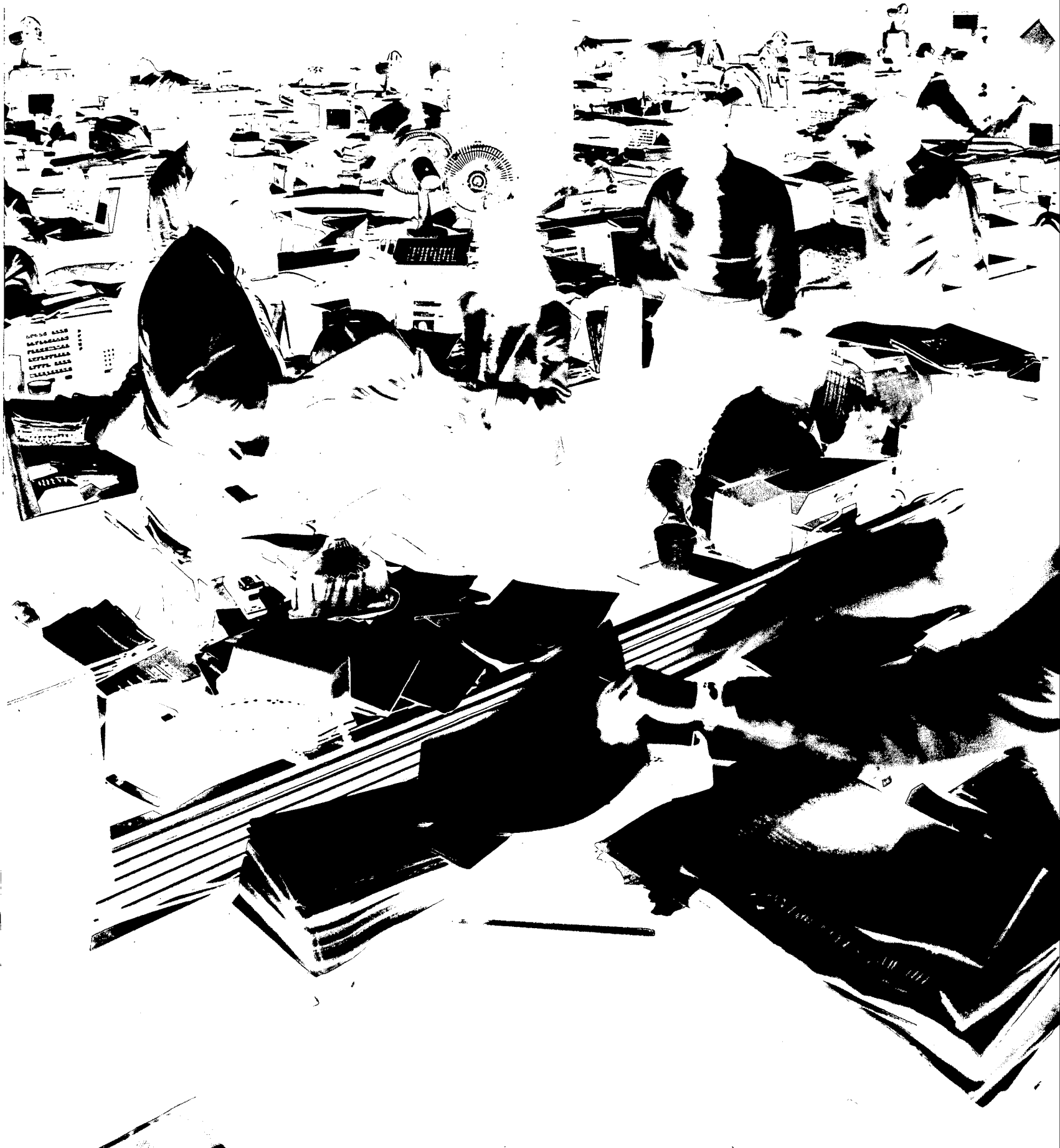




National Securities Clearing Corporation Annual Report 1980



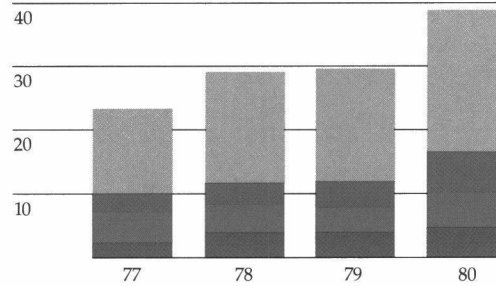


Annual Highlights

Total Volume of Transactions

in millions

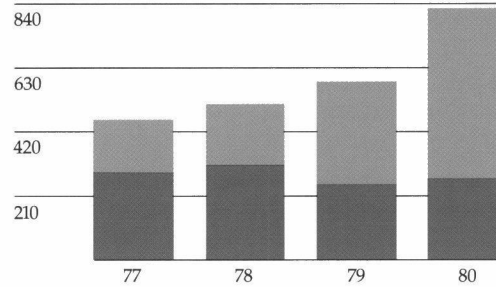
- Listed Stocks and Bonds
- OTC Stocks and Bonds
- Envelope Services
- Other



Total Value of Transactions Settled

in billions of dollars

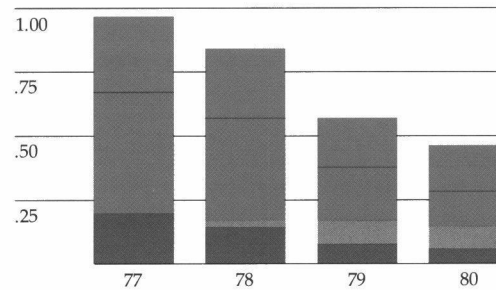
- CNS
- Balance Order System and Other



Average Per-Trade Cost

in dollars

- Trade Processing
- Clearance and Settlement
- Regulatory Fee
- Other



On the cover

Activity in the trading room of a full-service participant, which is among the more than 300 brokers, dealers and financial institutions NSCC serves.

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NSCC Directors Gilbert L. Pamplin, William J. Fields and Francis C. Farwell at the communications base where input and output flow between NSCC's central data processing facility in New York and its regional facilities. Leland H. Amaya (right), Chairman of Securities Industry Automation Corporation, NSCC's facilities manager, guides their tour.



Report of the Chairman and President

As highlighted on the first page and discussed throughout this report, NSCC was more successful in 1980 than in any of its three previous years of operation. Processing and dollar-volume records were set in many areas of our business.

Since January 1, 1980, we have welcomed 29 new participants as users of our services. We also focused on strengthening our relationships with other categories of brokers, dealers and financial institutions, notably municipal securities firms and banks. In November, the Securities and Exchange Commission approved our Municipal Bond rule filing authorizing NSCC to offer, on a pilot basis, automated processing services to municipal securities firms. The Commission recently approved acceleration of the pilot and thus far, more than 20 firms are processing municipal securities transactions through NSCC.

Our own organization grew during the year, notably in the areas of planning, financial control and market surveillance. We have assumed operating control of our Correspondent Delivery and Collection Service facilities in Los Angeles and San Francisco, and this month opened a new regional facility in Denver, our tenth full-service facility outside New York.

Our systems have kept pace with soaring trade volume, providing efficient and timely processing services at the lowest per-trade cost in our history. The discounts on participants' monthly bills, which averaged 53% for the year, reflected this achievement. At the same time, a number of enhancements and new programs were incorporated into the array of services that we offered to our participants. Some of these, such as the Executed By and Demand As Of enhancements to the OTC Comparison System, the Stock

Borrow Program and improved money settlement procedures, are described later in the sections on Trade Processing and Clearance and Settlement.

A project has been undertaken to upgrade our direct transmission capabilities over the course of 1981 and 1982. These planned improvements will increase the speed of data input and output between NSCC and its participants, providing increased capacity for securities processing. NSCC also recently began collaborating with the National Association of Securities Dealers on the conceptual development of a new capability for the comparison of OTC transactions which would include on-line reconciliation of problem trades.

On the legal and regulatory front, 1980 and early 1981 have been eventful times. On February 20 of this year, the SEC reaffirmed NSCC's positions on geographic price mutualization (GPM) and on the selection of our facilities manager without competitive bidding. These two issues had been remanded by the U.S. Court of Appeals in 1978 as a result of a suit challenging NSCC's registration as a clearing agency. GPM is the pricing policy NSCC had sought to follow by charging participants equally for services, regardless of whether the services are provided in New York or at another of its branch facilities. NSCC is in the process of filing a new rate structure that will eliminate the regional surcharges on listed processing which had been ordered by the SEC in 1979 as an interim measure.

The SEC further affirmed that competitive bidding was not required at the time of the initial letting of our facilities management contract in 1977, nor should it be imposed prospectively, although the Commission has reserved the right to review our subsequent actions and determinations.

Earlier this year, NSCC also resolved differences with Bradford National Corporation and its subsidiaries which

had led to the filing of a suit by NSCC last summer. The basis for NSCC's suit had been Bradford's opposition to our rule filing for municipal bond processing which delayed the approval of our system. Several months after both NSCC and Bradford's rule filings were approved, but with the issue of a free clearing interface referred to an industry committee for resolution, Bradford withdrew its free clearing interface request and agreed to pay for NSCC's services on the same terms as any non-clearing-agency participant. NSCC withdrew its suit and asked the SEC for permission to accelerate expansion of the municipal bond system pilot. Permission was received shortly before publication of this report.

NSCC has entered its fifth year of operation within the national clearance and settlement system. NSCC continues to be dedicated to the goals that have directed us since we began operation in 1977: to provide innovative, cost-effective services while responding to higher volume requirements, enhancing existing systems, developing new services, and expanding eligible securities issues and participation in services. These goals are consistent with NSCC's cooperation with other clearing corporations for the continued development of a national clearance and settlement system.



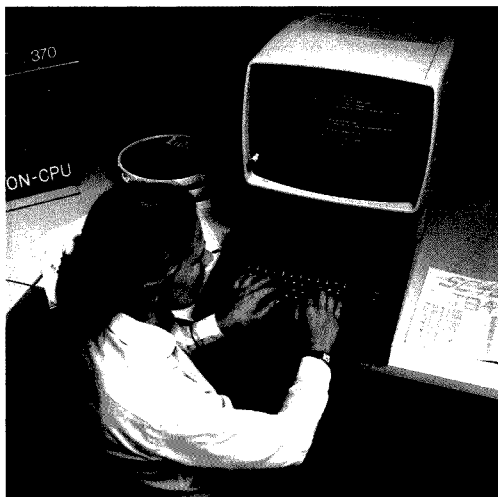
Robert P. Rittereiser
Chairman of the Board



Jack Nelson
President

April 1981

The National Clearance and Settlement System: NSCC's Role



On a national scale, NSCC offers Trade Processing, Clearance and Settlement, and Delivery Systems. Trade Processing (above) consists of Comparison and Trade Recording.

