

File No. SR-NSCC-2003-02

**Securities and Exchange Commission
Washington, D.C. 20549**

**Form 19b-4
Proposed Rule Change
By**

NATIONAL SECURITIES CLEARING CORPORATION

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

1. Text of Proposed Rule Change.

(a) The text of the proposed rule change is set forth on Exhibit A, and consists of modifications to National Securities Clearing Corporation's ("NSCC" or the "Corporation") Rules & Procedures.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed change has been approved by NSCC's Board of Directors.

(b) Contact regarding questions and comments:

Lisa Siebold (212) 855-3206

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

(a) The purpose of the proposed rule change is modify NSCC's Rules & Procedures (the "Rules") to create a new service, Cost Basis Reporting Service ("CBRS"), that will facilitate the automated exchange of cost basis information regarding a customer account transfer.

At the request of the Customer Account Transfer Division, NSCC developed a cost basis reporting service to augment its current Automated Customer Account Transfer Service ("ACATS") processing. Cost basis reporting is a customer service issue, since this information is useful to customers for tax reporting purposes. Cost basis information is currently captured and entered into many firm's portfolio systems manually. NSCC was requested to centralize and standardize the transmission of cost basis information.

CBRS will be available to NSCC Members and Qualified Securities Depositories (acting on behalf of their participants) and will permit them to transmit between themselves, on an automated basis, cost basis information in respect of accounts that have previously been transferred via ACATS. Participants may send Cost Basis data to NSCC multiple times during the day up to a pre-determined cutoff.

Pending Commission approval, NSCC would like to implement this service on March 31, 2003.

(b) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, since it will facilitate the prompt and accurate clearance and settlement of securities transactions.

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

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

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

No written comments relating to the proposed rule change have been solicited or received. On November 4, 2002, by Important Notice A#5501, P&S#5071, Members were notified of the terms of the service. NSCC will notify the Commission of any written comments received by NSCC.

6. Extension of Time Period for Commission Action.

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

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

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

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

The proposed rule change is not based on the rules of either another self-regulatory organization or of the Commission.

9. Exhibits

- Exhibit A - Text of the proposed change to NSCC's Rules and Procedures.
- Exhibit B - Notice of the proposed rule change for publication in the Federal Register.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the self-regulatory organization has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL SECURITIES CLEARING CORPORATION

BY: /s/ Karen L. Saperstein
Karen L. Saperstein
Managing Director, General Counsel and Secretary

Exhibit A

TEXT OF PROPOSED CHANGES TO NSCC'S RULES AND PROCEDURES

Boldfaced and underlined text indicates additions to NSCC's Rules and Procedures.

COST BASIS REPORTING SERVICE

Rule 30. The Corporation may provide a service to Members and Qualified Securities Depositories, on behalf of their participants (hereinafter referred to as the "QSD"), that enables Members and QSD's to transmit certain account related information between themselves on an automated basis in respect of accounts that had previously been transferred via the Automated Customer Account Transfer Service ("ACATS"). Members and QSD's who desire to use this service must notify the Corporation in such form and by such time as the Corporation may determine from time to time. Information transmitted pursuant to this rule must be submitted to the Corporation in such form and within such time frame as established by the Corporation from time to time.

Exhibit b

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NSCC-2003-02)

Proposed Rule Change by NATIONAL SECURITIES CLEARING CORPORATION
("NSCC").

Comments requested within days after the date of this publication.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C.

78s(b)(1), notice is hereby given that on , 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 NSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change.

The text of the proposed rule change is set forth on Exhibit A, and consists of modifications to National Securities Clearing Corporation's ("NSCC" or the "Corporation") Rules & Procedures.

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

In its filing with the Commission, NSCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in item IV below. Set forth in sections (A), (B) and (C) below, are the most significant aspects of such statements.

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

(a) The purpose of the proposed rule change is modify NSCC's Rules & Procedures (the "Rules") to create a new service, Cost Basis Reporting Service ("CBRS"), that will facilitate the automated exchange of cost basis information regarding a customer account transfer.

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Pending Commission approval, NSCC would like to implement this service on March 31, 2003.

(b) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, since it will facilitate the prompt and accurate clearance and settlement of securities transactions.

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

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

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

No written comments relating to the proposed rule change have been solicited or received. On November 4, 2002, by Important Notice A#5501, P&S#5071, Members were notified of the terms of the service. NSCC will notify the Commission of any written comments received by NSCC.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reason for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments.

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the rule filing that are filed with the Commission, and all written communications relating to the rule filing between the Commission and any person, other than those that may be withheld from the public in accordance with provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted within days after the date of this publication.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.

Jonathan G. Katz
Secretary

Dated: