

File No. SR-NSCC-2003-03

**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 does not require the approval of 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 to modify Procedure VII.J. (CNS Accounting Operation, Recording of CNS Buy-Ins) and Procedure X.A.1. (Execution of Buy-Ins, CNS System, Equity Securities and Corporate Debt Securities) of NSCC's Rules & Procedures (the "Rules") with regard to the execution time of CNS Buy-Ins.

Except with respect to securities subject to a voluntary corporate reorganization, a Member having a long position at the end of any day may submit to the Corporation a Notice of Intention to Buy-In (a "Buy-In Notice") specifying a quantity of securities not exceeding such long positions which it intends to buy-in (the "Buy-In Position"). The day the Buy-In Notice is submitted 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. The Buy-In Position is given high priority for allocation through N+2.

NSCC's Rules currently provide that if a Buy-In Position is not satisfied at the end of the day cycle on N+2, the Buy-In may be executed. Operationally, as the day cycle generally completes at 3:10 PM eastern standard time ("EST"), participants are provided with a narrow timeframe within which they may execute CNS Buy-Ins. In the event that settlement and recycle times are extended, that window is further reduced.

At the request of participants and after consultation with the Buy-In Committee of the Securities Industry Association, NSCC intends to modify Procedures VII and X to permit the execution of Buy-Ins within such time as determined by the Corporation from time to time. Initially it is anticipated that the execution time will move to 3:00 PM EST, but may be even earlier on days the marketplaces close early. Participants will be advised of the new timeframe via Important Notice. This change in time is not intended to be a requirement for executions, but to serve as an opportunity for participants to execute Buy-Ins in a more efficient manner.

Subject to Commission approval, NSCC intends to implement this change no sooner than July 1, 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. 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

Highlighted and Boldfaced text indicates changes approved under SR-NSCC-2001-07, which have not yet been implemented.

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

~~[Double Strikethrough and Bracketed]~~ text indicates deletions to NSCC's Rules and Procedures.

VII. CNS ACCOUNTING OPERATION

J. Recording of CNS Buy-Ins

Except with respect to securities subject to a voluntary corporate reorganization as described in paragraph ~~[I]~~**H**.4. of this Section, a Member having a long position at the end of any day may **[submit] transmit, in such ~~[a format]~~ form as determined by the Corporation from time to time,** to the Corporation a Notice of Intention to Buy-In (Buy-In Notice) specifying a quantity of securities not exceeding such long positions which it intends to buy-in (Buy-In Position). With respect to securities subject to a voluntary corporate reorganization, a Member may not **[submit] transmit** a Buy-In Notice after the expiration date of the tender offer until the end of the protection period for the tender offer; provided, however, that at no time may a Member submit a Buy-In Notice for a long position in a CNS Reorganization Sub-Account. For the purpose of this Section, the day the Buy-In Notice is **[submitted] 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. The Buy-In Position is given high priority for allocation through N+2.

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

NOTE: Same day and next day Buy-Ins against CNS Positions are not permitted.

If a Buy-in Position remains unfilled after the evening allocation on N+1, the Corporation issues Retransmittal Notices on the morning of N+1 to a sufficient number of Members with short positions. Retransmittal Notices are issued in an aggregate quantity at least equal to the Buy-in Position. In no case will the Buy-in **[L]** liability of a Member exceed the Buy-in Position or the total short position of the Member. If several Members have short Positions with the same age, all such Members are issued Retransmittal Notices, even if the total of their Short Positions exceeds the Buy-in Position.

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

A Member's Buy-In Liability may be satisfied by the actual settlement of the short position up to the completion of the day allocation on N+2. If a deposit of securities is required to satisfy the short position, that deposit should be made prior to the Designated Depository daytime deposit cut-off time on N+2. Going from a short position to a flat or long position due to settling trades, stock dividends, or other activity on N+2 does not free a Member from Buy-In Liability. If the Buy-In Position is not satisfied ~~[at the end of the day cycle]~~ **by such time as determined by the Corporation** on N+2 (except for transactions in municipal securities for which, pursuant to Section **[X(A)(2) X.A.2]** of these Procedures, the Corporation will produce special close-out receive and deliver orders) the Buy-In may be executed **within such time as determined by the Corporation from time to time**. See Section X for execution procedures.

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X. EXECUTION OF BUY-INS

A. CNS System

1. Equity Securities and Corporate Debt Securities

A Member who has ~~[submitted]~~ **transmitted** a Buy-In Notice under subsection J of section VII **(the originator)** and not received the Buy-In Position shown on his Notice ~~[by the end of the day cycle]~~ **by the timeframe established by the Corporation** on N+2 may instruct the Corporation to buy-in the remaining position by **[delivering] transmitting** a Buy-In Order to the Corporation, **in such [a format] form as determined by the Corporation from time to time**, ~~[prior to the time therefore on N+2 specified]~~ **within such time as determined** by the Corporation **from time to time**.

Members who receive 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 the evening cycle on N+2 will first be held liable for an executed buy-in.¹

¹ 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 Order is executed by the Corporation in such marketplace and through such agents as it shall elect. The quantity bought-in is pro rated among the Subject Members.

N.B. If the Buy-In Order is not executed on N+2, the Buy-In Order will not be executed thereafter, and it will be necessary for the originator to recommence the Buy-In Procedure in 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.

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).

Exhibit B

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NSCC-2003-03)

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 to modify Procedure VII.J. (CNS Accounting Operation, Recording of CNS Buy-Ins) and Procedure X.A.1. (Execution of Buy-Ins, CNS System, Equity Securities and Corporate Debt Securities) of NSCC's Rules & Procedures (the "Rules") with regard to the execution time of CNS Buy-Ins.

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At the request of participants and after consultation with the Buy-In Committee of the Securities Industry Association, NSCC intends to modify Procedures VII and X to permit the execution of Buy-Ins within such time as determined by the Corporation from

time to time. Initially it is anticipated that the execution time will move to 3:00 PM EST, but may be even earlier on days the marketplaces close early. Participants will be advised of the new timeframe via Important Notice. This change in time is not intended to be a requirement for executions, but to serve as an opportunity for participants to execute Buy-Ins in a more efficient manner.

Subject to Commission approval, NSCC intends to implement this change no sooner than July 1, 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. 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: