

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52343; File No. SR-NSCC-2005-09)

August 26, 2005

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Changes to Insurance Processing Service and Revisions to Fee Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on August 10, 2005, the National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change and on August 22, 2005, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by NSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The purpose of the proposed rule change is to expand the types of Insurance Processing Service (“IPS”) data that may be transmitted through NSCC pursuant to Rule 57 (“Insurance Processing Service”) and to amend Addendum A (“Fee Schedule”) of NSCC’s Rules & Procedures to establish additional IPS fees.

II. Self-Regulatory Organization’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).

below. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.²

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On May 27, 2005, the Commission approved NSCC rule filing SR-NSCC-2005-02,³ which enhanced NSCC's Automated Customer Account Transfer Service ("ACATS") and IPS rules to provide for Inforce Transactions ("IFT"), a new IPS service. The enhancements permit delivering and receiving broker-dealers to communicate changes relating to the broker-dealer of record for applicable insurance products using ACATS. The information is transmitted through a link from ACATS to IFT, which conveys the information to the insurance company that issued the eligible insurance product. IFT also communicates to ACATS whether the insurance company has confirmed the change, has rejected the change, or has requested a modification to the request.

In addition to establishing fees for the IFT service, the proposed rule change provides for additional IFT administrative account maintenance capabilities that may be used outside of ACATS to perform changes that do not require firm-to-firm account transfers. Initially these functions will allow changing the registered representatives and changing the brokerage account number associated with an applicable insurance product. NSCC intends to make additional account maintenance capabilities available to its members through IFT.⁴

² The Commission has modified the text of the summaries prepared by NSCC.

³ Securities Exchange Act Release No. 51753 (May 27, 2005), 70 FR 32859 (June 6, 2005) [SR-NSCC-2005-02].

⁴ NSCC will file with the Commission a proposed rule change before implementing further changes to IPS.

These fees and functions are as follows:

- (1) Customer Account Transfer Output (“CAT Output”), which provides ACATS generated insurance registration information to insurance carriers. (\$0.95 per transaction, charged to the insurance carrier only);
- (2) Customer Account Transfer Confirm (“CAT Confirm”), which allows insurance carriers to confirm back to the broker-dealers insurance registration changes received. (\$0.40 per transaction, charged to both the insurance carrier and the receiving broker-dealer);
- (3) Time Expired Transaction (“TEX”), which is utilized if either the insurance carrier or broker-dealer has not completed its transaction within 20 business days. In such cases, IPS will generate a TEX transaction to inform both sides that the ACATS transaction has expired. (\$0.95 per transaction, charged to both the insurance carrier and the receiving broker-dealer);
- (4) Beneficiary Update Request (“BEN Request”), which allows broker-dealers to provide beneficiary information on an insurance policy when the policy contains multiple beneficiaries. (No charge);
- (5) Beneficiary Confirm (“BEN Confirm”), which allows the insurance carrier to confirm BEN Request transactions back to the broker-dealer. (No charge);
- (6) Registered Representative Change Request (“REP Request”), which allows broker-dealers to change the registered representative on an insurance policy. (\$0.70 per transaction, charged to both the insurance carrier and the broker-dealer);

- (7) Registered Representative Change Confirm (“REP Confirm”), which allows insurance carriers to confirm back to the broker-dealers REP Request transactions. (\$0.30 per transaction, charged to both the insurance carrier and the broker-dealer);⁵
- (8) Brokerage Identification Number Change Request (“BIN Request”), which allows broker-dealer to change the brokerage account number affiliated with an insurance policy held at an insurance carrier. (\$0.50 per transaction, charged to both the insurance carrier and the broker-dealer); and
- (9) Brokerage Identification Number Change Confirm (“BIN Confirm”), which allows the insurance carrier to confirm back to the broker-dealers BIN Request transactions. (\$0.20 per transaction, charged to both the insurance carrier and the broker-dealer).⁶

The above fees apply to both test and production transactions. Fees for production transactions will be effective on September 1, 2005. Fees for test transactions will not be assessed until January 1, 2006.

The proposed change is consistent with Section 17A of the Act⁷ and the rules and regulations thereunder applicable to NSCC because it effects a change in an existing service that will facilitate the transmission of information for annuity and life insurance products in a standardized and automated format using NSCC’s connectivity. In addition, the proposed rule change establishes fees, providing for the equitable allocation of dues, fees, and other charges

⁵ The REP Request and REP Confirm functions may be used both in conjunction with ACATS and as a stand-alone IPS/IFT function.

⁶ The BIN Request and BIN Confirm functions are stand-alone IPS/IFT functions only.

⁷ 15 U.S.C. 78q-1.

among NSCC members. Standardization and automation of information related to annuity and life insurance products can be expected to reduce processing errors and delays that are typically associated with manual processes.

(B) Self-Regulatory Organization'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.

(C) Self-Regulatory Organization'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 and Timing for Commission Action

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act⁸ and Rule 19b-4(f)(4)⁹ thereunder because it effects a change in an existing service of NSCC that does not adversely affect the safeguarding of securities or funds in NSCC's control or for which NSCC is responsible and does not significantly affect NSCC's or its members' respective rights or obligations. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

⁹ 17 CFR 240.19b-4(f)(4).

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 Number SR-NSCC-2005-09 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-NSCC-2005-09. 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 Web site (<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 inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of NSCC and on NSCC's Web site at <http://www.nsc.com>. 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 Number SR-NSCC-2005-09 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).