In providing clearance and settlement processing services, NSCC operates within the matrix of the national clearance and settlement system. This interfaced network of clearing corporations and depositories has its roots in the Securities Acts Amendments of 1975. The system facilitates the "prompt and accurate clearance and settlement of transactions and safeguarding of securities and funds" on a national basis. It further enables participants of any clearing corporation to trade in any marketplace and still settle in a single location.

As the successor corporation to the three New York-based clearing subsidiaries of the New York and American Stock Exchanges and National Association of Securities Dealers, NSCC has become a prominent member of the national system. Its previous achievements in providing cost-effective systems are well documented in this and the previous three annual reports.

In its short period of operation, NSCC has earned a reputation as an innovative leader which responds to industry needs with service and technological advances. Many of the enhancements which are now widely available through most registered clearing agencies were initially designed by NSCC for its own participants.

In developing such systems, especially in the area of trade reporting and reconciliation, NSCC works closely with its marketplace shareholders, the NYSE, Amex and NASD.

NSCC has also demonstrated innovative leadership through support of the Securities and Exchange Commission's endeavors to define the national clearance and settlement system and establish standards and regulations during its continued evolution. Both through written comments and in-depth oral discussions, NSCC has contributed to the Commission's guidelines for permanent registration and new rules regarding clearing agency requirements.

In mid-1980 when the SEC Division of Market Regulation defined the general standards for use in evaluating clearing agencies' organizations, capacities and rules, it incorporated many of the comments contributed by NSCC, based on its own experience. Representing the most comprehensive summary of the SEC's thinking to date, the standards fit squarely with many of NSCC's own views and practices.

Among them:

- While a clearing agency has to protect its own financial and operational integrity, it should not discriminate unnecessarily or unfairly in providing access to its services.
- Participants should be given a meaningful opportunity to be represented in the selection of directors and in the administration of the clearing agency's affairs, including early notification of proposed rule changes.

- A clearing agency should be able to enforce compliance with its rules while adhering to fair grievance procedures.
- The Clearing Fund should be based on a formula applicable to all users and should be composed of cash or highly liquid contributions.
- A clearing agency's fees should be allocated equitably.
- A clearing agency should have an internal audit department and have detailed plans to assure the physical safeguarding of securities and funds and the integrity of its computer systems. The Board should include a committee which would select the agency's independent public accountant and review with the accountant the nature and scope of the work to be performed and then publish the results on a timely basis.



Clearance and Settlement services consummate trades through the exchange of securities and funds, in an increasingly automated environment at NSCC.

NSCC has also become a pacesetter in fulfilling not only the letter but also the spirit of the SEC's guidelines for clearing agencies. By means of rule filings in 1980, NSCC has proposed participation standards of operational and financial capability for brokers and dealers, sought to allow participants to use Letters of Credit to collateralize their Clearing Fund deposits and proposed to restructure its Clearing Fund to more directly track liabilities to participants in each distinctive service.

In addition, NSCC has piloted efforts to integrate other areas of the financial community into the national system, notably municipal securities firms. In 1980, the SEC approved NSCC's Municipal Bond rule filing, allowing the clearing corporation to process municipal securities on a pilot basis. This allowed NSCC, beginning in late 1980, to offer municipal securities firms an automated system with the benefits of a central location for delivery of trade data, comparison processing with next-day reporting of discrepancies, trade netting and computer-generated receipt and delivery tickets.

Having long desired to offer these services for municipal securities on the same basis that it offers them for equities and corporate bonds, NSCC was even more anxious to do so after assisting in emergency processing of a New York State municipal issue that was heavily traded in the fall of 1979. At that time, NSCC's automated systems accepted 493 trades for 75,555 bonds valued at over \$70 million. Through its netting capability, NSCC simplified the actual settlement to 44 balance orders for 9,630 bonds valued at less than \$9 million.

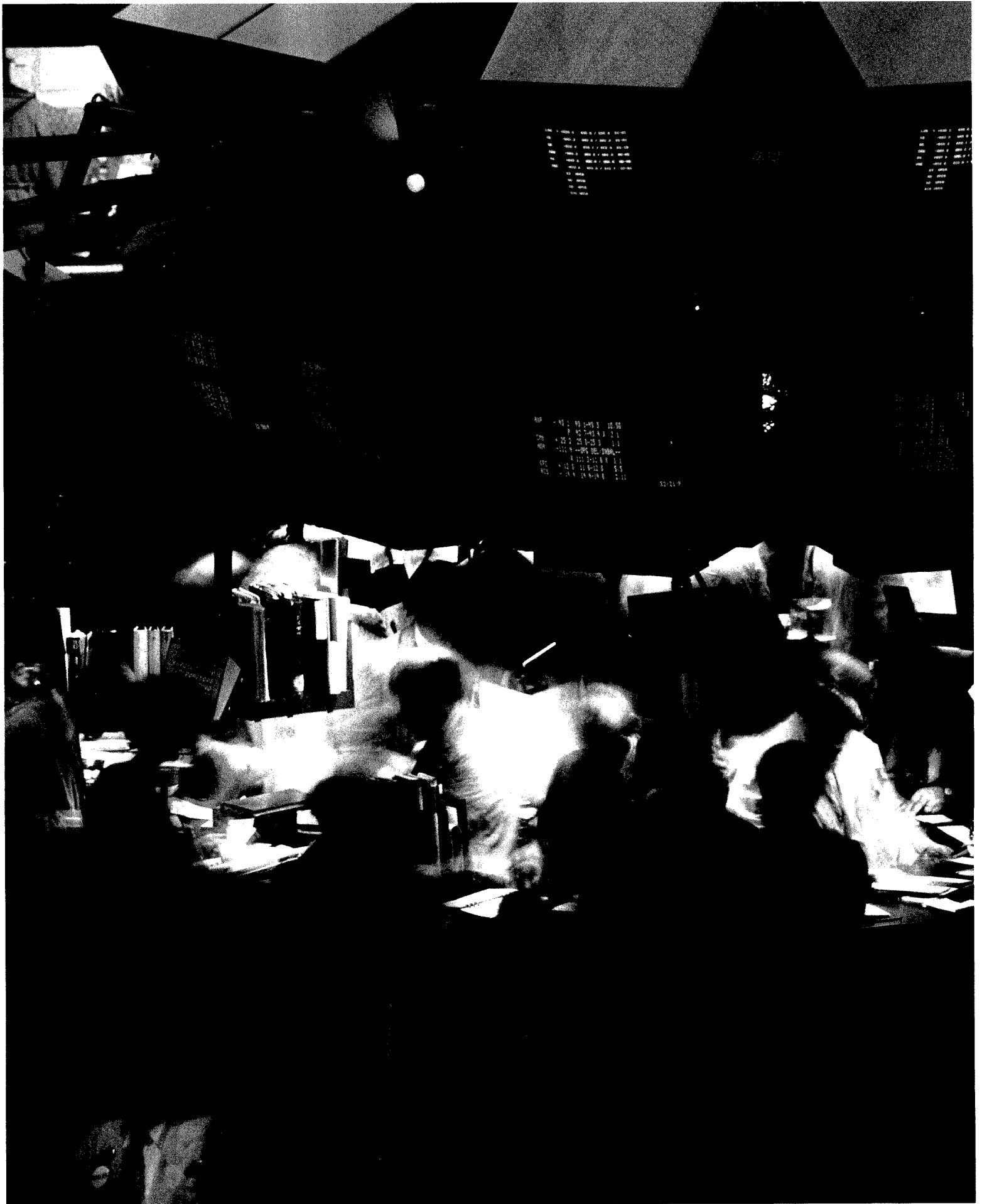
NSCC also has shown its willingness to represent other clearing agencies and self-regulatory agencies on issues which mutually concern them, such as customer



Delivery services at NSCC emphasize speed without sacrificing the integrity of controlled movement. Physical delivery systems consist primarily of centralized envelope processing.

segregation requirements under Commission Rule 15c3-3, and potentially new liability under the Bankruptcy Code.

NSCC's major service categories are Trade Processing, Clearance and Settlement, and Delivery Systems. These services, and changes to the Clearing Fund, are discussed in the sections which follow.



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Trade Processing

Trade volume broke all records in 1980. As the chart below indicates, NSCC's equity processing increased by 51.2% for the full year. Having prepared for heavy volume periods, NSCC maintained efficiency and order in its own processing. Aided by a newly installed IBM 3033N8 system, which provided substantially expanded computer capacity, NSCC also developed a number of significant enhancements, while committing additional resources to help participants in handling increased volume.

Most of the Trade Processing enhancements centered on Comparison Systems. NSCC's most significant OTC Comparison enhancements for 1980 were the Executed By and Demand As Of capabilities. The Executed By enhancement created new input and output formats which make the executing broker a required element in the matching procedure in order to facilitate efforts to research and resolve uncomparated trades. The procedure also includes an automatic search capability to determine the minor-side clearing broker. Once a participant incorporates the Executed By feature into its trade input, the firm can

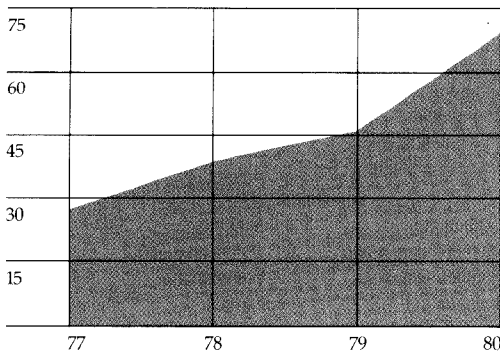
begin using the Demand As Of enhancement to compare, or eliminate liability for, trades which have remained uncomparated beyond normal processing cycles. The Demand As Of is unique in that it generates a Demand Advisory which requires a response, within three days, from the broker receiving it. If the firm does not respond within that time, a compared trade is automatically generated. To encourage timely responses, fees for Demand Advisories are charged to the participants receiving them, increasing on each of the three successive days.

NSCC increased the number of transactions eligible for its listed suggested-name technique which suggests matches, subject to confirmation by the parties to the trade. In the OTC system, NSCC also expanded the use of Advisories for As Of and Withhold transactions to all interfacing clearing corporation participants in 1980. This feature had previously been limited to NSCC participants. The Non-CNS Compared Trade Summary was introduced providing better organized and detailed information on the non-CNS issues to be settled as Balance Orders or Special Trades. Also, in a pilot that began in 1979 for the NYSE's 25 largest member firms and 33 clearing specialists, NSCC issued biweekly reports which ranked each firm's relative Comparison performance. An improved and expanded version of the Comparison Analysis Report will be introduced for all participants in 1981.

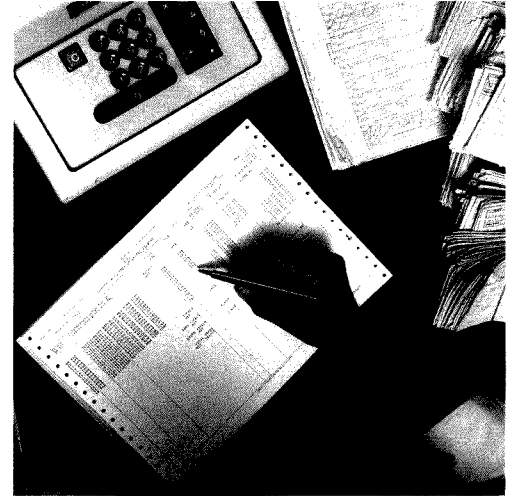
As the most volume-sensitive of NSCC's services, Trade Processing faced a critical test within the first week of 1981. On January 7, the equity markets set a new combined-volume record with 92.9 million shares traded on the NYSE, 15.7 million shares on the Amex and 53.2 million shares in the OTC market. Ready to handle peak volume, NSCC and its participants completed all phases of the trade processing within the scheduled time-frames.

Average Daily Equity Transactions

in millions of shares

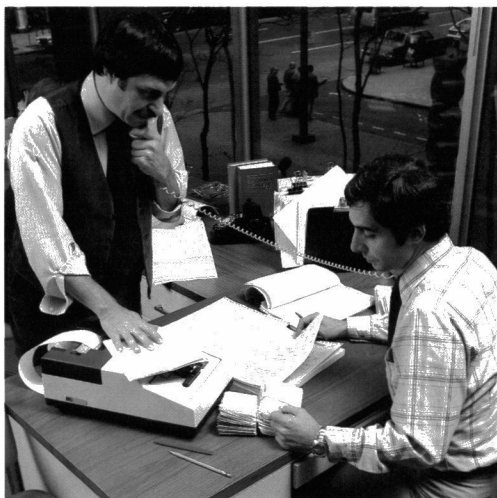


January 7 trading at NYSE Post 6, which contributed to record processing volume and dollar settlements at NSCC.



Details of transactions, as submitted by both buyers and sellers, are validated and matched.

Clearance and Settlement



Clearing center personnel verify statements prior to distribution.

In Clearance and Settlement, NSCC determines securities positions and monies to be settled, and then either transfers securities in participants' accounts at The Depository Trust Company through Continuous Net Settlement (CNS) or produces Balance Orders for securities that are due for physical delivery. The system's netting capability became increasingly important during 1980 as trade volume increased to dramatic new levels.

More than 1,000 security issues were added to NSCC's Clearance and Settlement master file during 1980, including, for the first time, municipal securities.

To be ready for the growth of municipal securities processing, NSCC in 1980 and early 1981 began a major restructuring of its Balance Order System. NSCC plans to shortly assume an intermediary role in all physical deliveries and receipts resulting from Balance Orders. It will interpose itself as the contra side to each participant's netted positions and thus will guarantee Balance Orders through settlement.

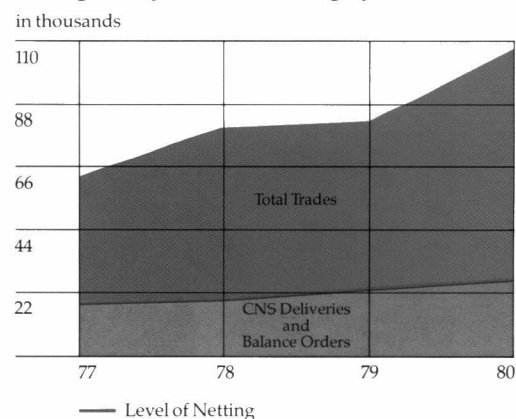
Receive and deliver obligations still open at the end of each day's processing cycle will be marked to the market, with the mark incorporated into the participants' daily money settlement. Further, with the clearing corporation acting as contra side, confidentiality between buyers and sellers will be assured. Several Balance Order System changes have already been introduced, including a modification to provide a more precise calculation of settlement prices for stocks valued under \$10.

NSCC also improved the money settlement process. In September 1980, it began reporting participants' preliminary settlement information by electronic display, utilizing PTS (Participant Terminal System) equipment available through The

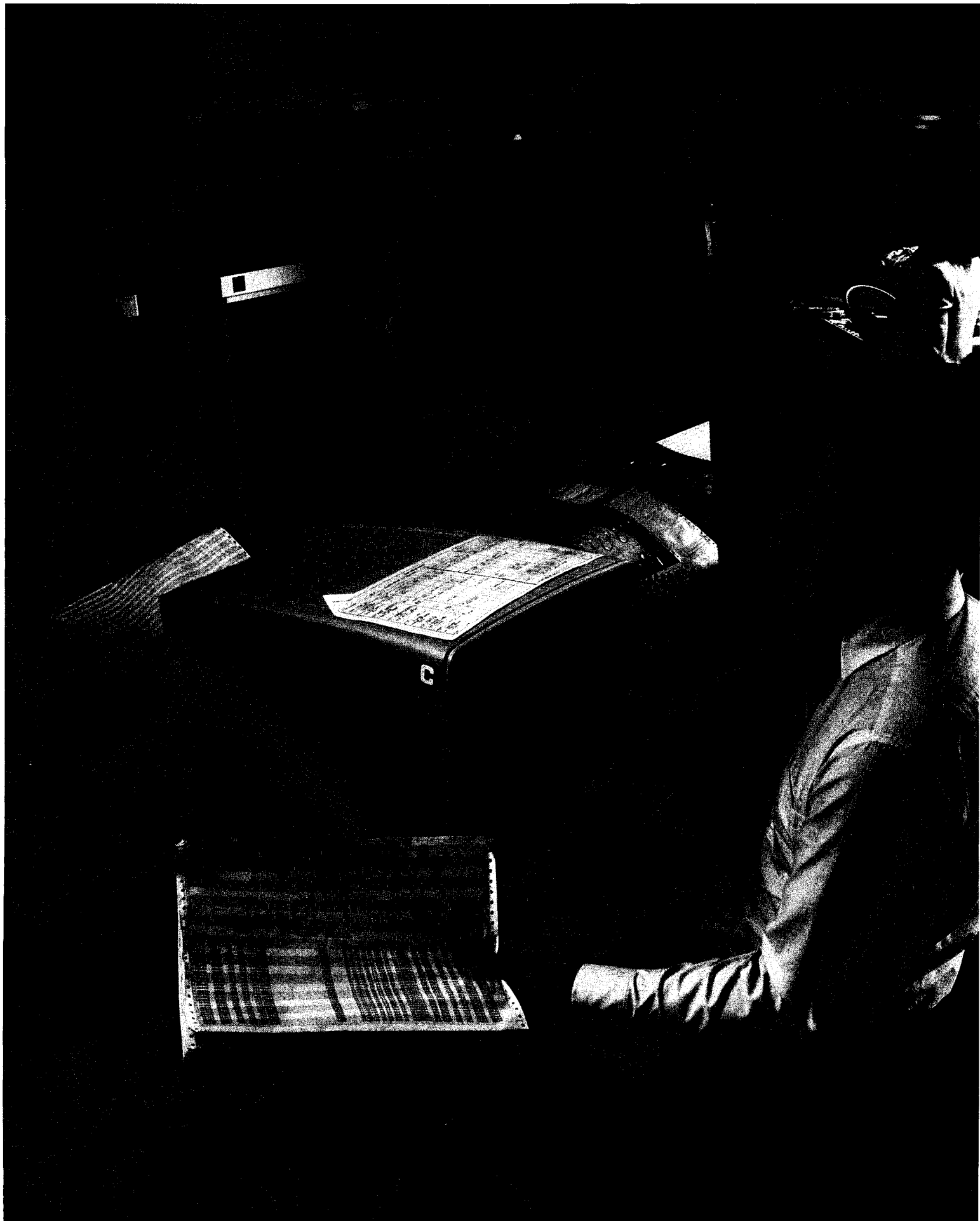
Depository Trust Company. This gained participants a critical 30 to 60 minutes in settlement processing each day. In early 1981, procedures relating to settlement drafts were also improved with the phasing in of computer-printed settlement checks, replacing drafts formerly prepared individually by participants.

The Stock Borrow Program became available to all participants in early 1980 enabling NSCC to more effectively meet CNS needs for buy-ins and priority requests for CNS allocations. Participants make securities available for NSCC to borrow as needs arise during CNS processing. They are advanced the full market value of the borrowed securities until returned. Currently the program has a need for over \$200 million in stocks and bonds daily, representing a significant opportunity for participants to increase their securities lending activities.

Average Daily Effect of Netting Systems

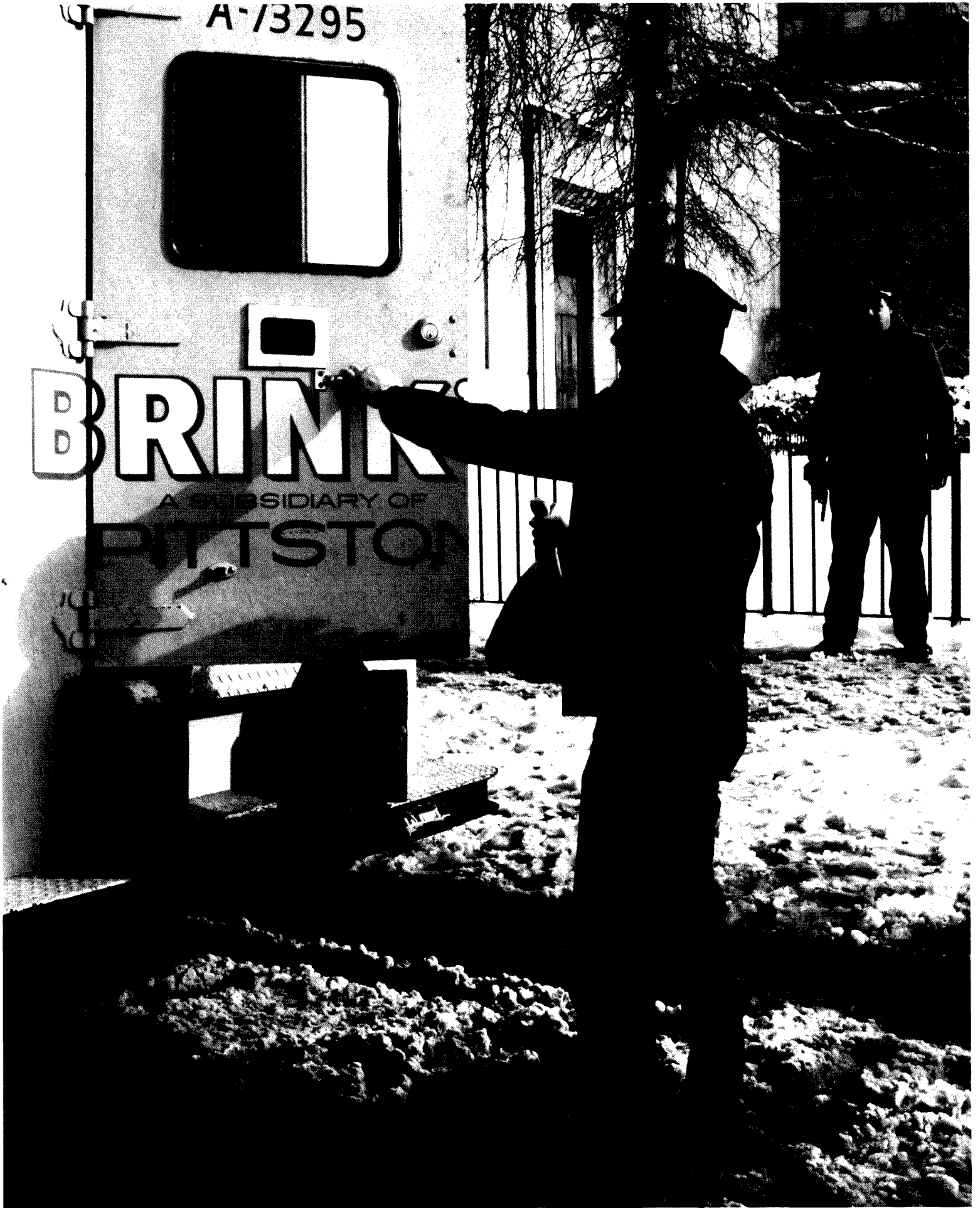


Through the CNS system, numerous transactions are netted into a single position in each issue. Securities are moved electronically between the net seller and net buyer's accounts.



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BRINK
A SUBSIDIARY OF
PITTSBORO

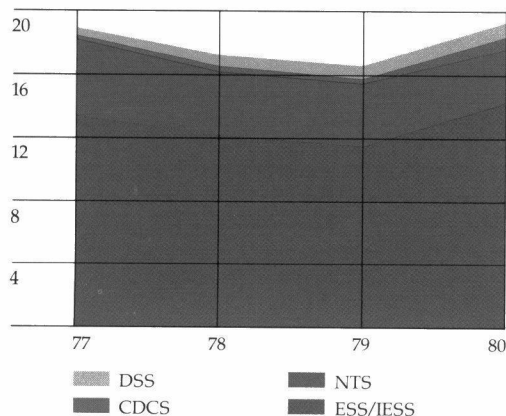


Delivery Systems

Delivery Systems for transporting securities and payments safely and efficiently throughout the U.S. are an integral part of the many services which NSCC provides. In 1980, participant usage of the varied delivery services, such as the Envelope Settlement Service and Intercity Envelope Settlement Service (ESS and IESS), Correspondent Delivery and Collection Service (CDCS), National Transfer Service (NTS), and Dividend Settlement Service (DSS), increased significantly, as indicated in the chart below.

The increase in deliveries during 1980 countered a reduced volume in physical deliveries in the past several years. Increased overall trading volume and the growth of services such as Special Order Outs have contributed to the increased utilization of these delivery systems.

Average Daily Number of Envelope Deliveries
in thousands

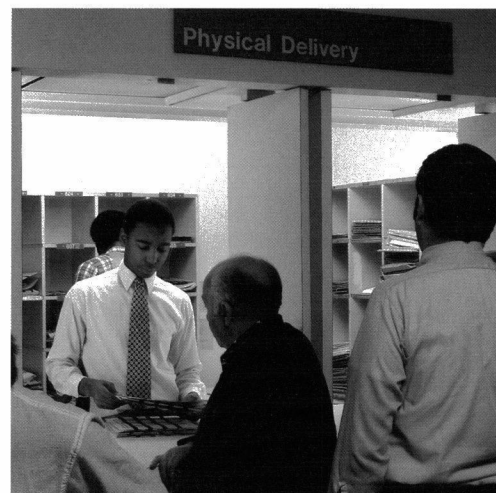


The Special Order Out service enables participants to make settlement-day physical deliveries in certain cities and thereby to frequently collect funds a day earlier than would normally be the case. During 1980, NSCC expanded the number of Special Order Out delivery locations to a total of 14 cities.

Paralleling the growth of Special Order Outs, CDCS volume increased in 1980. NSCC also expanded its CDCS capabilities by assuming operating control of its two California locations, in Los Angeles and San Francisco, and by growing to a total of 29 delivery points by year-end.

Similarly, the National Transfer Service added 4 cities, for a total of 47 locations where participants may arrange for transfer of certificate ownership in a controlled delivery system. Additionally, a rule filed in the fall of 1980, and approved subsequently by the SEC, to create a signature distribution system will simplify signature guaranty procedures for many firms.

During 1980 NSCC developed plans to improve ESS processing by encoding envelopes with a bar code similar to that used in retail stores. This machine-readable code will facilitate the logging of envelopes in and out of the delivery area, providing NSCC and participants with constant, immediate access to information on the status of all physical deliveries. In addition to providing a better control over deliveries, it will also supplement NSCC's existing procedures for tracing securities reported as lost.



Physical delivery services include Envelope and Intercity Envelope Settlement, Correspondent Delivery and Collection, National Transfer, Dividend Settlement and other services.

Armed guards escort deliveries between NSCC's central and branch facilities.

Clearing Fund



Protection is provided by continuous video monitoring and other control procedures at NSCC's facilities.

NSCC's Clearing Fund, to which participants contribute according to their level of processing activity and which secures obligations and mutualizes the risk of potential losses, grew considerably in 1980. An increase in participants and in the volume of transactions secured by the fund were the chief sources of this growth.

Although the Clearing Fund was substantially larger, participants' cash deposits actually decreased. Above the \$10,000 minimum cash requirement, participants can substitute bearer bonds issued or guaranteed by the U.S. Government, its states and their political subdivisions, with the interest accruing to the participant. Throughout 1980, more participants selected this funding alternative.

In May, NSCC filed a rule change with the SEC that would give participants an additional option — that of using Letters of Credit to collateralize their Clearing Fund obligations above the minimum cash requirement. Letters of Credit are generally available at lower cost than the net cost of depositing cash and government securities. The rule change also proposed guidelines and qualifications for banks which would write Letters of Credit on behalf of NSCC participants.

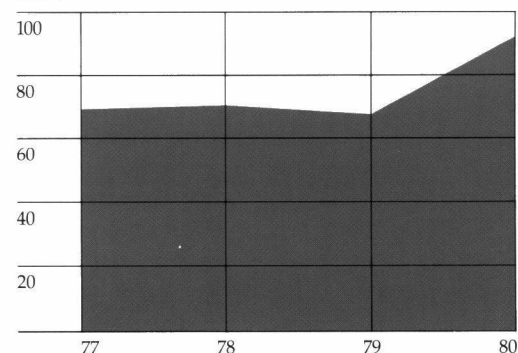
A change was also made in the administration of the Clearing Fund during 1980. Although NSCC's listed and OTC Clearing Funds had been merged in 1979 — a move which resulted in the return of nearly \$5 million in participants' excess cash deposits — the physical assets of the fund were still divided among ten bank accounts. In 1980, in order to simplify internal administration and control of the Clearing Fund and thereby reduce expenses, NSCC consolidated the funds into one major custodial account.

NSCC's recently revised registration Form CA-1 featured proposed amendments to its Clearing Fund and Financial Responsibility Rules. The Clearing Fund amendment proposes an internal division of the fund into two segments, one supporting CNS book-entry obligations and the other, envelope settlement obligations.

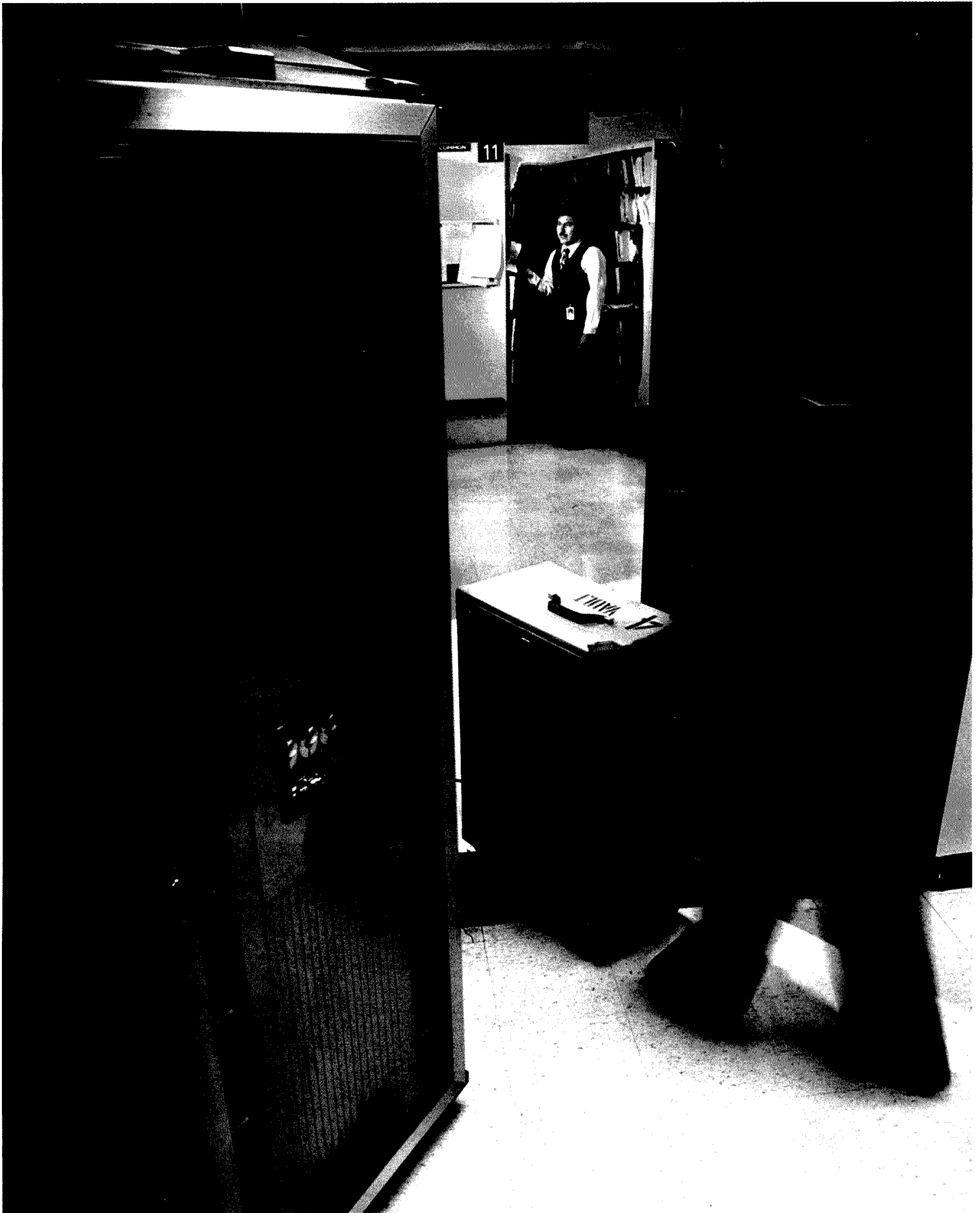
This internal division of the fund would limit all participants' liability from a member impairment to their percentage-of-utilization share of the particular segment which has the loss, thus affording a more equitable means of allocating potential losses. The rule further proposes limiting NSCC's right to assess participants in the event of default. NSCC would then have a maximum assessment of one times the Clearing Fund deposit, as opposed to the present two times. The Clearing Fund rule also provides for all participants, including banks, to contribute to the Clearing Fund based on services used. This means that banks, currently classified as "non members," would share in the rights and responsibilities of full participation.

