

**File No. SR-NSCC-2003-15**

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

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**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 and Procedures.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed change has been approved by the NSCC Fixed Income Operations and Planning Committee.

(b) Contacts regarding questions and comments:

Nikki M. Poulos (212) 855-7633

Karen L. Saperstein (212) 855-3203

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

(a) NSCC is proposing to implement a real-time trade matching system ("RTTM") for certain NSCC-eligible corporate bonds, municipal bonds and unit investment trusts (the "NSCC debt securities")<sup>1</sup> in the fourth quarter of 2003. RTTM was implemented by the former Government Securities Clearing Corporation (now the "Fixed Income Clearing Corporation" or "FICC"), an NSCC affiliate, in the fourth quarter of 2000 for processing of Government securities transactions. It was designed with a vision to use the platform for other fixed income securities. Accordingly, it was implemented in 2002 for mortgage-backed securities transactions processed by the former MBS Clearing Corporation (now the Mortgage-Backed Securities Division of FICC), and is now

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<sup>1</sup> The proposed rule filing does not cover debt securities transactions that are submitted to NSCC via its correspondent clearing service, or by regional exchanges/marketplaces or through qualified securities depositories (as defined in NSCC's rules) because such transactions will not be processed by the RTTM system.

proposed for the NSCC debt securities. The RTTM system will eventually replace NSCC's current Fixed Income Transactions System ("FITS").<sup>2</sup>

From a rules perspective, the implementation of RTTM will bring about changes mainly in two general areas of NSCC debt securities processing: inbound submissions to NSCC and NSCC's reporting of information related to such submissions to participants. Specifically, interactive messages and the RTTM Web User Interface (the "RTTM Web")<sup>3</sup> will be added as ways in which participants can submit trade data and subsequent trade processing instructions related thereto.<sup>4</sup> Interactive message users and RTTM Web users will have certain additional subsequent trade processing instructions that they will be able to submit, as discussed below. With respect to output issued by NSCC, existing end-of-day reports will continue to be produced by FITS, whereas intraday reports will be produced by the RTTM system. In addition, NSCC will make output available for interactive message users and RTTM Web users in those respective media.

The following is a summary of the key proposed rule changes needed as a result of the implementation of RTTM:

- References to "Contract Lists" are being replaced with references to "output" or to "information made available" by NSCC to cover the additional types of output that will be generated by the RTTM system.
- References to the names of specific instructions that participants may submit to resolve uncomparing trades (e.g., "Delete of Original Trade Input") are being replaced with general references to "appropriate instructions" to include similar instructions that may be submitted by interactive message users and RTTM Web users which have different names.<sup>5</sup>

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<sup>2</sup> In March of this year, the Commission approved NSCC rule filing 2002-10, whose purpose was to implement certain modifications to FITS in order to prepare participants for the new RTTM functionality.

<sup>3</sup> The RTTM Web will be replacing NSCC's PC Web application.

<sup>4</sup> Initially upon implementation, RTTM will continue to support the current batch method of data input.

<sup>5</sup> For example, in the current version of NSCC's procedures there is a reference to an instruction that is called a "Delete of Original Trade Input," that is used by batch participants to delete uncomparing trade data that they have submitted. Interactive message users and RTTM Web users will use an instruction called a "Cancel" to accomplish

- With respect to trades submitted for two-sided comparison processing, interactive message users and RTTM Web users will be able to modify their trades (subject to the timeframes and requirements imposed by NSCC from time to time), and will also be able to remove an unmatched trade from processing by sending an instruction indicating that they do not agree with the terms of a trade that has been submitted against them.<sup>6</sup> Locked-in trade sources and syndicate managers that are interactive message users or RTTM Web users will also be able to modify their trade submissions.
- The RTTM system will accept cash and next-day transactions for comparison-only processing.
- The RTTM system will add an intraday money tolerance pursuant to which NSCC will compare a trade using the seller's contract amount if the contract amounts are within (i) a net \$2 difference for trades of \$1 million and (ii) \$2 per million for trades greater than \$1 million.<sup>7</sup> In addition, the RTTM system will compare a trade if trade data matches in all respects (including contract amounts which have been compared pursuant to the money tolerances) except for trade date. In this case, the earlier of the two trade dates submitted will be used. The RTTM system will not use the summarization process used to compare trades currently set forth in NSCC Procedure II, Section D.1(e).
- NSCC's rules and procedures currently provide that the submission of a locked-in trade or a syndicate takedown trade results in a compared trade; this will remain the case upon implementation of RTTM. However, the RTTM system will provide members on behalf of whom locked-in and syndicate takedown trades are submitted (collectively, the "LI/ST Contrāsides") the option of submitting matching trade details for their internal reconciliation purposes. In order to facilitate the participants' internal reconciliation process, the RTTM system has been designed to issue output that indicates a status of "unmatched" or "match request" upon receipt of a locked-in

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the same result. Therefore, references to "Delete of Original Trade Input" will be replaced by references to "appropriate instruction" in order to cover the equivalent interactive message and RTTM Web instruction.

<sup>6</sup> RTTM Web users will also be able to subsequently restore a trade to processing by submitting the requisite instruction.

<sup>7</sup> No changes are being proposed to NSCC's existing end-of-day money tolerance currently contained in Procedure II, Section D.1(a).

or syndicate takedown trade. The proposed rule changes make clear that the submission of matching trade data by LI/ST Contrasisdes will have no legal effect on the status of locked-in and syndicate takedown trades as compared trades, notwithstanding the output indicating unmatched and match request. In addition, the proposed rule changes make clear that any subsequent processing instructions submitted by LI/ST Contrasisdes that are not specifically provided for in the rules and procedures (but that the RTTM system has been designed to accept for participants' internal reconciliation purposes) will have no legal effect, notwithstanding that output is made available by NSCC as a result of such submissions.

In addition to the above, NSCC is proposing the following additional technical changes and corrections:

- References to the “Automated Bond System” (“ABS”) will be deleted because ABS trades submitted by the New York Stock Exchange are locked-in trades and are covered by provisions dealing with locked-in trades. In addition, references to the “AMEX Order File System” will be deleted because that system is no longer operational.
- Technical corrections will be made throughout the debt when-issued section of NSCC’s Procedure II, Section E to clarify the submission requirements for a transaction to be treated as a when-issued transaction. It should be noted that due to the systems development schedule, the RTTM service will not be available with respect to when-issued corporate debt securities transactions upon implementation. NSCC will file a rule change pursuant to Section 19(b)(3) of the Securities Exchange Act of 1934, as amended (the “Act”), and will notify members when the service does become available for these transactions.
- Technical corrections will be made to the use of the term “settlement date” so that when referenced with upper case letters it means the settlement date as established by NSCC.

(b) This filing will enable NSCC to process fixed-income trades in a more efficient manner; therefore, as it promotes the prompt and accurate clearance and settlement of securities transactions, it is consistent with the provisions of the Act and the rules and regulations thereunder.

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.

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. However, the procedural aspects for processing of NSCC fixed-income instruments is similar to the way other fixed-income instruments are being processed by FICC.

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: \_\_\_\_\_  
Karen L. Saperstein  
Managing Director and Secretary

Exhibit A

## TEXT OF PROPOSED CHANGES TO NSCC'S RULES AND PROCEDURES

**Underlined, Bolded and Italicized** text indicates additions to NSCC's Rules and Procedures

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

## COMPARISON AND TRADE RECORDING OPERATION

Rule 7.

\* \* \*

SEC. 3. Trade data submitted to the Corporation by a Member pursuant to Section 1 of this Rule and transaction data submitted to the Corporation by a Special Representative or Index Receipt Agent pursuant to Section 2 of this Rule shall be submitted in the form and manner, and in accordance with the time schedules, prescribed by, or pursuant to, the Procedures .

The name of a Member, Special Representative or Index Receipt Agent printed, stamped or written on any form, document or other item issued by him or used in a transmission received from him pursuant to this Rule or the Procedures shall be deemed to have been adopted by him as his signature and shall be valid and binding upon him in all respects as though he had manually affixed his signature to such form, document or other item or transmission.

Each Member, Special Representative and Index Receipt Agent shall promptly check ~~[each document he receives from the Corporation]~~ **all information in any format that is made available to him by the Corporation** pursuant to this Rule or the Procedures.

Any trade data submitted to the Corporation by a Member pursuant to Section 1 of this Rule which is not compared by the Corporation, or any such item compared by the Corporation which is subsequently deleted as provided in the Procedures and not later compared, or any transaction data received by the Corporation which is subsequently deleted as provided in the Procedures shall be adjusted directly between the parties.

Balance Order Contracts produced in accordance with the Procedures on the basis of trade data submitted by Members pursuant to Section 1 of this Rule or transaction data submitted by Special Representatives and Index Receipt Agents pursuant to Section 2 of this Rule will, as specified in the Procedures, either (i) be entered in the Balance Order Accounting Operation or (ii) be excluded from the Balance Order Accounting Operation in which case appropriate receive and deliver security orders will be issued by the Corporation in connection therewith and such security orders shall have the same status as security balance orders issued in connection with the Balance Order Accounting Operation and will be subject to all Rules pertaining to such security balance orders unless otherwise specified by the Corporation.

CNS Contracts produced in accordance with the Procedures on the basis of trade data submitted by Members pursuant to Section 1 of this Rule or transaction data submitted by Special Representatives and Index Receipt Agents pursuant to Section 2 of this Rule will be entered in the CNS Accounting Operation for settlement as provided in the Procedures and shall be subject to Rule 11.

Foreign Security Contracts produced in accordance with the Procedures on the basis of trade data submitted pursuant to this Rule will be entered in the Foreign Security Accounting Operation as provided in the Procedures.

Notwithstanding the foregoing, Special Trades in Balance Order Securities and CNS Securities shall not enter the Accounting Operation, but will instead be subject to the provisions of Section 9 of Rule 11.

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## II. TRADE COMPARISON SERVICE

### A. Introduction

Trade Comparison is the first step in the clearance and settlement of securities transactions. Trade Comparison consists of reporting, validating and matching the buy and sell sides of a securities transaction and results in a compared trade which, except as specified below, is either a CNS Contract, a Foreign Security Contract, or a Balance Order Contract within the meaning of Rule 5. Compared trades are routed to either the CNS Accounting Operation, the Balance Order Accounting Operation, the Foreign Security Accounting Operation, or a Qualified Clearing Agency.

Separate Trade Comparison is provided for regular way and when-issued and when distributed transactions in equity securities (a) executed on NYSE (round-lot transactions), (b) executed on Amex and (c) traded in OTC and on other national securities exchanges. Separate Trade Comparison is also provided for debt securities, including when issued and when-distributed transactions, ~~[on a consolidated basis]~~ for transactions in all marketplaces.<sup>1</sup>

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### D. Debt Securities

#### 1. Trade Input and Comparison

~~[Trade input and Comparison for transactions in debt securities in any par value (excluding fractions and decimals) includes transactions executed on Amex (other than through the AMEX Order File System), OTC or other exchanges and functions in the same manner as OTC or other securities exchange Equity Security Trade Input and Comparison except for the following:]~~

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

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

<sup>1</sup> At such time as each exchange and/or marketplace assumes responsibility for trade comparison for transactions executed on or subject to the rules of such exchange and/or marketplace, the Corporation will cease providing comparison services for such transactions.

**(b) Trade data may be submitted during the timeframes specified by the Corporation from time to time, and shall include quantity, security identification, identification of the marketplace of execution, contra-broker, trade value, settlement date (which may be no greater than 18 business days beyond the trade date), trade date, unique reference number (x-ref), and other identifying details as the Corporation may require or permit and shall be in such formats as specified by the Corporation relative to the method utilized for trade submission.**

~~[(a)]~~ **(c) [Odd penny breakage due to rounding differences in Member's calculations of extended contract amounts is permitted. Trades in debt securities are] If the purchaser and seller have submitted trade data that matches in all required respects other than for trade value, the trades shall be deemed compared if one of the following tolerances apply:**

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

**(2) Trades that remain uncomparing after the intraday comparison process shall be deemed compared during the end-of-day enhanced comparison process using the seller's contract amount** if the contract amounts are within (i) a net \$10.00 difference for trades of \$100,000 or less and (ii) \$.10 per \$1,000 for trades greater than \$100,000. ~~[In such case, the seller's contract amount is used.]~~

**(d) Trades that are submitted prior to the cut-off time for intraday comparison established by the Corporation from time to time shall be deemed compared if the purchaser and seller have submitted trade data that matches in all required respects, including contract amounts which were deemed matched pursuant to the money tolerances in subsection (c), except for the trade date. In such case, the earlier of the two trade dates is used.**

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

~~[(b)]~~ **(f)** Trade input must indicate one of the following: Amex or OTC, municipal security transactions or unit trust fund transactions. If ~~[Original Trade input, As of and Withheld]~~ trade input submitted by a Member with respect to trades executed on Amex identifies the major ~~[and]~~ **or** minor side executing brokers as “Amex” and the major side Member and minor side Member, the trades will appear as Amex transactions on ~~[Contract Lists]~~ **output made available by the Corporation.** If the information is not submitted, the trades will appear as OTC transactions on ~~[Contract Lists]~~ **output made available by the Corporation.**

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

~~[(d) Members and Municipal Comparison Only Members who desire to extend the settlement date of a transaction submitted for comparison may do so by including, as part of trade input, the Settlement Date and the number of business days, up to a maximum of 15, beyond the regular way settlement date that they wish the trade to settle. In order for the trade to compare, both sides must submit the same number of adjusted settlement days.]~~

~~[(e) Debt securities transactions will be compared when net buy side and sell side contract amounts and quantity amounts can be matched for a particular issue (even if the relevant contract and quantity amounts are specified in more than one buy side and/or more than one sell side submission) as long as the transactions would have been compared had such buy side and sell side contract and quantity amounts each been specified on a single submission; provided, however, that if the executing broker data is submitted, both sides must submit the same data in order for the trade to compare, and odd penny breakage will not be permitted.]~~

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

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

**(2) Uncompared/Unmatched - Items identified as uncompared or unmatched on applicable output reflect trades submitted by the Member or the Municipal Comparison Only Member for which the opposite side either did not submit data or did not submit data which**

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

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

**Information made available to Members and Municipal Comparison Only Members shall identify each trade as being CNS-eligible, non-CNS-eligible or trade-for-trade/Special Trade through such designation as the Corporation shall determine from time to time.**

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

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

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

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

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

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

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

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

~~[(iii)]~~ **(m)** When the Corporation processes municipal securities transactions ~~[on a trade-for-trade basis or]~~ as Special Trades **(with the exception of comparison-only trades)**, the resultant compared trades, as indicated on the applicable Consolidated Trade Summaries, are subject to the rules of the MSRB, including but not limited to the close-out provisions and delivery requirements and the transactions will not be included in the Balance Order Accounting Operation. Settlement of the resultant compared trades is the responsibility of the parties to the trades. ~~[Settlement of the resultant compared trades directly between Municipal Comparison Only Members or directly between Members and Municipal Comparison Only Members shall not be through the facilities of the Corporation.]~~

~~[(4)]~~ **(n) The Corporation may accept** ~~[L]~~ locked-~~[I]~~ in trade data reported by **Self-Regulatory Organizations**, Qualified Special Representatives and Service Bureaus **on behalf of Members and Municipal Comparison Only Members.** **Such trade data** will be reflected on **appropriate output as determined by the**

~~Corporation. [OTC Bond Regular Way Contract Lists, which are available intra-day and on the morning of T+1, and Bond Supplemental Contract Lists, which are available on the morning of T+2]~~ **Receipt of a locked-in trade that satisfies the Corporation's trade input requirements shall result in a compared trade. The status of such transaction as a compared trade shall not be affected by output indicating a status of "match request" or "unmatched".**

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

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

~~(j) Trades executed on Amex will be reflected on OTC Bond Regular Way and New Issue Contract Lists.~~

~~(k) The Corporation will reject trades if the settlement date is the same business day as or the business day after the trade date regardless of when the trade is submitted to the Corporation.~~

~~(l)~~ **(o) If a trade other than a trade which the parties have identified as being submitted for comparison-only processing is submitted with a settlement date of or prior to the date of submission, the Corporation will assign a [new settlement] delivery date of the next [business day] Settlement Date [except as provided in subsection D1(k) above].**

**(p) Trade input and comparison of transactions submitted for T+2 settlement is handled in the same manner as set forth above with respect to transactions submitted for regular way settlement.**

**(q) The Corporation shall accept cash and next day transactions for comparison-only processing. Results of the comparison-only process for these items are reported by the Corporation as specified from time to time. Settlement of the resultant compared trades is the responsibility of the parties to the trades.**

## 2. Resolution of Uncompared Trades in Regular Way Debt Securities

The Corporation provides the following procedures for resolution of uncompared trades in Regular Way Debt Securities [~~other than municipal securities transactions, which, if resolved through the facilities of the Corporation, will, except as otherwise set forth in this Section II.D.2, follow the procedures set forth~~]

~~in Section II.C.2 above ("Resolution of Uncompared Transactions"), trades executed through the Automated Bond System, the AMEX Order File System or uncompared trades that the Corporation permits to be resolved through the facilities of the another "self-regulatory organization," as defined in the Securities Exchange Act of 1934):~~

~~(a) Advisory Listings are generated by the Corporation for each item listed as advisory data on the Regular Way T+1 Contract List. Advisory Listings for debt executions may be submitted on T+1 prior to the time specified by the Corporation.~~

~~(b) Debt security trades that are uncompared on T+1 or thereafter will generate two day advisory tickets that may be returned to the Corporation no later than two days after generation of the advisory ticket.~~

~~(c) All transactions in debt securities may be added, on any day following T, through the use of an As-Of form, in such form as the Corporation shall prescribe.~~

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

**(b) A Member or a Municipal Comparison Only Member with an advisory or match request that does not agree with the terms of the trade may respond with the appropriate instruction indicating the reason, if any, that the member disagrees with the terms of the trade. Submission of such instruction must be submitted within the timeframes specified by the Corporation from time to time and will cause the trade to be deleted from processing. The Member or Municipal Comparison Only Member may submit a subsequent instruction on the same day to return the trade to processing.**

~~[(d) No partial deletions for transactions in debt securities will be permitted.]~~

~~[(e) (c) Members **and Municipal Comparison Only Members** who, subsequent to their submission of [Original Trade Input] **trade data**, find that such trade data is incorrect may delete uncompared [corporate bond and unit trust fund] trades by forwarding [a Delete of Original Trade Input to the Corporation] **the appropriate instruction** by the time specified by the Corporation **from time to time**. [Members and Municipal Comparison Only Members who, subsequent to their submission of Original Trade Input, find that such trade data is incorrect may delete uncompared municipal securities trades by forwarding a Delete of Original Trade Input to the Corporation by the time specified by the Corporation.~~

~~Deletion of any such trade will not, however, extinguish either party's trade obligation.]~~

**(d) No partial deletions for transactions in debt securities will be permitted.**

~~[(f)] (e) Previously compared [municipal security] trades [unit trust fund trades, trades executed on Amex, and OTC executions of corporate debt security trades] may be deleted through the submission of [Withhold tickets on any day following ¶] **offsetting trade details by both parties to the transaction**. Each of the purchaser and the seller must submit [a Withhold ticket.] **the trade details within the timeframes specified by the Corporation from time to time and they must** [if data submitted by each Member matches] **match** in all respects **or match pursuant to subsections (c) and/or (d) of Section II.D.1 above ("Trade Input and Comparison")** [~~the transaction will be deleted for both Members~~].~~

**(f) Transactions which are deleted and offsetting transactions which are submitted and matched will appear on the appropriate output. Unless otherwise specified herein, deletion of a trade will not extinguish the rights and obligations of either party with respect to such trade.**

~~[(g) Supplemental Contract Lists are produced showing all compared trade data resulting from submission of Advisory Listings. The Supplemental Contract List also shows previously compared trades which have been deleted.~~

~~Totals will not be carried forward on the Supplemental or Regular Way Extended Settlement Contract Lists.]~~

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

~~[(h)] (h) [Added trades are those which are compared on T+2 or thereafter. Those which are compared after such time as established by the Corporation on T+2 are not included in the normal settlement cycle. Such trades] **Transactions which compare for the first time on the date on which they were scheduled to settle or later** will be assigned a new [s]Settlement [d]Date, which will be [either] the next business day [or two business days] following the date the trade is compared [or received] by the Corporation [based upon whether the trade is processed by the Corporation before or after such time as established by the Corporation]. The assignment of a new [s]Settlement [d]Date applies to both CNS, [and] Balance Order Securities **and Special Trades other than those submitted for comparison-only processing**. [The original trade date appears on the Added Trade Contract List. Added Trade Contract Lists are produced~~

~~daily. Designations for CNS Securities, Balance Order Securities, and Special Trades are shown in the same manner as the Regular Way T+1 Contract List. Totals will not be carried forward on the Added Trade Contract Lists. The final CNS totals represent the amount which will be included in the CNS Accounting Operation.]~~

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

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

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

~~[3. Automated Bond System~~

~~Trade Input and Correction for transactions submitted by the NYSE Automated Bond System functions as follows:~~

~~(a) Trade data for regular way transactions in debt securities included in NYSE's Automated Bond System shall be submitted to the Corporation by the NYSE.~~

~~(b) Corrections made on trade data shall be made pursuant to the procedures of the NYSE Automated Bond System.]~~

~~[4. AMEX Order File System~~

~~(a) Trade Input for transactions submitted by the AMEX Order File ("AOF") System functions as follows:~~

~~(i) Trade data for transactions in Eligible Government Securities included in the AMEX's AOF System shall be submitted to the Corporation by the AMEX.~~

~~(ii) Trade data may be submitted throughout T until the time specified by the Corporation, and shall include quantity, security identification, identification of the marketplace of execution, contra broker, trade value and other identifying details as the Corporation may require or permit.~~

~~(iii) The Corporation shall report back to Members their AOF trade data items, including final contract amount as calculated by the Corporation, on the morning of T+1 on a separate section of the Regular Way T+1 Contract List.~~

~~(iv) Unless otherwise processed in accordance with paragraph (b)(ii) below, settlement of AOF trade data items is the responsibility of parties to the trade and shall not be through the facilities of the Corporation.~~

~~(b) The Corporation may provide a service to enable Members to transmit on an automated basis AOF trade data items to the Government Securities Clearing Corporation ("GSCC") for processing as follows:~~

~~(i) Each Member that desires access to the above mentioned service must complete and deliver to the Corporation such authorization agreements as the Corporation may require from time to time. The approval or termination of such agreements will be effected within such time as determined by the Corporation from time to time.~~

~~(ii) In respect of the authorization agreements, the Corporation shall submit AOF trade data items to GSCC for processing within such time as determined by the Corporation from time to time.]~~

## E. When-Issued and When-Distributed Securities

The Corporation provides Members with the ability to compare transactions in equity and debt when-issued securities.

\* \* \*

### 2. Debt

**(A) If the Corporation has information that a municipal or corporate debt security<sup>2</sup> is coming to market, the following provisions shall apply:**

**(1)(a) Municipal and corporate securities transactions that are submitted at least [two days] one day prior to the initial [S]Settlement [d]Date for the issue [and corporate debt transactions that are submitted at least three days prior to the initial settlement date for the issue, and that] will be processed in accordance with this Section 2(A) if they specify [either] (i) a final settlement [price] amount and a [S]settlement [D]date that is [either] the initial [S]Settlement [d]Date for the issue [or a specified number of days after the initial settlement**

<sup>2</sup> **The comparison service is not currently available with respect to when-issued corporate debt securities transactions. Members shall be notified via important notice when the service does become available for such transactions.**

~~date], (ii) a final settlement amount, a settlement date and a specified number of days after the initial Settlement Date for the issue, (ii) a dollar price or a dollar price and a specified number of days after the initial Settlement Date for the issue,~~ ~~or (iii)]~~ **or (iv)** for municipal securities, a price-to-yield and concession (if any) **or a price-to-yield concession and a specified number of days after the initial Settlement Date for the issue** ~~[will be processed in accordance with this subsection 2]. [These transactions will sometimes be referred to herein as "new issue" transactions (but without negating their status as when issued and when distributed transactions for purposes of the Corporation's Rules and Procedures).]~~

**(b)** Municipal **and corporate** securities transactions that are submitted ~~[from] two [to five] days prior to the initial [s]Settlement [d]Date for the issue~~ **or later, and contain a settlement date which is after the initial Settlement Date for the issue,** but do not meet the above criteria will be treated as regular way transactions. ~~[Corporate debt transactions that are submitted from three to five days prior to the initial settlement date for the issue but do not meet the above criteria will be treated as regular way transactions.]~~ All other transactions that are **not** submitted **as specified above** ~~[more than five days prior to the initial settlement date for the issue will be treated as new issue transactions, and] will be rejected [if they do not meet the above criteria].~~

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

(a) When the initial ~~[s]Settlement [d]Date [of]~~ **and all required pricing information for** an issue is known by the Corporation (and, if deemed necessary by the Corporation, confirmed in a manner satisfactory to the Corporation), the Corporation will calculate the final settlement ~~[price]~~ **amount** for all ~~[new issue debt securities submissions in that issue]~~ **transactions** that do not have a final settlement ~~[price]~~ **amount,** and ~~[this]~~ **trades will be deemed compared either if the final settlement [price] amounts are identical or if the final settlement amounts fall within the money tolerances set forth in subsection (c) of Section II.D.1 above ("Trade Input and Comparison")** ~~[will be set forth on the applicable contract lists]. [New issue debt securities transactions may be compared on the basis of these final settlement prices.]~~ In addition, when the initial ~~[s]Settlement [d]Date [for a new issue]~~ has been ~~[postponed]~~ **changed** and the Corporation is notified of a new initial ~~[s]Settlement [d]Date~~ least 2 days prior to such date

(independently confirmed, to the extent deemed necessary), the Corporation will recalculate the final settlement [~~prices~~] **amounts** for all affected transactions (whether or not the original final settlement [~~price~~] **amount** was calculated by the Corporation), and the new final settlement [~~prices~~] **amounts** will be set forth on the applicable contract lists **or other applicable output made available by the Corporation.**

If a [~~new issue~~] submission contains a [~~S~~]settlement [~~D~~]date and a final settlement **amount** [~~price~~], but the Corporation does not have confirmation satisfactory to it of the initial [~~s~~]Settlement [~~d~~]Date for the issue, then the Corporation will report the transaction as a memo item on [~~the contract lists of the submitter and the party against whom the submission was made~~] **the output it makes available to Members.** If the Corporation obtains, within 2 days of the submission, confirmation satisfactory to it of the initial [~~s~~]Settlement [~~d~~]Date for the issue which matches the [~~initial~~] settlement date [~~for the submission~~] **submitted or matches the settlement date submitted by taking into account the specified number of extended settlement days submitted,** the memo items will be changed to compared or uncomparing/advisory as appropriate. If no such confirmation is obtained within 2 days of submission, the items will be dropped.

(b) Any [~~new issue~~] **when-issued** compared trade which is to be entered into the CNS Accounting Operation will enter the CNS Accounting Operation prior to the opening of business on the day prior to [~~its~~] **the** Settlement Date [~~(whether the initial Settlement Date for the issue or an extension of the initial Settlement Date as provided in paragraph (d) below)~~] **or prior to the opening of business on the day prior to the date the parties intended to settle the trade for which extended settlement was designated** and will be netted with any regular-way compared trades for the same Settlement Date.

(c) [~~Adjustments to when issued and when distributed contract lists are reflected on a separate When issued and when distributed Contract List. Totals will be carried forward on the When issued and when distributed Contract Lists.~~] **Output provided by the Corporation reflecting compared, uncomparing and advisory data will provide totals.**

(d) (i)The **initial** Settlement Date for [~~new~~] municipal issues is established by the issuer or underwriter, but except as provided below for syndicate takedown trades, **the settlement date** may be extended by agreement of the submitting parties similar to regular way municipal trades.

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

(e)~~(i)~~ If the Corporation is notified that the initial Settlement Date [~~for a new issue~~] is postponed after the applicable Consolidated Trade Summary has been made available, the fact that trades in such issue are indicated in such Consolidated Trade Summary will be of no force and effect for purposes of the Corporation's Rules and Procedures **unless the Corporation notifies Members to the contrary. In such case, the Corporation may adjust accrued interest as determined by the Corporation from time to time** [~~and provided that the Corporation receives timely notice of the new initial settlement date (independently confirmed to the Corporation's satisfaction, if deemed necessary), the Corporation may relist the trades in subsequent Consolidated Trade Summaries. If the Corporation is notified that the initial Settlement Date for a new issue is postponed after final CNS Contract Sheets are issued, to the extent that such trades continue to be carried in Members' CNS accounts, until settlement occurs, settlement of such trades may not be guaranteed by the Corporation~~]. The provisions of this paragraph also apply to [~~regular way~~] transactions [~~in a new issue that are entered into prior to the initial Settlement Date for the issue~~] **that are treated as regular way transactions pursuant to subsection (1)(b) of this Section 2(A) above.**

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

(g) [~~Notwithstanding any other provision of these Procedures, (1) if any uncomparated new issue submission has not been resolved by the opening of business on the day prior to its Settlement Date, the transaction will be deleted by the Corporation from the Comparison process and (2) any municipal new issue transaction which is first reported as compared on the day prior to its Settlement Date may, at the request of either party to the transaction (made in such manner and at such time on the day prior to Settlement Date as the Corporation~~

~~may require), be treated as if it were not compared. In that event, the Corporation shall provide appropriate notice that the listings in the relevant Consolidated Trade Summary will be of no force and effect for purposes of the Corporation's Rules and Procedures and shall take appropriate action to journal the transactions out of CNS, if necessary.]~~  
**Transactions that remain uncomparing at the close of business on the day prior to the initial Settlement Date for the issue shall be deleted from processing.**

(h) With respect to municipal securities~~[ ]~~ :

~~(i) [s]Syndicate takedown trades may only be submitted for comparison by the syndicate manager and such trade input must be identified as a syndicate takedown trade. Submission of a syndicate takedown trade will result in a compared trade which will be reported to the syndicate manager and the syndicate member on [a syndicate takedown when issued and when distributed contract sheet]~~ **output made available by the Corporation. The status of such transaction as a compared trade shall not be affected by output indicating a status of "match request" or "unmatched"**. If a syndicate manager or a syndicate member does not agree with the terms of a takedown trade as reported on the contract sheet, he may delete the trade by submitting ~~[a one-sided delete form]~~ **the appropriate instruction** to the Corporation by the time specified by the Corporation. ~~[Submissions that would be compared with syndicate takedown trades but for the provisions of this paragraph (h) (i.e., buy side submissions that are not submitted by the syndicate manager but which match the sell side of syndicate takedown submissions) and that are submitted within two days of the syndicate takedown submission will be rejected as possible duplications of syndicate takedown trades].~~

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

~~(iii) [In the event of a syndicate buy back, only]~~ **Only** the syndicate manager may submit a withhold **or a reversal** and such trade input must be identified as a syndicate takedown trade. Submission of a withhold/**reversal** will result in a compared withhold/**reversal** trade which will be reported to the syndicate manager and syndicate member on ~~[a syndicate takedown contract sheet]~~ **output made available by the Corporation.**

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

**(v)** All syndicate takedown trades will settle on a trade-for-trade basis. Extended settlement date [~~and clearing agent designation options~~] will not be available for syndicate takedown trades.

~~[(i) With respect to municipal securities, new issue submissions that would be compared but for differences in trade dates indicated in the submission will be compared if the trade dates are within two days of each other.]~~

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

\* \* \*

Exhibit B

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-NSCC-2003-15)

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

Comments requested within days after the date of this publication.

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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 NSCC's Rules and 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) NSCC is proposing to implement a real-time trade matching system (“RTTM”) for certain NSCC-eligible corporate bonds, municipal bonds and unit investment trusts (the “NSCC debt securities”)<sup>1</sup> in the fourth quarter of 2003. RTTM was implemented by the former Government Securities Clearing Corporation (now the “Fixed Income Clearing Corporation” or “FICC”), an NSCC affiliate, in the fourth quarter of 2000 for processing of Government securities transactions. It was designed with a vision to use the platform for other fixed income securities. Accordingly, it was implemented in 2002 for mortgage-backed securities transactions processed by the former MBS Clearing Corporation (now the Mortgage-Backed Securities Division of FICC), and is now proposed for the NSCC debt securities. The RTTM system will eventually replace NSCC’s current Fixed Income Transactions System (“FITS”).<sup>2</sup>

From a rules perspective, the implementation of RTTM will bring about changes mainly in two general areas of NSCC debt securities processing: inbound submissions to NSCC and NSCC’s reporting of information related to such submissions to participants. Specifically, interactive messages and the RTTM Web User Interface (the “RTTM Web”)<sup>3</sup> will be added as ways in which participants can submit trade data and subsequent trade processing instructions related thereto.<sup>4</sup> Interactive message users and RTTM Web users will have certain additional subsequent trade processing instructions that they will be able to submit, as discussed below. With respect to output issued by NSCC, existing end-of-day reports will continue to be produced by FITS, whereas intraday reports will be produced by the RTTM system. In addition, NSCC will make output available for interactive message users and RTTM Web users in those respective media.

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<sup>1</sup> The proposed rule filing does not cover debt securities transactions that are submitted to NSCC via its correspondent clearing service, or by regional exchanges/marketplaces or through qualified securities depositories (as defined in NSCC’s rules) because such transactions will not be processed by the RTTM system.

<sup>2</sup> In March of this year, the Commission approved NSCC rule filing 2002-10, whose purpose was to implement certain modifications to FITS in order to prepare participants for the new RTTM functionality.

<sup>3</sup> The RTTM Web will be replacing NSCC’s PC Web application.

<sup>4</sup> Initially upon implementation, RTTM will continue to support the current batch method of data input.

The following is a summary of the key proposed rule changes needed as a result of the implementation of RTTM:

- References to “Contract Lists” are being replaced with references to “output” or to “information made available” by NSCC to cover the additional types of output that will be generated by the RTTM system.
- References to the names of specific instructions that participants may submit to resolve uncomparing trades (e.g., “Delete of Original Trade Input”) are being replaced with general references to “appropriate instructions” to include similar instructions that may be submitted by interactive message users and RTTM Web users which have different names.<sup>5</sup>
- With respect to trades submitted for two-sided comparison processing, interactive message users and RTTM Web users will be able to modify their trades (subject to the timeframes and requirements imposed by NSCC from time to time), and will also be able to remove an unmatched trade from processing by sending an instruction indicating that they do not agree with the terms of a trade that has been submitted against them.<sup>6</sup> Locked-in trade sources and syndicate managers that are interactive message users or RTTM Web users will also be able to modify their trade submissions.
- The RTTM system will accept cash and next-day transactions for comparison-only processing.
- The RTTM system will add an intraday money tolerance pursuant to which NSCC will compare a trade using the seller’s contract amount if the contract amounts are within (i) a net \$2 difference for trades of \$1 million and (ii) \$2 per million for trades greater than \$1 million.<sup>7</sup> In addition, the RTTM system will compare a trade if trade

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<sup>5</sup> For example, in the current version of NSCC’s procedures there is a reference to an instruction that is called a “Delete of Original Trade Input,” that is used by batch participants to delete uncomparing trade data that they have submitted. Interactive message users and RTTM Web users will use an instruction called a “Cancel” to accomplish the same result. Therefore, references to “Delete of Original Trade Input” will be replaced by references to “appropriate instruction” in order to cover the equivalent interactive message and RTTM Web instruction.

<sup>6</sup> RTTM Web users will also be able to subsequently restore a trade to processing by submitting the requisite instruction.

<sup>7</sup> No changes are being proposed to NSCC’s existing end-of-day money tolerance currently contained in Procedure II, Section D.1(a).

data matches in all respects (including contract amounts which have been compared pursuant to the money tolerances) except for trade date. In this case, the earlier of the two trade dates submitted will be used. The RTTM system will not use the summarization process used to compare trades currently set forth in NSCC Procedure II, Section D.1(e).

- NSCC's rules and procedures currently provide that the submission of a locked-in trade or a syndicate takedown trade results in a compared trade; this will remain the case upon implementation of RTTM. However, the RTTM system will provide members on behalf of whom locked-in and syndicate takedown trades are submitted (collectively, the "LI/ST Contrasides") the option of submitting matching trade details for their internal reconciliation purposes. In order to facilitate the participants' internal reconciliation process, the RTTM system has been designed to issue output that indicates a status of "unmatched" or "match request" upon receipt of a locked-in or syndicate takedown trade. The proposed rule changes make clear that the submission of matching trade data by LI/ST Contrasides will have no legal effect on the status of locked-in and syndicate takedown trades as compared trades, notwithstanding the output indicating unmatched and match request. In addition, the proposed rule changes make clear that any subsequent processing instructions submitted by LI/ST Contrasides that are not specifically provided for in the rules and procedures (but that the RTTM system has been designed to accept for participants' internal reconciliation purposes) will have no legal effect, notwithstanding that output is made available by NSCC as a result of such submissions.

In addition to the above, NSCC is proposing the following additional technical changes and corrections:

- References to the "Automated Bond System" ("ABS") will be deleted because ABS trades submitted by the New York Stock Exchange are locked-in trades and are covered by provisions dealing with locked-in trades. In addition, references to the "AMEX Order File System" will be deleted because that system is no longer operational.

- Technical corrections will be made throughout the debt when-issued section of NSCC's Procedure II, Section E to clarify the submission requirements for a transaction to be treated as a when-issued transaction. It should be noted that due to the systems development schedule, the RTTM service will not be available with respect to when-issued corporate debt securities transactions upon implementation. NSCC will file a rule change pursuant to Section 19(b)(3) of the Securities Exchange Act of 1934, as amended (the "Act"), and will notify members when the service does become available for these transactions.
- Technical corrections will be made to the use of the term "settlement date" so that when referenced with upper case letters it means the settlement date as established by NSCC.

(b) This filing will enable NSCC to process fixed-income trades in a more efficient manner; therefore, as it promotes the prompt and accurate clearance and settlement of securities transactions, it is consistent with the provisions of the Act and the rules and regulations thereunder.

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: