

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="43"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="007"/>
		Amendment No. (req. for Amendments *) <input type="text"/>

Filing by National Securities Clearing Corporation
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input 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) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

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

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

Clarify the Rules that Describe the Buy-In Process

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Last Name *

Title *

E-mail *

Telephone * Fax

Signature

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

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

(Title *)

Date

By

(Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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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 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

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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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 rules and procedures that describe the process by which a Member entitled to receive securities from the Corporation, where such securities have failed to deliver, may submit a notice of its intent to purchase, or “buy-in,” any or all of such securities and the processing of the subsequent execution of that buy-in. The proposed changes would not change how buy-ins are processed at NSCC, but would clarify and simplify the rules that govern this processing, 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 Rule 10 (Failure to Deliver on Security Balance Orders), Section 7 of Rule 11 (CNS System), Section J of Procedure VII (CNS Accounting Operation), and Sections A and B of Procedure X (Execution of Buy-Ins) of the Rules, which describe the process by which a Member entitled to receive securities (such quantity of securities is defined in the Rules as that Member’s “Long Position”), where such securities have failed to deliver, may provide NSCC with notice of its intent to buy-in any or all of its Long Position.² These rules also describe the processing of the subsequent execution of that buy-in.

First, the proposed changes would update and simplify the Rules by removing statements that do not provide important information to Members regarding the buy-in processing service, and NSCC believes this proposed change would make the Rules clearer and more easily understood by Members. For example, these proposed changes would remove descriptions of processing that do not occur at NSCC, and descriptions of rules that are not enforced by NSCC.

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

² Id.

Second, the proposed changes would revise, clarify and enhance the transparency of these rules by, for example, (1) reorganizing the rules governing buy-in processing such that they appear in fewer places in the Rules, (2) revising certain statements and adding new descriptions of buy-in processing to improve the transparency of these rules, and (3) correcting and updating the uses of defined terms. NSCC believes making these descriptions clearer would enhance Members' understanding of their rights and obligations in connection with this service.

Each of these proposed changes is described below.

(i) Overview of the Buy-In Process

Under the Rules, a Member with a Long Position (referred to as the "originator") may submit to NSCC a notice of its intention to buy-in any or all of its Long Position. Such notice is currently referred in the Rules as "Notice of Intention to Buy-In" and a "Buy-In Notice" and must specify the quantity of securities, not exceeding the originator's Long Position, it intends to buy-in (such quantity of securities is referred to as the "Buy-In Position"). As described in Section J of Procedure VII of the Rules, Buy-In Notices may be either (1) submitted directly to NSCC by the originator, and such Buy-In Notices are referred to as an "Original Buy-In Notice," or (2) submitted directly to NSCC by the originator as a "Buy-In Retransmittal Notice" after the originator has received notice that it has failed to deliver securities away from NSCC. References to Buy-In Notices include both Original Buy-In Notices and Buy-In Retransmittal Notices.

The day the Buy-In Notice is submitted to NSCC is referred to as N, and N+1 and N+2 refer to the succeeding days. Original Buy-In Notices expire on N+2 and Buy-In Retransmittal Notices expire on N+1. The Buy-In Position is given high priority for allocation in NSCC's Continuous Net Settlement ("CNS")³ system through the completion of CNS allocations in the day cycle on the day the buy-in expires.

If, with respect to Original Buy-In Notices, a Buy-in Position remains unfilled after the completion of the CNS allocation in the evening cycle on N+1, or shortly after the receipt of a Buy-In Retransmittal Notice, NSCC issues CNS Retransmittal Notices to those Members with the oldest Short Positions in those securities in an amount equal to the originator's Long Position. Such notices specify the originator and the total quantity of securities requested in the Buy-In Notice. If several Members have Short Positions with the same age, all such Members

³ CNS is an on-going accounting system which nets each day's settling trades with the prior day's closing positions, producing new Short or Long Positions per security issue for each Member. NSCC is always the contra side for all positions. The positions are then passed against the Member's Designated Depository positions and available securities are allocated by book-entry. This allocation of securities is accomplished through an evening cycle followed by a day cycle. CNS and its operation are described in Rule 11 and Procedure VII of the Rules. Supra note 1.

are issued CNS Retransmittal Notices, even if the total of their Short Position exceeds the Buy-In Position.

On the expiration of the Buy-In Notice, if the Buy-In Position is still not satisfied, either in full or in part, the originator may submit to NSCC a Buy-In Order, which notifies NSCC that the originator intends to purchase the remaining securities (*i.e.*, execute a buy-in for the remaining securities). If a Member does not submit the Buy-In Order by the time specified by NSCC, that Member's notice to NSCC of its intent to submit a buy-in on a Buy-In Position (referred to as the "Buy-In Intent") is canceled. If a Member does submit the Buy-In Order by that time, it may subsequently execute the buy-in and then submit to NSCC a Buy-In Execution, notifying NSCC of the position and price of the execution. NSCC would then allocate the quantity bought in among the Members with Short Positions that have been identified on a CNS Retransmittal Notice.

(ii) Rationale for the Proposed Changes

In connection with a review of its Rules, NSCC identified opportunities to improve and update the rules describing buy-in processing in order to improve transparency to Members. For example, NSCC identified opportunities to reorganize the Rules such that the descriptions of buy-in processing occur in fewer places and the Rules are less repetitive. NSCC also identified opportunities remove statements that describe processing that occurs away from its facilities, and does not provide Members with important information regarding the processing of buy-ins at NSCC. Overall, NSCC believes these proposed changes would simplify the Rules and, thereby, improve Members' understanding of their rights and obligations, and NSCC's rights and obligations, in connection with the processing of buy-ins.

(iii) Proposed Changes to Update and Simplify the Rules

NSCC is proposing to update and simplify the Rules that describe the processing of buy-ins by, for example, reorganizing the Rules and removing repetitive descriptions, removing descriptions of processing that occurs away from NSCC, and removing descriptions of discretionary rules that does not enforce. NSCC believes that these proposed changes would make the rules clearer and more easily understood by Members.

a. Proposed Change to Move All Processing Rules Into the Procedures

NSCC is proposing to revise and simplify the Rules by moving all processing rules out of Section 7 of Rule 11 of the Rules and into Section J of Procedure VII of the Rules, and then revising these statements to avoid repetition with statements that are already within Section J of Procedure VII of the Rules. In connection with this proposed change, NSCC would add to Section 7 of Rule 11 of the Rules a cross-reference to the rules for buy-in processing set forth in Procedure VII and the rules for execution of buy-ins set forth in Procedure X of the Rules. NSCC believes that these proposed changes would improve the transparency of the Rules by disclosing the processing rules in fewer locations in the Rules, and would simplify the Rules by removing repetitive statements.

b. Proposed Change to Remove Discretionary Fee for Unexecuted Buy-In Notices

NSCC is proposing to remove from the Rules a discretionary fee that NSCC may charge if a Member submits a Buy-In Notice but does not later execute that buy-in. Before adopting an automated process, the processing of buy-ins by NSCC was largely manual.⁴ This fee was intended to off-set the resources required to process a Buy-In Order that was later not executed, and to encourage Members to submit a Buy-In Order only when they intended to later execute that buy-in. NSCC has not charged this fee since the automation of the processing of buy-ins, over ten years ago. As such, NSCC is proposing to remove this discretionary fee from Section 7(e) from Rule 11 of the Rules, in order to reflect its practice of not charging this fee.

c. Proposed Change to Remove Discretion to Adjust Timing of Buy-In Execution

NSCC is proposing to revise a statement in Section J of Procedure VII that a buy-in may be executed if the Buy-In Position has not been satisfied by either a time specified in the Rules, or, due to market events, such earlier time as established by NSCC upon five business days' notice. NSCC has never exercised its discretion to adjust the time when a buy-in may be executed as a result of market events. Therefore, the proposed changes would remove this statement regarding the possibility that such time would be modified.

d. Proposed Change to Remove Statements that Describe Internal Processes

NSCC is proposing to remove statements in Procedure X of the Rules that describe the steps NSCC takes internally to reflect the execution of a buy-in, but would retain the statement that such execution would be reported to Members through an existing report on the business day following the execution. NSCC believes that this proposed change would simplify the Rules by removing the description of internal processing that does not provide Members with important information regarding the processing of buy-ins. NSCC believes that the proposed change would continue to provide Members with information that is useful to them regarding NSCC's obligation to report executions to Members. By simplifying the Rules, NSCC believes that the proposed change would make the Rules more transparent with respect to information that is important to Members regarding buy-in processing.

⁴ See Securities Exchange Act Release No. 53032 (December 28, 2005), 71 FR 1457 (January 9, 2006) (SR-DTC-2005-19), which approved the proposal of NSCC's affiliate, The Depository Trust Company, to adopt an internet-based facility for the processing of buy-ins called SMART/Track for Buy-Ins.

e. Proposed Change to Remove Description of Buy-In Processing for Balance Orders

NSCC is proposing to remove Section B of Procedure X of the Rules, which describes buy-in processing for transactions in Balance Order Securities, and to revise Rule 10 to clarify that such processing occurs away from NSCC and pursuant to the rules of the applicable marketplace. Currently, Section B of Procedure X of the Rules describes the rules that govern a buy-in for transactions in Balance Order Securities. However, these rules apply to a process that occurs entirely away from NSCC. The rules set forth in Section B of Procedure X are intended to mirror Rule 11810 of the Financial Industry Regulatory Authority (“FINRA”), which governs the processing of buy-ins that are not otherwise subject to the rules of a registered clearing agency.⁵

NSCC is not involved in the processing of buy-ins for Balance Order Securities, which are subject to either FIRNA Rule 11810, the rules of a national securities exchange, or the rules of another registered clearing agency, as applicable. Therefore, in order to avoid any confusion regarding NSCC’s involvement in this processing, and to avoid providing Members with rules that are available elsewhere (*i.e.*, FINRA Rule 11810), NSCC is proposing to remove Section B of Procedure X of the Rules. The proposed change would also revise Rule 10 of the Rules to clarify that these buy-ins are subject to the rules of the applicable marketplace, which, NSCC believes, will provide Members with clarity regarding where to find the rules that govern these buy-ins.

*(iv) **Proposed Changes to Revise, Clarify and Enhance the Rules***

NSCC is proposing to revise and clarify the Rules in order to enhance the transparency of the descriptions of buy-in processing. These changes would include reorganizing the Rules by including subheadings and moving statements regarding the same steps in buy-in processing so they appear together. The proposed changes would also clarify and simplify statements to more clearly and directly describe the rights and obligations of both Members and NSCC in buy-in processing. Finally, the proposed changes would correct the use of certain defined terms. NSCC believes these proposed changes would improve the readability of the Rules, making them more transparent to Members and, thereby, improving Members’ understanding of the processing of buy-ins.

a. Proposed Change to Reorganize Section J.1 of Procedure VII of the Rules

NSCC is proposing to re-organize Section J.1 of Procedure VII of the Rules by moving the definitions of terms used within this Section to the same location at the beginning of the Section, and then using subheadings throughout the Section to more clearly identify the different

⁵ See FIRNA Rule 11810 (Buy-In Procedures and Requirements), available at http://finra.complanet.com/en/display/display_main.html?rbid=2403&element_id=9699.

steps in buy-in processing. Such subheadings would appear in chronological order and would include, “Defined Terms,” “Buy-In Intent,” “CNS Allocation Priority and CNS Retransmittal Notices,” and “Buy-In Execution.” This proposed change would enhance the transparency of the Rules by more clearly identifying for Members the defined terms used in this Section, and the different steps of buy-in processing.

b. Proposed Change to Descriptions of Processing Buy-Ins for Municipal Securities

NSCC is proposing to amend Section 7 of Rule 11 of the Rules to move information related to the processing of buy-ins for positions in municipal securities out of a footnote and into the body of this Rule. The proposed change would make this statement clearer to Members and would improve their understanding of the processing of these buy-ins. In connection with this change, NSCC is proposing changes that would clarify Section J of Procedure VII of the Rules by creating titles for the two existing subheadings. These subtitles would clarify that Section J.1 describes rules applicable to buy-ins for positions in equity securities and corporate debt securities, and Section J.2 describes rules applicable to buy-ins for positions in municipal securities.

Also in connection with these changes, NSCC is proposing to revise the title of the current Section A of Procedure X of the Rules to clarify that the rules in this section are applicable only to the processing of buy-ins for positions in equity securities and corporate debt securities. NSCC is also proposing to remove from Section A of Procedure X of the Rules the description of processing of buy-ins for positions in municipal securities, as these descriptions are already included in both Section 7 of Rule 11 and Section J.2 of Procedure VII of the Rules. NSCC believes that these revisions would provide Members with both enhanced transparency with respect to the processing buy-ins for positions in municipal securities, and while still simplifying the Rules by removing repetitive statements.

c. Proposed Change to Clarify the Method of Delivery of Notices

NSCC is proposing to revise references in Section J of Procedure VII of the Rules to the “filing” of notices with NSCC, with the “submission” of such notices to NSCC. This proposed change would not alter the meaning of these statements, but would describe the method of delivering these notices to NSCC in a way that conforms to similar statements in other places in the Rules.

d. Proposed Change to Revise Cut-Off Times in Buy-In Processing

NSCC is proposing to revise references to the time, on the applicable date, after which (1) a buy-in may be executed if the Buy-In Position has not been satisfied, as provided for in Section J.1 of Procedure VII of the Rules, and (2) Members with the oldest Short Positions on the expiration date of a Buy-In Intent would be first held liable for the execution of that buy-in, as provided for in the current Section A of Procedure X of the Rules. Currently, both of these cut-off times are specified in the Rules as 3:00 PM on the applicable date. NSCC is proposing to change this time to the conclusion of the CNS allocation in the day cycle, which generally occurs around 3:00 PM EST each business day. The current specified time of 3:00 PM was intended to

align with the conclusion of the CNS allocation in the day cycle because a Buy-In Position may be satisfied, in whole or in part, during this allocation process. Therefore, NSCC believes that the proposed change would more clearly specify the event that was intended as the cut-off time trigger in both of these circumstances, and would avoid any unintended consequences of this cut-off time occurring prior to the completion of this CNS allocation.

e. Proposed Change to Clarify Submission of Buy-In Order and Buy-In Execution

NSCC is proposing to add statements to clarify the distinction between the Buy-In Order and the subsequent Buy-In Execution notices. Currently, Procedure X does not clearly specify that an originator must submit a Buy-In Order on the expiration date of a Buy-In Intent, prior to submitting a Buy-In Execution later that same day. In order to more clearly identify these two, separate notices, and the consequences of failing to properly submit either on the expiration date of the Buy-In Order, the proposed changes would (1) revise existing statements to clarify that the Buy-In Order and the Buy-In Execution are two separate, required notifications, (2) relocate the statement that an originator that has not submitted a Buy-In Order may not later submit a Buy-In Execution and is required to recommence the buy-in process by submitting a new Buy-In Intent, and (3) add a parallel statement that an originator that has submitted a Buy-In Order but does not later execute that buy-in must recommence the buy-in process by submitting a new Buy-In Intent. These proposed changes would more clearly identify the notifications that are required to be submitted in connection with the execution of a buy-in, and the consequences of failing to submit either of these notifications. NSCC believes that this proposed change would improve the transparency of the Rules regarding Member's obligations in connection with this process.

f. Proposed Change to Clarify Rules Regarding Execution of a Buy-In

NSCC is proposing to clarify in Procedure X the process by which buy-ins are executed. This proposed change would make clearer that an originator must provide NSCC with the details of the execution after the execution is completed to allow NSCC to reflect the positions by journal entry. This proposed change would also provide Members with notice that NSCC is not responsible for verifying the terms of the an executed buy-in that are reported to NSCC by an originator, and that any disputes regarding such terms should be addressed away from NSCC. Finally, this proposed change would remove a note that states a Buy-In Order should contain instructions regarding the execution of buy-ins. This information is not required by NSCC in a Buy-In Order. NSCC believes that this proposed change would provide Members with more transparency regarding their rights and obligations with respect to the execution of buy-ins by more clearly describing the process.

g. Proposed Change to Revise and Correct Defined Terms

NSCC is proposing to revise and correct the defined terms used in the rules that describe buy-in processing. This proposed change would revise the use of the term "Notice of Intention to Buy-In" and "Buy-In Notice," which are currently used interchangeably, with a new defined term, "Buy-In Intent." This proposed change would ensure consistent use of one defined term to refer to this notice, and would use a new term that is both brief and descriptive of the purpose of this notice. In connection with this proposed change, NSCC would also replace references to the

“Buy-In Notice” in Sections E.3 and E.4 of Procedure VII with “Buy-In Intent” and “Buy-In Intent notices,” as applicable.

NSCC is also proposing to revise a reference to “tender offer” in Section J of Procedure VII of the Rules, to refer more generally to “voluntary reorganizations.” The sentence where this term appears states that, with respect to securities subject to voluntary reorganizations, Members may not submit a Buy-In Intent after the expiration of the event. Currently the sentence only refers to the expiration date of the tender offer, but was intended to more generally include any voluntary reorganization events. NSCC believes that the proposed change would clarify the intended meaning of this sentence.

Finally, NSCC is proposing to correct and update the uses of terms that are defined elsewhere in the Rules. For example, the proposed changes would use the capitalized, defined terms for Long Position and Short Position, when appropriate. In connection with this change, the proposed changes would also correct internal cross-references to refer to “Section,” where the term “paragraph” is currently used, and to refer to “Procedure,” where the term “section” is currently used, for example. NSCC believes that this proposed change would improve Members’ ability to understand these Rules.

(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.⁶ As described above, the proposed rule change is designed to increase transparency of the Rules by simplifying, updating and revising the descriptions of the processing of buy-ins. The buy-in process promotes the prompt and accurate clearance and settlement of securities transactions by providing Members with Long Positions with a process that facilitates the purchase of securities when delivery of such securities previously failed. NSCC believes that the proposed changes to enhance the description of this process in the Rules and help Members to more readily understand their rights and obligations in connection with the use of this service would facilitate the functioning of the buy-in process. As such, the proposed changes would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.⁷

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.⁸ As described above, the proposed rule

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ Id.

⁸ 17 CFR 240.17Ad-22(e)(23)(i).

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 buy-in process. Therefore, NSCC believes the proposed rule changes are consistent with Rule 17Ad-22(e)(23)(i).⁹

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 are designed to improve Members' understanding of their rights and obligations with respect to the use of the buy-in processing service. These proposed changes would be applicable to all Members that utilize this 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.¹⁰

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.¹¹

(b) The proposal effects changes in NSCC's existing Rules describing the processing of buy-ins 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 revisions to the procedures that describe this service, but would not change the operation of the service, as described above.¹²

⁹ Id.

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(4).

(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.

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Rules.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-NSCC-2018-007)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Clarify the Rules that Describe the Buy-In Process

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 September __, 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”)⁵ in order to enhance the rules and procedures that describe the

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).

⁵ 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.

process by which a Member entitled to receive securities from the Corporation, where such securities have failed to deliver, may submit a notice of its intent to purchase, or “buy-in,” any or all of such securities and the processing of the subsequent execution of that buy-in. The proposed changes would not change how buy-ins are processed at NSCC, but would clarify and simplify the rules that govern this processing, as described below.

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

In its filing with the Commission, 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 Rule 10 (Failure to Deliver on Security Balance Orders), Section 7 of Rule 11 (CNS System), Section J of Procedure VII (CNS Accounting Operation), and Sections A and B of Procedure X (Execution of Buy-Ins) of the Rules, which describe the process by which a Member entitled to receive securities (such quantity of securities is defined in the Rules as that Member’s “Long Position”), where such securities have failed to deliver, may provide NSCC with notice

of its intent to buy-in any or all of its Long Position.⁶ These rules also describe the processing of the subsequent execution of that buy-in.

First, the proposed changes would update and simplify the Rules by removing statements that do not provide important information to Members regarding the buy-in processing service, and NSCC believes this proposed change would make the Rules clearer and more easily understood by Members. For example, these proposed changes would remove descriptions of processing that do not occur at NSCC, and descriptions of rules that are not enforced by NSCC.

Second, the proposed changes would revise, clarify and enhance the transparency of these rules by, for example, (1) reorganizing the rules governing buy-in processing such that they appear in fewer places in the Rules, (2) revising certain statements and adding new descriptions of buy-in processing to improve the transparency of these rules, and (3) correcting and updating the uses of defined terms. NSCC believes making these descriptions clearer would enhance Members' understanding of their rights and obligations in connection with this service.

Each of these proposed changes is described below.

(i) Overview of the Buy-In Process

Under the Rules, a Member with a Long Position (referred to as the “originator”) may submit to NSCC a notice of its intention to buy-in any or all of its Long Position. Such notice is currently referred in the Rules as “Notice of Intention to Buy-In” and a “Buy-In Notice” and must specify the quantity of securities, not exceeding the originator’s Long Position, it intends to buy-in (such quantity of securities is referred to

⁶ Id.

as the “Buy-In Position”). As described in Section J of Procedure VII of the Rules, Buy-In Notices may be either (1) submitted directly to NSCC by the originator, and such Buy-In Notices are referred to as an “Original Buy-In Notice,” or (2) submitted directly to NSCC by the originator as a “Buy-In Retransmittal Notice” after the originator has received notice that it has failed to deliver securities away from NSCC. References to Buy-In Notices include both Original Buy-In Notices and Buy-In Retransmittal Notices.

The day the Buy-In Notice is submitted to NSCC is referred to as N, and N+1 and N+2 refer to the succeeding days. Original Buy-In Notices expire on N+2 and Buy-In Retransmittal Notices expire on N+1. The Buy-In Position is given high priority for allocation in NSCC’s Continuous Net Settlement (“CNS”)⁷ system through the completion of CNS allocations in the day cycle on the day the buy-in expires.

If, with respect to Original Buy-In Notices, a Buy-in Position remains unfilled after the completion of the CNS allocation in the evening cycle on N+1, or shortly after the receipt of a Buy-In Retransmittal Notice, NSCC issues CNS Retransmittal Notices to those Members with the oldest Short Positions in those securities in an amount equal to the originator’s Long Position. Such notices specify the originator and the total quantity of securities requested in the Buy-In Notice. If several Members have Short Positions with the same age, all such Members are issued CNS Retransmittal Notices, even if the total of their Short Position exceeds the Buy-In Position.

⁷ CNS is an on-going accounting system which nets each day’s settling trades with the prior day’s closing positions, producing new Short or Long Positions per security issue for each Member. NSCC is always the contra side for all positions. The positions are then passed against the Member’s Designated Depository positions and available securities are allocated by book-entry. This allocation of securities is accomplished through an evening cycle followed by a day cycle. CNS and its operation are described in Rule 11 and Procedure VII of the Rules. Supra note 5.

