

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="32"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2016"/> - * <input type="text" value="008"/> Amendment No. (req. for Amendments *) <input type="text"/>
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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	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed rule change to reflect updates that NSCC would make to the Consolidated Trade Summary, eliminate the practice of repricing in the Foreign Security Accounting Operation, and make technical changes to clarify and correct certain provisions of the Rules.

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 * <input type="text" value="Kristen"/>	Last Name * <input type="text" value="Lam"/>
Title * <input type="text" value="Director and Asistant General Counsel"/>	
E-mail * <input type="text" value="klam1@dtcc.com"/>	
Telephone * <input type="text" value="(212) 855-5258"/>	Fax <input type="text"/>

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 <input type="text" value="12/15/2016"/>	<input type="text" value="Managing Director and Deputy General Counsel"/>
By <input type="text" value="Nikki Poulos"/>	<input type="text"/>
(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 - 1459960765550,

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 *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, 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

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

1. Text of the Proposed Rule Change

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) is attached hereto as Exhibit 5. The proposed rule change would amend NSCC’s Rules & Procedures (“Rules”)¹ to (i) reflect updates that NSCC would make to the Consolidated Trade Summary (referred to herein as the “CTS” and as the “CTSs” for more than one CTS), which is provided to Members and contains summarized trade obligation information, and (ii) eliminate the practice of re-pricing in the Foreign Security Accounting Operation. The proposed rule change would amend the following Rules: (i) Procedure II, Section H (Consolidated Trade Summaries), (ii) Procedure V, Section C (Net Balance Orders) and Section E (Consolidated Trade Summaries), (iii) Procedure VI, Section A (Introduction), Section B (Trade-for-Trade Foreign Security Receive and Deliver Instructions), and Section C (Netted Member-to-Member Receive and Deliver Instructions) and (iv) Procedure VII, Section B (Consolidated Trade Summary), as described in more detail below. In addition, the proposed rule change would make technical changes to clarify and correct certain provisions of the foregoing Rules, as described in more detail below.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by the Businesses, Technology and Operations Committee of the Board of Directors on June 14, 2016.

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

(a) Purpose

The current CTS² output consists of a main file and two supplemental files as well as an additional file that reflects transactions in Foreign Securities.³ The CTS is issued to Members as

¹ The Rules are available at <http://www.dtcc.com/legal/rules-and-procedures>. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Rules.

² The CTS is described in Procedure II (Trade Comparison and Recording Service), Procedure V (Balance Order Accounting Operation) and Procedure VII (CNS Accounting Operation).

³ The Foreign Securities file is a transaction file reporting Foreign Securities trades as received. The transactions are netted in the foreign netting process to become balance orders, which are reported on the CTS. The current CTS reports the netted summary records and balance orders on T+1. The revised CTS would report Foreign Securities trades on trade date. The revised CTS will report both foreign and domestic netted

an iterative report three times a day: beginning with the main CTS, which is issued at approximately 21:00 ET, then the first Supplemental CTS, which is issued at approximately 24:00 ET, and finally, the second Supplemental CTS, which is issued the following business day at approximately 12:00 ET. Each iteration of the CTS contains the same type of summarized trade obligation information, however, depending on the time of day the iteration of the CTS is issued, it may be referred to as the “Consolidated Trade Summary” (or “CTS”) or a “Supplemental Consolidated Trade Summary.” Furthermore, any information contained in a prior CTS does not appear again in any successive CTS, including any later Supplemental CTS.⁴

NSCC held numerous industry meetings in order to give Members an open forum to express their ideas about changes that are needed to the CTS. In order to address the Member feedback it received, NSCC would, with this proposed rule change: (1) consolidate the file layouts into one common file layout, (2) provide more details in the revised CTSs, (3) discontinue a current output format (print image) and introduce a more user-friendly format (referred to as comma separated value or “CSV”) and an online query tool, (4) simplify the terminology in the Rules by referring to each iteration of the CTS as the “Consolidated Trade Summary” (instead of the way in which the Rules are currently drafted to refer to a “Consolidated Trade Summary” and a “Supplemental Consolidated Trade Summary”), and (5) discontinue the Foreign Securities transaction file because information contained in that additional file would be reflected in the revised CTSs, each of which is described below.

(i) *Changes to the CTS and Technical Changes to the CTS-related Rules*

First, the proposed rule change would consolidate the file layouts of the current CTSs into one common file layout that would be used for each of the three CTSs that are issued each day. Currently, each of the main CTS file, the supplemental CTS file, and the Foreign Securities file has its own individual file layout. NSCC would consolidate these multiple file layouts into one common file layout in the revised CTS file. Having one common layout in the revised CTS would eliminate the need for Members to maintain coding for multiple file layouts.

Second, the proposal would update the CTS output file layout to provide Members with additional transparency and clarity regarding their trade summary, balance orders and receive and deliver instructions, which would help with reconciliation. For example, the current CTS output file layout specifies if a security is a CNS security or a non-CNS security but does not further clarify the non-CNS obligations as guaranteed or not guaranteed. Under the proposal, the CTS output file layout would be expanded to include a field for the guarantee/not guarantee designation to clearly indicate to users whether a trade obligation is guaranteed or not guaranteed. Other examples of new fields that would be added include: (1) netting type to describe whether netted (e.g., multilaterally netted or bilaterally netted) or trade-for-trade instructions resulted, and (2) a net reason code to add clarity as to the netting type.

transactions and the associated balance orders. By consolidating the Foreign Securities file and CTS files, Members would have only one file to support.

⁴ The trade obligation information in the CTS is Member-specific; it is not anonymized.

Third, Members have also expressed interest in having NSCC change the current file format of the CTSs, which are currently available in print image format and machine-readable (“MRO”) format. As a result, NSCC would discontinue the current print image format while maintaining the current MRO format and would also introduce an online query tool. The print image format would be replaced by CSV which can be downloaded into spreadsheet programs. In addition to the three iterations of the CTS that would continue to be distributed to Members, Members would also be able to use a new online query tool to search information and create their own custom data view and custom reports. The new online query tool would enable users to research information that has been previously distributed in a CTS. Members have expressed interest in this change in file formats and the online query tool which allows results to be downloaded to spreadsheet programs.

Fourth, from a Rules perspective, the terminology in Procedure II, Section H, Procedure V, Section E and Procedure VII, Section B would be revised, so that each CTS would be referred to as the “Consolidated Trade Summary” and more than one CTS would be referred to as the “Consolidated Trade Summaries.” The proposed rule change would eliminate references to alternate terminology such as “Supplemental Consolidated Trade Summary,” “Supplemental Consolidated Trade Summaries,” and “CTS.” In addition, conforming changes would be made to Procedure V, Section C and Procedure VII, Section B to add phrases and terms such as “next available,” “applicable” and “prior” before references to “Consolidated Trade Summary.” Additional technical changes would be made to clarify that the CTS would continue to be issued to Members three times a day and would continue to be non-cumulative; these changes would apply to Procedure II, Section H, Procedure V, Section E and Procedure VII, Section B. Procedure VII, Section B would also be amended to reflect the change in output format of the Consolidated Trade Summaries (specifically, because the print image format is being discontinued and the CSV format is being introduced, the Rules and terminology must be changed to use terminology consistent with the different format).

Fifth, the Foreign Securities transaction file would be discontinued. Information that is currently in this additional file would be reflected in the revised CTSs.

NSCC would continue to issue the CTSs to Members three times a day, at approximately the same intervals as it does today.⁵ The revised CTSs would continue to be iterative (i.e., any information that appeared on prior CTSs would not appear again on any successive CTSs), and also continue to be available in MRO format.

⁵ The header of the CTS output file would indicate whether the CTS is for Cycle 1 (i.e., the one issued at approximately 21:00 ET), Cycle 2 (i.e., the one issued at approximately 24:00 ET) or Cycle 3 (i.e., the one issued at approximately 12:00 ET on the next business day).

(ii) *Discontinuation of the Re-pricing of Foreign Securities and Technical Clarifications/Corrections to Procedure VI (Foreign Security Accounting Operation)*

Based on Member feedback, NSCC is also proposing to update the code associated with NSCC's Foreign Security Accounting Operation, which receives and processes Foreign Securities traded over-the-counter and settled in U.S. Dollars.⁶ The current foreign netting process aggregates Foreign Securities obligations, bilaterally nets these obligations and then re-prices these obligations using a uniform Settlement Price. As further explained below, NSCC is proposing to no longer re-price these Foreign Securities obligations.

By way of background, Members often settle their Foreign Securities trades bilaterally in the local market prior to receiving the main CTS (which contains netted obligations marked to market using the uniform Settlement Prices of such Foreign Securities). There is, therefore, a timing mismatch between the Members' settlement of Foreign Securities trades that are executed in U.S. Dollars and the distribution of the CTS to Members by NSCC. Currently, NSCC re-prices these Foreign Securities at the uniform Settlement Prices, creating potential cash adjustments that are not guaranteed by NSCC. For example, assume there are 10 trades of a Foreign Security which have been executed at different contract prices between Member A and Member B. First, these 10 trades are aggregated by NSCC so that there is a net buy obligation and a net sell obligation between Member A and Member B. The Foreign Securities trades may have been executed at different contract prices, so, today, NSCC applies the uniform Settlement Price to the netted buy obligation and the netted sell obligation. Re-pricing can create a cash adjustment for Members; this cash adjustment is not guaranteed by NSCC and is a concern for Members. For example, if a Member's respective counterparty in a trade becomes insolvent, then the solvent Member is liable for the cash adjustment because it is not guaranteed by NSCC. With this proposed rule change, the cash adjustment and the associated risk due to re-pricing would be eliminated, as requested by Members.⁷

Foreign Securities would continue to be bilaterally netted, but would no longer be re-priced at uniform Settlement Prices. Instead, they would be bilaterally netted at their contract prices to eliminate the risk of a cash adjustment (which is not guaranteed by NSCC) due to re-pricing.

To effectuate this proposed change, NSCC proposes to remove language in Procedure VI, Section C that permits NSCC to establish a uniform Settlement Price and calculate any related Foreign Security Clearance Cash Adjustment associated with the re-pricing. Unlike the underlying Foreign Securities transactions (which are settled in the local markets and not at

⁶ See Procedure VI (Foreign Security Accounting Operation).

⁷ A cash adjustment due to netting, however, is still possible, and would continue to be not guaranteed; this cash adjustment occurs because of the cash differences due to the netting process. A cash adjustment due to netting would arise, if, for example, Member A sold 5 shares of Security X for \$20 and Member B bought 5 shares of Security X for \$10. In this case, the shares would net out to zero, but there would be a cash adjustment of \$10.

NSCC), the payments of any Foreign Security Clearance Cash Adjustment (whether due to netting or re-pricing) related to those underlying Foreign Securities transactions are made through NSCC today and under the proposed rule change, this would continue to be the case with respect to Foreign Security Clearance Cash Adjustments that arise due to netting. The proposed rule change would revise the language in Procedure VI to clearly state that the failure of a Member to make payment of the Foreign Security Clearance Cash Adjustment with NSCC will cause NSCC to reverse all such cash adjustment debits and credits (rather than generally stating this would be caused by the failure to “make settlement with the Corporation”). The proposed rule change would further clarify that neither the settlement of the underlying transaction nor the payment of the related Foreign Security Clearance Cash Adjustment would be guaranteed by NSCC (which is also the case today).⁸

Additional clarifying changes to Procedure VI include revising the reference from “T+2” in Section B to “SD-1” because Foreign Securities transactions are not always settled on T+3 (according to local market practices) and thus, are not always compared on T+2, as Section B of Procedure VI states. Therefore, using Settlement Date (i.e., “SD”) as the reference point is more appropriate. Furthermore, Foreign Securities transactions are reported on the CTSs, which are Settlement Date-based. In addition, in Section C, “produced” would be revised to “reported,” because “reported” more accurately describes what occurs today – that is, NSCC reports the netted Member-to-Member receive and deliver instructions. In addition, the proposed rule change would make the following corrections: (i) the reference in Section C to “Foreign Security Clearing Cash Adjustment” would be revised to the correct term, “Foreign Security Clearance Cash Adjustment” and (ii) the cross-references to “Section II” and “Section IV” in Section A would be replaced with references to “Procedure II” and “Procedure IV,” respectively.

Implementation Timeframe

The proposed rule changes would become effective by July 14, 2017. After Commission approval of the proposed rule changes, a legend would be added to each of Procedures II, V, VI and VII stating that there are approved but not yet operative changes to the respective Procedure and specifying the applicable section or sections that would be amended by the proposed rule change. The legend would state that such changes would be operative by July 14, 2017, but if such changes become operative before July 14, 2017, NSCC would notify Members by Important Notice 30 days before the actual implementation date. The legend would also state that underlined and boldface text indicates new text and strikethrough and boldface text indicates deleted text. Additionally, the legend would include a reference to the file number of the proposed rule change and would state that once operative, the legend would automatically be removed from the Rules, and the formatting of the text of the changes in the applicable section or sections would automatically be revised to reflect that these changes have become operative.

⁸ Under the proposed rule change, only a Foreign Security Clearance Cash Adjustment due to re-pricing would be eliminated. A Foreign Security Clearance Cash Adjustment due to netting is still possible, so this Procedure is still applicable to such Foreign Security Clearance Cash Adjustments.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (“Act”) requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest.⁹

NSCC believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to NSCC, in particular Section 17(A)(b)(3)(F), because NSCC believes that the proposed rule changes would promote the prompt and accurate clearance and settlement of securities transactions in furtherance of the Act.¹⁰ Specifically, by updating the CTS to provide more details and information in one common file layout, the proposal would provide Members with more transparency and clarity regarding their trade obligations, which would help with reconciliation (including, for example, reconciliation of trades for settlement). Furthermore, Members would continue to receive the CTS three times a day, but would receive the CTS in a more user-friendly format (i.e., CSV) in addition to the current MRO format. With the new online query tool, Members would also be able to access trade obligation information that has been distributed in prior CTSs and customize searches of trade obligation information according to their needs. Therefore, NSCC believes that these changes to the CTS would make it a more effective tool for Members to manage their trade obligations and any associated risks, facilitating the protection of investors and the public interest from such risks and also promoting the prompt and accurate clearance of securities transactions.

NSCC believes that the proposed rule changes associated with the Foreign Security Accounting Operation also would promote the prompt and accurate clearance and settlement of securities transactions in furtherance of the Act.¹¹ Specifically, the proposed rule change would address the timing mismatch between the receipt of the CTS by Members and the settlement of Foreign Securities trades in the local markets by Members by discontinuing the practice of re-pricing Foreign Securities at the uniform Settlement Prices. This change also would eliminate the possibility of a cash adjustment due to re-pricing and the associated risk that a solvent Member could be liable for the cash adjustment if its counterparty defaults because the cash adjustment is not guaranteed by NSCC. Therefore, NSCC believes that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions in furtherance of the Act.¹²

Additionally, the proposed rule changes to (i) revise the CTS-related terminology and to make the conforming language changes to the affected provisions in the Rules associated with the CTS and (ii) correct certain Rules, which have been described in detail above, would provide technical accuracy and additional clarity to Members, thereby also promoting the prompt and

⁹ 15 U.S.C. 78q-1(b)(3)(F).

¹⁰ Id.

¹¹ Id.

¹² Id.

accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.¹³

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

NSCC does not believe that the proposed rule changes associated with the CTS would impose any burden on competition that is not necessary or appropriate in furtherance of the Act, as described above.¹⁴ While the proposed rule changes relating to the CTS would require Members to make technological changes and thereby incur costs in doing so that may burden the Member competitively, the proposed rule changes have been structured to better meet the needs of Members. Specifically, the proposed rule changes associated with the CTS would meet Members' needs by revising the terminology in the Rules to be simpler, modifying the layout of the CTS to be clearer, and providing users with more information and transparency. In addition to continuing to receive the CTSs three times a day, Members would be able to access CTS information by using the online query tool. Moreover, the proposed rule changes associated with the CTS are appropriate in that such changes reflect Members' feedback. Consequently, NSCC believes that any burden on competition derived from the proposed rule changes would be necessary and appropriate in support of the beneficial objectives of the improvements in the CTS, which would be made in furtherance of the Act, as described above. Moreover, NSCC believes any such burden on competition derived from the proposed rule changes would not be significant because Members have requested these changes and were involved in developing the business requirements.

NSCC does not believe that the proposed changes associated with the Foreign Security Accounting Operation would have any impact on competition. These changes do not require Members to make any coding changes or incur costs. Members would continue to accept output from NSCC associated with their activity in the Foreign Security Accounting Operation as they do today with the difference being that this output would no longer reflect the re-pricing discussed in detail above.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

NSCC has not received or solicited any written comments relating to this proposal. NSCC will notify the Commission of any written comments it receives.

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.

¹³ Id.

¹⁴ 15 U.S.C. 78q-1(b)(3)(I).

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

Exhibit 1 – Not applicable.

Exhibit 1A – Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – Not applicable.

Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Rules.

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR- NSCC-2016-008)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Reflect Updates to the Consolidated Trade Summary, Eliminate Re-Pricing in the Foreign Security Accounting Operation and Make Other Changes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, as amended (“Act”),¹ and Rule 19b-4,² notice is hereby given that on December 15, 2016, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by 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 consists of amendments to NSCC’s Rules & Procedures (“Rules”)³ in order to (i) reflect updates that NSCC would make to the Consolidated Trade Summary (referred to herein as the “CTS” and as the “CTSs” for more than one CTS), which is provided to Members and contains summarized trade obligation information, and (ii) eliminate the practice of re-pricing in the Foreign

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Capitalized terms not defined herein are defined in the Rules, available at http://dtcc.com/~media/Files/Downloads/legal/rules/nsccl_rules.pdf.

Security Accounting Operation. The proposed rule change would amend the following Rules: (i) Procedure II, Section H (Consolidated Trade Summaries), (ii) Procedure V, Section C (Net Balance Orders) and Section E (Consolidated Trade Summaries), (iii) Procedure VI, Section A (Introduction), Section B (Trade-for-Trade Foreign Security Receive and Deliver Instructions), and Section C (Netted Member-to-Member Receive and Deliver Instructions) and (iv) Procedure VII, Section B (Consolidated Trade Summary), as described in more detail below. In addition, the proposed rule change would make technical changes to clarify and correct certain provisions of the foregoing Rules, as described in greater detail below.

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

In its filing with the Commission, the clearing agency 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. The clearing agency 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 current CTS⁴ output consists of a main file and two supplemental files as well as an additional file that reflects transactions in Foreign Securities.⁵ The CTS is issued to

⁴ The CTS is described in Procedure II (Trade Comparison and Recording Service), Procedure V (Balance Order Accounting Operation) and Procedure VII (CNS Accounting Operation).

Members as an iterative report three times a day: beginning with the main CTS, which is issued at approximately 21:00 ET, then the first Supplemental CTS, which is issued at approximately 24:00 ET, and finally, the second Supplemental CTS, which is issued the following business day at approximately 12:00 ET. Each iteration of the CTS contains the same type of summarized trade obligation information, however, depending on the time of day the iteration of the CTS is issued, it may be referred to as the “Consolidated Trade Summary” (or “CTS”) or a “Supplemental Consolidated Trade Summary.”

Furthermore, any information contained in a prior CTS does not appear again in any successive CTS, including any later Supplemental CTS.⁶

NSCC held numerous industry meetings in order to give Members an open forum to express their ideas about changes that are needed to the CTS. In order to address the Member feedback it received, NSCC would, with this proposed rule change:

(1) consolidate the file layouts into one common file layout, (2) provide more details in the revised CTSs, (3) discontinue a current output format (print image) and introduce a more user-friendly format (referred to as comma separated value or “CSV”) and an online query tool, (4) simplify the terminology in the Rules by referring to each iteration of the CTS as the “Consolidated Trade Summary” (instead of the way in which the Rules

⁵ The Foreign Securities file is a transaction file reporting Foreign Securities trades as received. The transactions are netted in the foreign netting process to become balance orders, which are reported on the CTS. The current CTS reports the netted summary records and balance orders on T+1. The revised CTS would report Foreign Securities trades on trade date. The revised CTS will report both foreign and domestic netted transactions and the associated balance orders. By consolidating the Foreign Securities file and CTS files, Members would have only one file to support.

⁶ The trade obligation information in the CTS is Member-specific; it is not anonymized.

are currently drafted to refer to a “Consolidated Trade Summary” and a “Supplemental Consolidated Trade Summary”), and (5) discontinue the Foreign Securities transaction file because information contained in that additional file would be reflected in the revised CTSs, each of which is described below.

(i) *Changes to the CTS and Technical Changes to the CTS-related Rules*

First, the proposed rule change would consolidate the file layouts of the current CTSs into one common file layout that would be used for each of the three CTSs that are issued each day. Currently, each of the main CTS file, the supplemental CTS file, and the Foreign Securities file has its own individual file layout. NSCC would consolidate these multiple file layouts into one common file layout in the revised CTS file. Having one common layout in the revised CTS would eliminate the need for Members to maintain coding for multiple file layouts.

Second, the proposal would update the CTS output file layout to provide Members with additional transparency and clarity regarding their trade summary, balance orders and receive and deliver instructions, which would help with reconciliation. For example, the current CTS output file layout specifies if a security is a CNS security or a non-CNS security but does not further clarify the non-CNS obligations as guaranteed or not guaranteed. Under the proposal, the CTS output file layout would be expanded to include a field for the guarantee/not guarantee designation to clearly indicate to users whether a trade obligation is guaranteed or not guaranteed. Other examples of new fields that would be added include: (1) netting type to describe whether netted (e.g., multilaterally netted or bilaterally netted) or trade-for-trade instructions resulted, and (2) a net reason code to add clarity as to the netting type.

Third, Members have also expressed interest in having NSCC change the current file format of the CTSs, which are currently available in print image format and machine-readable (“MRO”) format. As a result, NSCC would discontinue the current print image format while maintaining the current MRO format and would also introduce an online query tool. The print image format would be replaced by CSV which can be downloaded into spreadsheet programs. In addition to the three iterations of the CTS that would continue to be distributed to Members, Members would also be able to use a new online query tool to search information and create their own custom data view and custom reports. The new online query tool would enable users to research information that has been previously distributed in a CTS. Members have expressed interest in this change in file formats and the online query tool which allows results to be downloaded to spreadsheet programs.

Fourth, from a Rules perspective, the terminology in Procedure II, Section H, Procedure V, Section E and Procedure VII, Section B would be revised, so that each CTS would be referred to as the “Consolidated Trade Summary” and more than one CTS would be referred to as the “Consolidated Trade Summaries.” The proposed rule change would eliminate references to alternate terminology such as “Supplemental Consolidated Trade Summary,” “Supplemental Consolidated Trade Summaries,” and “CTS.” In addition, conforming changes would be made to Procedure V, Section C and Procedure VII, Section B to add phrases and terms such as “next available,” “applicable” and “prior” before references to “Consolidated Trade Summary.” Additional technical changes would be made to clarify that the CTS would continue to be issued to Members three times a day and would continue to be non-cumulative; these changes would apply to

Procedure II, Section H, Procedure V, Section E and Procedure VII, Section B.

Procedure VII, Section B would also be amended to reflect the change in output format of the Consolidated Trade Summaries (specifically, because the print image format is being discontinued and the CSV format is being introduced, the Rules and terminology must be changed to use terminology consistent with the different format).

Fifth, the Foreign Securities transaction file would be discontinued. Information that is currently in this additional file would be reflected in the revised CTSs.

NSCC would continue to issue the CTSs to Members three times a day, at approximately the same intervals as it does today.⁷ The revised CTSs would continue to be iterative (i.e., any information that appeared on prior CTSs would not appear again on any successive CTSs), and also continue to be available in MRO format.

(ii) *Discontinuation of the Re-pricing of Foreign Securities and Technical Clarifications/Corrections to Procedure VI (Foreign Security Accounting Operation)*

Based on Member feedback, NSCC is also proposing to update the code associated with NSCC's Foreign Security Accounting Operation, which receives and processes Foreign Securities traded over-the-counter and settled in U.S. Dollars.⁸ The current foreign netting process aggregates Foreign Securities obligations, bilaterally nets these obligations and then re-prices these obligations using a uniform Settlement Price.

⁷ The header of the CTS output file would indicate whether the CTS is for Cycle 1 (i.e., the one issued at approximately 21:00 ET), Cycle 2 (i.e., the one issued at approximately 24:00 ET) or Cycle 3 (i.e., the one issued at approximately 12:00 ET on the next business day).

⁸ See Procedure VI (Foreign Security Accounting Operation).

As further explained below, NSCC is proposing to no longer re-price these Foreign Securities obligations.

