

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56678; File No. SR-NSCC-2007-13)

October 19, 2007

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Approval of a Proposed Rule Change to Amend its Rules and Procedures with Regard to the Automated Customer Account Transfer Service (ACATS) and ACATS Fund/SERV Processing

I. Introduction

On August 15, 2007, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”).¹ Notice of the proposal was published in the Federal Register on September 13, 2007.² No comment letters were received.³ For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

NSCC is modifying its Rules to shorten the account transfer time frame for Automated Customer Account Transfer Service (“ACATS”) and ACATS Fund/SERV transfers.⁴

(1) Background

ACATS enables members of NSCC to effect automated transfers of customer accounts among themselves. In operation since 1985, ACATS was designed to facilitate compliance with New York Stock Exchange (“NYSE”) Rule 412 and National Association of Securities Dealers

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 56372 (September 7, 2007), 72 FR 52416.

³ But see comment letters to a similar rule change submitted by Financial Industry Regulatory Authority, Inc. Securities Exchange Act Release No. 56677 (October 19, 2007) [File No. SR-FINRA-2007-005].

⁴ Rule 50 (Automated Customer Account Transfer Service) is generally nonspecific with respect to account transfer time frames. Rule 52 (Mutual Fund Services), Section 16 (ACAT/Transfers) is nonspecific with respect to account transfer time frames and does not require modification.

(“NASD”)⁵ Uniform Practice Code Section 11870 that require NYSE and NASD members to use clearing agency automated customer account transfer services and to effect customer account transfers within specified time frames. ACATS has been modified over time, with its most significant redesign in 1999, to provide NSCC members with a more seamless and timely customer account transfer process.⁶

(2) Modifications

NSCC, its members, the Customer Account Division of the Securities Industry and Financial Markets Association (“SIFMA”), NYSE, and NASD believe that because technology and processing has improved since the 1999 redesign additional modifications to ACATS processing can be made that will further enhance the timeliness and efficiency of customer account transfers. FINRA has submitted a comparable rule filing on behalf of the NYSE and NASD with the Commission.⁷

(a) Standard ACATS Transfers

Standard ACATS transfers currently include a three business day “Request” period. The proposed change reduces the “Request” time frame from three business days to one business day.

⁵ Rule 50 (Automated Customer Account Transfer Service) is generally nonspecific with respect to account transfer time frames. Rule 52 (Mutual Fund Services), Section 16 (ACAT/Transfers) is nonspecific with respect to account transfer time frames and does not require modification.

⁶ The NASD is now known as The Financial Industry Regulatory Authority, Inc. (“FINRA”).

⁷ Securities Exchange Act Release No. 56677 (October 19, 2007) (order approving proposed rule change) [File No. SR-FINRA-2007-005].

The time frame within which an account transfer may be responded to (i.e., accepted or rejected) is accordingly shortened.⁸

(b) Nonstandard ACATS Transfers - Partial Transfer Receiver

In a “partial transfer,” the Receiving Member (Partial Transfer Receiver or “PTR”) currently has a two business day “Request” period. The proposed change reduces the “Request” time frame from two business days to one business day. The time within which an account transfer may be responded to (i.e., accepted or rejected) is accordingly shortened.⁹

(c) ACATS Fund/SERV

In an ACATS transfer that includes mutual fund assets, during the “Review” period the Receiving Member (or if applicable its ACATS-Fund/SERV Agent) requests the reregistration of mutual fund assets by submitting a Fund Registration input record through ACATS to the Fund Member/Mutual Fund Processor. The Fund Member/Mutual Fund Processor then has four business days to either reject or acknowledge the request. NSCC has found that the majority of Fund Member/Mutual Fund Processors act upon such requests during the first day of receipt. Therefore, NSCC is reducing the time frame for Fund Member/Mutual Fund Processors to either reject or acknowledge the request from four business days to one business day.

(3) Technical Correction to Rule 50

NSCC is also making a technical correction to Rule 50, Section 13. Section 13 (which addresses Receiving Member initiated Partial Transfers) states that a Delivering Member may

⁸ In addition to changes to the “Request” period, NSCC is modifying the ACATS “Status” time frames for Request-Adjust, Request-Adjust Past, Request-Past, and Review-Error from a maximum of three business days to a maximum of one business day. Rule 50 is nonspecific with respect to these time frames.

⁹ Other non-standard transfers are: fail reversals, reclaims and residual credits (see Rule 50, Sec. 12). PTD’s do not have a “Request” status.

respond to a request at any time by following the procedure set forth in Section 12. However, Section 12 addresses actions taken with respect to Delivering Member initiated transactions. NSCC is correcting this text accordingly.

(4) Implementation of the Proposed Changes

NSCC is coordinating implementation of the changes with FINRA and SIFMA. NSCC anticipates that implementation of the changes set forth in this rule filing will take place in October of 2007. Members will be advised of the implementation through an NSCC Important Notice.

III. Discussion

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to remove impediments to and to perfect the mechanism of a national system for prompt and accurate clearance and settlement of securities transactions.¹⁰ By reducing the time frame for the transfer of customer accounts between NSCC members, the rule change will bring enhanced efficiency to members and will benefit investors. As such, the rule change is consistent with NSCC's statutory obligation to remove impediments to and perfect the mechanism of a national system for prompt and accurate clearance and settlement of securities transactions.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.¹¹

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

¹¹ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-2007-13) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹²

Florence E. Harmon
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).