

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 44

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 Form 19b-4

File No.* SR - 2018 - * 002

Amendment No. (req. for Amendments *)

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 type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" 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 checked="" 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) *

☐

Section 806(e)(2) *

☐

Section 3C(b)(2) *

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Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



Description

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

Proposed rule change to clarify and enhance rules related to comparison and recording of CMU Securities

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 * Chezar
 Title * Executive Director and Associate General Counsel
 E-mail * jfarinella@dtcc.com
 Telephone * (212) 855-3216 Fax

Signature

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

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

(Title *)

Date 06/07/2018

By Nikki Poulos

(Name *)

Managing Director and Deputy General Counsel

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.

npoulos@dtcc.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT website.

Form 19b-4 Information *

Add Remove View

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

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

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

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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

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Exhibit Sent As Paper Document

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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

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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 Proposed Rule Change

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) is attached hereto as Exhibit 5 and consists of modifications to the Rules and Procedures of NSCC (“Rules”)¹ in order to enhance the procedures that describe the process by which Members may submit debt securities, specifically transactions in corporate bonds, municipal bonds, and unit investment trusts (referred to as “CMU securities”), for comparison and recording by (1) making certain clarifications and corrections to these procedures, and (2) adding a comparison tolerance of 20 business days for the trade dates of transactions submitted for comparison, as described below.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Risk Committee of the Board of Directors of NSCC at a meeting duly called and held on December 19, 2017.

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

(a) Purpose

NSCC is proposing to make certain revisions to Procedure II, Section C and Section D of the Rules, which describes the service provided by NSCC that allows Members to submit transactions in CMU securities for comparison and recording. These sections of Procedure II describe the rules that govern comparison of submitted trade data, including the information that must be included in these submissions and the timing of the submission, how the resulting compared trades are reported by NSCC, and how eligible compared trades may be processed for clearance and settlement through NSCC’s facilities, among other related matters.

NSCC is proposing to make a number of revisions to these sections of Procedure II in order to (1) clarify and enhance the disclosures, correct typographical and drafting errors, and update descriptions that no longer reflect current processing in order to improve the transparency of these provisions; and (2) include in the Rules a matching tolerance of 20 business days for the trade dates of submitted transactions in order to improve the accuracy of trade matching. Each of these proposed changes is described below.

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.

(i) *Proposed Changes to Clarify and Enhance Transparency*

NSCC is proposing to make a number of technical, non-substantive revisions to Sections C and D of Procedure II in order to improve the descriptions of these procedures and enhance the transparency of the rules that apply to the comparison and recording of CMU securities at NSCC. These proposed changes are described below.

Proposed Rule Changes to Revise Verb Tense and Correct Typographical Errors

NSCC is proposing to revise the verb tense in order to use a present verb tense rather than a future verb tense, and to correct typographical errors. The proposed changes to revise the verb tense used in these procedures would align Sections C and D of Procedure II with other provisions within the Rules and, by using a present tense, would utilize more appropriate language for the description of procedures.

NSCC is also proposing to correct typographical errors in order to improve the descriptions of these procedures and avoid confusion in a Member's understanding of these procedures. For example, NSCC is proposing to correct a typographical error by revising the term "insure" to the term "ensure" in Procedure II, Section C, 1(a). NSCC is also proposing to correct the reference in the renumbered Procedure II, Section C, 1(k)(i) from "price" to "amount" to more accurately describe the information that is reported on the Consolidated Trade Summary ("CTS").² The information that is being referred to in this sentence includes both price and quantity, and, therefore, is more accurately described as "amount."

NSCC is also proposing to change the term "deleted" to "reversed" in Procedure II, Section C, 2(e). While Members may submit an instruction to delete an uncomparated trade if the firm does not agree with the terms of the trade, as described in Procedure II, Section C, 2(b), this sentence in Section C, 2(e) describes a different process by which a Member may submit an instruction to reverse a previously compared trade. As such, the proposed rule change would correct a typographical error and avoid any confusion about these two actions that may be caused by the misuse of this term. In connection with this proposed change, NSCC would also add "reversed" to the following Section C, 2(f), as the provisions of that section apply to both deleted and reversed transactions. This proposed change would clarify the applicability of this section to transactions that are reversed by a Member.

By correcting typographical errors in these procedures, the proposed rule changes would make the Rules accurate and clearer to Members regarding their rights and obligations in connection with the use of this service.

² The CTS is a report provided to Members that contains summarized trade obligation information. The CTS is described in Procedure II (Trade Comparison and Recording Service), Procedure V (Balance Order Accounting Operation) and Procedure VII (CNS Accounting Operation) of the Rules. NSCC recently implemented updates to the CTS. See Securities Exchange Act Release No. 79904 (January 31, 2017), 82 FR 9448 (February 6, 2017) (SR-NSCC-2016-008).

Proposed Rule Changes to Improve and Simplify Descriptions

NSCC is proposing rule changes that would enhance the descriptions of these procedures by disclosing additional information, and is also proposing rule changes that would simplify these descriptions by removing unnecessary information, as described below.

Enhancing Descriptions and Disclosing Additional Information. First, NSCC is proposing to make revisions that include descriptions of additional criteria for use of the comparison service or other additional disclosures that would improve the descriptions and enhance the transparency of these procedures.

NSCC is proposing to add MPID (the market participant identifier that is issued by the Financial Industry Regulatory Authority, Inc. and used to report trades) to the list of identifying trade data details required to be submitted for comparison processing in Procedure II, Section C, 1(b). This section includes a non-exhaustive list of trade data that NSCC may require to be submitted in connection with the use of this service, and provides that NSCC may require or permit Members to submit other identifying trade details. NSCC currently requires MPIDs among the trade data details that must be submitted for comparison purposes, and NSCC believes that adding this criteria to the Rules would improve the transparency of this requirement.

NSCC is proposing to revise the reference to “OTC” transactions to “corporate bond security transactions” and the reference to “unit trust fund transactions” to “unit investment trust transactions” in Procedure II, Section C, 1(f). “OTC” or “over-the-counter” securities are securities that are not traded on an exchange, and include debt securities such as corporate bonds. Therefore, while “OTC” is not incorrect in this context, NSCC believes the use of this term may imply that other transactions are being referred to in this subsection of the Rules. Therefore, NSCC is proposing to revise the term to more specifically refer to “corporate bond security transactions.” Additionally, the term “unit trust fund transactions” is not a term that is commonly used to refer to unit investment trust transactions. While these securities may be considered funds, the correct term for describing these transactions is “unit investment trust transactions.” Therefore, while these proposed revisions would not change what is intended by these terms, they would enhance the transparency of this section by using terminology that would be more clearly recognizable to Members.

NSCC is proposing to clarify the language in Procedure II, Section C, 1(h) to make clear that trades submitted for comparison may be identified as “CNS-eligible,” which would flag these trades to be processed through the CNS Accounting System; “non-CNS-eligible,” which would flag these trades to be processed through the Balance Order Accounting System; or “Special Trade,” which could flag these trades either for trade-for-trade processing, which normally settle outside of NSCC’s facilities, or for comparison-only processing. The proposed rule changes would add transparency to the Rules regarding how these designations impact the processing of trades submitted to NSCC.

NSCC is proposing to add a sentence to Procedure II, Section C, 1(i)(ii) to make clear that trades submitted for comparison-only processing are subject to the rules of the Municipal Securities Rulemaking Board (“MSRB”). NSCC believes that this clarification is appropriate

because these submissions are not required to meet the eligibility requirements for clearance or settlement through NSCC's facilities, but must comply with the rules of the MSRB. Therefore, NSCC believes this proposed change would enhance the transparency of the Rules and would assist Members to understand the requirements that apply to these trades.

NSCC is proposing to add a reference to the "Balance Order Accounting System" to the renumbered subsection (k)(ii) of Procedure II, Section C, 1, which describes how eligible, compared trades may be further processed within NSCC's facilities. Currently, this subsection is incomplete and does not include reference to the Balance Order Accounting System, where eligible compared trades that are not eligible to be processed in the CNS Accounting System may be processed for clearance and settlement. Therefore, the proposed change would enhance this subsection by including this additional reference.

NSCC is proposing to add a sentence to the renumbered subsection (m) of Procedure II, Section C, 1 that would describe the process by which NSCC would convert a bilateral trade that matches a Qualified Special Representative ("QSR") trade submission in all respects (other than its designation as a bilateral trade) into a QSR trade. NSCC is also proposing to add a new subsection (vi) to renumbered Procedure II, Section D, 2(g) that would describe the process by which NSCC would convert a bilateral trade that matches a syndicate takedown trade or reversal in all respects (other than its designation as a bilateral trade) into a syndicate takedown trade or reversal, as appropriate. These two automatic conversions are a part of NSCC's existing processes, but, because these conversions occur automatically and do not require any action by Members, these processes are not described in these sections of the Rules. NSCC believes these proposed changes to describe these automatic conversions would improve the transparency of the Rules and provide Members with notice that these conversions would occur in the described circumstances.

NSCC is proposing to revise the renumbered subsection (p) of Procedure II, Section C, 1 to clarify that NSCC processes cash transactions where the trade date for the submitted transaction is the same as the settlement date for comparison-only processing. Currently, this section of the Rules refers to these transactions as "cash transactions," and the proposed change would improve the transparency of this section by including a further description of these transactions. This proposed change would provide Members with additional information regarding the types of transactions that are referred to in this section and, therefore, would improve the transparency of the Rules.

NSCC is proposing to revise Procedure II, Section C, 2(g) to make it clearer that NSCC permits certain trade details for uncomparing trades to be modified by the submitter, provided, however, that trade details for syndicate takedown submissions are only permitted to be modified on the submission date. The proposed rule changes would also clarify that NSCC may limit the trade data that can be modified after a trade is matched. Although Section C, 2(g) currently describes these rules relating to the modification of submitted trade details, NSCC believes that the proposed revisions would improve those descriptions and thereby make such rules clearer to Members and improve the overall transparency of the Rules.

NSCC is proposing to revise Procedure II, Section C, 2(h), which provides that transactions that compare after a cutoff time designated by NSCC on the date the transaction was

scheduled to settle are assigned a settlement date of the next business day after the day the transaction is compared. The proposed rule changes would clarify that these rules apply to any transactions that compare after the set cutoff time, and not only to transactions that compare for the first time (meaning, transactions that have not been previously submitted and reversed by the counterparties pursuant to the Rules). These proposed changes, and the other marked revisions to this section would clarify the applicability of these rules and would improve the readability, clarity and transparency of this Section C, 2(h).

Simplifying Descriptions and Removing Unnecessary Details. NSCC is also proposing to make revisions that would use fewer words to describe a procedure or otherwise remove unnecessary language that could cause confusion in the interpretation of the procedures. By rewording certain provisions and using simpler language in these descriptions, these proposed changes would improve the transparency of the procedures in Sections C and D of Procedure II.

NSCC is proposing to remove the following sentence from Procedure II, Section C, 1(h), “Depending upon whether trade data is submitted on T or T+n and the format in which output is produced with respect to such data, the output may reflect totals.” NSCC believes that this sentence is unnecessary for purposes of describing the procedures applicable to comparison and recording of CMU securities transactions. Therefore, the proposed rule change to remove this sentence would simplify the Rules and remove unnecessary statements that do not provide Members with important additional information related to this service.

NSCC is proposing to remove from Procedure II, Section C, 2(c) a statement that a Member may submit an instruction to delete an uncomparing trade if it finds that the trade data is incorrect. The immediately prior Section C, 2(b) of Procedure II states that a Member may submit an instruction to delete a trade if it does not agree with the terms of the trade. While the fact that the data is incorrect is most likely the basis for a Member to disagree with the terms of the trade, NSCC does not believe the statement it is proposing to remove from Procedure II, Section C, 2(c) adds to the rules, and believes this statement could indicate to a Member that its ability to delete an uncomparing trade is limited to circumstances when the trade data is incorrect. NSCC believes the proposed rule change to remove this additional and unnecessary language would clarify Members’ ability to submit a delete instruction.

NSCC is proposing to remove reference to comparison-only trades from the renumbered subsection (l) of Procedure II, Section C, 1, which incorrectly states that the rules of the MSRB are not applicable to comparison-only trades. This subsection describes certain rules that are applicable to trades that are designated as Special Trades, including the fact that these trades are subject to the rules of the MSRB. Currently, this subsection includes language that expressly excludes comparison-only trades. NSCC believes that expressly excluding comparison-only trades from this subsection could incorrectly imply to Members that the rules described in this subsection, including the applicability of the MSRB rules, do not apply to comparison-only trades. Procedure II, Section C, 1(i)(ii) describes the rules that apply to comparison-only trades, including the fact that these trades are subject to the rules of the MSRB. Therefore, NSCC is proposing to remove the express exclusion of comparison-only trades from the renumbered subsection (l) of Procedure II, Section C, 1, which is unnecessary and could cause confusion.

NSCC is proposing to remove from Procedure II, Section D, 2(A)(2)(b) the description of the timing by which an eligible transaction may enter the CNS Accounting Operation. The rules applicable to the CNS Accounting Operation, including, as applicable, any relevant timing of processing in that service, is described in Procedure VII. This information is not necessary for the operation of the comparison services, and removing this information would simplify these rules, improving their clarity to Members.

NSCC is also proposing to remove subsection 2(A)(2)(c) from Procedure II, Section D, which describes information included in the output NSCC produces in connection with the comparison service. As currently written, this subsection is incomplete and does not list all of the information that may be included in this output. Therefore, the current description could create confusion among Members regarding what information may be included in these reports. NSCC believes it is in Members' best interest that NSCC retain flexibility to add or remove information from these reports, for example, in response to Members' requests. As such, NSCC does not believe it is necessary to specify for Members the information that may be included in these reports. Therefore, NSCC believes the proposed change to remove the unnecessary section would simplify and improve the Rules.

NSCC is also proposing a number of revisions to the descriptions of the rules regarding submission and processing of syndicate takedown trades and syndicate takedown reversals in renumbered Procedure II, Section D, 2(A)(2)(g). The proposed revisions would not change the rules that apply to how these trades and reversals are processed, but would re-order the descriptions of these rules in order to simplify, clarify and improve the transparency of these provisions.

Proposed Rule Changes to Update and Correct Descriptions

NSCC is proposing rule changes that would update the procedures in order to accurately describe current processing and correct descriptions that have become outdated. Each of these proposed rule changes would improve the Rules by correcting these errors.

NSCC is proposing to amend Procedure II, Section C, 1(c)(1) and (2) in order to clarify that the tolerances for comparison of contract amounts apply only to bilateral trades, and state that the QSR's or syndicate manager's contract amount is used for QSR and syndicate trades for comparison purposes. Currently, these two subsections of the Rules describe the contract amount tolerances that are applicable to bilateral trades, but fail to specify which tolerances apply to bilateral trades, and which tolerances apply to QSR and syndicate trades. The proposed rule change would clarify that the tolerances currently described in these subsections apply only to bilateral trades, and would add to these subsections a description of the rules for comparing contract amounts applicable to QSR and syndicate trades.

NSCC is proposing to remove subsection (j) from Procedure II, Section C, 1, which states that Members may override clearing agent designations by submitting trade input for comparison using the appropriate Trade-for-Trade Indicator. NSCC is also proposing to remove from the renumbered Procedure II, Section C, 1(k)(i) the reference to "any clearing agent indicated by the applicable contra party" as an example of information that NSCC may provide on the CTS. Members that are Municipal Comparison Only Members may use another Member as their

“clearing agent” to access NSCC’s clearing and settlement services, and, historically, clearing agent designations had been reported on the CTS. However, in connection with its recent updates to the CTS, in response to Member feedback that it is no longer necessary to report these clearing agent designations, NSCC removed the designations from the CTS.³ In error, NSCC did not remove references to the clearing agent designation from subsection (j) or from the renumbered subsection (k)(i) of Procedure II, Section C when it implemented these updates. Therefore, the proposed change would correct this error by removing from the Rules statements that are no longer accurate and could cause Members confusion regarding the use of this service.

Finally, NSCC is proposing two changes that would correct errors that it has identified in the Rules. The proposed changes would correct descriptions in these sections of the Rules in order to accurately describe processing that has been effective since this service was implemented over 10 years ago. While these changes would revise the Rules as written, the changes would not result in any change in the current operation of the service. NSCC does not believe that either of these changes would significantly affect the respective rights or obligations of NSCC or Members using this service.

First, NSCC is proposing to remove from Procedure II, Section C, 1(g) an incorrect statement that trades in municipal bonds must be submitted in multiples of a thousand. Municipal bonds may be submitted in quantities other than multiples of a thousand, and such submissions would be subject to the other provisions of this section that are applicable to submissions of trades in quantities other than multiples of a thousand (specifically, that such submissions be divided into separate submissions of the round lot and odd lot quantity, and that odd lot quantities are processed on a trade-for-trade basis). Therefore, in addition to removing this incorrect statement, NSCC would add municipal bonds to these statements within this same section. NSCC does not believe that this change would significantly affect the respective rights or obligations of NSCC or Members using this service because Members that are currently submitting municipal bonds in quantities of a thousand may continue to do so, and Members that submit municipal bonds in quantities other than multiples of a thousand may do so subject to the rules already described in this section.

Second, NSCC is proposing to revise Procedure II, Section D, 2(A), which specifically describes processing of when-issued securities. The special processing rules within this section do not apply to when-issued corporate bonds, which are instead processed in the same manner as all other transactions in corporate bonds. Therefore, this Procedure II, Section D, 2(A) incorrectly refers to corporate bonds and the proposed change to remove references to corporate bonds would correct this error. This proposed rule change would clarify that the provisions of this subsection apply only to transactions in municipal securities. NSCC does not believe that this change would significantly affect the respective rights or obligations of NSCC or Members using this service because Members would be able to continue to submit when-issued corporate bonds, and such securities would be processed through the regular processing rules.

³ Supra note 2.

(ii) *Proposed Changes to Add a Trade Date Comparison Tolerance*

NSCC is also proposing to amend Section C of Procedure II to include a comparison tolerance of 20 business days in order to improve the accuracy of the matching of submitted trade data. Currently, if two transactions are submitted that match in all other aspects as required by the Rules, but have different trade dates, NSCC uses the earlier of the two submitted trade dates in producing and recording a matched trade. Members that do not agree with the terms of a matched trade may submit an instruction to reverse a matched trade pursuant to Procedure II, Section C, 2(e). Therefore, this procedure will result in a matched trade if the counterparties submitted different trade dates in error, and Members are able to reverse that trade if the different trade dates were not submitted in error and the matched trade is incorrect.

NSCC is now proposing to include a tolerance of 20 business days to the comparison criteria for trade dates in order to improve the accuracy of its trade comparison service. In order to implement this change, NSCC is proposing to amend Procedure II, Section C, 1(d) to make clear a trade would be deemed compared if the submitted trade data matches in all required respects other than trade date, and the trade dates submitted are within 20 business days of each other. Under the proposed rule change, NSCC would continue to use the earlier of the submitted trade dates in the resulting compared trade. The proposed rule change would also make clear that a trade would remain uncomparing if the trade dates submitted are not within the 20 business day tolerance. Members would still have the ability to submit instructions to reverse a trade if they disagree with the terms of a matched trade.

NSCC believes trade dates submitted for a trade that matches in all other required respects but are different by more than 20 business days are more likely submitted in error. For example, one counterparty may enter a trade date of March 1, 2018 and the other counterparty may enter for the same trade a trade date of March 1, 2008 by mistyping the year of the trade date. Under the current rules, NSCC would match the trade data and report a compared trade with a trade date of March 1, 2008, the earlier of the submitted trade dates, and the counterparties would have to submit instructions to either delete or reverse that trade, as appropriate. NSCC believes the proposed rule change would result in fewer trades that are compared using an earlier trade date that was submitted in error, and would result in more accurate comparison processing.

(b) Statutory Basis

NSCC believes that the proposed changes are consistent with the Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 (“Act”), which requires, in part, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, for the reasons described below.⁴ The proposed rule change would increase transparency of the Rules by clarifying and enhancing the descriptions of the CMU securities comparison service. In this way, the proposed changes would ensure that the Rules remain transparent, accurate and clear, which would enable Members to readily understand their rights and obligations in connection with the use of this service. Additionally, the proposal to add a 20 business day tolerance for comparison of trade dates would improve the accuracy of

⁴ 15 U.S.C. 78q-1(b)(3)(F).

the comparison service. Eligible transactions that are submitted for comparison may also be processed for clearance and settlement through NSCC's CNS Accounting System or the Balance Order Accounting system, as applicable. Therefore, by improving the transparency of these Rules and the accuracy of the comparison service, resulting in fewer trades compared at an incorrect trade date, the proposed changes would also promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.⁵

Rule 17Ad-22(e)(23)(i) under the Act requires, in part, that NSCC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for publicly disclosing all relevant rules and material procedures.⁶ As described above, the proposed rule change would improve the transparency, clarity and accuracy of the Rules, such that these provisions of the Rules would better disclose all relevant and material aspects of the comparison service. Therefore, NSCC believes the proposed rule changes are consistent with Rule 17Ad-22(e)(23)(i).⁷

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

NSCC does not believe that the proposed rule changes would have any impact, or impose any burden, on competition. The proposed rule changes would improve Members' understanding of their rights and obligations with respect to the use of this service, and would improve the accuracy of the comparison service with respect to trade dates. These proposed changes would be applicable to all Members that utilize this comparison service, and would not alter Members' rights or obligations. Therefore, NSCC does not believe that the proposed rule changes would have any impact on competition.

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

NSCC has not solicited or received any written comments relating to this proposal. NSCC will notify the Commission of any written comments that 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.⁸

⁵ Id.

⁶ 17 CFR 240.17Ad-22(e)(23)(i).

⁷ Id.

⁸ 15 U.S.C. 78s(b)(2).

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

(a) The proposed rule change is to take effect pursuant to paragraph A of Section 19(b)(3) of the Act.⁹

(b) The proposal effects changes in NSCC's existing comparison and recording service for CMU securities that (i) do not adversely affect the safeguarding of securities or funds in the custody or control of NSCC or for which it is responsible; and (ii) do not significantly affect the respective rights or obligations of NSCC or Members using this service, as the proposed changes would make clarifications and corrections to the procedures that describe this service and would enhance an existing comparison tolerance used in this service, as described above.¹⁰

(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 changes are not based on the rules of another self-regulatory organization or of 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 – Not applicable.

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

Exhibit 2 – Not applicable.

Exhibit 3 – Not applicable.

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(4).

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Rules.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[____]; File No. SR-NSCC-2018-002)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of and Immediate Effectiveness of a Proposed Rule Change to Clarify and Enhance Rules Related to Comparison and Recording of CMU Securities

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 June __, 2018, 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. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(4) thereunder.⁴ 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 modifications to the Rules and Procedures of NSCC (“Rules”) in order to enhance the procedures that describe the process by which Members may submit debt securities, specifically transactions in corporate bonds, municipal bonds, and unit investment trusts (referred to as “CMU securities”), for comparison and recording by (1) making certain clarifications and corrections to these

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4).

procedures, and (2) adding a comparison tolerance of 20 business days for the trade dates of transactions submitted for comparison, as described below.⁵

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

NSCC is proposing to make certain revisions to Procedure II, Section C and Section D of the Rules, which describes the service provided by NSCC that allows Members to submit transactions in CMU securities for comparison and recording. These sections of Procedure II describe the rules that govern comparison of submitted trade data, including the information that must be included in these submissions and the timing of the submission, how the resulting compared trades are reported by NSCC, and how eligible compared trades may be processed for clearance and settlement through NSCC's facilities, among other related matters.

NSCC is proposing to make a number of revisions to these sections of Procedure II in order to (1) clarify and enhance the disclosures, correct typographical and drafting

⁵ Terms not defined herein are defined in the Rules, available at <http://www.dtcc.com/legal/rules-and-procedures>.

errors, and update descriptions that no longer reflect current processing in order to improve the transparency of these provisions; and (2) include in the Rules a matching tolerance of 20 business days for the trade dates of submitted transactions in order to improve the accuracy of trade matching. Each of these proposed changes is described below.

(i) Proposed Changes to Clarify and Enhance Transparency

NSCC is proposing to make a number of technical, non-substantive revisions to Sections C and D of Procedure II in order to improve the descriptions of these procedures and enhance the transparency of the rules that apply to the comparison and recording of CMU securities at NSCC. These proposed changes are described below.

Proposed Rule Changes to Revise Verb Tense and Correct Typographical Errors

NSCC is proposing to revise the verb tense in order to use a present verb tense rather than a future verb tense, and to correct typographical errors. The proposed changes to revise the verb tense used in these procedures would align Sections C and D of Procedure II with other provisions within the Rules and, by using a present tense, would utilize more appropriate language for the description of procedures.

NSCC is also proposing to correct typographical errors in order to improve the descriptions of these procedures and avoid confusion in a Member's understanding of these procedures. For example, NSCC is proposing to correct a typographical error by revising the term "insure" to the term "ensure" in Procedure II, Section C, 1(a). NSCC is also proposing to correct the reference in the renumbered Procedure II, Section C, 1(k)(i) from "price" to "amount" to more accurately describe the information that is reported on

the Consolidated Trade Summary (“CTS”).⁶ The information that is being referred to in this sentence includes both price and quantity, and, therefore, is more accurately described as “amount.”

NSCC is also proposing to change the term “deleted” to “reversed” in Procedure II, Section C, 2(e). While Members may submit an instruction to delete an uncomparing trade if the firm does not agree with the terms of the trade, as described in Procedure II, Section C, 2(b), this sentence in Section C, 2(e) describes a different process by which a Member may submit an instruction to reverse a previously compared trade. As such, the proposed rule change would correct a typographical error and avoid any confusion about these two actions that may be caused by the misuse of this term. In connection with this proposed change, NSCC would also add “reversed” to the following Section C, 2(f), as the provisions of that section apply to both deleted and reversed transactions. This proposed change would clarify the applicability of this section to transactions that are reversed by a Member.

By correcting typographical errors in these procedures, the proposed rule changes would make the Rules accurate and clearer to Members regarding their rights and obligations in connection with the use of this service.

Proposed Rule Changes to Improve and Simplify Descriptions

NSCC is proposing rule changes that would enhance the descriptions of these procedures by disclosing additional information, and is also proposing rule changes that

⁶ The CTS is a report provided to Members that contains summarized trade obligation information. The CTS is described in Procedure II (Trade Comparison and Recording Service), Procedure V (Balance Order Accounting Operation) and Procedure VII (CNS Accounting Operation) of the Rules. NSCC recently implemented updates to the CTS. See Securities Exchange Act Release No. 79904 (January 31, 2017), 82 FR 9448 (February 6, 2017) (SR-NSCC-2016-008).

would simplify these descriptions by removing unnecessary information, as described below.

Enhancing Descriptions and Disclosing Additional Information. First, NSCC is proposing to make revisions that include descriptions of additional criteria for use of the comparison service or other additional disclosures that would improve the descriptions and enhance the transparency of these procedures.

NSCC is proposing to add MPID (the market participant identifier that is issued by the Financial Industry Regulatory Authority, Inc. and used to report trades) to the list of identifying trade data details required to be submitted for comparison processing in Procedure II, Section C, 1(b). This section includes a non-exhaustive list of trade data that NSCC may require to be submitted in connection with the use of this service, and provides that NSCC may require or permit Members to submit other identifying trade details. NSCC currently requires MPIDs among the trade data details that must be submitted for comparison purposes, and NSCC believes that adding this criteria to the Rules would improve the transparency of this requirement.

NSCC is proposing to revise the reference to “OTC” transactions to “corporate bond security transactions” and the reference to “unit trust fund transactions” to “unit investment trust transactions” in Procedure II, Section C, 1(f). “OTC” or “over-the-counter” securities are securities that are not traded on an exchange, and include debt securities such as corporate bonds. Therefore, while “OTC” is not incorrect in this context, NSCC believes the use of this term may imply that other transactions are being referred to in this subsection of the Rules. Therefore, NSCC is proposing to revise the term to more specifically refer to “corporate bond security transactions.” Additionally,

the term “unit trust fund transactions” is not a term that is commonly used to refer to unit investment trust transactions. While these securities may be considered funds, the correct term for describing these transactions is “unit investment trust transactions.” Therefore, while these proposed revisions would not change what is intended by these terms, they would enhance the transparency of this section by using terminology that would be more clearly recognizable to Members.

NSCC is proposing to clarify the language in Procedure II, Section C, 1(h) to make clear that trades submitted for comparison may be identified as “CNS-eligible,” which would flag these trades to be processed through the CNS Accounting System; “non-CNS-eligible,” which would flag these trades to be processed through the Balance Order Accounting System; or “Special Trade,” which could flag these trades either for trade-for-trade processing, which normally settle outside of NSCC’s facilities, or for comparison-only processing. The proposed rule changes would add transparency to the Rules regarding how these designations impact the processing of trades submitted to NSCC.

NSCC is proposing to add a sentence to Procedure II, Section C, 1(i)(ii) to make clear that trades submitted for comparison-only processing are subject to the rules of the Municipal Securities Rulemaking Board (“MSRB”). NSCC believes that this clarification is appropriate because these submissions are not required to meet the eligibility requirements for clearance or settlement through NSCC’s facilities, but must comply with the rules of the MSRB. Therefore, NSCC believes this proposed change would enhance the transparency of the Rules and would assist Members to understand the requirements that apply to these trades.

NSCC is proposing to add a reference to the “Balance Order Accounting System” to the renumbered subsection (k)(ii) of Procedure II, Section C, 1, which describes how eligible, compared trades may be further processed within NSCC’s facilities. Currently, this subsection is incomplete and does not include reference to the Balance Order Accounting System, where eligible compared trades that are not eligible to be processed in the CNS Accounting System may be processed for clearance and settlement. Therefore, the proposed change would enhance this subsection by including this additional reference.

NSCC is proposing to add a sentence to the renumbered subsection (m) of Procedure II, Section C, 1 that would describe the process by which NSCC would convert a bilateral trade that matches a Qualified Special Representative (“QSR”) trade submission in all respects (other than its designation as a bilateral trade) into a QSR trade. NSCC is also proposing to add a new subsection (vi) to renumbered Procedure II, Section D, 2(g) that would describe the process by which NSCC would convert a bilateral trade that matches a syndicate takedown trade or reversal in all respects (other than its designation as a bilateral trade) into a syndicate takedown trade or reversal, as appropriate. These two automatic conversions are a part of NSCC’s existing processes, but, because these conversions occur automatically and do not require any action by Members, these processes are not described in these sections of the Rules. NSCC believes these proposed changes to describe these automatic conversions would improve the transparency of the Rules and provide Members with notice that these conversions would occur in the described circumstances.

NSCC is proposing to revise the renumbered subsection (p) of Procedure II, Section C, 1 to clarify that NSCC processes cash transactions where the trade date for the submitted transaction is the same as the settlement date for comparison-only processing. Currently, this section of the Rules refers to these transactions as “cash transactions,” and the proposed change would improve the transparency of this section by including a further description of these transactions. This proposed change would provide Members with additional information regarding the types of transactions that are referred to in this section and, therefore, would improve the transparency of the Rules.

NSCC is proposing to revise Procedure II, Section C, 2(g) to make it clearer that NSCC permits certain trade details for uncompleted trades to be modified by the submitter, provided, however, that trade details for syndicate takedown submissions are only permitted to be modified on the submission date. The proposed rule changes would also clarify that NSCC may limit the trade data that can be modified after a trade is matched. Although Section C, 2(g) currently describes these rules relating to the modification of submitted trade details, NSCC believes that the proposed revisions would improve those descriptions and thereby make such rules clearer to Members and improve the overall transparency of the Rules.

NSCC is proposing to revise Procedure II, Section C, 2(h), which provides that transactions that compare after a cutoff time designated by NSCC on the date the transaction was scheduled to settle are assigned a settlement date of the next business day after the day the transaction is compared. The proposed rule changes would clarify that these rules apply to any transactions that compare after the set cutoff time, and not only to transactions that compare for the first time (meaning, transactions that have not been

previously submitted and reversed by the counterparties pursuant to the Rules). These proposed changes, and the other marked revisions to this section would clarify the applicability of these rules and would improve the readability, clarity and transparency of this Section C, 2(h).

Simplifying Descriptions and Removing Unnecessary Details. NSCC is also proposing to make revisions that would use fewer words to describe a procedure or otherwise remove unnecessary language that could cause confusion in the interpretation of the procedures. By rewording certain provisions and using simpler language in these descriptions, these proposed changes would improve the transparency of the procedures in Sections C and D of Procedure II.

NSCC is proposing to remove the following sentence from Procedure II, Section C, 1(h), “Depending upon whether trade data is submitted on T or T+n and the format in which output is produced with respect to such data, the output may reflect totals.” NSCC believes that this sentence is unnecessary for purposes of describing the procedures applicable to comparison and recording of CMU securities transactions. Therefore, the proposed rule change to remove this sentence would simplify the Rules and remove unnecessary statements that do not provide Members with important additional information related to this service.

NSCC is proposing to remove from Procedure II, Section C, 2(c) a statement that a Member may submit an instruction to delete an uncomparing trade if it finds that the trade data is incorrect. The immediately prior Section C, 2(b) of Procedure II states that a Member may submit an instruction to delete a trade if it does not agree with the terms of the trade. While the fact that the data is incorrect is most likely the basis for a Member to

disagree with the terms of the trade, NSCC does not believe the statement it is proposing to remove from Procedure II, Section C, 2(c) adds to the rules, and believes this statement could indicate to a Member that its ability to delete an uncomparated trade is limited to circumstances when the trade data is incorrect. NSCC believes the proposed rule change to remove this additional and unnecessary language would clarify Members' ability to submit a delete instruction.

NSCC is proposing to remove reference to comparison-only trades from the renumbered subsection (l) of Procedure II, Section C, 1, which incorrectly states that the rules of the MSRB are not applicable to comparison-only trades. This subsection describes certain rules that are applicable to trades that are designated as Special Trades, including the fact that these trades are subject to the rules of the MSRB. Currently, this subsection includes language that expressly excludes comparison-only trades. NSCC believes that expressly excluding comparison-only trades from this subsection could incorrectly imply to Members that the rules described in this subsection, including the applicability of the MSRB rules, do not apply to comparison-only trades. Procedure II, Section C, 1(i)(ii) describes the rules that apply to comparison-only trades, including the fact that these trades are subject to the rules of the MSRB. Therefore, NSCC is proposing to remove the express exclusion of comparison-only trades from the renumbered subsection (l) of Procedure II, Section C, 1, which is unnecessary and could cause confusion.

NSCC is proposing to remove from Procedure II, Section D, 2(A)(2)(b) the description of the timing by which an eligible transaction may enter the CNS Accounting Operation. The rules applicable to the CNS Accounting Operation, including, as

applicable, any relevant timing of processing in that service, is described in Procedure VII. This information is not necessary for the operation of the comparison services, and removing this information would simplify these rules, improving their clarity to Members.

NSCC is also proposing to remove subsection 2(A)(2)(c) from Procedure II, Section D, which describes information included in the output NSCC produces in connection with the comparison service. As currently written, this subsection is incomplete and does not list all of the information that may be included in this output. Therefore, the current description could create confusion among Members regarding what information may be included in these reports. NSCC believes it is in Members' best interest that NSCC retain flexibility to add or remove information from these reports, for example, in response to Members' requests. As such, NSCC does not believe it is necessary to specify for Members the information that may be included in these reports. Therefore, NSCC believes the proposed change to remove the unnecessary section would simplify and improve the Rules.

NSCC is also proposing a number of revisions to the descriptions of the rules regarding submission and processing of syndicate takedown trades and syndicate takedown reversals in renumbered Procedure II, Section D, 2(A)(2)(g). The proposed revisions would not change the rules that apply to how these trades and reversals are processed, but would re-order the descriptions of these rules in order to simplify, clarify and improve the transparency of these provisions.

Proposed Rule Changes to Update and Correct Descriptions

NSCC is proposing rule changes that would update the procedures in order to accurately describe current processing and correct descriptions that have become outdated. Each of these proposed rule changes would improve the Rules by correcting these errors.

NSCC is proposing to amend Procedure II, Section C, 1(c)(1) and (2) in order to clarify that the tolerances for comparison of contract amounts apply only to bilateral trades, and state that the QSR's or syndicate manager's contract amount is used for QSR and syndicate trades for comparison purposes. Currently, these two subsections of the Rules describe the contract amount tolerances that are applicable to bilateral trades, but fail to specify which tolerances apply to bilateral trades, and which tolerances apply to QSR and syndicate trades. The proposed rule change would clarify that the tolerances currently described in these subsections apply only to bilateral trades, and would add to these subsections a description of the rules for comparing contract amounts applicable to QSR and syndicate trades.

NSCC is proposing to remove subsection (j) from Procedure II, Section C, 1, which states that Members may override clearing agent designations by submitting trade input for comparison using the appropriate Trade-for-Trade Indicator. NSCC is also proposing to remove from the renumbered Procedure II, Section C, 1(k)(i) the reference to "any clearing agent indicated by the applicable contra party" as an example of information that NSCC may provide on the CTS. Members that are Municipal Comparison Only Members may use another Member as their "clearing agent" to access NSCC's clearing and settlement services, and, historically, clearing agent designations

had been reported on the CTS. However, in connection with its recent updates to the CTS, in response to Member feedback that it is no longer necessary to report these clearing agent designations, NSCC removed the designations from the CTS.⁷ In error, NSCC did not remove references to the clearing agent designation from subsection (j) or from the renumbered subsection (k)(i) of Procedure II, Section C when it implemented these updates. Therefore, the proposed change would correct this error by removing from the Rules statements that are no longer accurate and could cause Members confusion regarding the use of this service.

Finally, NSCC is proposing two changes that would correct errors that it has identified in the Rules. The proposed changes would correct descriptions in these sections of the Rules in order to accurately describe processing that has been effective since this service was implemented over 10 years ago. While these changes would revise the Rules as written, the changes would not result in any change in the current operation of the service. NSCC does not believe that either of these changes would significantly affect the respective rights or obligations of NSCC or Members using this service.

First, NSCC is proposing to remove from Procedure II, Section C, 1(g) an incorrect statement that trades in municipal bonds must be submitted in multiples of a thousand. Municipal bonds may be submitted in quantities other than multiples of a thousand, and such submissions would be subject to the other provisions of this section that are applicable to submissions of trades in quantities other than multiples of a thousand (specifically, that such submissions be divided into separate submissions of the round lot and odd lot quantity, and that odd lot quantities are processed on a trade-for-

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Supra note 6.

trade basis). Therefore, in addition to removing this incorrect statement, NSCC would add municipal bonds to these statements within this same section. NSCC does not believe that this change would significantly affect the respective rights or obligations of NSCC or Members using this service because Members that are currently submitting municipal bonds in quantities of a thousand may continue to do so, and Members that submit municipal bonds in quantities other than multiples of a thousand may do so subject to the rules already described in this section.

Second, NSCC is proposing to revise Procedure II, Section D, 2(A), which specifically describes processing of when-issued securities. The special processing rules within this section do not apply to when-issued corporate bonds, which are instead processed in the same manner as all other transactions in corporate bonds. Therefore, this Procedure II, Section D, 2(A) incorrectly refers to corporate bonds and the proposed change to remove references to corporate bonds would correct this error. This proposed rule change would clarify that the provisions of this subsection apply only to transactions in municipal securities. NSCC does not believe that this change would significantly affect the respective rights or obligations of NSCC or Members using this service because Members would be able to continue to submit when-issued corporate bonds, and such securities would be processed through the regular processing rules.

(ii) *Proposed Changes to Add a Trade Date Comparison Tolerance*

NSCC is also proposing to amend Section C of Procedure II to include a comparison tolerance of 20 business days in order to improve the accuracy of the matching of submitted trade data. Currently, if two transactions are submitted that match in all other aspects as required by the Rules, but have different trade dates, NSCC uses

the earlier of the two submitted trade dates in producing and recording a matched trade. Members that do not agree with the terms of a matched trade may submit an instruction to reverse a matched trade pursuant to Procedure II, Section C, 2(e). Therefore, this procedure will result in a matched trade if the counterparties submitted different trade dates in error, and Members are able to reverse that trade if the different trade dates were not submitted in error and the matched trade is incorrect.