By way of background, Members often settle their Foreign Securities trades bilaterally in the local market prior to receiving the main CTS (which contains netted obligations marked to market using the uniform Settlement Prices of such Foreign Securities). There is, therefore, a timing mismatch between the Members' settlement of Foreign Securities trades that are executed in U.S. Dollars and the distribution of the CTS to Members by NSCC. Currently, NSCC re-prices these Foreign Securities at the uniform Settlement Prices, creating potential cash adjustments that are not guaranteed by NSCC. For example, assume there are 10 trades of a Foreign Security which have been executed at different contract prices between Member A and Member B. First, these 10 trades are aggregated by NSCC so that there is a net buy obligation and a net sell obligation between Member A and Member B. The Foreign Securities trades may have been executed at different contract prices, so, today, NSCC applies the uniform Settlement Price to the netted buy obligation and the netted sell obligation. Re-pricing can create a cash adjustment for Members; this cash adjustment is not guaranteed by NSCC and is a concern for Members. For example, if a Member's respective counterparty in a trade becomes insolvent, then the solvent Member is liable for the cash adjustment because it is not guaranteed by NSCC. With this proposed rule change, the cash adjustment and the associated risk due to re-pricing would be eliminated, as requested by Members.⁹

⁹ A cash adjustment due to netting, however, is still possible, and would continue to be not guaranteed; this cash adjustment occurs because of the cash differences due to the netting process. A cash adjustment due to netting would arise, if, for

Foreign Securities would continue to be bilaterally netted, but would no longer be re-priced at uniform Settlement Prices. Instead, they would be bilaterally netted at their contract prices to eliminate the risk of a cash adjustment (which is not guaranteed by NSCC) due to re-pricing.

To effectuate this proposed change, NSCC proposes to remove language in Procedure VI, Section C that permits NSCC to establish a uniform Settlement Price and calculate any related Foreign Security Clearance Cash Adjustment associated with the re-pricing. Unlike the underlying Foreign Securities transactions (which are settled in the local markets and not at NSCC), the payments of any Foreign Security Clearance Cash Adjustment (whether due to netting or re-pricing) related to those underlying Foreign Securities transactions are made through NSCC today and under the proposed rule change, this would continue to be the case with respect to Foreign Security Clearance Cash Adjustments that arise due to netting. The proposed rule change would revise the language in Procedure VI to clearly state that the failure of a Member to make payment of the Foreign Security Clearance Cash Adjustment with NSCC will cause NSCC to reverse all such cash adjustment debits and credits (rather than generally stating this would be caused by the failure to “make settlement with the Corporation”). The proposed rule change would further clarify that neither the settlement of the underlying transaction nor the payment of the related Foreign Security Clearance Cash Adjustment would be guaranteed by NSCC (which is also the case today).¹⁰

example, Member A sold 5 shares of Security X for \$20 and Member B bought 5 shares of Security X for \$10. In this case, the shares would net out to zero, but there would be a cash adjustment of \$10.

¹⁰ Under the proposed rule change, only a Foreign Security Clearance Cash Adjustment due to re-pricing would be eliminated. A Foreign Security Clearance

Additional clarifying changes to Procedure VI include revising the reference from “T+2” in Section B to “SD-1” because Foreign Securities transactions are not always settled on T+3 (according to local market practices) and thus, are not always compared on T+2, as Section B of Procedure VI states. Therefore, using Settlement Date (i.e., “SD”) as the reference point is more appropriate. Furthermore, Foreign Securities transactions are reported on the CTSs, which are Settlement Date-based. In addition, in Section C, “produced” would be revised to “reported,” because “reported” more accurately describes what occurs today – that is, NSCC reports the netted Member-to-Member receive and deliver instructions. In addition, the proposed rule change would make the following corrections: (i) the reference in Section C to “Foreign Security Clearing Cash Adjustment” would be revised to the correct term, “Foreign Security Clearance Cash Adjustment” and (ii) the cross-references to “Section II” and “Section IV” in Section A would be replaced with references to “Procedure II” and “Procedure IV,” respectively.

Implementation Timeframe

The proposed rule changes would become effective by July 14, 2017. After Commission approval of the proposed rule changes, a legend would be added to each of Procedures II, V, VI and VII stating that there are approved but not yet operative changes to the respective Procedure and specifying the applicable section or sections that would be amended by the proposed rule change. The legend would state that such changes would be operative by July 14, 2017, but if such changes become operative before July 14, 2017, NSCC would notify Members by Important Notice 30 days before the actual

Cash Adjustment due to netting is still possible, so this Procedure is still applicable to such Foreign Security Clearance Cash Adjustments.

implementation date. The legend would also state that underlined and boldface text indicates new text and strikethrough and boldface text indicates deleted text.

Additionally, the legend would include a reference to the file number of the proposed rule change and would state that once operative, the legend would automatically be removed from the Rules, and the formatting of the text of the changes in the applicable section or sections would automatically be revised to reflect that these changes have become operative.

2. Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (“Act”) requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest.¹¹

NSCC believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to NSCC, in particular Section 17(A)(b)(3)(F), because NSCC believes that the proposed rule changes would promote the prompt and accurate clearance and settlement of securities transactions in furtherance of the Act.¹² Specifically, by updating the CTS to provide more details and information in one common file layout, the proposal would provide Members with more transparency and clarity regarding their trade obligations, which would help with reconciliation (including, for example, reconciliation of trades for settlement). Furthermore, Members would continue to receive the CTS three times a day, but would receive the CTS in a more user-friendly format (i.e., CSV) in addition to the

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

¹² Id.

current MRO format. With the new online query tool, Members would also be able to access trade obligation information that has been distributed in prior CTSs and customize searches of trade obligation information according to their needs. Therefore, NSCC believes that these changes to the CTS would make it a more effective tool for Members to manage their trade obligations and any associated risks, facilitating the protection of investors and the public interest from such risks and also promoting the prompt and accurate clearance of securities transactions.

NSCC believes that the proposed rule changes associated with the Foreign Security Accounting Operation also would promote the prompt and accurate clearance and settlement of securities transactions in furtherance of the Act.¹³ Specifically, the proposed rule change would address the timing mismatch between the receipt of the CTS by Members and the settlement of Foreign Securities trades in the local markets by Members by discontinuing the practice of re-pricing Foreign Securities at the uniform Settlement Prices. This change also would eliminate the possibility of a cash adjustment due to re-pricing and the associated risk that a solvent Member could be liable for the cash adjustment if its counterparty defaults because the cash adjustment is not guaranteed by NSCC. Therefore, NSCC believes that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions in furtherance of the Act.¹⁴

Additionally, the proposed rule changes to (i) revise the CTS-related terminology and to make the conforming language changes to the affected provisions in the Rules

¹³ Id.

¹⁴ Id.

associated with the CTS and (ii) correct certain Rules, which have been described in detail above, would provide technical accuracy and additional clarity to Members, thereby also promoting the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.¹⁵

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

NSCC does not believe that the proposed rule changes associated with the CTS would impose any burden on competition that is not necessary or appropriate in furtherance of the Act, as described above.¹⁶ While the proposed rule changes relating to the CTS would require Members to make technological changes and thereby incur costs in doing so that may burden the Member competitively, the proposed rule changes have been structured to better meet the needs of Members. Specifically, the proposed rule changes associated with the CTS would meet Members' needs by revising the terminology in the Rules to be simpler, modifying the layout of the CTS to be clearer, and providing users with more information and transparency. In addition to continuing to receive the CTSs three times a day, Members would be able to access CTS information by using the online query tool. Moreover, the proposed rule changes associated with the CTS are appropriate in that such changes reflect Members' feedback. Consequently, NSCC believes that any burden on competition derived from the proposed rule changes would be necessary and appropriate in support of the beneficial objectives of the improvements in the CTS, which would be made in furtherance of the Act, as described above. Moreover, NSCC believes any such burden on competition derived from the

¹⁵ Id.

¹⁶ 15 U.S.C. 78q-1(b)(3)(I).

proposed rule changes would not be significant because Members have requested these changes and were involved in developing the business requirements.

NSCC does not believe that the proposed changes associated with the Foreign Security Accounting Operation would have any impact on competition. These changes do not require Members to make any coding changes or incur costs. Members would continue to accept output from NSCC associated with their activity in the Foreign Security Accounting Operation as they do today with the difference being that this output would no longer reflect the re-pricing discussed in detail above.

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

NSCC has not received or solicited any written comments relating to this proposal. NSCC will notify the Commission of any written comments it receives.

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 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-2016-008 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-NSCC-2016-008. 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 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). 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-2016-008 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.¹⁷

Secretary

¹⁷ 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 text~~ indicates deleted text

[Bracketed, underlined, boldface and blue text] indicates proposed rule changes in connection with a separate proposal that have not yet been approved

PROCEDURE II. TRADE COMPARISON AND RECORDING SERVICE

Approved but not yet operative changes to Procedure II, as amended by SR-NSCC-2016-008, are set forth in Section H. Underlined and boldface text indicates new text. Strikethrough and boldface text indicates deleted text. These changes will become operative by July 14, 2017. If these changes become operative before July 14, 2017, NSCC will notify its Members by Important Notice 30 days before the actual implementation date. Once operative, this legend will automatically be removed from the Rules and the formatting of the text of the changes in Section H will automatically be revised to reflect that these changes are operative.

* * *

H. Consolidated Trade Summaries

The Corporation produces a Consolidated Trade Summary ~~and one or more Supplemental Consolidated Trade Summaries~~**distributed three times daily** for the reporting of CNS, Balance Order, and trade-for-trade transactions. On each Settlement Day, ~~the each~~ Consolidated Trade Summary ~~and the Supplemental Consolidated Trade Summaries~~ includes Receive and Deliver instructions for items designated by the Corporation to settle trade-for-trade that day and the next Settlement Day. To facilitate settlement of such items, the Corporation may aggregate and net Receive and Deliver instructions for trade-for-trade items between counterparties such that a Member may have only one net buy obligation or sell obligation, where applicable, in a particular security on a given day with a given counterparty. When Members have an equal number of shares bought and sold between counterparties for such Special Trades, NSCC will not issue a receive or deliver obligation and will record any cash difference in the NSCC money settlement system. Where issuing of a net buy or sell instruction would result in an money settlement that is directionally opposite what it would be for a typical money settlement in relation to a securities movement (i.e., a Member receives an instruction to: (i) receive securities with a corresponding receipt of money settlement payment, or (ii) deliver securities with a corresponding delivery of a money payment) or if the associated money settlement is flat in relation to a securities movement (i.e., a Member receives an instruction to receive or deliver securities without a corresponding money settlement amount) then the Corporation may, in lieu of netting, separately aggregate the receive and deliver instructions so that a Member would have only one aggregate buy obligation and one aggregate sell obligation in the given security with the given counterparty.

* * *

PROCEDURE V. BALANCE ORDER ACCOUNTING OPERATION

Approved but not yet operative changes to Procedure V, as amended by SR-NSCC-2016-008, are set forth in Sections C and E. Underlined and boldface text indicates new text. Strikethrough and boldface text indicates deleted text. These changes will become operative by July 14, 2017. If these changes become operative before July 14, 2017, NSCC will notify its Members by Important Notice 30 days before the actual implementation date. Once operative, this legend will automatically be removed from the Rules and the formatting of the text of the changes in Sections C and E will automatically be revised to reflect that these changes are operative.

* * *

C. Net Balance Orders

* * *

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

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

D. Balance Order Contracts

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

E. Consolidated Trade Summaries

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

* * *

PROCEDURE VI. FOREIGN SECURITY ACCOUNTING OPERATION

Approved but not yet operative changes to Procedure VI, as amended by SR-NSCC-2016-008, are set forth in Sections A, B and C. Underlined and boldface text indicates new text. Strikethrough and boldface text indicates deleted text. These changes will become operative by July 14, 2017. If these changes become operative before July 14, 2017, NSCC will notify its Members by Important Notice 30 days before the actual implementation date. Once operative, this legend will automatically be removed from the Rules and the formatting of the text of the changes in Sections A, B and C will automatically be revised to reflect that these changes are operative.

A. Introduction

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

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

Transactions identified as Special Trades and all transactions compared otherwise entered to the Foreign Security Accounting Operations on ~~SD-1T+2~~ or thereafter are processed on a trade-for-trade basis. Receive and deliver instructions are produced instructing Members to deliver or receive a quantity of securities to or from the contra-Member involved in that transaction.

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

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

Securities receive and deliver instructions issued that day with respect to that Member will be null and void.

* * *

PROCEDURE VII. CNS ACCOUNTING OPERATION

Approved but not yet operative changes to Procedure VII, as amended by SR-NSCC-2016-008, are set forth in Section B. Underlined and boldface text indicates new text. Strikethrough and boldface text indicates deleted text. These changes will become operative by July 14, 2017. If these changes become operative before July 14, 2017, NSCC will notify its Members by Important Notice 30 days before the actual implementation date. Once operative, this legend will automatically be removed from the Rules and the formatting of the text of the changes in Section B will automatically be revised to reflect that these changes are operative.

* * *

B. Consolidated Trade Summary

All compared and recorded transactions in CNS Securities (excluding Special Trades) are processed through the CNS Accounting Operation. This includes transactions compared under the provisions of Section II, recorded under the provisions of Section III, or entered by Special Representatives under Section IV. Purchases and sales due for settlement on a given day are summarized on the Consolidated Trade Summary ~~iesy~~ **that are issued three times daily and contain-**

~~The Consolidated Trade Summary (or "CTS") is issued in the evening of each settlement day and contains,~~ with respect to CNS Securities:

(i) those trades compared or recorded through ~~[T+1 up to]~~ the Corporation's cutoff time on that day which are due to settle on the following settlement day (i.e. ~~[.]~~ if the report is issued late Monday evening, it will show trades due to settle on Wednesday), and

(ii) with respect to trades due to settle on the same settlement day (i.e. ~~[.]~~ Tuesday), T+~~[21]~~ and older as-of trades and next day settling trades not previously reported on the prior ~~Consolidated Trade Summary~~ ~~day's CTS or on any Supplemental CTS~~, in each case in CUSIP order, reported as broad buys and sells by marketplace or source, netted by issue, quantity and money.

~~Supplemental~~ **Each** Consolidated Trade Summary ~~ies are also~~ issued on each settlement day, ~~and reports supplemental~~ **including cash trades which are due to settle on that same day for the period beginning after the evening cutoff time for the prior Consolidated Trade Summary CTS report processing (including cash trades), up until and ending on** the Corporation's ~~daytime~~ cutoff time **for such Consolidated Trade Summary which are due to settle on that same day.**

Note: any T+[32] or older as-of trades compared or recorded after such cutoff time on settlement day will settle on the next settlement day and appear on that night's Consolidated Trade Summary.

Net quantities purchased or sold in each security issue are entered into the CNS Stock Record together with their associated contract monies at the beginning of the Settlement Date processing cycle. Subsequent obligations (reflecting supplemental activity), together with their associated contract monies, are entered into the CNS stock record thereafter during such processing cycle until such cutoff time as the Corporation may determine.

~~The total page of the Each~~ Consolidated Trade Summary shows ~~totals for~~ all equity and debt transactions and ~~is can be~~ subdivided or totaled by marketplace of execution or source of trade input.

* * *