

Exhibit E

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NSCC-2003-19)

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 proposed rule change consists of amendments to the Rules & Procedures of National Securities Clearing Corporation ("NSCC" or the "Corporation") relating to end-of-day money settlement. The text of the proposed rule change is set forth in Exhibit A to the filing.

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) Following the integration of NSCC and The Depository Trust Company (“DTC”), the two companies have been working to harmonize their processing streams to create processing efficiencies, improve risk management and also thereby lower transaction processing costs. As part of this effort, NSCC and DTC are centralizing their settlement processing; this will provide participants with consolidated NSCC and DTC settlement reporting and a single point of access for both NSCC and DTC settlement information, and reduce settlement risk. This consolidation is intended to be operational only, however; it is not intended to affect the legal relationship that participants and their settling banks have with NSCC (separate and apart from their relationship with DTC). The rule changes described below are being implemented to reflect this change.

In addition, to reduce settlement risk and permit Settling Banks to settle their net-net debits at NSCC and also at DTC with a single payment, NSCC is amending its procedures to require that NSCC Settling Banks satisfy their daily net-net debit balances at NSCC through the use of the National Settlement Service (“NSS”) of the Federal Reserve Bank (the “FRB”). The change being sought is consistent with DTC’s requirement that its Settling Banks utilize NSS.¹

As more fully described below, NSS will permit DTC, as NSCC’s settlement agent, to submit instructions to have the FRB accounts of the NSCC Settling Banks charged for their NSCC net-net debit balance. By centralizing DTC and NSCC’s settlement processing and adopting NSS as the payment mechanism, the Settling

¹ See SEC Rel. No. 34-48089; File No. SR-DTC-2002-06. DTC implemented this requirement on September 2, 2003. The requirement will be implemented at NSCC on a date following the approval of this Rule Filing, to be announced.

Bank's balance at NSCC (whether a net-net debit or credit) can also be aggregated and/or netted with its settlement balance at DTC, thereby enabling only a single debit to be made to the Settling Bank's FRB account.² Utilization of NSS will thus eliminate the need for a Settling Bank to initiate a wire transfer in satisfaction of a net-net debit balance, will permit the aggregation of such amounts with its DTC balance, and therefore also reduce the risk a Settling Bank may incur a late payment fee due to a delay in wiring settlement funds. By reducing the likelihood of late payments, the aggregation of settlement payments, together with usage of NSS, reduces the likelihood that such payment will delay completion of NSCC settlement. (Should NSS not be available for any reason, then Settling Banks will be obligated to settle their NSCC (and DTC) obligations by wire transfer.)

Finally, certain technical corrections are being made to assure that defined terms and other provisions are used consistently.

Accordingly, the definitions in NSCC's Rule 1 are being amended to include a new definition of "Settlement Agent", as DTC will act as NSCC's settlement agent in collecting and paying out settlement monies; and to provide the definition for "Net Credit Balance" which is currently used in Rule 12 and elsewhere in the Rules.

Rule 12 (Settlement) and Rule 55 (Settling Banks) are being amended to make clear that in those instances where NSCC permits a Settling Member, Insurance Carrier Member or Fund Member to settle otherwise than through a Settling Bank, that it will be deemed to have failed to settle if it fails to pay its Net Debit Balance. In addition, language is being modified to make clear that settlement of monies will be effected in the manner provided for in the Procedures.

Procedure VIII (Money Settlement Service) is being amended to reflect the requirement for Settling Banks to use NSS and to provide the procedures whereby

² Currently, a similar netting process occurs at the participant level: Following the determination of final net settlement numbers for each common participant at NSCC and DTC, a participant's debit balance at one clearing agency is netted against any credit balance at the other (a process referred to as "cross endorsement"). This procedure will continue unchanged.

Settling Banks that act as such for both NSCC and DTC (“Common Settling Banks”) will have their settlement balances at both clearing agencies aggregated and netted into a single payment or credit amount.

