



NATIONAL
SECURITIES
CLEARING
CORPORATION

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Underlined and boldface text indicates new text

~~Strikethrough and boldface~~ indicates deleted text

RULE 11. CNS SYSTEM

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SEC. 7. (a) In the event a Member has a Long Position in a CNS Security, the Member (the "originator") may demand immediate delivery thereof by filing, at or before the time specified in the Procedures, with the Corporation a Notice of Intention to Buy-In, in the form prescribed by the Procedures. The originator will be given priority, in the manner prescribed by the Procedures, in respect of the allocation by the Corporation of securities covered by the Notice of Intention to Buy-In, in the settlement on the settlement day prior to the expiration of the buy-in and if the securities are not allocated to the originator in that settlement, in the settlement on the settlement day the buy-in expires¹.

(b) If, at any time after a Notice of Intention to Buy-In is submitted and processed, until the completion of CNS allocation processing on N+2, the originator has settling trades or miscellaneous activity that reduce their Long Position such that the originator becomes either short or flat in a security covered by the Notice of Intention to Buy-In, or such that the originator's Long Position in CNS is less than its Buy-In Position, NSCC will consider that Buy-In Position (or portion thereof) satisfied, and will either reduce its Buy-In Position accordingly or the Notice of Intention to Buy-In will be removed from the system, as applicable.

(c) In the event that less than all the securities covered by the Notice of Intention to Buy-In are received by the originator prior to the time specified in the Procedures, the Corporation shall as promptly as possible, but not later than the settlement day after the Notice of Intention to Buy-In is filed with the Corporation, transmit to the Member or Members, determined in accordance with the priorities specified in the Procedures, CNS Retransmittal Notices specifying the originator and the total amount called for in the Notice of Intention to Buy-In which has not been received by the originator pursuant to paragraph (a) of this section (the "remaining securities") and demanding delivery from each such Member of a specified quantity of securities determined in accordance with the Procedures. CNS Retransmittal Notices shall include such information pertaining to the Buy-In as the Corporation may determine from time to time.

(ed) Prior to the execution of a Buy-In, the originator must accept and pay for any portion or all the remaining securities delivered to the originator and, if the originator does not so receive all the remaining securities at the opening of business on the settlement day after which the Corporation transmits Retransmittal Notices pursuant to paragraph (b) of this Section, the originator

¹ With respect to Buy-Ins of municipal securities, in lieu of receiving CNS priority, the filing of a Notice of Intention to Buy-In will be treated as an instruction to remove the Buy-In Position from the CNS System in accordance with the Procedures.

may order the purchase of the portion remaining undelivered in the manner specified in the Procedures.

(~~de~~) In the event that a Notice of Intention to Buy-In is presented and sufficient securities are not delivered as provided in paragraph (~~bc~~) of this Section and subsequently the originator does not order the purchase of the remaining securities, a charge may be levied against the originator in the amount of \$250.

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PROCEDURE X. EXECUTION OF BUY-INS

A. CNS System

1. Equity Securities and Corporate Debt Securities

A Member who has transmitted a Buy-In Notice under subsection J of **section Procedure VII** (the originator) and not received the Buy-In Position shown on its Notice by the date and time specified in such subsection on the expiration date of the Buy-In, may instruct the Corporation to buy-in the remaining position by transmitting a Buy-In Order to the Corporation, in such form and within such time as determined by the Corporation from time to time.

Members who receive CNS 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 3:00 PM on expiration date of the Buy-In will first be held liable for an executed buy-in.¹

The Buy-In Order is executed by the Corporation in such marketplace and through such agents as it shall elect, and such execution shall be subject to the relevant rules of such marketplace. The quantity bought-in is pro-rated among the Subject Members.

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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.