

**NATIONAL SECURITIES CLEARING CORPORATION
RULES & PROCEDURES**

TEXT OF PROPOSED RULE CHANGE

Bold and underlined text indicates proposed added language.

~~Bold and strikethrough text~~ indicates proposed deleted language.

RULE 7. COMPARISON AND TRADE RECORDING OPERATION
(INCLUDING SPECIAL REPRESENTATIVE/INDEX RECEIPT AGENT)

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SEC. 7. All trade data submitted to the Corporation for trade recording pursuant to Sections 2(b), 3(b) or 6 of this Rule shall be submitted in Real-time, as that term is defined in Procedure XIII of these Rules, and on a trade-by-trade basis, in the form executed without any form of “pre-netting” of such trades prior to their submission. The Corporation shall deem any form of trade summarization, compression, or other form of netting or practice that combines two or more trades prior to their submission to the Corporation, or any practice or action designed to contravene this prohibition, as a violation of this Rule, and this prohibition shall apply to any Member (including any Special Representative or Qualified Special Representative) that, directly or indirectly, engages in such pre-netting.

Trade data submitted to the Corporation for trade recording pursuant to Section 2(b) of this Rule is not subject to the requirements of this Section if (1) the counterparty to that trade is an Affiliate of the submitting firm on the Corporation’s records at the time the trade data is submitted; ~~or~~ (2) the trade data is submitted to facilitate a position movement between two unaffiliated clearing brokers on behalf of a common client for custody purposes (“Client Custody Movements”); **or (3) the trade data represents aggregated transactions of fractional shares. Trade data representing aggregated transactions of fractional shares must be submitted to the Corporation for trade recording in units of full shares and should be submitted for trade recording as promptly as reasonably practical.**

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PROCEDURE II. TRADE COMPARISON AND RECORDING SERVICE

A. Introduction

Trade Comparison is the first step in the clearance and settlement of securities transactions. It consists of reporting, validating and matching the buy and sell sides of a securities transaction and results in a compared trade. Except with respect to certain transactions eligible and submitted for processing through the Obligation Warehouse service and provided under these Rules & Procedures, Trade Comparison for transactions in equity securities occurs outside of the Corporation through the facilities of relevant Self-Regulatory Organizations and/or Qualified Special Representatives. The Corporation may provide Comparison services with respect to transactions in debt securities. Trade data submitted by Self-Regulatory Organizations and Qualified Special Representatives on behalf of Members as permitted in this Procedure II is submitted on a locked-in basis for Trade Recording, and is converted (if necessary), validated, recorded and reported to Members. Except as specified below, compared and recorded

trades are then entered into the CNS Accounting Operation, the Foreign Security Accounting Operation, or the Balance Order Accounting Operation.

All trade data submitted to the Corporation by Self-Regulatory Organizations, Qualified Special Representatives and Special Representatives for recording pursuant to this Procedure II must be submitted in Real-time, as that term is defined in Procedure XIII and on a trade-by-trade basis, in the form executed without any form of pre-netting of such trades prior to their submission. Trades submitted by Special Representatives for which the counterparties are Affiliates, **and trades that facilitate** Client Custody Movements, **and trades that represent aggregated transactions of fractional shares**, as defined in Section 7 of Rule 7, are not subject to the requirements of this paragraph.

Compared and recorded trades are routed to either the CNS Accounting Operation, the Balance Order Accounting Operation, or the Foreign Security Accounting Operation. Separate Trade Recording is provided for regular way and when-issued and when distributed transactions in equity securities (a) executed on securities exchanges, and (b) traded in the Over-the-Counter (OTC) market. Separate Trade Comparison and Recording is also provided for debt securities, including when issued and when-distributed transactions, for transactions in all marketplaces.

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