NSCC is now proposing to include a tolerance of 20 business days to the comparison criteria for trade dates in order to improve the accuracy of its trade comparison service. In order to implement this change, NSCC is proposing to amend Procedure II, Section C, 1(d) to make clear a trade would be deemed compared if the submitted trade data matches in all required respects other than trade date, and the trade dates submitted are within 20 business days of each other. Under the proposed rule change, NSCC would continue to use the earlier of the submitted trade dates in the resulting compared trade. The proposed rule change would also make clear that a trade would remain uncomparing if the trade dates submitted are not within the 20 business day tolerance. Members would still have the ability to submit instructions to reverse a trade if they disagree with the terms of a matched trade.

NSCC believes trade dates submitted for a trade that matches in all other required respects but are different by more than 20 business days are more likely submitted in error. For example, one counterparty may enter a trade date of March 1, 2018 and the other counterparty may enter for the same trade a trade date of March 1, 2008 by mistyping the year of the trade date. Under the current rules, NSCC would match the trade data and report a compared trade with a trade date of March 1, 2008, the earlier of

the submitted trade dates, and the counterparties would have to submit instructions to either delete or reverse that trade, as appropriate. NSCC believes the proposed rule change would result in fewer trades that are compared using an earlier trade date that was submitted in error, and would result in more accurate comparison processing.

2. Statutory Basis

NSCC believes that the proposed changes are consistent with the Section 17A(b)(3)(F) of the Act, which requires, in part, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, for the reasons described below.⁸ The proposed rule change would increase transparency of the Rules by clarifying and enhancing the descriptions of the CMU securities comparison service. In this way, the proposed changes would ensure that the Rules remain transparent, accurate and clear, which would enable Members to readily understand their rights and obligations in connection with the use of this service. Additionally, the proposal to add a 20 business day tolerance for comparison of trade dates would improve the accuracy of the comparison service. Eligible transactions that are submitted for comparison may also be processed for clearance and settlement through NSCC's CNS Accounting System or the Balance Order Accounting system, as applicable. Therefore, by improving the transparency of these Rules and the accuracy of the comparison service, resulting in fewer trades compared at an incorrect trade date, the proposed changes would also promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.⁹

⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁹ Id.

Rule 17Ad-22(e)(23)(i) under the Act requires, in part, that NSCC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for publicly disclosing all relevant rules and material procedures.¹⁰ As described above, the proposed rule change would improve the transparency, clarity and accuracy of the Rules, such that these provisions of the Rules would better disclose all relevant and material aspects of the comparison service. Therefore, NSCC believes the proposed rule changes are consistent with Rule 17Ad-22(e)(23)(i).¹¹

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

NSCC does not believe that the proposed rule changes would have any impact, or impose any burden, on competition. The proposed rule changes would improve Members' understanding of their rights and obligations with respect to the use of this service, and would improve the accuracy of the comparison service with respect to trade dates. These proposed changes would be applicable to all Members that utilize this comparison service, and would not alter Members' rights or obligations. Therefore, NSCC does not believe that the proposed rule changes would have any impact on competition.

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

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

¹⁰ 17 CFR 240.17Ad-22(e)(23)(i).

¹¹ Id.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and paragraph (f) of Rule 19b-4 thereunder.¹³ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2018-002 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-2018-002. This file number should be included on the subject line if e-mail is used. To help the Commission process

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f).

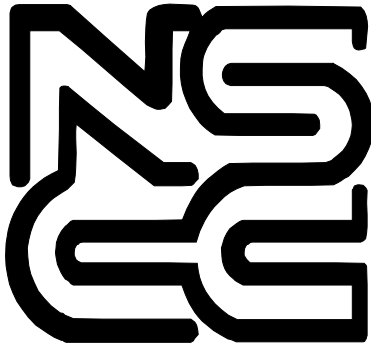
and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2018-002 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.¹⁴

Secretary

¹⁴ 17 CFR 200.30-3(a)(12).

EXHIBIT 5



**NATIONAL
SECURITIES
CLEARING
CORPORATION**

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Bold and underlined text indicates proposed added language.

~~Bold and strikethrough~~ text indicates proposed deleted language.

PROCEDURE II. TRADE COMPARISON AND RECORDING SERVICE

* * *

C. Debt Securities

1. Trade Input and Comparison

The Corporation provides the following procedures for trade input and comparison of transactions in regular way debt securities, including unit investments trusts, in any par value (excluding fractions and decimals), other than securities submitted through the correspondent clearing service and by regional exchanges/marketplaces or Qualified Securities Depositories:

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

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

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

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

(2) Trades that remain un-compared after the intraday comparison process shall be deemed compared during the end-of-day enhanced comparison process using **(a), for bilateral trades,** the seller's contract amount if the contract amounts are within (i) a net \$10.00 difference for trades of \$250,000 or less and (ii) \$.04 per \$1,000 for trades greater than \$250,000.

and (b), for Qualified Special Representatives and syndicate trades, the Qualified Special Representative's or syndicate manager's contract amount.

(d) ~~For t~~Trades that are submitted prior to the cut-off time for intraday comparison established by the Corporation from time to time ~~shall be deemed compared if, when~~ the purchaser and seller have submitted trade data that matches in all required respects, including contract amounts which were deemed matched pursuant to the money tolerances in subsection (c), except for the trade date, **the trades shall be deemed compared if trade dates submitted by the purchaser and seller are within 20 business days of each other and in such case, the earlier of the two trade dates is used. If the trade dates submitted by the purchaser and seller are not within 20 business days of each other, the trade will remain uncomparing.**

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

(f) Trade input must indicate one of the following: ~~OTC~~ **corporate bond security transactions**, municipal security transactions or unit **investment** trust ~~fund~~-transactions.

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

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

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

(2) Uncomparing/Unmatched - Items identified as uncomparing or unmatched on applicable output reflect trades submitted by the Member or the Municipal Comparison Only Member for which the opposite side either did not submit data or did not submit data which agreed in all required

respects including the use of tolerances set forth in subsections (c) and (d) above.

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

Information made available to Members and Municipal Comparison Only Members shall identify each trade as being CNS-eligible **(to be processed through the CNS Accounting System)**, non-CNS-eligible **(to be processed through the Balance Order Accounting System)**, or ~~trade-for-trade~~/Special Trade **(to be designated for either trade-for-trade processing outside of the Corporation's facilities or comparison-only processing)** through such designation as the Corporation shall determine from time to time.

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

(i)(i) The Corporation provides Members with the ability to clear and settle any compared trade on a trade-for-trade basis. Such transaction is referred to as a **trade-for-trade** Special Trade and may be classified as such, whether or not the security is a CNS security. In order for a transaction that is submitted for comparison processing to be classified as a **trade-for-trade** Special Trade, each of the purchaser and seller must indicate the appropriate trade-for-trade indicator ("Trade-for-Trade Indicator") on its trade input and such Trade-for-Trade Indicator shall be part of the terms and conditions of the applicable contract. Unless both parties submit the identical Trade-for-Trade Indicator, the trade will not compare. In addition, the Corporation itself may determine that some or all transactions in a security shall settle on a trade-for-trade basis.

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

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

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

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

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

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

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

~~(n)~~(i) The Corporation may accept locked-in trade data reported by Self-Regulatory Organizations, Qualified Special Representatives and Service Bureaus on behalf of Members and Municipal Comparison Only Members. Such

trade data ~~will be~~ is reflected on appropriate output as determined by the Corporation. Receipt of a locked-in trade that satisfies the Corporation's trade input requirements shall result in a compared trade. The status of such transaction as a compared trade shall not be affected by output indicating a status of "match request" or "unmatched".

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

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

Member submission of a bilateral trade that matches a Qualified Special Representative's trade submission in all respects (other than its designation as a bilateral trade) is converted into a Qualified Special Representative target trade at the end of the day on which it is submitted.

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

(~~po~~) Trade input and comparison of transactions submitted for T+1 settlement is handled in the same manner as ~~set forth above with respect to~~ transactions submitted for regular way settlement.

(~~qp~~) The Corporation shall accept cash transactions **(where trade date is the same date as settlement date)** for comparison-only processing. Results of the comparison-only process for these items are reported by the Corporation as specified from time to time. Settlement of the resultant compared trades is the responsibility of the parties to the trades.

2. Resolution of Uncompared Trades in Regular Way Debt Securities

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

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

(b) A Member or a Municipal Comparison Only Member with an advisory or match request that does not agree with the terms of the trade may respond with the appropriate instruction indicating the reason, if any, that ~~the member~~ it disagrees with the terms of the trade. ~~Submission of~~ such instruction must be submitted within the

timeframes specified by the Corporation from time to time and ~~will~~ causes the trade to be deleted from processing. The Member or Municipal Comparison Only Member may submit a subsequent instruction on the same day to return the trade to processing.

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

(d) ~~No p~~Partial deletions for transactions in debt securities ~~will be~~ are not permitted.

(e) Previously compared trades may be ~~deleted~~ reversed through the submission of offsetting trade details by both parties to the transaction. ~~Each of t~~The purchaser and the seller must each submit the trade details within the timeframes specified by the Corporation from time to time and ~~they~~ such trade details must match in all respects or ~~match~~ pursuant to the tolerances set forth in subsections (c) and/or (d) of Section C.1 above (~~“Trade Input and Comparison”~~).

(f) Transactions which are deleted or reversed, and offsetting transactions submissions which are ~~submitted and~~ matched ~~will~~ appear on the appropriate output. Unless otherwise specified herein, deletion or reversal of a trade pursuant to the procedures set forth above does will not extinguish the rights and obligations of either party with respect to such trade.

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

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

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

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

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

D. When-Issued and When-Distributed Securities

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

1. Equity

(a) Input

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

(b) Settlement

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

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

2. Debt

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

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

concession and a specified number of days after the ~~initial~~ Settlement Date for the issue.

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

(c) All other transactions that are not submitted as specified **in subsections (1)(a) and (b)** above ~~will be~~ are rejected.

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

(a) When the initial Settlement Date and all required pricing information for an issue ~~is known by~~ has been submitted to the Corporation (and, if deemed necessary by the Corporation, confirmed in a manner satisfactory to the Corporation), the Corporation ~~will~~ shall calculate the final settlement amount for all transactions that do not have a final settlement amount, and trades ~~will be~~ are deemed compared ~~either~~ if either (i) the final settlement amounts are identical or (ii) if the final settlement amounts fall within the money tolerances set forth in subsection (c) of Section C.1- of this Procedure II above (“Trade Input and Comparison”). In addition, when the initial Settlement Date has been changed and the Corporation is notified of a new initial Settlement Date least 2 days prior to such date ~~(independently confirmed, to the extent deemed necessary)~~ (and, if deemed necessary by the Corporation, confirmed in a manner satisfactory to the Corporation), the Corporation ~~will~~ shall recalculate the final settlement amounts for all affected transactions (whether or not the original final settlement amount was calculated by the Corporation), and the new final settlement amounts ~~will be~~ are set forth on the applicable contract lists or other applicable output made available by the Corporation.

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

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

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

~~(cd)(i)~~ The initial Settlement Date for municipal issues is established by the issuer or underwriter, but ~~except as provided below for syndicate takedown trades, the settlement date~~ may be extended by agreement of the submitting parties similar to regular way municipal trades. The Settlement Date for syndicate takedown trades may not be extended.

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

~~(de)(i)~~ If the Corporation is notified that the initial Settlement Date is postponed after the applicable Consolidated Trade Summary has been made available, the fact that trades in such issue are indicated in such Consolidated Trade Summary ~~will be of~~ shall have no force and effect for purposes of the Corporation's Rules and Procedures unless the Corporation notifies Members to the contrary. In such case, the Corporation may adjust accrued interest as determined by the Corporation from time to time. The provisions of this paragraph also apply to transactions that are treated as regular way transactions pursuant to subsection (1)(b) of this subsection 2(A) above.

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

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

~~(gh) With respect to municipal securities:~~ (i) Syndicate takedown trades may ~~only~~ be submitted for comparison by both the syndicate manager and the syndicate member, and, in both cases, such trade input must be identified as a syndicate takedown trade. A syndicate manager or a syndicate member that

does not agree with the terms of a takedown trade as reported on the contract sheet may delete the trade by submitting the appropriate instruction to the Corporation by the time specified by the Corporation.

Submissions of a syndicate takedown trade **by a syndicate manager that are not deleted will** result in a compared trade; **submissions of a syndicate takedown trade by a syndicate member that are not deleted result in a compared trade only after submission by the syndicate manager on that trade. Compared trades which will be** reported to the syndicate manager and the syndicate member on output made available by the Corporation. The status of such transaction as a compared trade shall not be affected by output indicating a status of "match request" or "unmatched". ~~**If a syndicate manager or a syndicate member does not agree with the terms of a takedown trade as reported on the contract sheet, he may delete the trade by submitting the appropriate instruction to the Corporation by the time specified by the Corporation.**~~

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

(iii) **Syndicate takedown reversals shall be submitted by both a syndicate manager and the syndicate member. Only the syndicate manager may submit a withhold or a reversal and, in both cases,** such trade input must be identified as a syndicate takedown trade. **A syndicate manager or a syndicate member that does not agree with the terms of a reversal takedown trade as reported on the contract sheet may delete that reversal trade by submitting an appropriate instruction to the Corporation by such time specified by the Corporation.**

Submissions of a ~~**withhold/syndicate takedown**~~ reversal **by a syndicate manager that are not deleted will** result in a compared ~~**withhold/**~~reversal trade; **submissions of a syndicate takedown reversal by a syndicate member that are not deleted result in a compared reversal trade only after submission by the syndicate manager on that reversal trade. Compared reversal trades which will be** reported to the syndicate manager and syndicate member on output made available by the Corporation.

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

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

(vi) Member submission of a bilateral trade that matches a syndicate manager's submission on a syndicate takedown trade or a syndicate takedown reversal in all respects (other than its designation as a bilateral trade) will be converted into a syndicate takedown trade or syndicate takedown reversal, as appropriate, at the end of the day on which it is submitted.

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

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