

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-52394; File No. SR-NSCC-2005-11)

September 8, 2005

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Interpretation of the Definition of "Insurance Company" Under its Rules and Procedures

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on August 17, 2005, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a 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 proposed rule change consists of an interpretation of the definition of "Insurance Company" under NSCC's rules and procedures in the context of insurance company applicants.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The Commission has modified the text of the summaries prepared by NSCC.

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

Under NSCC's rules, "Insurance Company" is defined as "any company, partnership, limited liability corporation or other organization or entity who is subject to supervision or regulation pursuant to the provisions of state insurance law and issues insurance contracts." NSCC's rules do not define the term "state" in this context.

The Fixed Income Clearing Corporation ("FICC") Rules incorporate the definition of "insurance company" used in the Investment Company Act of 1940, as amended ("1940 Act").<sup>3</sup> Both the Act and the 1940 Act define a "State" to mean any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other possession of the United States. As a result, an insurance company organized and supervised, for example, in the District of Columbia, would constitute an Insurance Company under the 1940 Act and FICC's rules.

Accordingly, consistent with the definition used by FICC, NSCC has determined it is appropriate with regard to NSCC membership applicants that are insurance companies to interpret the term "state" under its rules within the context of insurance company admission standards, as including any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other possession of the United States.

The proposed change is consistent with Section 17A of the Act<sup>4</sup> and the rules and regulations thereunder applicable to NSCC because it will clarify NSCC's rules and procedures with regard to categorizing applicants for membership. By eliminating a potential misinterpretation of its membership requirements, NSCC believes that it will thereby provide

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<sup>3</sup> 15 U.S.C. 80a-1.

<sup>4</sup> 15 U.S.C. 78q-1.

enhanced protections to NSCC and its members and will assist NSCC in assuring the safeguarding of funds and securities in its custody or control or for which it is responsible.

(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)(i) of the Act<sup>5</sup> and Rule 19b-4(f)(1)<sup>6</sup> thereunder because it constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule. 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.

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:

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<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>6</sup> 17 CFR 240.19b-4(f)(1).

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](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2005-11 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-2005-11. 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-2005-11 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.<sup>7</sup>

Jonathan G. Katz  
Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).