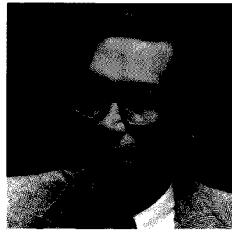
Average Clearing Fund Deposits
(based on the last day of each month)

in millions of dollars

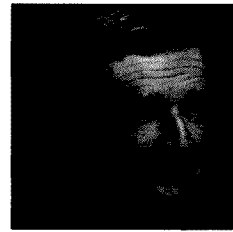


Securities arrive for safekeeping at The Depository Trust Company. DTC is linked with NSCC in the national clearance and settlement system.





Joseph Cattivera



Francis C. Farwell



William J. Fields

NSSC Board of Directors

Joseph Cattivera
Executive Vice President
Mitchel, Schreiber, Watts & Co. Inc.

Francis C. Farwell
Partner
William Blair & Company

William J. Fields
Executive Vice President & Treasurer
Wheat, First Securities, Inc.

Edward C. Gilmore, Jr.
Senior Vice President
Rauscher Pierce Refsnes, Inc.

Joseph L. Gitterman, III
Partner
LaBranche & Company

John E. Herzog
President
Herzog, Heine, Geduld, Inc.

C. Richard Justice
Senior Vice President
National Association of Securities Dealers, Inc.

Donald D. Kittell
Executive Vice President
New York Stock Exchange, Inc.

Jack Nelson
President
National Securities Clearing Corporation

Gilbert L. Pamplin
Executive Vice President & Treasurer
J.J.B. Hilliard, W.L. Lyons, Inc.

Robert P. Rittreiser
Executive Vice President
Merrill Lynch, Pierce, Fenner & Smith Inc.

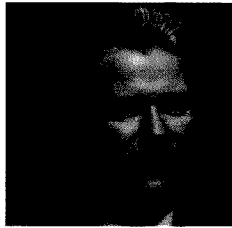
J. Philip Smith
Executive Vice President
Lewco Securities Corp.

Milan S. Soltis
Vice President
The Chase Manhattan Bank, N.A.

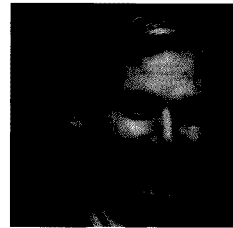
Paul Underwood
Senior Vice President
E.F. Hutton & Company, Inc.

George A. Vonder Linden
Executive Vice President
Smith Barney, Harris Upham & Co., Inc.

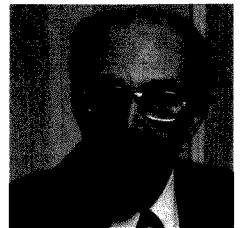
Stephen L. Williams
Vice President
American Stock Exchange, Inc.



Edward C. Gilmore, Jr.



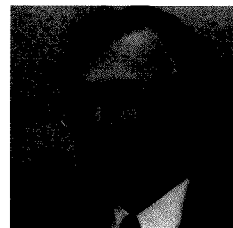
Joseph L. Gitterman, III



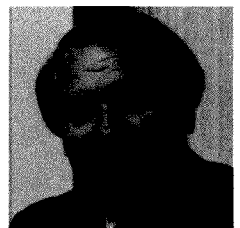
John E. Herzog



C. Richard Justice



Donald D. Kittell



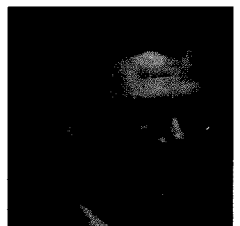
Jack Nelson



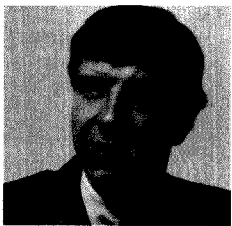
Gilbert L. Pamplin



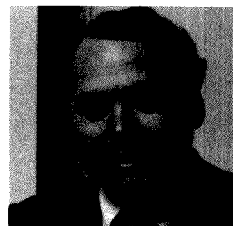
Robert P. Rittreiser



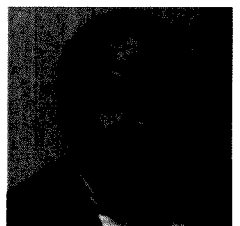
J. Phillip Smith



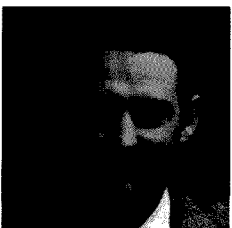
Milan S. Soltis



Paul Underwood



George A. Vonder Linden



Stephen L. Williams

Board of Directors

In each Annual Report since NSCC began operation in 1977, a recurring line in the Notes to Financial Statements states that the Company is guided "by an independent user Board of Directors which is responsible for its policies, operations and financing."

The 16 current members of the Board are shown at left; 12 of them, including the Chairman, are from participant firms and represent the broad diversity of the securities industry. The remaining members of the Board are NSCC's President and three shareholder directors appointed by the New York Stock Exchange, American Stock Exchange and National Association of Securities Dealers.

During 1980, the Board continued its vital role in managing the clearing corporation and directing its interaction with participants, other clearing corporations, marketplaces and the SEC. Under Chairman Robert P. Rittereiser, Executive Vice President of Merrill Lynch, Pierce, Fenner & Smith Inc., who was elected Chairman in April, and Robert M. Flanagan, Executive Vice President, Dean Witter Reynolds Inc., who had been Chairman since NSCC was incorporated in 1976, the Board established corporate objectives and monitored the Corporation's progress toward achieving them through short and long term corporate goals.

In order to achieve its corporate objectives NSCC must provide a full range of efficient, low-cost and reliable clearing services to NSCC participants; participate actively in the development and operation of the national clearance and settlement system; support, as appropriate, the national market system as well as individual marketplaces; seek to increase the number

of participants and the extent of their individual participation; broaden the number and type of securities eligible for the NSCC clearance systems; and minimize the risk associated with clearance and settlement for both NSCC and its participants. NSCC must also provide services to all participants on a basis that is most equitable and cost-effective.

The Board also strives to have NSCC remain responsive to participant needs and be innovative in solving clearing-related industry problems; to provide clearing services in the maximum number of geographic locations consistent with participants' needs and other corporate objectives; and to support efforts, develop systems and provide services that further the goal of certificate immobilization.

To additionally focus NSCC's responsiveness on participants' needs and concerns, the Board has five standing committees — Executive, Finance, Operations, Membership and Regional Firms.

The Executive Committee acts as and has the full authority of the Board of Directors between meetings. In addition to recommending additions to, and changes in, corporate policy, the Committee monitors the performance of other Board Committees and the NSCC staff to ensure conformity with Board policy and progress towards achievement of corporate goals. The Operations Committee audits NSCC's operational performance in providing services to participants and gives direction to

Participants of NSCC

The following firms are participants of National Securities Clearing Corporation as defined by the Securities Exchange Act of 1934. Other organizations use certain limited services offered by NSCC. For a complete listing of services provided and participants, please write to the Director of Membership, NSCC, 55 Water Street, New York, New York 10041. Data compiled as of March 11, 1981.

ABD Securities Corporation
Adams, Harkness & Hill, Inc.
Adler, Coleman & Co.
Advest, Inc.
Agar Inc.
Agora Securities, Inc.
Alger (Fred) & Company, Incorporated
Allen & Company Incorporated
Alstead, Strangis & Dempsey Incorporated
Amalgamated Bank of New York
American Securities Corporation
American Stock Exchange Clearing Corporation
Ames (A. E.) & Co., Incorporated
Anderson & Strudwick, Inc.
Arnhold & S. Bleichroeder, Inc.
Asiel & Co.
Atlantic Capital Corporation
Bache Halsey Stuart Shields Incorporated
Bacon, Whipple & Co.
Baird (Robert W.) & Co., Incorporated
Baird, Patrick & Co., Inc.
Bank Leumi Trust Company of New York
Bank of New York (The)
Bankers Trust Company
Bear, Stearns & Co.
Beauchamp & Co.
Becker (A. G.) Incorporated
Bedford Partners
Bell & Beckwith
Bellamah, Neuhauser & Barrett, Inc.
Benton, Newman, Mosca & Co.
Bernstein (Sanford C.) & Co., Inc.
Blair (William) & Company
Blunt, Ellis & Loewi Incorporated
Boettcher & Company
Boston Stock Exchange Clearing Corporation
Bradford Broker Settlement, Inc.
Bradford (J. C.) & Co.
Bradford Securities Processing Services, Inc.
Bradford Trust Company
Bradford Trust Company of Boston
Branch, Cabell & Co.
Brandt (H. A.) & Associates, Inc.
Brown & Company Securities Corporation
Brown (Alex.) & Sons
Brown Brothers Harriman & Co.
Bruno, Nordeman, Rea & Co.
Burgess & Leith Incorporated
Burns Fry and Timmins Inc.
Burns, Pauli & Co., Inc.
Canadian Depository for Securities Limited (The)
Canadian Imperial Bank of Commerce
Cantor (S. B.) & Co., Inc.
Cantor, Fitzgerald & Co., Inc.
Capital Shares, Inc.
Carmley Corporation
Carolina Securities Corporation
Carr & Thompson, Inc.
Carr Securities Corp.
Cartwright (L.) & Co.
CBT Clearing Corp.
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Chicago Corporation (The)
Christopher (B. C.) & Company
Cincinnati Stock Exchange
Citibank, N.A.
Cleary & Co. Inc.

Board of Directors (continued)

Participants of NSCC (continued)

Coburn & Meredith, Inc.
 Colin, Hochstin Co.
 Conklin, Cahill & Co.
 Conning & Co.
 Cosentino & DeFelice, Inc.
 Cowen & Co.
 Craig-Hallum, Inc.
 Cutter & Dixon
 Dain Bosworth Incorporated
 Daiwa Securities America Inc.
 Davenport & Co. of Virginia, Inc.
 Davis (Shelby Cullom) & Co.
 Dean Witter Reynolds Inc.
 de Cordova, Cooper & Co.
 Deltec Securities Corporation
 Denton & Co., Inc.
 Dillon, Read & Co., Inc.
 Doft & Co., Inc.
 Dominick Investor Services Corp.
 Donaldson, Lufkin & Jenrette Securities Corporation
 Drexel Burnham Lambert Incorporated
 Drysdale Securities Corporation
 Easton & Co.
 Eberstadt (F.) & Co., Inc.
 Edwards (A.G.) & Sons, Inc.
 Einhorn & Co.
 Engler & Budd Company
 Eppler, Guerin & Turner, Inc.
 Equity Securities Trading Co., Inc.
 Ernst & Company
 EuroPartners Securities Corporation
 European American Bank and Trust Company
 Evans & Co., Incorporated
 Exchange Services, Inc.
 Execution Services Incorporated
 Fagenson & Company, Inc.
 Fahnstock & Co.
 Ferris & Company, Incorporated
 Fiduciary Trust Company of New York
 Financial America Securities, Inc.
 First Albany Corporation
 First Birmingham Securities Corporation
 First Boston Corporation (The)
 First Independent Stock Transfer Agent, Inc.
 First Jersey National Bank
 First Jersey Securities, Inc.
 First Manhattan Co.
 First Mid America Inc.
 First National Boston Clearance Corp.
 First Southwest Company
 Flagship National Bank of Miami
 Foster & Marshall Inc.
 Frances (E.G.) & Co.
 Frank (Walter N.) & Co.
 Frankel (Wm. V.) & Co., Inc.
 Freehling & Co.
 Freeman Securities Company, Inc.
 French American Banking Corp.
 Fried (Albert) & Co.
 Gintel & Co.
 Goldberg Securities
 Goldman Sachs & Co.
 Gowell Securities Corp.
 Gradison & Co., Inc.
 Granger & Company
 Greenwich Options Co.
 Gruntal & Co.
 Gruss (Oscar) & Son Incorporated
 Haas Securities Corporation
 Hartford National Bank and Trust Company
 Haupt, Andrews, Fraiman & Hug
 Hawthorne Securities Corporation
 Heitner Corporation (The)
 Henderson Brothers, Inc.
 Herzfeld & Stern
 Herzog, Heine, Geduld, Inc.
 Hill, Thompson, Magid & Co., Inc.
 Hilliard (J.J.B.), Lyons (W.L.), Inc.

NSCC's operations and systems planning efforts. The Finance Committee is responsible for NSCC's financial viability and integrity, reviews and monitors NSCC's financial performance, directs and coordinates the independent outside audit of NSCC's finances, and reviews, establishes and monitors operating and capital budgets. The Membership Committee oversees the operation of NSCC's programs in the member financial and operational accountability areas. The Committee enforces compliance with the Clearing Corporation's rules and procedures and reviews and makes recommendations in the general membership areas. The Regional Firms Committee, a new committee dedicated to the concerns of NSCC's regionally based firms, was established in the summer of 1980. Appointments to all committees are rotated on an annual basis, with members assigned by the full Board. The 1980 committee members are listed on the inside back cover of this report.

Several changes in the Board occurred during 1980. On April 30, 1980, three new directors were elected and one director was reelected. The elected directors were Edward C. Gilmore, Jr.; Joseph L. Gitterman, III; and J. Philip Smith. A director since 1979, Francis C. Farwell was reelected to a three-year term. Amex's Stephen L. Williams joined the Board on February 1, and the NYSE's Donald D. Kittell joined in late December, replacing Robert T. Eckenrode and Vincent W. Plaza, respectively.

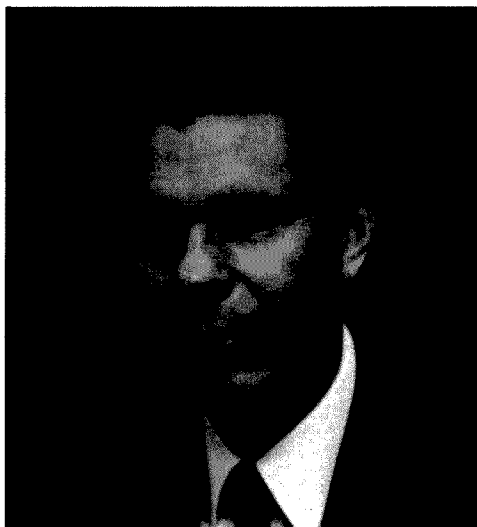
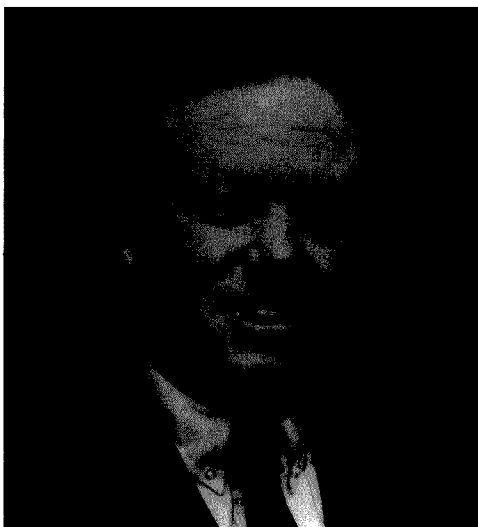
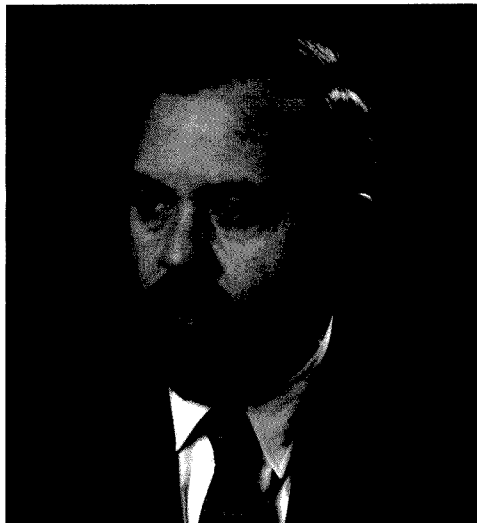
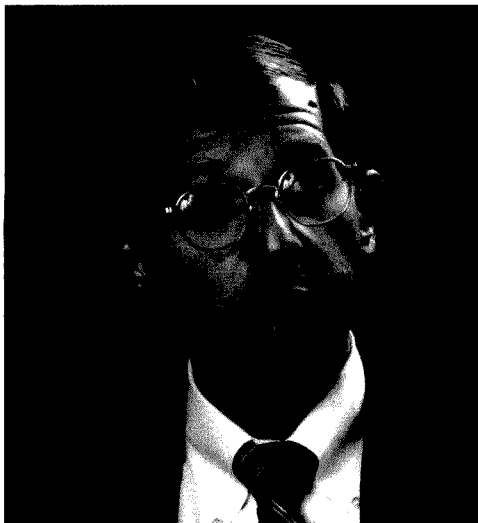
Retiring from the Board, in addition to Mr. Flanagan, were veteran directors Raymond C. Holland, Senior Vice President, A.G. Becker Incorporated, and Donald R. Sammet, Senior Vice President, First Mid America Inc. Under NSCC's by-laws, each was ineligible for reelection.

In late 1980, NSCC's annual electoral process was set in motion with an official invitation to participants to propose names of prospective directors, followed by the first meeting of the 1981 Nominating Committee. The 1981 Nominating Committee is a group selected by its predecessor Nominating Committee from the executive ranks of participant firms. Its goals are to assure, on a continuing basis, a fair representation of participants on the Board of Directors, and to review the selection procedure for participant directors and members of the Nominating Committee; and, where appropriate, to make recommendations to the Board of Directors and NSCC's shareholders for improvements.

After reviewing the recommendations submitted by participants, the Nominating Committee, which is pictured on page 18, nominated the four men shown at right.

In the absence of participant petitions to nominate any additional candidates, these nominees will become directors of NSCC at the Annual Meeting in April and will be succeeding four current directors who, pursuant to the by-laws, are not eligible for reelection. Retiring directors are Messrs. Rittereiser, Cattivera, Herzog and Pamplin.

The Nominating Committee, after reviewing participant suggestions, also selected four candidates for two-year terms on the Nominating Committee in 1982 and 1983.



Director-designees: (clockwise from upper left) Richard S. Pechter, Executive Vice President and Treasurer, Donaldson, Lufkin & Jenrette Securities Corporation; Leonard Mayer, Vice President and Secretary, Mayer & Schweitzer, Inc.; Edward W. Wedbush, President and Treasurer, Wedbush, Noble, Cooke, Inc.; and J. Ronald Morgan, President, Thomson McKinnon Securities Inc.

They include former NSCC Chairman Flanagan, Matthew P. Deane, Sr., Partner, L.F. Rothschild, Unterberg, Towbin; Robert E. Linton, President and Chief Executive Officer, Drexel Burnham Lambert Incorporated; and Harry C. Piper, Jr., President and Director, Piper, Jaffray & Hopwood Incorporated.

Messrs. Deane, Flanagan, Linton and Piper will join 1981 Chairman George E. Doty; Richard L. Bové, and Donald E. Weston, all of whom were elected to two-year terms on the Nominating Committee last spring.

The retiring members of the Nominating Committee are Ross L. Cobb, John F. Curley, Frank E. Dominach, Jr., and Benjamin L. Lubin.

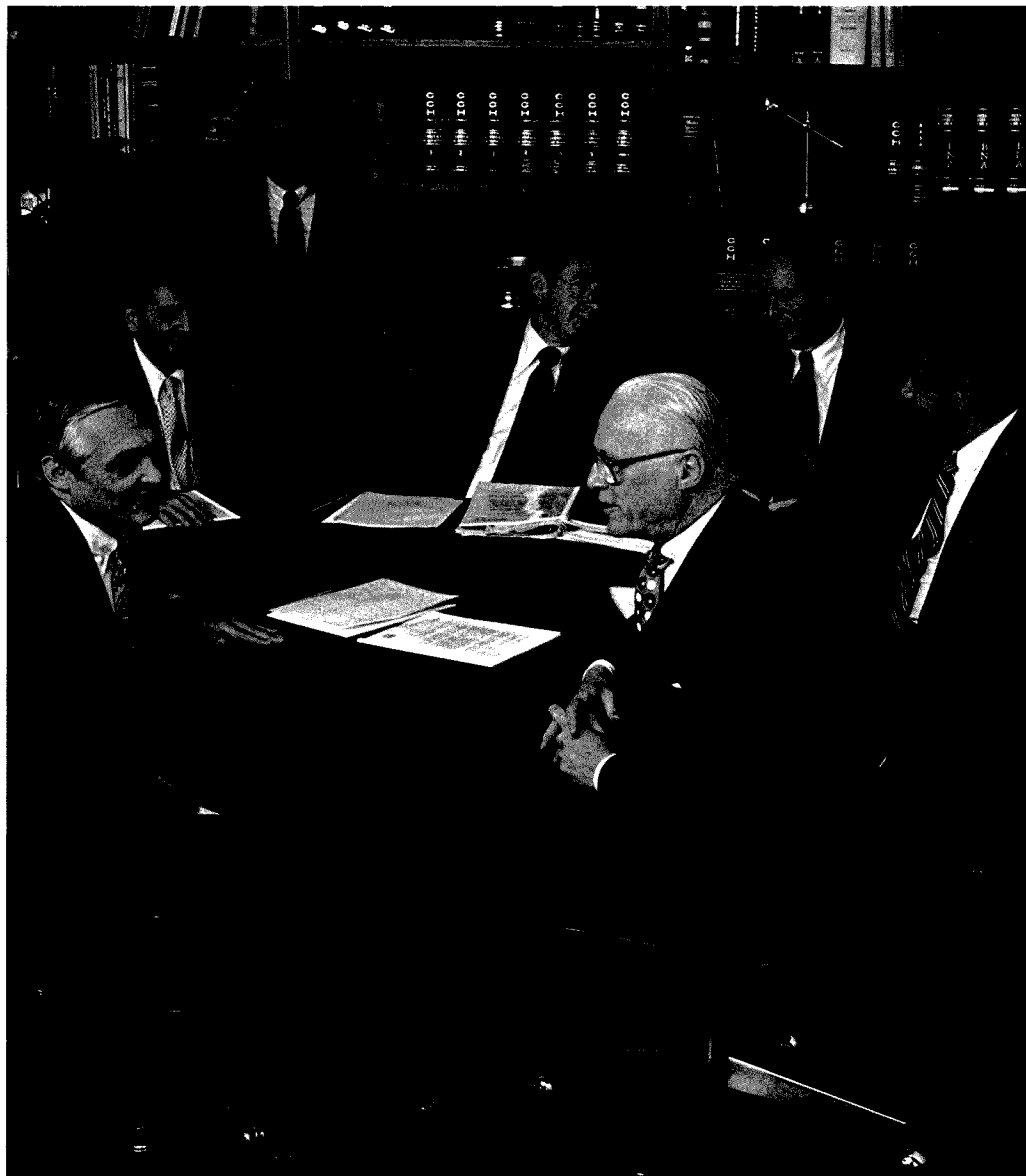
The national scope of the participation in the Clearing Corporation is seen on both the Board and its Nominating Committee. In keeping with the national orientation, NSCC's Board also has been holding meetings outside New York in cities where NSCC maintains offices. In the past

