



NATIONAL
SECURITIES
CLEARING
CORPORATION

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Underlined and boldface text indicates proposed added language

~~Strikethrough and boldface text~~ indicates proposed deleted language

PROCEDURE II. TRADE COMPARISON AND RECORDING SERVICE

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F. Index Receipts

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2. Creation/Redemption Input

On each business day, the Corporation will perform reasonability checks of transaction data submitted by an Index Receipt Agent to the Corporation. The Corporation will pend any transaction data that exceeds thresholds established by the Corporation. The Corporation will notify the Index Receipt Agent of any transaction data that the Corporation has pended. The Index Receipt Agent must provide confirmation, in the form and within the timeframe required by the Corporation, that such pended transaction data should be accepted by the Corporation. If the Index Receipt Agent fails to provide such confirmation, such pended transaction data will be rejected. The Corporation may, in its sole discretion, adjust thresholds from time to time and the Corporation may consider feedback from its Members or market conditions.

From time to time, the Corporation shall inform Members of the time periods for each cycle (the intraday cycle, the primary cycle, and the supplemental cycle) applicable to creation/redemption input. On T, during any of the cycles, by such time as established by the Corporation from time to time, an Index Receipt Agent may submit to the Corporation on behalf of Members, index receipt creation and redemption instructions and their scheduled settlement date, the final Dividend/Balancing Cash Amount relative to such instructions and a transaction amount representing the Index Receipt Agent's fee for the processing of the index receipt. The Index Receipt Agent may elect a Settlement Date of T+1 or T+2 for the Index Receipts and the component securities or cash. The Index Receipt Agent may submit as-of index creation and redemption instructions, but only if such as-of data is received submitted by the cut-off time as designated by the Corporation from time to time, with same-day settling creates and redeems required to be received by such cut-off time on Settlement Date~~next day settling creates and redeems required to be submitted by such cut-off time on T.~~

Any as-of index creation and redemption instructions for same-day settlement received after the cut-off time, designated by the Corporation from time to time, will be rejected.

On T, the Corporation will report to Members on the Index Receipt Detail Report the details of the creations and redemptions submitted, the gross quantity of underlying security components of creation and redemption instructions and the

quantity of index receipt shares associated with particular creation and redemption activity. The report will also indicate the final Dividend/Balancing Cash Amount that must be paid or received and the transaction amount that must be paid on Settlement Date.

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G. Reports and Output

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Reports are produced at such intervals and in such formats as determined by the Corporation showing all compared trade data resulting from T+1 and older adjustments processed by a Self-Regulatory Organization, as well as step out transactions processed that day. Designations for CNS Securities and Balance Order securities are shown in the same manner as on the reports issued as a result of T input. If trades are listed on reports which include totals, the new data is added to or subtracted from such totals, to arrive at new totals. The new totals represent the combined input for T through such cutoff time on T+2 as the Corporation may designate. Trades received after such cutoff time as established on T+2 are not included in the normal settlement cycle. Such trades will be assigned a new settlement date which will be the next settlement day following the date the trade is received by the Corporation.

Notwithstanding the previous sentence, with respect to Index Receipts, if Index Receipts for same-day settlement are received by the Corporation after the applicable cut-off time, such Index Receipts will not be assigned a new settlement date and will be rejected.

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PROCEDURE VII. CNS ACCOUNTING OPERATION

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B. Consolidated Trade Summary

All compared and recorded transactions in CNS Securities (excluding Special Trades) are processed through the CNS Accounting Operation. This includes transactions compared under the provisions of Section II, recorded under the provisions of Section III, or entered by Special Representatives under Section IV. Purchases and sales due for settlement on a given day are summarized on the Consolidated Trade Summaries that are issued three times daily and contain, with respect to CNS Securities:

(i) those trades compared or recorded through the Corporation's cutoff time on that day which are due to settle on the following settlement day (i.e., if the report is issued late Monday evening, it will show trades due to settle on Wednesday), and

(ii) with respect to trades due to settle on the same settlement day (i.e., Tuesday), T+1 and older as-of trades and next day settling trades not previously reported on the prior Consolidated Trade Summary, in each case in CUSIP order, reported as broad buys and sells by marketplace or source, netted by issue, quantity and money.

Each Consolidated Trade Summary issued on each settlement day reports activity compared or recorded, including cash trades which are due to settle on that same day for the period beginning after the cutoff time for the prior Consolidated Trade Summary and ending on the Corporation's cutoff time for such Consolidated Trade Summary.

Note: any T+2 or older as-of trades compared or recorded after such cutoff time on settlement day will settle on the next settlement day and appear on that night's Consolidated Trade Summary. **Notwithstanding the previous sentence, with respect to Index Receipts, if Index Receipts for same-day settlement are received by the Corporation after the applicable cut-off time, such Index Receipts will not be assigned a new settlement date and will be rejected.**

Net quantities purchased or sold in each security issue are entered into the CNS Stock Record together with their associated contract monies at the beginning of the Settlement Date processing cycle. Subsequent obligations (reflecting supplemental activity), together with their associated contract monies, are entered into the CNS stock record thereafter during such processing cycle until such cutoff time as the Corporation may determine.

Each Consolidated Trade Summary shows all equity and debt transactions and can be subdivided or totaled by marketplace of execution or source of trade input.

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