

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 19	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2013 - * 13	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"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(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 discontinue the Stock Borrow Program.

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 *)
Managing Director and General Counsel

Date 12/10/2013
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 *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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 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 discontinue its Stock Borrow Program.

(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 of NSCC at a meeting duly called and held on August 13, 2013.

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

(a) Over the past few years the use of NSCC’s Stock Borrow Program, which allows NSCC Members to elect to loan their excess positions to NSCC’s Continuous Net Settlement (“CNS”) System in order to facilitate the completion of CNS long allocations, has declined. As such, NSCC is proposing to amend its Rules in order to discontinue the Stock Borrow Program.

One of NSCC’s core services as a central counterparty is trade clearance and settlement through CNS, where compared and recorded transactions in eligible securities¹ for a particular settlement date are netted by issue into one net long (buy) or net short (sell) position. As a continuous net settlement system, those positions are further netted with positions of the same issue that remain open after their originally scheduled settlement date (usually T+3), so that trades scheduled to settle on any day are netted with fail positions to result in a single deliver or receive obligation for each Member for each issue in which it has activity. Today, NSCC Members may elect to participate in the Stock Borrow Program by designating specific securities that are in their inventory at DTC to be available to be borrowed by CNS. If CNS cannot complete a delivery to a long Member because a short Member has not completed its delivery to CNS, NSCC looks to those designated securities and initiates deliveries from lenders to CNS if the lending Member has free excess positions at DTC. In turn, CNS delivers the position to a long Member and sets up a pending receive for the lending Member. If the position is not returned to the lender by the end of settlement day, i.e., the Member with the original obligation to deliver to CNS does not complete that delivery, the lender receives full market value for the securities through NSCC settlement.

¹ To be CNS-eligible, a security must be eligible for book-entry transfer on the books of The Depository Trust Company (“DTC”), an NSCC affiliate, and must be capable of being processed in the CNS system; for example, securities may be ineligible for CNS processing due to certain transfer restrictions (i.e., 144A securities) or due to the pendency of certain corporate actions.

In 2007, NSCC borrowed a daily average of approximately \$1.85 billion in market value at the close of each day from the approximately 21 Members that participated in the Stock Borrow Program that year. Usage of the Stock Borrow Program has since dropped by almost 95%. In October 2013 only three Members participated in the Stock Borrow Program, and the average daily value borrowed at the close of day during that month was approximately \$81 million. Usage of the program has continued to drop since the end of October 2013. Given this dramatic reduction in the use of the program, NSCC has determined that it is not economically efficient to maintain the service, and NSCC is proposing to amend its Rules in order to discontinue the Stock Borrow Program. NSCC has informed the Members using the Stock Borrow Program of its intent to discontinue the program.

Implementation Timeframe

Subject to approval of this filing, NSCC will implement the proposed rule changes on a date announced by Important Notice.

Proposed Rule Changes

NSCC will remove reference to the Stock Borrow Program from Section E of Procedure VII (CNS Accounting Operation), and will remove Addendum C (NSCC Automated Stock Borrow Program Program) from its Rules as reflected in Exhibit 5 hereto. Addendum C will be designated as reserved for future use.

(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,² which requires that NSCC’s Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. Given the dramatic reduction in the use of the Stock Borrow Program by NSCC’s Members, NSCC has determined that it is not economically efficient to maintain the service, and, as such, its proposed rule change will promote its ability to perform the prompt and accurate clearance and settlement of securities transactions.

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 due to the dramatic reduction in use of the Stock Borrow Program by NSCC Members, as described above.

5. Self-Regulatory Organization’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.

² 15 U.S.C. 78q-1(b)(3)(F).

6. Extension of Time Period for Commission Action

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

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

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

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

The proposed rule change is not based 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-2013-13

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Discontinue its Stock Borrow Program

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 December __, 2013, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Item I, II and III below, which Items have been prepared primarily by the clearing agency. 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

The proposed rule change consist of amendments to the Rules & Procedures (“Rules”) of NSCC to discontinue its Stock Borrow Program, as more fully described below.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

Over the past few years the use of NSCC's Stock Borrow Program, which allows NSCC Members to elect to loan their excess positions to NSCC's Continuous Net Settlement ("CNS") System in order to facilitate the completion of CNS long allocations, has declined. As such, NSCC is proposing to amend its Rules in order to discontinue the Stock Borrow Program.

One of NSCC's core services as a central counterparty is trade clearance and settlement through CNS, where compared and recorded transactions in eligible securities for a particular settlement date are netted by issue into one net long (buy) or net short (sell) position. As a continuous net settlement system, those positions are further netted with positions of the same issue that remain open after their originally scheduled settlement date (usually T+3), so that trades scheduled to settle on any day are netted with fail positions to result in a single deliver or receive obligation for each Member for each issue in which it has activity. Today, NSCC Members may elect to participate in the Stock Borrow Program by designating specific securities that are in their inventory at DTC to be available to be borrowed by CNS. If CNS cannot complete a delivery to a long Member because a short Member has not completed its delivery to CNS, NSCC looks to those designated securities and initiates deliveries from lenders to CNS if the lending Member has free excess positions at DTC. In turn, CNS delivers the position to a long Member and sets up a pending receive for the lending Member. If the position is not

returned to the lender by the end of settlement day, i.e., the Member with the original obligation to deliver to CNS does not complete that delivery, the lender receives full market value for the securities through NSCC settlement.

In 2007, NSCC borrowed a daily average of approximately \$1.85 billion in market value at the close of each day from the approximately 21 Members that participated in the Stock Borrow Program that year. Usage of the Stock Borrow Program has since dropped by almost 95%. In October 2013 only three Members participated in the Stock Borrow Program, and the average daily value borrowed at the close of day during that month was approximately \$81 million. Usage of the program has continued to drop since the end of October 2013. Given this dramatic reduction in the use of the program, NSCC has determined that it is not economically efficient to maintain the service, and NSCC is proposing to amend its Rules in order to discontinue the Stock Borrow Program. NSCC has informed the Members using the Stock Borrow Program of its intent to discontinue the program.

Implementation Timeframe

Subject to approval of this filing, NSCC will implement the proposed rule changes on a date announced by Important Notice.

Proposed Rule Changes

NSCC will remove reference to the Stock Borrow Program from Section E of Procedure VII (CNS Accounting Operation), and will remove Addendum C (NSCC Automated Stock Borrow Program Program) from its Rules as reflected in Exhibit 5 hereto. Addendum C will be designated as reserved for future use.

2. Statutory Basis

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, which requires that NSCC’s Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. Given the dramatic reduction in the use of the Stock Borrow Program by NSCC’s Members, NSCC has determined that it is not economically efficient to maintain the service, and, as such, its proposed rule change will promote its ability to perform 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 due to the dramatic reduction in use of the Stock Borrow Program by NSCC Members, as described above.

(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.

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-2013-13 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-2013-13. 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

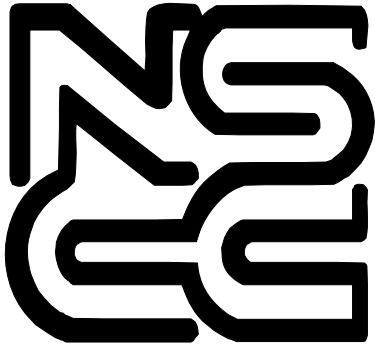
(<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

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-2013-13 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.³

Elizabeth M. Murphy
Secretary

³ 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

PROCEDURE VII. CNS ACCOUNTING OPERATION

* * *

E. Controlling Receipts from CNS

After securities are received by the Corporation from Members with short positions, they are allocated to other Members which have long positions. The allocation of these securities is governed by an algorithm which changes daily so as not to benefit any one Member. Members may change their relative rank within this algorithm by submitting Priority Requests. The submission of a Buy-In Notice will also affect the priority of a Member's long position in that particular security.

1. Standing Priority Request

A Member may enter a Standing Priority Request which moves its long positions in all securities to a higher rank in the allocation formula every day and remains in effect until canceled or changed by the Member in writing.

A Member may enter a Standing Priority Request for the evening cycle only, the day cycle only, or both the evening and day cycles in respect of its general account or any sub-account.

2. Priority Overrides

A Member may override a Standing Priority Request which it has previously submitted, or obtain priority when it has not submitted a Standing Priority Request by submitting a Priority Override. Each Priority Override changes the Member's relative rank in the allocation algorithm for its long position in one security only. The Priority Override remains in effect for one day.

The Member may submit a Priority Override for the specified security for the evening cycle only, the day cycle only, or for both the evening and day cycles.

3. Buy-In Notices

A Member which submits a Buy-In Notice in accordance with the provisions of subsection J of this Section is assigned to a higher relative rank in the allocation algorithm for the quantity of securities specified on the Buy-In Notice than those Members which have requested high priority through the use of a Standing Priority Request or Priority Override.

4. Allocation Algorithm

The algorithm which governs the allocation of long positions is based on priority groups in descending order, age of position within a priority group and random numbers within age groups.

Priority groups include the following:

- (a) long positions in a CNS Reorganization Sub-Account established pursuant to paragraph H.4. of this Section VII of these Procedures;
- (b) long positions against which Buy-In Notices are due to expire that day but which were not filled the previous day;
- (c) long positions against which Buy-In Notices are due to expire the following day;
- (d) (i) long positions in a receiving ID Net Subscriber's agency account established at a Qualified Securities Depository, and (ii) long positions against the component securities of index receipts;
- (e) in descending sequence, priority levels as specified by Standing Priority Requests and as modified by Priority Overrides.

When more than one long position in a given security exists within the same priority group, the "oldest" position is allocated first. Age is defined as the number of consecutive days during which the position has been long, irrespective of quantity.

When more than one long position in a given security exists within the same priority group all of which have been long the same number of consecutive days, the allocation rank is determined by a computer generated random number. Random numbers, which change daily, are computed so that each Member's random number is different for each security.

The allocation algorithm for the evening and day delivery cycles is computed separately to allow for Standing Priority Requests and Priority Overrides which have specified different levels of priority for evening and day cycles.

Following the allocation of securities to a Member pursuant to the Allocation Algorithm described above, deliveries in a particular security processed through CNS, other than buy-in allocations made pursuant to priority groups (b) and (c) above, will be deemed by the Corporation to satisfy a Member's ACATS receive obligation prior to other CNS-related receive obligations for that Member in the same security, and this information shall be provided to the Member's Designated Depository to

facilitate processing in accordance with the Designated Depository's procedures.

5. Fully-Paid-For Account

(Procedures for Movements to the Long Free Account ~~other than for the Stock Borrow Program~~)

The Corporation's processing day is divided into two parts. It begins with an evening cycle on the evening preceding the settlement day for which the work is being processed and is followed by a day cycle which ends on the settlement day for which the work is processed. If a Member with a long position and/or a position due for settlement on the next settlement day, in anticipation of receiving securities from the Corporation (other than municipal securities, as that term is defined by the Securities Exchange Act of 1934, as amended), as a result of the allocation process during the evening or day cycle for that settlement day, instructs that securities within its possession or control (other than municipal securities) be delivered on the next day and is subsequently not allocated the securities during the evening or following day cycle, the Member may, in order to meet the "customer segregation" requirements of SEC Rule 15c3-3, instruct the Corporation, during the day cycle for that settlement day by the time specified by the Corporation, to transfer the position(s) which has not been allocated to a special CNS sub-account (the "Long Free Account"). The Corporation will then debit the Member's settlement account for the value of the position in the Long Free Account. The Long Free Account will be guaranteed by the Corporation and will be marked daily.

All funds which the Corporation receives from debiting the Member's settlement account for the value of a position moved into the Long Free Account and all marks credited to the Long Free Account as a result of marking positions to the market daily, will be segregated by the Corporation from all other funds received by the Corporation. Any time that a Member determines that he no longer needs the position(s) in the Long Free Account for 15c3-3 purposes, he may instruct the Corporation to transfer back the position(s) to its Long Valued Account and make the appropriate adjustment to its settlement account.

NOTE: The SEC has stated that: "any broker/dealer that takes advantage of proposed rule NSCC-82-25 must recall deficits from bank loan within shorter time intervals than those presently allowed under SEC Rule 15c3-3(d)(1). In the case of bank loan, broker/dealers will be expected to effect a recall within one business day instead of the two business days presently allowed.

* * *

ADDENDUM C

(ADDENDUM LETTER RESERVED FOR FUTURE USE)

~~NSCC AUTOMATED STOCK BORROW PROCEDURES~~

~~In the course of daily operations, the Corporation's CNS System often has a need for securities that exceeds the shares made available via Member deliveries to clearing. This need can arise from several sources, including the satisfaction of Member priority requests for allocation and buy-ins submitted by Members.~~

~~In order to improve the efficiency of the clearing system in dealing with these situations, the Corporation's Board has authorized the implementation of automated stock borrow procedures (the Stock Borrow Program) to satisfy needs for stock that are not filled via normal deliveries from Members.~~

~~Members wishing to participate in the program will notify the Corporation each day by such times as the Corporation specifies of the securities they have on deposit at DTC that are available to be borrowed by the Corporation. For this purpose, a Member may not lend securities issued by that Member or by any of that Member's affiliates through the program. In addition, corporate and municipal bonds are not eligible for lending through the program. Note: The daytime stock borrow program is a separate process from the nighttime stock borrow process, and securities available to be borrowed that are sent for nighttime processing will not be applied in the daytime process. Members can choose to participate (i) only in the night stock borrow program, (ii) only in the daytime stock borrow program, or (iii) in both the night and daytime stock borrow programs.~~

~~After the Corporation's nighttime processing of regular deliveries, any needs remaining unsatisfied will be borrowed from Members who have delivered instructions specifying available securities for the nighttime stock borrow process.¹ Similarly, any share needs remaining unsatisfied at a time designated during the day cycle will also be borrowed from Members who have delivered during the day cycle will also be borrowed from Members who have delivered instructions specifying available securities for the daytime stock borrow process. Any shares borrowed will be entered into a special CNS sub-account and the Member will be advanced the full market value of the shares borrowed until they are returned. Borrowed stock will be returned through normal long allocation against the special sub-account as shares become available.~~

¹ ~~Securities subject to a voluntary reorganization will not be borrowed by the Corporation after nighttime processing on E+2 through the end of the protected period.~~

~~More specifically, the processing steps will be as follows:~~

~~1. Each day, Members wishing to participate in the program will inform the Corporation of the number of shares of each security in their general unpledged account at DTC that are available to be borrowed, and the cycle(s) for which the borrowing availability applies. This information, in the form prescribed by the Corporation, must be submitted to the Corporation by the times specified by the Corporation. Data to be submitted to indicate availability will be Member number, CUSIP number, available shares and applicable borrowing cycle. Availability information submitted earlier in the day with respect to the relevant night or day processing cycle can be modified up until such times as determined by the Corporation by completing and returning such information as determined by the Corporation.~~

~~2. After regular evening allocation processing, the Corporation will attempt to borrow any needs for stock that still remain unsatisfied. Borrowing will be done versus the Members that have indicated an availability in each security. The full amount indicated as available by a Member will be utilized prior to borrowing anything from the next selected Member in sequence. The Corporation will use an allocation algorithm to determine the order in which it will borrow securities made available by Members to meet the Corporation's system needs. In addition:~~

~~Step I: On each day, each Member will be assigned a random allocation number, for each security made available to the Corporation for potential borrowing. In the event that more than one Member has made the same security available, the allocation rank is determined by a computer generated random number. Random numbers, which change daily, are computed so that each Member's random number is different for each security.~~

~~Step II: Each potential borrow will then be sequenced using the random allocation number with the lowest number being the first priority for borrowing.~~

~~3. Similarly, at the time during the day cycle designated by the Corporation, the Corporation will attempt to borrow any needs for stock that remain unsatisfied at that time. Borrowing will be done versus those Members that have indicated an availability during that day in each security. Any Member that has remaining availability in a security after the evening allocation processing borrowing must submit new availability instructions to participate in daytime stock~~

~~borrowing. The utilization of such availability will follow the same allocation procedures as used for nighttime stock borrows.~~

- ~~4. When stock is borrowed, the Corporation will create miscellaneous activity updates to the Member's CNS account to record the borrow. When the borrowing is done in the day cycle, the Corporation will make available information in such form as it determines regarding the borrowing activity. The number of shares borrowed will be journalled short against the Member's "D" CNS sub-account and long versus the Member's "C" CNS sub-account. A CNS short cover from the Member's "D" CNS sub-account will automatically occur against the shares on deposit in its DTC account, thus advancing the Member the market value of the stock. The long position in the Member's "C" CNS sub-account will reflect the shares borrowed by the Corporation, and will be marked to the market daily.~~
- ~~5. Shares borrowed will be paid back, and the Member charged back at current market prices, through normal allocation to the Member's "C" CNS sub-account. Borrows will be returned when regular short deliveries for a day exceed all priority needs.~~
- ~~6. In addition to the regular return of borrowed stock, the Stock Borrow Program provides a priority close-out procedure where a Member requires the return of securities borrowed by the Corporation in order to meet the "customer securities segregation" requirements of SEC Rule 15c3-3. In such instances, Members, through use of the CNS priority instructions, can instruct the Corporation to put them on high allocation priority. Alternatively, the Member may initiate buy-in procedures by submitting a Notice of Buy-In.~~
- ~~7. In lieu of utilizing the recall provisions of SEC Rule 15c3-3, the following procedure is available: If the lending Member, when notified of what has been borrowed, finds that his "seg account" is now deficient due to a recalculation of the Member's requirement and the borrowing, the Member would notify the Corporation. The Corporation would convert the lending Member's right to receive back from the Corporation securities borrowed, versus payment, represented by a long valued position, into a right to receive back from the Corporation without payment, the securities borrowed, represented by a separate long free account. The Corporation would also charge the Member's settlement account for the value of those securities in this separate long free account, thus reversing the credit which otherwise would have been extended.~~
- ~~8. The only fees to Members for this program will be normal short cover (when a borrow is made) and long allocation (when a borrow is~~

~~returned) charges and, if instructions are received other than in machine-readable input, fees for processing paper input.~~