updates and reports.

FG. Non-Guaranteed Service

The Obligation Warehouse shall not be a guaranteed service of the Corporation. If the Corporation Ceases to Act for a Member pursuant to Rule 18 it may: (i) close all open activity relating to that Member from the OW, (ii) reverse all credits and debits for the Member relating to OW Obligations that have entered the CNS Accounting Operation, and (iii) reverse any cash adjustments forwarded to settlement pursuant to this Procedure.

GH. Applicability of Marketplace Rules

It is intended that Buy-In executions, good delivery requirements for physical deliveries, reclamation rights and transactions of a Member that have been DK'ed shall be remain subject to the rules of the appropriate marketplace, notwithstanding that such requirements would not otherwise apply to a

transaction processed in the OW, unless the relevant process is otherwise specifically provided for in these Rules & Procedures (e.g., such as the buy-in process for CNS transactions).