On the expiration of the Buy-In Notice, if the Buy-In Position is still not satisfied, either in full or in part, the originator may submit to NSCC a Buy-In Order, which notifies NSCC that the originator intends to purchase the remaining securities (*i.e.*, execute a buy-in for the remaining securities). If a Member does not submit the Buy-In Order by the time specified by NSCC, that Member's notice to NSCC of its intent to submit a buy-in on a Buy-In Position (referred to as the "Buy-In Intent") is canceled. If a Member does submit the Buy-In Order by that time, it may subsequently execute the buy-in and then submit to NSCC a Buy-In Execution, notifying NSCC of the position and price of the execution. NSCC would then allocate the quantity bought in among the Members with Short Positions that have been identified on a CNS Retransmittal Notice.

(ii) Rationale for the Proposed Changes

In connection with a review of its Rules, NSCC identified opportunities to improve and update the rules describing buy-in processing in order to improve transparency to Members. For example, NSCC identified opportunities to reorganize the Rules such that the descriptions of buy-in processing occur in fewer places and the Rules are less repetitive. NSCC also identified opportunities remove statements that describe processing that occurs away from its facilities, and does not provide Members with important information regarding the processing of buy-ins at NSCC. Overall, NSCC believes these proposed changes would simplify the Rules and, thereby, improve Members' understanding of their rights and obligations, and NSCC's rights and obligations, in connection with the processing of buy-ins.

(iii) Proposed Changes to Update and Simplify the Rules

NSCC is proposing to update and simplify the Rules that describe the processing of buy-ins by, for example, reorganizing the Rules and removing repetitive descriptions,

removing descriptions of processing that occurs away from NSCC, and removing descriptions of discretionary rules that does not enforce. NSCC believes that these proposed changes would make the rules clearer and more easily understood by Members.

a. Proposed Change to Move All Processing Rules Into the Procedures

NSCC is proposing to revise and simplify the Rules by moving all processing rules out of Section 7 of Rule 11 of the Rules and into Section J of Procedure VII of the Rules, and then revising these statements to avoid repetition with statements that are already within Section J of Procedure VII of the Rules. In connection with this proposed change, NSCC would add to Section 7 of Rule 11 of the Rules a cross-reference to the rules for buy-in processing set forth in Procedure VII and the rules for execution of buy-ins set forth in Procedure X of the Rules. NSCC believes that these proposed changes would improve the transparency of the Rules by disclosing the processing rules in fewer locations in the Rules, and would simplify the Rules by removing repetitive statements.

b. Proposed Change to Remove Discretionary Fee for Unexecuted Buy-In Notices

NSCC is proposing to remove from the Rules a discretionary fee that NSCC may charge if a Member submits a Buy-In Notice but does not later execute that buy-in. Before adopting an automated process, the processing of buy-ins by NSCC was largely manual.⁸ This fee was intended to off-set the resources required to process a Buy-In Order that was later not executed, and to encourage Members to submit a Buy-In Order only when they intended to later execute that buy-in. NSCC has not charged this fee

⁸ See Securities Exchange Act Release No. 53032 (December 28, 2005), 71 FR 1457 (January 9, 2006) (SR-DTC-2005-19), which approved the proposal of NSCC's affiliate, The Depository Trust Company, to adopt an internet-based facility for the processing of buy-ins called SMART/Track for Buy-Ins.

since the automation of the processing of buy-ins, over ten years ago. As such, NSCC is proposing to remove this discretionary fee from Section 7(e) from Rule 11 of the Rules, in order to reflect its practice of not charging this fee.

c. Proposed Change to Remove Discretion to Adjust Timing of Buy-In Execution

NSCC is proposing to revise a statement in Section J of Procedure VII that a buy-in may be executed if the Buy-In Position has not been satisfied by either a time specified in the Rules, or, due to market events, such earlier time as established by NSCC upon five business days' notice. NSCC has never exercised its discretion to adjust the time when a buy-in may be executed as a result of market events. Therefore, the proposed changes would remove this statement regarding the possibility that such time would be modified.

d. Proposed Change to Remove Statements that Describe Internal Processes

NSCC is proposing to remove statements in Procedure X of the Rules that describe the steps NSCC takes internally to reflect the execution of a buy-in, but would retain the statement that such execution would be reported to Members through an existing report on the business day following the execution. NSCC believes that this proposed change would simplify the Rules by removing the description of internal processing that does not provide Members with important information regarding the processing of buy-ins. NSCC believes that the proposed change would continue to provide Members with information that is useful to them regarding NSCC's obligation to report executions to Members. By simplifying the Rules, NSCC believes that the proposed change would make the Rules more transparent with respect to information that is important to Members regarding buy-in processing.

e. Proposed Change to Remove Description of Buy-In Processing for Balance Orders

NSCC is proposing to remove Section B of Procedure X of the Rules, which describes buy-in processing for transactions in Balance Order Securities, and to revise Rule 10 to clarify that such processing occurs away from NSCC and pursuant to the rules of the applicable marketplace. Currently, Section B of Procedure X of the Rules describes the rules that govern a buy-in for transactions in Balance Order Securities. However, these rules apply to a process that occurs entirely away from NSCC. The rules set forth in Section B of Procedure X are intended to mirror Rule 11810 of the Financial Industry Regulatory Authority (“FINRA”), which governs the processing of buy-ins that are not otherwise subject to the rules of a registered clearing agency.⁹

NSCC is not involved in the processing of buy-ins for Balance Order Securities, which are subject to either FINRA Rule 11810, the rules of a national securities exchange, or the rules of another registered clearing agency, as applicable. Therefore, in order to avoid any confusion regarding NSCC’s involvement in this processing, and to avoid providing Members with rules that are available elsewhere (*i.e.*, FINRA Rule 11810), NSCC is proposing to remove Section B of Procedure X of the Rules. The proposed change would also revise Rule 10 of the Rules to clarify that these buy-ins are subject to the rules of the applicable marketplace, which, NSCC believes, will provide Members with clarity regarding where to find the rules that govern these buy-ins.

⁹ See FINRA Rule 11810 (Buy-In Procedures and Requirements), available at http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=9699.

(iv) Proposed Changes to Revise, Clarify and Enhance the Rules

NSCC is proposing to revise and clarify the Rules in order to enhance the transparency of the descriptions of buy-in processing. These changes would include reorganizing the Rules by including subheadings and moving statements regarding the same steps in buy-in processing so they appear together. The proposed changes would also clarify and simplify statements to more clearly and directly describe the rights and obligations of both Members and NSCC in buy-in processing. Finally, the proposed changes would correct the use of certain defined terms. NSCC believes these proposed changes would improve the readability of the Rules, making them more transparent to Members and, thereby, improving Members' understanding of the processing of buy-ins.

a. Proposed Change to Reorganize Section J.1 of Procedure VII of the Rules

NSCC is proposing to re-organize Section J.1 of Procedure VII of the Rules by moving the definitions of terms used within this Section to the same location at the beginning of the Section, and then using subheadings throughout the Section to more clearly identify the different steps in buy-in processing. Such subheadings would appear in chronological order and would include, "Defined Terms," "Buy-In Intent," "CNS Allocation Priority and CNS Retransmittal Notices," and "Buy-In Execution." This proposed change would enhance the transparency of the Rules by more clearly identifying for Members the defined terms used in this Section, and the different steps of buy-in processing.

b. Proposed Change to Descriptions of Processing Buy-Ins for Municipal Securities

NSCC is proposing to amend Section 7 of Rule 11 of the Rules to move information related to the processing of buy-ins for positions in municipal securities out

of a footnote and into the body of this Rule. The proposed change would make this statement clearer to Members and would improve their understanding of the processing of these buy-ins. In connection with this change, NSCC is proposing changes that would clarify Section J of Procedure VII of the Rules by creating titles for the two existing subheadings. These subtitles would clarify that Section J.1 describes rules applicable to buy-ins for positions in equity securities and corporate debt securities, and Section J.2 describes rules applicable to buy-ins for positions in municipal securities.

Also in connection with these changes, NSCC is proposing to revise the title of the current Section A of Procedure X of the Rules to clarify that the rules in this section are applicable only to the processing of buy-ins for positions in equity securities and corporate debt securities. NSCC is also proposing to remove from Section A of Procedure X of the Rules the description of processing of buy-ins for positions in municipal securities, as these descriptions are already included in both Section 7 of Rule 11 and Section J.2 of Procedure VII of the Rules. NSCC believes that these revisions would provide Members with both enhanced transparency with respect to the processing buy-ins for positions in municipal securities, and while still simplifying the Rules by removing repetitive statements.

c. Proposed Change to Clarify the Method of Delivery of Notices

NSCC is proposing to revise references in Section J of Procedure VII of the Rules to the “filing” of notices with NSCC, with the “submission” of such notices to NSCC. This proposed change would not alter the meaning of these statements, but would describe the method of delivering these notices to NSCC in a way that conforms to similar statements in other places in the Rules.

d. Proposed Change to Revise Cut-Off Times in Buy-In Processing

NSCC is proposing to revise references to the time, on the applicable date, after which (1) a buy-in may be executed if the Buy-In Position has not been satisfied, as provided for in Section J.1 of Procedure VII of the Rules, and (2) Members with the oldest Short Positions on the expiration date of a Buy-In Intent would be first held liable for the execution of that buy-in, as provided for in the current Section A of Procedure X of the Rules. Currently, both of these cut-off times are specified in the Rules as 3:00 PM on the applicable date. NSCC is proposing to change this time to the conclusion of the CNS allocation in the day cycle, which generally occurs around 3:00 PM EST each business day. The current specified time of 3:00 PM was intended to align with the conclusion of the CNS allocation in the day cycle because a Buy-In Position may be satisfied, in whole or in part, during this allocation process. Therefore, NSCC believes that the proposed change would more clearly specify the event that was intended as the cut-off time trigger in both of these circumstances, and would avoid any unintended consequences of this cut-off time occurring prior to the completion of this CNS allocation.

e. Proposed Change to Clarify Submission of Buy-In Order and Buy-In Execution

NSCC is proposing to add statements to clarify the distinction between the Buy-In Order and the subsequent Buy-In Execution notices. Currently, Procedure X does not clearly specify that an originator must submit a Buy-In Order on the expiration date of a Buy-In Intent, prior to submitting a Buy-In Execution later that same day. In order to more clearly identify these two, separate notices, and the consequences of failing to properly submit either on the expiration date of the Buy-In Order, the proposed changes

would (1) revise existing statements to clarify that the Buy-In Order and the Buy-In Execution are two separate, required notifications, (2) relocate the statement that an originator that has not submitted a Buy-In Order may not later submit a Buy-In Execution and is required to recommence the buy-in process by submitting a new Buy-In Intent, and (3) add a parallel statement that an originator that has submitted a Buy-In Order but does not later execute that buy-in must recommence the buy-in process by submitting a new Buy-In Intent. These proposed changes would more clearly identify the notifications that are required to be submitted in connection with the execution of a buy-in, and the consequences of failing to submit either of these notifications. NSCC believes that this proposed change would improve the transparency of the Rules regarding Member's obligations in connection with this process.

f. Proposed Change to Clarify Rules Regarding Execution of a Buy-In

NSCC is proposing to clarify in Procedure X the process by which buy-ins are executed. This proposed change would make clearer that an originator must provide NSCC with the details of the execution after the execution is completed to allow NSCC to reflect the positions by journal entry. This proposed change would also provide Members with notice that NSCC is not responsible for verifying the terms of the an executed buy-in that are reported to NSCC by an originator, and that any disputes regarding such terms should be addressed away from NSCC. Finally, this proposed change would remove a note that states a Buy-In Order should contain instructions regarding the execution of buy-ins. This information is not required by NSCC in a Buy-In Order. NSCC believes that this proposed change would provide Members with more

transparency regarding their rights and obligations with respect to the execution of buy-ins by more clearly describing the process.

g. Proposed Change to Revise and Correct Defined Terms

NSCC is proposing to revise and correct the defined terms used in the rules that describe buy-in processing. This proposed change would revise the use of the term “Notice of Intention to Buy-In” and “Buy-In Notice,” which are currently used interchangeably, with a new defined term, “Buy-In Intent.” This proposed change would ensure consistent use of one defined term to refer to this notice, and would use a new term that is both brief and descriptive of the purpose of this notice. In connection with this proposed change, NSCC would also replace references to the “Buy-In Notice” in Sections E.3 and E.4 of Procedure VII with “Buy-In Intent” and “Buy-In Intent notices,” as applicable.

NSCC is also proposing to revise a reference to “tender offer” in Section J of Procedure VII of the Rules, to refer more generally to “voluntary reorganizations.” The sentence where this term appears states that, with respect to securities subject to voluntary reorganizations, Members may not submit a Buy-In Intent after the expiration of the event. Currently the sentence only refers to the expiration date of the tender offer, but was intended to more generally include any voluntary reorganization events. NSCC believes that the proposed change would clarify the intended meaning of this sentence.

Finally, NSCC is proposing to correct and update the uses of terms that are defined elsewhere in the Rules. For example, the proposed changes would use the capitalized, defined terms for Long Position and Short Position, when appropriate. In connection with this change, the proposed changes would also correct internal cross-references to refer to “Section,” where the term “paragraph” is currently used, and to refer to “Procedure,” where the term “section” is currently used, for example. NSCC believes that this proposed change would improve Members’ ability to understand these Rules.

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.¹⁰ As described above, the proposed rule change is designed to increase transparency of the Rules by simplifying, updating and revising the descriptions of the processing of buy-ins. The buy-in process promotes the prompt and accurate clearance and settlement of securities transactions by providing Members with Long Positions with a process that facilitates the purchase of securities when delivery of such securities previously failed. NSCC believes that the proposed changes to enhance the description of this process in the Rules and help Members to more readily understand their rights and obligations in connection with the use of this service would facilitate the functioning of the buy-in process. As such, the

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

proposed changes would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.¹¹

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.¹² 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 buy-in process. Therefore, NSCC believes the proposed rule changes are consistent with Rule 17Ad-22(e)(23)(i).¹³

(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 are designed to improve Members' understanding of their rights and obligations with respect to the use of the buy-in processing service. These proposed changes would be applicable to all Members that utilize this 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.

¹¹ Id.

¹² 17 CFR 240.17Ad-22(e)(23)(i).

¹³ 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 Act¹⁴ and paragraph (f) of Rule 19b-4 thereunder.¹⁵ 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-2018-007 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-2018-007. This file number should be included on the subject line if e-mail is used. To help the Commission process

¹⁴ 15 U.S.C. 78s(b)(3)(A).

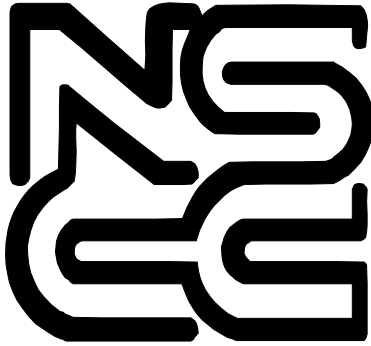
¹⁵ 17 CFR 240.19b-4(f).

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-2018-007 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.¹⁶

Secretary

¹⁶ 17 CFR 200.30-3(a)(12).



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.

RULE 10. FAILURE TO DELIVER ON SECURITY BALANCE ORDERS

If a Member shall not make delivery of all the Cleared Securities to be delivered pursuant to a security balance order by the time on business days specified by the Corporation, the Member to whom the Cleared Securities are to be delivered may cause such securities as are not so delivered to be bought-in as provided for in the **Procedures rules of the applicable marketplace.**

RULE 11.CNS SYSTEM

* * *

SEC. 7. ~~(a)~~ In the event a Member has a Long Position in a CNS Security, the Member (the "originator") may demand immediate delivery thereof by ~~filingsubmitting~~, at or before the time specified in the Procedures, ~~withto~~ the Corporation a ~~Notice of Intention to Buy-In Intent~~, in the form prescribed by the Procedures. The originator will be given priority ~~for CNS allocation~~, in the manner prescribed by the Procedures, in respect of the allocation by the Corporation of securities covered by the ~~a Notice of Intention to Buy-In Intent~~, in the settlement on the settlement day prior to the expiration of the buy-in and if the securities are not allocated to the originator in that settlement, in the settlement on the settlement day the buy-in expires.⁴ The processing of a Buy-In Intent through the delivery of CNS Retransmittal Notices to Members with Short Positions shall be accomplished in accordance with Section J of Procedure VII, and the subsequent execution of such buy-in by the originator, as necessary, shall be accomplished in accordance with Procedure X.

With respect to buy-ins of municipal securities, in lieu of receiving priority for CNS allocation, the filing of a Buy-In Intent will be treated as an instruction to remove the securities subject to the buy-in from the CNS System, which shall be accomplished in accordance with the procedures in Section J of Procedure VII.

~~(b) If, at any time after a Notice of Intention to Buy-In is submitted and processed, until the completion of CNS allocation processing on N+2, the originator has settling trades or miscellaneous activity that reduce their Long Position such that the originator becomes either short or flat in a security covered by the Notice of Intention to Buy-In, or such that the originator's Long Position in CNS is less than its Buy-In Position, NSGC will consider that Buy-In Position (or portion thereof) satisfied, and will either reduce its Buy-In Position accordingly or the Notice of Intention to Buy-In will be removed from the system, as applicable.~~

~~(c) In the event that less than all the securities covered by the Notice of Intention to Buy-In are received by the originator prior to the time specified in the Procedures, the Corporation shall as promptly as possible, but not later than the settlement day after the Notice of Intention to Buy-In is filed with the Corporation, transmit to the Member or Members, determined in accordance with the priorities specified in the Procedures, CNS Retransmittal Notices specifying the originator and the total amount called for in the Notice of Intention to Buy-In which has not been received by the originator pursuant to paragraph (a) of this section (the "remaining securities") and demanding delivery from each such Member of a~~

⁴ ~~With respect to Buy-Ins of municipal securities, in lieu of receiving CNS priority, the filing of a Notice of Intention to Buy-In will be treated as an instruction to remove the Buy-In Position from the CNS System in accordance with the Procedures.~~

~~specified quantity of securities determined in accordance with the Procedures. CNS Retransmittal Notices shall include such information pertaining to the Buy-In as the Corporation may determine from time to time.~~

~~(d) Prior to the execution of a Buy-In, the originator must accept and pay for any portion or all the remaining securities delivered to the originator and, if the originator does not so receive all the remaining securities at the opening of business on the settlement day after which the Corporation transmits Retransmittal Notices pursuant to paragraph (b) of this Section, the originator may order the purchase of the portion remaining undelivered in the manner specified in the Procedures.~~

~~(e) In the event that a Notice of Intention to Buy-In is presented and sufficient securities are not delivered as provided in paragraph (c) of this Section and subsequently the originator does not order the purchase of the remaining securities, a charge may be levied against the originator in the amount of \$250.~~

* * *

PROCEDURE VII. CNS ACCOUNTING OPERATION

* * *

E. Controlling Receipts from CNS

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

* * *

3. Buy-In **Intent** Notices

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

4. Allocation Algorithm

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

Priority groups include the following:

- (a) long positions in a CNS Reorganization Sub-Account established pursuant to paragraph H.4. of this Section VII of these Procedures;
- (b) long positions against which Buy-In **NoticeIntent notices** are due to expire that day but which were not filled the previous day;
- (c) long positions against which Buy-In **NoticeIntent notices** are due to expire the following day;

* * *

J. Recording of CNS Buy-Ins

1. Equity Securities and Corporate Debt Securities

Defined Terms

For the purpose of this Section J,

The day the Buy-In Intent is transmitted is referred to as N; and N+1 and N+2 refer to the succeeding business days. As noted in Section A of this Procedure VII, each day commences in the evening and includes an evening allocation of securities and a day allocation of securities.

An “originator” shall mean the Member with a Long Position who submits a Buy-In Intent to the Corporation pursuant to this Procedure.

“Buy-In Position” shall mean the quantity of securities the originator intends to buy-in as identified on its Buy-In Intent.

“Original Buy-In-Intent” shall mean a Buy-In Intent transmitted by a Member with a Long Position for which such Member is the original submitter.

“Buy-In Retransmittal Notice” shall mean a Buy-In Intent submitted by a Member with a Long Position with respect to a Buy-In Position for which the Member has a corresponding obligation as to which it has received a Buy-In Intent initiated outside of the CNS System.

Unless the context otherwise requires, where these Procedures refer to a “Buy-In Intent” without distinction, such reference refers to both an Original Buy-In Intent and a Buy-In Retransmittal Notice.

“Buy-In Liability” shall mean the quantity specified on each CNS Retransmittal Notice.

Buy-In Intent

Except with respect to securities subject to a voluntary corporate reorganization (as described in ~~paragraph~~Section H.4. of this Section Procedure VII), ~~and except as otherwise provided with respect to municipal securities as set forth in paragraph J.2. below,~~ a Member having a ~~long position~~Long Position at the end of any day may transmit, in such form and within such times as determined by the Corporation ~~from time to time~~, to the Corporation a ~~Notice of Intention to Buy-In Intent (Buy-In Notice)~~ specifying ~~a quantity of securities~~its Buy-In Position, which shall not exceed ~~such the~~ long positions which it intends to buy-in ~~(its Buy-In Position)~~.

With respect to securities subject to a voluntary corporate reorganization, a Member may not transmit a Buy-In ~~Notice~~Intent after the expiration date of the ~~tender offer~~reorganization event until the end of the protection period for the ~~tender~~

~~offer reorganization event~~; provided, however, that at no time may a Member submit a Buy-In ~~Notice~~Intent for a ~~long position~~Long Position in a CNS Reorganization Sub-Account. ~~For the purpose of this Section J, the day the Buy-In Notice is transmitted is referred to as N, and N+1 and N+2 refer to the succeeding days. Each day commences in the evening and includes an evening allocation of securities and a daytime allocation.~~

A Buy-In ~~Notice~~Intent may be ~~filed~~submitted to the Corporation by a Member on successive days, provided the succeeding Buy-In ~~Notice~~Intent does not specify a quantity of securities covered by the prior Buy-In ~~Notice~~Intent and the quantity of securities representing the sum of the Buy-In ~~Notices~~Intent notices does not exceed the Member's total ~~long position~~Long Position.

If, at any time after a Buy-In Intent is submitted and processed, until the completion of CNS allocation processing on the day the Buy-In expires, the originator has settling trades or miscellaneous activity that reduce their Long Position such that the originator becomes either short or flat in a security covered by the Buy-In Intent, or such that the originator's Long Position in CNS is less than its Buy-In Position, NSCC will consider that Buy-In Position (or portion thereof) satisfied, and will either reduce its Buy-In Position accordingly or the Buy-In Intent will be removed from the system, as applicable.

~~For the purpose of these Procedures, an "Original Buy-In Notice" shall mean a Buy-In Notice transmitted by a Member for which the Member is the original submitter, and a "Buy-In Retransmittal Notice" shall mean a Buy-In Notice submitted by a Member with respect to a Buy-In Position for which the Member has a corresponding obligation as to which it has received a buy-in notice initiated outside of the CNS System. (Unless the context otherwise requires, where these Procedures refer to a "Buy-In Notice" without distinction, such reference refers to both an Original Buy-In Notice and a Buy-In Retransmittal Notice.)~~

CNS Allocation Priority and CNS Retransmittal Notices

Original Buy-In ~~Notice~~Intent (expiring on N+2):

A Buy-In Position on an Original Buy-In ~~Notice~~Intent is given high priority for CNS allocation from N+1 through the daytime allocation on N+2. If a Buy-in Position remains unfilled after the evening allocation on N+1, the Corporation issues CNS Retransmittal Notices on the morning of N+1 to a sufficient number of Members with ~~short positions~~Short Positions. Such CNS Retransmittal Notices shall specify the originator and the remaining portion of the Buy-In Position not yet received and demand delivery from each such Member of a specified quantity of securities. CNS Retransmittal Notices are issued in an aggregate quantity at least equal to the Buy-in Position. In no case will the Buy-In Liability of a Member exceed the Buy-in Position or the total ~~short position~~Short Position of the Member. If several Members have ~~s~~Short

Positions with the same age, all such Members are issued CNS Retransmittal Notices, even if the total of their Short Positions exceeds the Buy-in Position.

Buy-In Retransmittal Notice (expiring on N+1):

A Member that has a ~~long position~~ **Long Position** in CNS at the end of any day and that has received a ~~Buy-In Intent~~ **buy-in notice** initiated outside of the CNS System in that same CUSIP, may submit a Buy-In Retransmittal Notice to the Corporation for execution on N+1 as described below. The Buy-In Retransmittal Notice shall include such information as the Corporation may determine from time to time, including the identity of the entity that initiated the ~~buy-in~~ **Buy-In** against the Member. A Buy-In Position on a Buy-In Retransmittal Notice is given high priority for **CNS** allocation from N through the daytime allocation on N+1.

Upon receipt of the Buy-In ~~Notice~~ **Retransmittal Notice** on N, the Corporation issues CNS Retransmittal Notices to a sufficient number of Members with ~~short positions~~ **Short Positions**. **Such CNS Retransmittal Notices shall specify the originator and the remaining portion of the Buy-In Position not yet received and demand delivery from each such Member of a specified quantity of securities.** CNS Retransmittal Notices are issued in an aggregate quantity at least equal to the Buy-in Position. In no case will the Buy-In ~~Liability~~ of a Member exceed the Buy-in Position or the total ~~short position~~ **Short Position** of the Member. If several Members have ~~s~~ Short Positions with the same age, all such Members are issued CNS Retransmittal Notices, even if the total of their Short Positions exceeds the Buy-In Position.

~~The quantity specified on each Member's CNS Retransmittal Notice is its Buy-In Liability.~~

A Member's Buy-In Liability may be satisfied by the actual settlement of the ~~short position~~ **Short Position** up to the time on N+1 (for a Buy-In Retransmittal Notice), or N+2 (for an Original Buy-In ~~Notice Intent~~) ~~as specified below~~. If a deposit of securities is required to satisfy the ~~short position~~ **Short Position**, that deposit should be made prior to the Designated Depository daytime deposit cut-off time on the expiration date of the Buy-In ~~Notice Intent~~ and prior to the time specified below. Going from a ~~short position~~ **Short Position** to a flat or ~~long position~~ **Long Position** due to settling trades, stock dividends, or other activity on N through N+2 does not free a Member from Buy-In Liability.

Prior to the execution of a Buy-In, the originator must accept and pay for any portion or all the remaining securities delivered to the originator.

Buy-In Execution

If the Buy-In Position is not satisfied by ~~3:00 PM~~ **the completion of the CNS allocation process in the day cycle** on the expiration date of the Buy-In ~~Notice Intent~~, ~~or due to market events such as earlier time as established by the Corporation upon five~~

~~Business Days' notice~~ the Buy-In may be executed, as provided for under . See Section Procedure X for execution procedures.

2. Municipal Securities

Notwithstanding the foregoing, a Member that has transmitted a Buy-In ~~Notice~~Intent to the Corporation with respect to a municipal security shall have its Buy-In Position removed from the CNS System prior to commencement of the CNS night cycle on N+1. The Corporation will remove corresponding ~~short position~~Short Position(s) representing the ~~short~~ Member(s) with the oldest Short Position(s) in an aggregate quantity at least equal to the Buy-in Position, and will produce special close-out receive and deliver orders, which may name Members or a participant of an interfacing clearing corporation as the contra side and which receive and deliver orders will be subject to the rules of the MSRB.

* * *

PROCEDURE X. EXECUTION OF BUY-INS

~~A. CNS System 1. Equity Securities and Corporate Debt Securities~~

~~A Member who has transmitted a Buy-In NoticeIntent under ~~sub~~SSection J of ~~section~~ Procedure VII (as defined in Section 7 of Rule 11 as “the originator”) and has not received either all or a portion of the Buy-In Position shown on its Buy-In NoticeIntent ~~by the date and time specified in such section on the expiration date of the Buy-In~~, may ~~instruct the Corporation to buy-in the remaining position by transmitting~~ submit a Buy-In Order to the Corporation on the expiration date of the Buy-In Intent (N+2 for an Original Buy-In Intent, and N+1 on a Buy-In Retransmittal Notice), in such form and within ~~by~~ such time as determined by the Corporation ~~from time to time~~.~~

An originator that does not submit a Buy-In Order by this time, may not submit a Buy-In Execution pursuant to this Procedure, and it will be necessary for the originator to recommence the buy-in process by submitting another Buy-In Intent to the Corporation, as described in Section J of Procedure VII.

~~Members who receive CNS Retransmittal Notices and do not satisfy them (Subject Members) assume liability for the loss, if any, which occurs as a result of the buy-in. Those Members with the oldest short positions after 3:00 PM on expiration date of the Buy-In will first be held liable for an executed buy-in.⁴~~

If an originator submits a Buy-In Order as provided for above, but does not submit a Buy-In Execution pursuant to this Procedure, such that the Buy-In Order is not executed on its expiration date, the Buy-In Order shall not be executed thereafter, and it will be necessary for the originator to recommence the Buy-In process by submitting another Buy-In Intent to the Corporation in order to have its Long Position bought-in.

An originator who has submitted a Buy-In Order as described above, and has still not been allocated its Buy-In Position by the completion of the CNS allocation process in the day cycle on that day, or has only been allocated a portion of such Buy-In Position by that time, may execute the buy-in, as described below.

The Buy-In Order is executed by the Corporation~~originator~~ in such marketplace and through such agents as it ~~the originator~~ shall elect, and such execution shall be subject to the relevant rules of such marketplace. Upon completion of

⁴ ~~If pursuant to the preceding paragraph the originator transmits to the Corporation and does not timely rescind a Buy-In Order, notwithstanding any agreements that may have been entered into between such Subject Member(s) and the originator, such Subject Member(s) shall remain liable for the executed buy-in.~~

the buy-in execution, the originator shall submit to the Corporation a Buy-In Execution, which shall include the position and price of the buy-in execution in such form and within such time as determined by the Corporation from time to time. The quantity bought-in is pro-rated among the Subject Members.

The Corporation does not validate the terms of the buy-in execution provided to it by the originator. Any disputes between the originator and the Members with Buy-In Liability shall be addressed between such parties away from the Corporation.

Members with Short Positions who receive CNS Retransmittal Notices and do not satisfy them assume liability for the loss, if any, which occurs as a result of the buy-in execution.¹

~~N.B. If the Buy-In Order is not executed on its expiration date, the Buy-In Order will not be executed thereafter, and it will be necessary for the originator to recommence the Buy-In Procedure order to have his long position bought-in.~~

~~When a Buy-In Order has been executed, the quantity bought-in will be removed from the long position of the originating Member and the contract money will be credited to his account by journal entry. The short positions of the Subject Members will be reduced by the portion of the quantity bought-in allocated to each, and the appropriate portion of the contract money will be debited to their accounts, by journal entry. These journal entries will be processed by the evening of the day the Buy-In execution is reported and will affect the CNS records on such day and be reported in the Miscellaneous Activity Report for such day. The execution of a buy-in is reported in the Miscellaneous Activity Report on the next business day following the day such execution is reported to the Corporation.~~

~~NOTE: At the same time the originator submits a Buy-In Order to the Corporation under the CNS System, the Buy-In Order should contain instructions for execution on a cash, next day or regular-way ex-CNS basis (Special Trade).~~

2. Municipal Securities

~~As provided for in Rule 11 Section 7(a), the filing of a Notice of Intention to Buy-In will be treated as an instruction to remove the Buy-In Position from the CNS System, which shall be accomplished in accordance with the procedures in subsection J of Procedure VII.~~

¹ If the originator transmits does not timely rescind a Buy-In Order, notwithstanding any agreements that may have been entered into with Member(s) with Short Positions away from the Corporation, such Member(s) with Short Positions shall remain liable for the executed buy-in.

B. Balance Order System

~~A Member (the originator) holding a receive balance order in respect of which securities are not delivered by the time on the Settlement Date specified by the Corporation may cause such securities to be bought-in; provided, however, that the buy-in shall not be effected prior to the third business day following the Settlement Date and provided further, that a Buy-In Notice or Retransmittal Notice (as described below) shall not be submitted if it would cause the Member holding the deliver balance order (the "Subject Member") (after the buy-in) to be left with an odd-lot position which did not appear on the original balance order.~~

~~The originator submits to the Member holding the deliver balance order (the Subject Member) a Buy-In Notice in paper format or in automated format through the facilities of a self-regulatory organization which provides an automated communication system. If the Buy-In Notice is submitted in paper format the originator shall attach a copy of his receive balance order thereto or such other evidence as permitted by the Corporation from time to time ("qualifying evidence") and specify the proposed execution date and the quantity of securities, not exceeding the quantity specified in the receive balance order which he intends to buy-in (Buy-In Position). If the Buy-In Notice is submitted in automated format the originator shall submit the Balance Order Control Number and specify the proposed execution date and the Buy-In Position. The Buy-In Notice shall be delivered or initiated not later than the time specified by the Corporation at least two business days before the proposed execution of the buy-in. A Subject Member, upon receipt of a Buy-In Notice, may submit in paper format or automated format a Retransmittal Notice to another Member who holds a deliver balance order for all or a portion of the same securities that were contained in the Buy-In Notice. If the Retransmittal Notice is submitted in paper format it shall specify the originator, the date of the original buy-in and the quantity of securities not exceeding the quantity specified in the original Buy-In Notice and a copy of the Receive Balance Order or such other qualifying evidence shall be attached thereto. If a Retransmittal Notice is submitted in automated format, it shall specify the Balance Order Control Number, the date of the original buy-in and the quantity of securities not exceeding the quantity specified in the original Buy-In Notice. Retransmittal Notices shall be delivered or initiated not later than the time specified by the Corporation at least one business day before the proposed execution of the buy-in.~~

~~An originator who has not received the Buy-In Position shown on his Buy-In Notice by the time specified by the Corporation on the business day of the proposed execution of the buy-in may buy-in the Buy-In Position in such market as he shall elect. In the event the buy-in is not executed on the day proposed, the Buy-In Notice shall expire at the close of business on such day. The originator must be prepared to defend the price at which the buy-in is executed relative to the current market at the time of the buy-in. Upon the execution of a Buy-In Order, the Subject Member shall be liable for any damages which may accrue to the originator, provided, however, that in the event a Buy-in or Retransmittal Notice is~~

~~not acknowledged by the Subject Member, the originating Member proceeds at its own risk with regard to the execution of the buy-in. All claims for such damages shall be made promptly.~~

~~If the balance order is for warrants, rights, convertible securities or other securities which have been called for redemption or are due to expire or on which a call or expiration date is impending or which is subject to a tender or exchange offer or other event which will expire, and the last day on which the securities must be delivered or surrendered (the "expiration date") is the Settlement Date for the balance order or any day after the Settlement Date, the Member holding the receive balance order may deliver a notice to the contra party (a "Liability Notice"). If a Liability Notice is so delivered to the contra party, and the contra party fails to deliver the securities on expiration date, the contra party shall be liable for any damages which may accrue thereby. All claims for such damage shall be made promptly.~~

~~For the purposes of the preceding paragraph, the term "expiration date" shall be defined as the latest time and date on which securities must be delivered or surrendered, up to and including the last day of the protect period, if any.~~

~~Receive and deliver instructions issued upon the removal of eligible securities from the CNS System (see Section VII.H.1) shall be deemed to be balance orders for the purpose of this subsection B.~~

~~1. Extensions of Time for Buy-Ins of OTC Securities~~

~~For the purposes of this Section of the Procedures, the term "listed security(ies)" shall be deemed to mean a security(ies) traded on the NYSE and/or NYSE Alternext, and the term "OTC security(ies)" shall be deemed to mean a security(ies) traded other than on the NYSE or NYSE Alternext. Extensions of time for execution will be granted by the Corporation under the following conditions:~~

~~Member Originated Buy-In - A short Member who has received a Buy-In Notice from a Member for a balance order issued by the Corporation may take a seven (7) calendar day extension due to transit or transfer consistent with the NASD's Uniform Practice Code (UPC). Upon request, certificate numbers will be furnished by the short Member requesting the extension.~~

~~If the securities are in transfer, and due to the transfer agent, transfer is delayed, the Corporation may grant an additional seven (7) calendar days. If the short Member cannot take the extension but retransmits a Member originated buy-in to a non-Member UPC broker, and the UPC broker takes a UPC transfer or transit delay, the short Member will advise the Corporation which will extend the execution date for the same period of time.~~

~~Extensions of the execution of a Buy-In of a "listed security" will not be granted by the Corporation.~~

~~2. Interpretation of the Board of Directors~~

~~Pursuant to Rule 33, the Board of Directors is authorized to prescribe Procedures and other regulations in respect of the business of the Corporation. The Board of Directors hereby adopts the following interpretation as a regulation of the Corporation:~~

~~Section X.B. of the Corporation's Procedures provides, in part, for a seven (7) calendar day extension of the execution of Buy-Ins in the Balance Order System for OTC securities if the certificate(s) needed to satisfy the Buy-In Notice is (are) in transfer or transit. This Procedure further provides that the Corporation may grant an additional seven (7) calendar day extension if the security has been sent to transfer and due to the transfer agent, the transfer has been delayed.~~

~~This procedure has been interpreted by the Board of Directors to include the granting of a seven (7) calendar day extension to afford a Member, who has physical possession of the proper security to satisfy a Buy-In Notice, a reasonable amount of time to obtain the certificate(s) in the proper denomination(s).~~

~~The Board of Directors believes that the granting of a seven (7) day extension to permit a Member to obtain the certificate(s) in the correct denomination(s) is within the intent of the Procedures in that it tends to eliminate losses incurred when a Member receives the proper security prior to the execution of a Buy-In, but is unable to satisfy its obligation because the certificate(s) is (are) in the wrong denomination(s). The seven (7) calendar days will provide a reasonable amount of time to have the certificate(s) transferred into certificate(s) of the proper denomination(s). The execution of a Buy-In, however, may not be extended beyond the fourteenth calendar day from which it was originally scheduled.~~

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