Participants of NSCC (continued)

Hirshon, Roth & Co.
 Howard, Weil, Labouisse, Friedrichs Inc.
 Hudson (R.S.) & Co., Inc.
 Hummer (Wayne) & Co.
 Hutton (E.F.) & Company, Inc.
 Icahn & Co., Inc.
 Illinois Company Incorporated (The)
 Ingalls & Snyder
 Institutional Equity Corporation
 Interstate Securities Corporation
 Irving Trust Company
 Jacobson (Benjamin) & Sons
 Janney, Montgomery, Scott, Inc.
 Jefferies & Company, Inc.
 Jones (Edward D.) & Co.
 Josephthal & Co., Inc.
 Kalb, Voorhis & Co.
 Kaufmann, Alsborg & Co.
 Kidder, Peabody & Co. Incorporated
 Kingsley, Boye & Southwood, Inc.
 Krieger (Henry) & Co.
 LaBranche & Co.
 Laidlaw Adams & Peck Inc.
 Lasker, Stone & Stern
 Lawrence (Cyrus J.) Incorporated
 Lawrence, O'Donnell & Co.
 Lazard Freres & Co.
 Lewco Securities Corp.
 Mabon, Nugent & Co.
 Madoff (Bernard L.)
 Manley, Bennett, McDonald & Co.
 Manufacturers Hanover Trust Company
 Manufacturers National Bank of Detroit
 Manufacturers and Traders Trust Company
 Marcus & Company
 Marcus Schloss & Co., Inc.
 Marine Midland Bank — New York
 Marks (Carl) & Co., Inc.
 Masten (A.E.) & Co., Incorporated
 May & Gannon, Inc.
 Mayer & Schweitzer, Inc.
 McCourtney-Breckenridge & Company
 McDonald & Company
 McLeod Young Weir Incorporated
 Meehan (M.J.) & Co.
 Merrill Lynch, Pierce, Fenner & Smith Inc.
 Mesirov & Company
 Midwest Clearing Corporation
 Mitchel, Schreiber, Watts & Co., Inc.
 MKI Securities Corp.
 Montgomery Securities
 Moore & Schley, Cameron & Co.
 Morgan Guaranty Trust Company of New York
 Morgan, Keegan & Company, Inc.
 Morgan, Olmstead, Kennedy & Gardner, Inc.
 Morgan Stanley & Co. Incorporated
 Muir (John) & Co.
 Muller and Company, Inc.
 Murphey, Marseilles & Smith
 Murphy, Durieu & Naddell
 National Bank of North America
 New England Clearing Corporation
 Neuberger & Berman
 Newhard, Cook & Co. Incorporated
 Nick (J.F.) & Co.
 Nomura Securities International, Inc.
 Norris & Hirshberg, Inc.
 Northwestern Trust Company
 Oppenheimer & Co., Inc.
 Pacific Clearing Corporation
 Paine, Webber, Jackson & Curtis, Incorporated
 Parker, Weissenborn & Moynahan, Inc.
 Pasternack Securities
 Pforzheimer (Carl H.) & Co.
 Piper, Jaffray & Hopwood Incorporated
 Pitfield, Mackay & Co., Inc.
 Prescott, Ball & Turben
 Purcell, Graham & Co., Inc.

Participants of NSCC (continued)

Q & R Clearing Corporation
Quinn (E.J.) & Co., Inc.
Rauscher Pierce Refsnes, Inc.
Raymond, James & Associates, Inc.
Reaves (W.H.) & Co., Inc.
Reich & Co., Inc.
Republic National Bank of New York
Richardson Securities, Inc.
Riviere Securities Corporation
Robb, Peck, McCooley & Co., Inc.
Robertson, Colman, Stephens & Woodman
Robinson-Humphrey Company, Inc. (The)
Rodman & Renshaw, Inc.
Roney (Wm. C.) & Co.
Rose & Company Investment Brokers, Inc.
Ross (Arthur H.), Inc.
Rotan Mosie Inc.
Rothschild (L.F.), Unterberg, Towbin
Roulston Research Corporation
Rowland (R.) & Co. Incorporated
Ryan, Beck & Co.
Sade & Co.
Salomon Brothers
Schapiro (M.A.) & Co., Inc.
Scherck, Stein & Franc, Inc.
Schroder (J. Henry) Bank & Trust Company
Seasongood & Mayer
Securities Settlement Corporation
Security Pacific Clearing & Services Corp.
Seligman Securities Inc.
Shaime (H.B.) & Co., Inc.
Shawmut Securities Clearance Corp.
Shearson Loeb Rhoades Inc.
Simon (I.M.) & Co.
Smith Barney, Harris Upham & Co. Incorporated
Smith (E.H.), Jacobs & Co.
Smith, Moore & Co.
Southwest Securities, Inc.
Spear, Leeds & Kellogg
State Street Bank and Trust Company
Steichen (R.J.) & Co.
Stern & Kennedy
Sterne, Agee & Leach, Inc.
Stifel, Nicolaus & Company Incorporated
Stillman, Maynard & Co.
Stock Clearing Corporation
Stock Clearing Corporation of Philadelphia
Stokes, Hoyt & Co.
Streicher (J.) & Co.
Stuart Brothers
Stubro, Incorporated
Sutro & Co. Incorporated
Swiss American Securities Inc.
Swiss Bank Corporation
Thomson McKinnon Securities Inc.
Thrift Trading Incorporated
Tompane (A.B.) & Co.
Toronto-Dominion Bank (The)
Tucker, Anthony & R.L. Day, Inc.
Tweedy Browne Clearing Corporation
United Missouri Bank of Kansas City, N.A.
United States Trust Company of New York
Vincent (Burton J.), Chesley & Co.
Viner (Edward A.) & Co., Inc.
Wagner, Stott & Co.
Weber, Hall, Sale & Associates
Wechsler & Krumholz, Inc.
Wedbush, Noble, Cooke, Inc.
Weiss, Peck & Greer
Wellington & Co.
Wells Fargo Securities Clearance Corporation
Wheat, First Securities, Inc.
Whitney, Goadby, Inc.
Wien (M.S.) & Co., Inc.
Williams (Jerry), Inc.
Wood Gundy Incorporated
Wreszin, Prosser, Romano & Co.
Yamaichi International (America) Inc.



The 1981 Nominating Committee: (clockwise around table, from left) Frank E. Dominach, Executive Vice President, Bache Halsey Stuart Shields Incorporated; Benjamin L. Lubin, Partner, Bruns, Nordeman, Rea & Co.; Donald E. Weston, President, Gradison & Co.; Ross L. Cobb, President, Sutro & Co., Inc.; John F. Curley, Chairman of the Finance Committee, Paine, Webber, Jackson & Curtis, Inc.; Richard L. Bové, Executive Vice President, American Securities Corporation; and Chairman George E. Doty, Partner, Goldman Sachs & Company.

two years, meetings have been held in Minneapolis, Dallas, Washington, D.C. and Boston, with future meetings scheduled for Chicago, St. Louis and San Francisco.

In summary, NSCC, guided by its user Board, has made significant contributions toward fulfillment of the Congressional

mandate for a national clearance and settlement system and the mandate of its participants for cost-effective, innovative and responsive services. This approach was the source of much success for NSCC in 1980. This success is further evidenced by the corporation's financial results, which are reflected in its Audited Financial Statements.

Balance Sheet

Assets	December 31,	
	1980	1979
Current Assets:		
Cash	\$ 357,000	\$ 247,000
Temporary investments at cost (approximates market)	13,880,000	6,721,000
Accounts receivable, less allowance for doubtful account of \$867,000 in 1980 and 1979	1,390,000	1,700,000
Settlement accounts receivable	10,861,000	19,742,000
Other current assets	125,000	182,000
Total current assets	26,613,000	28,592,000
Clearing Fund (Note 3)	100,496,000	65,811,000
Other noncurrent assets	310,000	316,000
	<u>\$127,419,000</u>	<u>\$94,719,000</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 2,351,000	\$ 2,265,000
Regulatory fees payable (Note 4)	578,000	1,022,000
Settlement accounts payable	15,726,000	16,987,000
Accrued taxes and other expenses	586,000	384,000
Unclaimed dividends	715,000	658,000
Total current liabilities	19,956,000	21,316,000
Clearing Fund (Note 3):		
Participants' cash deposits	4,209,000	4,902,000
Amounts due from members on demand	100,496,000	65,811,000
	<u>104,705,000</u>	<u>70,713,000</u>
Commitments and contingent liabilities (Notes 5, 6 and 7)		
Shareholders' equity:		
Common stock authorized, issued and outstanding, 30,000 shares of \$.50 par value .	15,000	15,000
Capital in excess of par	885,000	885,000
Retained earnings	1,858,000	1,790,000
	<u>2,758,000</u>	<u>2,690,000</u>
	<u>\$127,419,000</u>	<u>\$94,719,000</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Income and Retained Earnings

	For the year ended December 31,	
	1980	1979*
Revenue from clearing services (Note 2)	\$28,816,000	\$26,746,000
Interest income	1,324,000	907,000
	<u>30,140,000</u>	<u>27,653,000</u>
Expenses:		
Securities Industry Automation Corporation processing expenses (Notes 4 and 5)	17,886,000	16,595,000
Other processing expenses	408,000	218,000
Regulatory fees (Note 4)	4,844,000	4,581,000
The Depository Trust Company fees (Note 4) . .	3,741,000	3,849,000
Employee compensation and related benefits .	1,580,000	1,244,000
General and administrative	1,012,000	721,000
Professional fees	549,000	325,000
	<u>30,020,000</u>	<u>27,533,000</u>
Income before income taxes	120,000	120,000
Provision for income taxes	52,000	49,000
Net income	68,000	71,000
Retained earnings, beginning of the year	1,790,000	1,719,000
Retained earnings, end of the year	<u>\$ 1,858,000</u>	<u>\$ 1,790,000</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

*Reclassified for comparative purposes.

Statement of Changes in Financial Position

	For the year ended December 31,	
	1980	1979
Financial resources were provided by (used for):		
Net income	\$ 68,000	\$ 71,000
Add-Charges not affecting working capital:		
Depreciation and amortization	45,000	29,000
Working capital provided from operations	113,000	100,000
Decrease in Clearing Fund cash deposits	(693,000)	(4,804,000)
Other	(39,000)	(197,000)
Decrease in working capital	<u>\$ (619,000)</u>	<u>\$(4,901,000)</u>
Analysis of Changes in Working Capital		
Increase (decrease) in current assets:		
Cash	\$ 110,000	\$(2,072,000)
Temporary investments	7,159,000	106,000
Accounts receivable	(310,000)	(1,185,000)
Settlement accounts receivable	(8,881,000)	(1,811,000)
Other current assets	(57,000)	137,000
	<u>(1,979,000)</u>	<u>(4,825,000)</u>
(Increase) decrease in current liabilities:		
Accounts payable	(86,000)	963,000
Regulatory fees payable	444,000	46,000
Settlement accounts payable	1,261,000	(1,774,000)
Accrued taxes and other expenses	(202,000)	336,000
Unclaimed dividends	(57,000)	353,000
	<u>1,360,000</u>	<u>(76,000)</u>
Decrease in working capital	<u>\$ (619,000)</u>	<u>\$(4,901,000)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

Note 1**Summary of Significant Accounting Policies:***(a) Retained earnings:*

National Securities Clearing Corporation (the Company) is retaining earnings to establish a contingency fund of \$2,000,000. In general, it does not propose to retain profits in excess of that amount or declare dividends. The Company determines the amount of earnings it wishes to retain in a given year and adjusts its rate of discount to participants accordingly.

(b) Clearing Fund:

The Company records the Clearing Fund based on cash deposited in the fund and amounts due from members on demand, which are secured by unmatured bearer bonds issued or guaranteed by the United States Government, its states and their political subdivisions.

(c) Temporary investments:

Temporary investments consist of U.S. Treasury Bills and U.S. Treasury Bills, U.S. Treasury Notes and U.S. Government agency securities purchased under agreements to resell.

(d) Settlement accounts:

Settlement accounts receivable and payable arise from temporary time lags in the cash settlement process between the Company and participants or registered clearing agencies.

(e) Revenue from clearing services:

Revenue from clearing services reflects discounts to Company participants.

Note 2**Organization and Operations:**

All the Company's shares are owned equally by the New York Stock Exchange, Inc. (NYSE), American Stock Exchange, Inc. (Amex), and the National Association of Securities Dealers, Inc. (NASD). The Company is managed by its own staff and controlled by an independent user Board of Directors which is responsible for its policies, operations, and financing. The Company's fee structure, which was approved by the Securities and Exchange Commission, is based upon the Company's cost of providing services to its participants, and includes discounts of all regular billings on a current basis so that revenues will not exceed costs plus increases in retained earnings. Gross billings for clearing services amounted to \$54,240,000 and \$43,591,000, and discounts amounted to \$25,424,000 and \$16,845,000 in 1980 and 1979, respectively.

Note 3**Clearing Fund:**

The rules of the Company require each member to deposit in the Clearing Fund an amount based on its activity. The fund is available to secure member obligations to the Company and certain losses, should they occur. The Company's policy is to satisfy losses to the extent of 25% of its then existing retained earnings, if such losses exceed a defaulting member's Clearing Fund deposit. The Company may satisfy losses in excess of this amount out of its remaining retained earnings or, after appropriate notice to both its membership and the Securities and Exchange Commission, directly from member Clearing Fund deposits on a pro rata basis. Neither the Company nor its predecessors have ever subjected their memberships to such a pro rata assessment.

Investments of member Clearing Fund cash deposits amounting to \$3,925,000 and \$2,101,000, at December 31, 1980 and 1979, respectively, were made in U.S. Treasury Bills and U.S. Treasury Bills and Notes purchased under agreements to resell. The balance of the cash deposits, if any, were temporarily used to finance participant settlement receivables.

**Note 3
(continued)**

Member Clearing Fund deposits, above the \$10,000 minimum cash requirement, may be secured by unmatured bearer bonds issued or guaranteed by the United States Government, its states and their political subdivisions. The interest on these securities accrues to the respective member. The market value of these securities was \$101,952,000 and \$68,902,000 at December 31, 1980 and 1979, respectively.

**Note 4
Transactions with
Related Parties:**

The NYSE, Amex and NASD provide regulatory services which include periodic examinations of the records and operations of members, the monitoring and investigation of the financial and operating condition of members and new applicants for membership, and notification to the Company of unusual market conditions which may affect NSCC and/or its membership. Amounts billed to the Company by these organizations during 1980 and 1979 and amounts unpaid at December 31, 1980 and 1979 are as follows:

	1980		1979	
	Billed	Unpaid	Billed	Unpaid
NYSE	\$3,000,000	\$136,000	\$3,184,000	\$ 710,000
Amex	550,000	—	550,000	69,000
NASD	1,294,000	442,000	847,000	243,000
Total	\$4,844,000	\$578,000	\$4,581,000	\$1,022,000

As described in Note 5, the Company has a facilities management agreement with Securities Industry Automation Corporation (SIAC), which is owned by the NYSE and Amex. The Company also invests SIAC's available funds from time to time and has a rental agreement for office space with SIAC. Payments under the rental agreement amounted to \$168,000 and \$154,000 during 1980 and 1979, respectively. The NYSE also owns a minority interest in The Depository Trust Company (DTC), whose facilities are used by the Company. Amounts unpaid at December 31, 1980 and 1979 to SIAC and DTC are as follows:

	1980	1979
SIAC	\$1,812,000	\$1,445,000
DTC	254,000	399,000

At December 31, 1980 and 1979, the Company had certain receivables (payables) resulting from the cash settlement process, as follows:

	1980	1979
NYSE	\$ 332,000	\$ 226,000
Amex	12,000	72,000
DTC	(105,000)	4,239,000

**Note 5
Facilities Management
Agreement:**

Under the terms of an agreement, SIAC provides the necessary facilities, personnel and services in support of the Company's clearing services and related functions. SIAC's charge is based on its direct, computer and general overhead costs arising from providing such services. The agreement is for the five-year period ending December 31, 1981, and is renewable in the absence of notice of cancellation by either party. The agreement may be cancelled upon six months' notice and if cancelled, provides for monthly payments of up to \$225,000 for the remaining term of the initial five-year period.

**Note 6
Contingencies:**

The Continuous Net Settlement (CNS) system interposes the Company between members in each security position on a daily basis. The total long and short security positions are in balance each day.

Notes to Financial Statements (continued)

Note 6 (continued)

The failure of members to deliver securities to the Company, and the corresponding failure of the Company to redeliver such securities results in unsettled transactions. Unsettled transactions are marked to the market and credited or debited to participants involved.

At December 31, 1980, unsettled positions due the Company approximated \$559,000,000 (\$411,000,000 at December 31, 1979), and the amounts due from the Company approximated \$473,000,000 (\$411,000,000 at December 31, 1979) for unsettled positions and \$86,000,000 for securities borrowed through the Company's Stock Borrow Program, which program was implemented in early 1980.

Note 7 Pension Plan:

Since 1977, the Company has provided a trustee non-contributory pension plan which covers most of its employees. The total pension expense for 1980 and 1979 was \$53,000 and \$57,000 respectively, which includes amortization of past service cost over 10 years. The Company makes annual contributions to the plan equal to the amount accrued for pension expense. A comparison of accumulated plan benefits and plan net assets for the defined benefit plan is presented below:

	January 1, 1980
Actuarial present value of accumulated plan benefits:	
Vested	\$301,000
Non vested	20,000
	<u>\$321,000</u>
Net assets available for benefits	<u>\$206,000</u>

The rate of return used in determining the actuarial present value of accumulated plan benefits was 6.5% for both 1979 and 1980.

Report of Independent Accountants



153 EAST 53rd STREET
NEW YORK, N.Y. 10022

February 23, 1981

To the Board of Directors of
National Securities Clearing Corporation

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings and of changes in financial position present fairly the financial position of National Securities Clearing Corporation at December 31, 1980 and 1979, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

National Securities Clearing Corporation

Corporate Office
55 Water Street
New York, New York 10041
(212) 248-0700

Facilities

Boston

One Boston Place
Boston, Massachusetts 02109

Chicago

120 South LaSalle Street
Chicago, Illinois 60603

Cleveland

900 Euclid Avenue
Cleveland, Ohio 44101

Dallas

First National Bank Building
Dallas, Texas 75202

Denver

820 16th Street
Denver, Colorado 80202

Jersey City

One Exchange Place
Jersey City, New Jersey 07302

Milwaukee

777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Minneapolis

120 South 6th Street
Minneapolis, Minnesota 55402

New York

55 Water Street
New York, New York 10041

St. Louis

721 Locust Street
St. Louis, Missouri 63101

Washington, D.C.

805 15th Street, N.W.
Southern Building
Washington, D.C. 20005

Officers

Robert P. Rittereiser
Chairman
Jack Nelson
President

John F. Elberfeld
Vice President
Finance and Administration;
Treasurer
John L. Kinnaman
Vice President
Marketing

Robert A. Schultz
Vice President
Planning and Operations
Robert J. Woldow
Vice President and
General Counsel;
Secretary
David F. Hoyt
Assistant Secretary

1980-81 Board Committees

Executive Committee

Robert P. Rittereiser, *Chairman*
Jack Nelson
Gilbert L. Pamplin
Paul Underwood
George A. Vonder Linden

Membership Committee

George A. Vonder Linden, *Chairman*
John E. Herzog
J. Philip Smith
Milan S. Soltis
Paul Underwood

Regional Firms Committee

Francis C. Farwell, *Chairman*
Joseph Cattivera
William J. Fields
Edward C. Gilmore, Jr.
Gilbert L. Pamplin

Finance Committee

Gilbert L. Pamplin, *Chairman*
Joseph Cattivera
Francis C. Farwell
J. Philip Smith
Milan S. Soltis

Operations Committee

Paul Underwood, *Chairman*
William J. Fields
Edward C. Gilmore, Jr.
Joseph L. Gitterman, III
John E. Herzog

Annual Meeting of Shareholders

The Annual Meeting of Shareholders of the Corporation is held on the third Wednesday in April each year.

1981 Nominating Committee

George E. Doty, *Chairman*
Richard L. Bové
Ross L. Cobb
John F. Curley
Frank E. Dominach, Jr.
Benjamin L. Lubin
Donald E. Weston



National Securities Clearing Corporation

55 Water Street

New York, New York 10041