



SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-71156; File No. SR-NSCC-2013-13]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Discontinue its Stock Borrow Program

December 20, 2013

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 10, 2013, National Securities Clearing Corporation (“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. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consist of amendments to the Rules & Procedures (“Rules”) of NSCC to discontinue its Stock Borrow Program, as more fully described below.

II. Clearing Agency’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

¹ 15 U.S.C. 78s(b)(1). Defined terms that are not defined in this notice are defined in Exhibit 5 of the proposed rule change filing, available at <http://www.sec.gov/rules/sro/nsccl.html> under File No. SR-NSCC-2013-13, Additional Materials.

² 17 CFR 240.19b-4.

below. NSCC has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Over the past few years the use of NSCC's Stock Borrow Program, which allows NSCC Members to elect to loan their excess positions to NSCC's Continuous Net Settlement ("CNS") System in order to facilitate the completion of CNS long allocations, has declined. As such, NSCC is proposing to amend its Rules in order to discontinue the Stock Borrow Program.

One of NSCC's core services as a central counterparty is trade clearance and settlement through CNS, where compared and recorded transactions in eligible securities for a particular settlement date are netted by issue into one net long (buy) or net short (sell) position. As a continuous net settlement system, those positions are further netted with positions of the same issue that remain open after their originally scheduled settlement date (usually T+3), so that trades scheduled to settle on any day are netted with fail positions to result in a single deliver or receive obligation for each Member for each issue in which it has activity. Today, NSCC Members may elect to participate in the Stock Borrow Program by designating specific securities that are in their inventory at DTC to be available to be borrowed by CNS. If CNS cannot complete a delivery to a long Member because a short Member has not completed its delivery to CNS, NSCC looks to those designated securities and initiates deliveries from lenders to CNS if the lending Member has free excess positions at DTC. In turn, CNS delivers the position to a long Member and sets up a pending receive for the lending Member. If the position is not returned to the lender by the end of settlement day, i.e., the Member with the original obligation

to deliver to CNS does not complete that delivery, the lender receives full market value for the securities through NSCC settlement.

In 2007, NSCC borrowed a daily average of approximately \$1.85 billion in market value at the close of each day from the approximately 21 Members that participated in the Stock Borrow Program that year. Usage of the Stock Borrow Program has since dropped by almost 95%. In October 2013 only three Members participated in the Stock Borrow Program, and the average daily value borrowed at the close of day during that month was approximately \$81 million. Usage of the program has continued to drop since the end of October 2013. Given this dramatic reduction in the use of the program, NSCC has determined that it is not economically efficient to maintain the service, and NSCC is proposing to amend its Rules in order to discontinue the Stock Borrow Program. NSCC has informed the Members using the Stock Borrow Program of its intent to discontinue the program.

Implementation Timeframe

Subject to approval of this filing, NSCC will implement the proposed rule changes on a date announced by Important Notice.

Proposed Rule Changes

NSCC will remove reference to the Stock Borrow Program from Section E of Procedure VII (CNS Accounting Operation), and will remove Addendum C (NSCC Automated Stock Borrow Program Program) from its Rules as reflected in Exhibit 5 hereto.³ Addendum C will be designated as reserved for future use.

³ The Commission notes that Exhibit 5 to the proposed rule change is available at <http://www.sec.gov/rules/sro/nscs.shtml> under File No. SR-NSCC-2013-13, Additional Materials.

2. Statutory Basis

NSCC believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to NSCC, in particular Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (“Act”), which requires that NSCC’s Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. Given the dramatic reduction in the use of the Stock Borrow Program by NSCC’s Members, NSCC has determined that it is not economically efficient to maintain the service, and, as such, its proposed rule change will promote its ability to perform the prompt and accurate clearance and settlement of securities transactions.

(B) Clearing Agency’s Statement on Burden on Competition

NSCC does not believe that the proposed rule change will have any impact, or impose any burden on competition due to the dramatic reduction in use of the Stock Borrow Program by NSCC Members, as described above.

(C) Clearing Agency’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments relating to the proposed rule change have not yet 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, [sic] and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such a 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, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-NSCC-2013-13 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-NSCC-2013-13. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of such filings also will be available for inspection and copying at the principal office of NSCC and on NSCC's website at http://dtcc.com/legal/rule_filings/nsc/2013.php.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-NSCC-2013-13 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴

Kevin M. O'Neill,
Deputy Secretary.

[8011-01p]

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⁴ 17 CFR 200.30-3(a)(12).