Prior to using NSS, Settling Banks will be required to sign a Settler Agreement with an FRB which incorporates a requirement that the Settling Bank agrees to the terms of the FRB’s Operating Circular No. 12. Under Section 6.4 of Operating Circular No. 12, the Settlement Agent has certain responsibilities regarding allocation among Settling Banks using NSS of a claim for indemnity by the FRB. The allocation of any such claim among NSCC’s participants will be as described in the Procedures. The signed Settler Agreement must be on the Settling Bank’s letterhead, must be signed by an authorized signer recognized by the FRB, and must be submitted to the FRB through DTC, as NSCC’s Settlement Agent. The form of NSS Settler Agreement for NSCC-only Settling Banks is attached to the filing. Those Settling Banks that also act as Settling Bank for DTC participants are now required to sign a Settler Agreement with the FRB designating DTC as their NSS Settlement Agent. Accordingly, they will not be required to sign new Settler Agreements to cover NSCC’s NSS settlement. Instead, as provided in Procedure VIII, the Settler Agreements they provide to DTC for delivery to the FRB will, upon the approval and effectiveness of this Rule Filing, be deemed to include, as covered in the NSS settlement arrangements, the Settling Bank’s NSCC Settlement obligations as well as their DTC Settlement obligations.

As is currently required, each Settling Bank will be required to acknowledge its NSCC net-net balance at the end of the day. However, any Settling Bank that is a Member and settles solely for its own account may elect to not acknowledge its net settlement balance at the end of the day.³ This option will not be made available to

³ Settling banks electing not to acknowledge their settlement balance will be required to sign an Acknowledgement Option Form that will be available from Settlement Operations. A Common Settling Bank may not elect to opt out of acknowledging its balances unless it settles solely for its own account at both DTC and NSCC, in which case that election will cover both the bank’s NSCC and DTC net settlement balances.

Settling Banks that settle for others because the acknowledgement process includes the option to refuse to pay for a participant for whom the Settling Bank provides settlement services. Unless a Settling Bank has elected not to acknowledge its net-net settlement balance as provided above, DTC will not send a Settling Bank's NSCC net-net debit balance to a FRB for collection until the Settling Bank has acknowledged its balance.

As NSCC's Settlement Agent, DTC will send a "pre-advice" to each Settling Bank, notifying the settling bank that DTC is about to send its NSS transmission to the FRB. If a Settling Bank does not have sufficient funds in its FRB account to enable DTC, as Settlement Agent, to debit the full amount of its settlement balance, or should NSS not be available to a Settling Bank for any reason, the Settling Bank will be obligated to wire all such amounts to DTC prior to the designated cut-off time.⁴

A new item 4 in Procedure VIII sets forth the netting and payment obligations among Common Settling Banks, NSCC and DTC. For each Common Settling Bank, DTC, as Settlement Agent, will aggregate and net the net-net debit or credit (as applicable) due by or to such bank to or from NSCC and DTC. If the Common Settling Bank owes a settlement debit to both clearing agencies, DTC will debit the FRB account in the sum of such debit amounts; if the bank is owed a credit from both, DTC will wire the bank the aggregate sum of such credit amounts. Where the Common Settling Bank owes a debit to one clearing agency and is owed a credit from the other, then the Common Settling Bank will be obligated to pay the net amount of that sum (if a net debit) or be entitled to receive the net amount (if a net credit); and the clearing agency which, pre-net, owes the settlement credit to the Common Settling Bank will pay the net credit difference to the other clearing agency. If any Common Settling Bank fails to pay its aggregate NSCC/DTC net debit amount (referred to as its "Consolidated Settlement Debit Amount") in full by the time specified in NSCC and DTC's procedures, then if that

⁴ If a Settling Bank is experiencing extenuating circumstances and, as a result, needs to opt out of NSS for one business day and send its wire directly to DTC's FRBNY account for its debit balance, that Settling Bank must notify the Settlement Department prior to acknowledging its settlement balance.

bank had a net-net debit to NSCC before aggregation of such amounts with the Common Settling Bank's DTC settlement balance, NSCC will implement its failure to settle procedures.

(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.

NSCC and DTC have discussed this proposal with various participants and industry groups, a number of whom have worked closely with NSCC and DTC in developing the proposed consolidated settlement system. 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: