

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-58100; File No. SR-NSCC-2006-17)

July 3, 2008

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change as Modified by Amendment No. 1 to Reorganize Membership 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 December 13, 2006, the National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) and on January 31, 2008, amended 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, as amended, from interested parties.

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

NSCC is seeking to reorganize its Rules and Procedures (“Rules”) related to membership standards and membership requirements to conform them to current practice and to harmonize them with similar rules of NSCC’s affiliate, the Fixed Income Clearing Corporation (“FICC”).<sup>2</sup>

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

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

<sup>2</sup> Both NSCC and FICC’s Government Securities Division (“GSD”) share a number of common participants, and both act as central counterparties with respect to certain transactions submitted by participants. Harmonization of NSCC and FICC Rules is an ongoing process, and additional NSCC and FICC rule filings will follow.

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>3</sup>

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

Over the years, NSCC has created a variety of membership classes, each with different initial and continuing membership requirements. These requirements are currently scattered throughout NSCC's Rules. With the objective of promoting greater transparency, NSCC proposes to reorganize and restructure its Rules related to member types, the membership application process, and the ongoing requirements of NSCC members in a form that it believes will make them more readily located and understood by applicants and members alike.

To accomplish this, NSCC proposes to revise and restructure Rule 2 (currently called "Members" but would be renamed "Members and Limited Members") to create a new Rule 2A (to be called "Initial Membership Requirements") and to create a new Rule 2B (to be called "Ongoing Membership Requirements and Monitoring"). Current provisions and rule text will be moved from existing rules and addenda and will be relocated within these newly structured rules. Certain provisions will be modified where necessary and, where possible, harmonized with analogous provisions of GSD's rules. Additionally, NSCC proposes to add certain descriptive text to its Rules with regard to the current membership application process and with regard to the

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<sup>3</sup> The Commission has modified the text of the summaries prepared by NSCC.

voluntary membership retirement process (i.e., NSCC text which codifies the current process of evaluating applicants and the current process by which an existing member may voluntarily retire from participation in NSCC's services).

1. Membership Types – Members and Limited Members

NSCC's Rule 2 (currently titled "Members") provides that an applicant may apply to become a member that uses all of NSCC's services or a member that uses certain limited services.

In restructuring and revising Rule 2, NSCC seeks to clearly, concisely, and in one location, set forth each membership type differentiating between members that may generally, unless otherwise limited by NSCC, access all services made available by NSCC, (often referred to as "full service Members") and those member types that may utilize NSCC's systems and services only on a limited basis ("Limited Members"). Limited Members would include the following: Fund Members, Insurance Carrier/Retirement Services Members, Municipal Comparison Only Members, Mutual Fund/Insurance Services Members, Data Services Only Members, Non-Clearing Members (which would be renamed "Commission Billing Members"), Settling Bank Only Members, and Third Party Administrator Members. This change is intended to be cosmetic only, and other than logically grouping member types, would not alter in any way each member's existing rights and obligations.

Additionally, NSCC would add text to Rule 2 making it clear that no full service Member or Limited Member may submit or confirm any transaction, charge, request, instruction, or transmission through NSCC's services, or otherwise utilize NSCC's services, in contravention of any law, rule, regulation, or statute.

## 2. Consolidation of Membership Standards and Requirements Within the Rules

The membership qualifications, financial standards, and operational requirements for each member type are currently set forth in separate rules and addenda, which are spread throughout NSCC's Rules.<sup>4</sup>

To consolidate this information, NSCC proposes to create two new rules which would contain the content moved from membership Rules 3, 31, 51, 54, 56, and 60. Proposed Rule 2A (to be called "Initial Membership Requirements") would provide information regarding initial membership eligibility requirements for all member types and would address the membership application and evaluation process. Proposed Rule 2B (to be called "Ongoing Membership Requirements and Monitoring") would contain provisions regarding the continuing requirements of members. For ease of reference, NSCC also proposes to relocate and consolidate the detailed membership qualifications, financial standards, and operational requirements for all membership types into Addendum B (to be renamed "Qualifications and Standards of Financial

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<sup>4</sup> "Members" qualifications, standards, and requirements are located in Rule 2 and in Addendum B. "Mutual Fund/Insurance Services Members," also defined to be "Members," qualifications, standards, and requirements are located in Rule 2 and in Addendum B. "Fund Members" qualifications, standards, and requirements are located in Rule 51 and Addendum I. "Insurance Carrier/Retirement Services Members" qualifications, standards, and requirements are located in Rule 56 and in Addendum Q. "Third Party Administrator Members" qualifications, standards, and requirements are located in Rule 60 and in Addendum R. "Data Services Only Members" qualifications, standards, and requirements are located in Rule 31. "Municipal Comparison Only Members" qualifications, standards, and requirements are located in Rule 3, Section 2. "Non-Clearing Members" qualifications, standards, and requirements are located in Rule 3, Section 2. "Settling Bank Only Members" qualifications, standards, and requirements are located in Rule 54.

Responsibility, Operational Capability and Business History”). The content NSCC is seeking to reorganize into Addendum B is currently spread throughout Addenda B, I, Q, and R.

Accordingly, NSCC would delete current membership related Rules 3 (specifically, Sections 2, 5, and 6), 31, 51, 54, 56, and 60. In addition, NSCC would delete Addenda I, Q, and R.

3. Use of the Terms “Members” and “Settling Members” Throughout the Rules

Currently, an applicant that agrees to limit its use of NSCC’s services to those specified by NSCC (i.e., Mutual Fund Services and/or Insurance and Retirement Services) is called a “Mutual Fund/Insurance Services Member.” Thus when the term “Member” is used within NSCC’s Rules, it may apply to a full service Member (which may generally use all NSCC services), a Mutual Fund/Insurance Services Member (which may only utilize the Mutual Fund and Insurance and Retirement Processing Services), or to both, depending upon the context. Additionally, NSCC’s Rules make reference to “Settling Members,” which may apply to a full service Member, a Mutual Fund/Insurance Services Member, a Non-Clearing Member, or all three member types. It is only in further understanding the Rules or in the context of a term’s use that one may determine to which member type a Rule may apply.<sup>5</sup> Accordingly, NSCC proposes to modify all references to “Settling Member” and to “Member” within each NSCC

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<sup>5</sup> For example, as a Mutual Fund/Insurance Services Member may not participate in the Continuous Net Settlement Service (“CNS”), any reference to “Members” within Rule 11 (“CNS”) would not apply to Mutual Fund/Insurance Services Members. Any reference to “Settling Member” within Rule 17 (“Fine Payments”) would apply to all full service Members, Mutual Fund/Insurance Services Members, and Non-Clearing Members (which NSCC proposes to rename “Commission Billing Members”).

Rule to clearly indicate to which member type a rule is applicable. Definitions associated with these terms (contained in Rule 1) would be modified and the term “Settling Member” would be deleted from NSCC’s Rules.

4. Rule 15 (“Financial Responsibility and Operational Capability”)

Rule 15 contains, among other things, the continuing requirements of members with regard to reports to be timely filed on an ongoing basis (e.g., annual audited financial statements, Financial and Operational Combined Uniform Single (“FOCUS”) Reports, etc.) and notifications that members are required to timely make to NSCC regarding any failure to maintain their membership qualifications and standards, including notifications of certain material changes in business, ownership, or control. NSCC proposes to move these ongoing reporting requirements into proposed Rule 2B. Rule 15 would then be renamed “Assurances of Financial Responsibility and Operational Capability.”

In Section 2.A. (“Reports and Information”) of proposed Rule 2B, NSCC seeks to add text clarifying that unless specifically set forth within the Rule, the time periods established for remitting reports and data to NSCC are set forth in the form of notices posted on NSCC’s Web site and that each member is required to retrieve all notices from NSCC’s Web site daily.

In Section 2.B. (“Notification of Changes in Condition”) of proposed Rule 2B, NSCC seeks to change the reporting requirements of certain member types with respect to providing NSCC with written notice of events that would effect a change in control of the member or that could have a material impact on the member’s business and/or financial condition. Historically, this provision applied to full service Members (i.e., those Members for which certain activity is guaranteed at a fixed point in the clearance and settlement process) as well as Mutual

Fund/Insurance Services Members, Fund Members, and Insurance Carrier/Retirement Services Members (i.e., those member types whose activity is limited to use of non-guaranteed services). NSCC has determined that this notification provision should apply solely to full service Members.

Additionally, NSCC seeks to delete the current requirement that a Non-Clearing Member (to be renamed “Commission Billing Member”) provide NSCC with written and oral notice if it is no longer in compliance with any of the relevant qualifications and standards for membership. Non-Clearing Members participate in NSCC solely for the purpose of paying and receiving broker commissions and file transmissions related to the service are sent to NSCC directly from either the New York Stock Exchange or the American Stock Exchange. As there are no NSCC financial or operational requirements applicable to this member type and the participation of the member is coordinated between NSCC and the member’s Exchange, the current requirement is not necessary.

5. Rule 1 (“Definitions and Descriptions”)

NSCC proposes the following with respect to terms defined within Rule 1:

Board of Directors

The current definition would be modified to make clear that the term “Board of Directors” means the Board of Directors of NSCC, or a committee thereof, acting on delegated authority.

Commission Billing Member

NSCC proposes to rename Non-Clearing Members “Commission Billing Members” to better reflect the nature of their participation in NSCC’s services.

Non-Clearing Members utilize NSCC’s Commission Settlement Service solely for the payment and collection of commissions.

Limited Member

The proposed term “Limited Member” would mean a Person whose use of NSCC’s services is limited to those services specified by NSCC.

Person

The proposed term “Person” would mean a partnership, corporation, limited liability corporation, or other organization, entity, or individual.

Registered Broker-Dealer

The term “Registered Broker-Dealer” (currently defined in Rule 2 as “a broker or dealer registered under the Securities Exchange Act of 1934, as amended”) would be moved to Rule 1.

Settling Member

The term “Settling Member” would be deleted from NSCC’s Rules. Each member type encompassed by this term would be specifically named within NSCC’s Rules.

Other conforming technical changes to Rule 1 are being proposed to accommodate the restructuring of the Rules.

6. Rule 2A (“Initial Membership Requirements”)

Applicant Operational Testing Requirements



Under NSCC's Rules, certain applicants as determined by NSCC must demonstrate that they will be able to satisfactorily communicate with NSCC. These applicants conduct system/operational tests with NSCC. NSCC proposes to add new text to its rules (Rule 2A, Section 1.C. ("Application Documents")) to make clear NSCC's current requirement with regard to applicant testing.

#### Member's Agreement

NSCC's Rules currently provide that members sign and deliver to NSCC a member's agreement. The applicable provisions of each type of member's agreement have historically been set forth in the Rule that applies to that member type (e.g., a Fund Member's agreement provisions are contained in Rule 51, a full service Member's provisions are contained in Rule 2, a Third Party Administrator Member's provisions are contained in Rule 60).

Regardless of member type, each member agreement has certain standard provisions that generally apply to all members (e.g., the only services the member may use are those that are permitted by NSCC, that the member will abide by NSCC's Rules and be bound by all provisions of the Rules, etc.) and certain other provisions that are unique to particular member types (e.g., Fund Members have a unique provision with regard to NSCC's inspection of their books and records).

NSCC proposes Rule 2A, Section 1.E. ("Membership and Other Agreements") that would contain the main member agreement provisions for all member types, as well as address the requirements with regard to any other agreements.

#### Third Party Administrator ("TPA") ACH Agreements

NSCC's Rules currently state that TPA Members (non-settling members) must provide NSCC with an agreement for preauthorized payments (an "ACH" agreement) so that NSCC may collect monthly charges pursuant to Rule 26 ("Bills Rendered"). To accommodate payment methods other than ACH (i.e., "e-payment" using a credit card or bank account), NSCC proposes to replace the specific TPA ACH requirement within its Rules with more generic text.

7. Rule 2B ("Ongoing Membership Requirements and Monitoring")  
Reports and Information

Annual Audited Financial Statements

NSCC's Rules currently state that a member whose membership is contingent upon a guarantee of a third party must provide a copy of the annual audited financial statements of the guarantor. If such statements for the member or its guarantor are not available, NSCC may accept at its sole discretion consolidated financial statements prepared at the level of the parent of the member or guarantor. NSCC is modifying this text to make clear that it may accept consolidated financial statements or financial information prepared at the level of the parent of such entity.<sup>6</sup>

Call Reports

NSCC is proposing Rule 2B, Section 2.A.(c) with regard to Call Reports filed with NSCC by members that are banks or trust companies. To the extent that such information is not

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<sup>6</sup> NSCC also seeks to correct a typographical error in Rule 2B, Section 2.A.(a) in that "each" guarantor should read "such" guarantor.

contained within the Call Report or the member is a bank or trust company that is not required to file a Call Report, such member would be required to provide NSCC with information containing each of its capital levels and ratios.

Supplemental and Quarterly Financial Statements Filed With The National Association of Insurance Commissioners (“NAIC”)

NSCC proposes to delete the current Rule 15 requirement that Insurance Companies provide NSCC with copies of their supplemental and quarterly financial statements filed with the NAIC or the Insurance Company’s regulatory authority. Currently, NSCC receives annual audited financial statements and annual regulatory reports from these members in order to monitor adherence to membership requirements. The proposed change would conform the Rules to current practice.

Securities Exchange Act Rule 15c3-1 Notification

NSCC is proposing to add Rule 2B, Section 2.A.(g) to its Rules, which would require that a member that has provided to the Commission notice pursuant to paragraph (e) of Securities Exchange Act Rule 15c3-1 (“Notice Provisions Relating to Limitations on the Withdrawal of Equity Capital”) shall notify NSCC and provide NSCC with a copy of such notice by close of business on the day such notice is provided to the Commission.

Operational Testing

NSCC requires that certain “top tier” members participate in periodic connectivity testing with NSCC for business recovery purposes. NSCC now proposes to add Rule 2B, Section 3

(“Operational Testing”) to its Rules to specifically set forth NSCC’s operational testing requirements.

Ongoing Monitoring – Surveillance Status

Currently, the provision relating to NSCC’s ongoing monitoring of full service Members (NSCC’s “credit risk matrix”) appears in Addendum B. NSCC proposes to move this provision into new Rule 2B. Additionally, NSCC would replace the term “Settling Member” with “Member” as the credit risk matrix only applies to full service “Members.”

Voluntary Retirement

NSCC proposes to add Rule 2B, Section 5 (“Voluntary Retirement”) to its Rules, which is the current process by which an active participant may voluntarily retire its NSCC membership.

8. Addendum B (“Qualifications and Standards of Financial Responsibility, Operational Capability and Business History”)

Immediate Placement on Surveillance by NSCC

Currently, NSCC’s Rules provide that applicants to become a Member, Mutual Fund/Insurance Services Member, Fund Member, or Insurance Carrier/Retirement Services Member may not be known to be subject to any other action or condition the existence of which would require it to be placed on surveillance by NSCC. In addition, the financial requirements for certain members (full service Members and Mutual Fund/Insurance Services Members) state that the member must have a capital ratio or percentage that would not require the applicant to be placed on immediate surveillance by NSCC. All applicants must meet their minimum financial requirements, as applicable to their member type. NSCC now seeks to delete these provisions.

When the NSCC membership standards were developed, the NSCC credit risk matrix was not in place. As a result of the implementation of the credit risk matrix, it is possible that once an applicant is approved for membership, it may be placed directly on NSCC's Watch List (i.e., surveillance status). As sufficient discretion to deny membership based on financial, operational, or character issues exists in other sections of NSCC's rules, elimination of these provisions will not diminish NSCC's authority under its Rules to deny an applicant membership.

Fund Member Applicants Subject to Securities Exchange Act Rule 17a-11 Reporting

NSCC proposes to delete Addendum I ("Standards of Financial Responsibility and Operational Capability for Fund Members"), which includes a requirement that a broker-dealer Fund Member applicant not be subject to reporting under Securities Exchange Act Rule 17a-11 ("Notification Provisions for Broker and Dealers"). As a Fund Member, an applicant must meet NSCC's minimum financial requirements for membership (and, as stated above, NSCC retains sufficient discretion to deny membership based on financial, operational, or character issues in other sections of NSCC's Rules). Thus, NSCC has determined that this requirement is duplicative and that its elimination will not diminish NSCC's authority under its Rules to deny an applicant membership if it does not meet the applicable financial standards.

Financial Responsibility – Entities That Qualify for Membership Under the Category of "Other" Entity Types

In certain instances in NSCC's membership Rules, an applicant that does not qualify for membership under one of the specifically defined qualification criteria established for its

membership type, may apply for membership if it has demonstrated to NSCC that its business and capabilities are such that it could reasonably expect material benefit from direct access to NSCC's services. NSCC's financial requirements for such an applicant require that it meet financial stability standards as are applied to the industry in which the applicant is associated. As industry standards are not always well-defined and as there may not be consensus among market participants as to what such standards should be, NSCC is proposing to modify the financial requirements for "other" applicants by requiring that such applicants be required to satisfy such minimum standards of financial responsibility deemed appropriate by NSCC.

#### Business History

NSCC's Rules currently provide that Insurance Carrier/Retirement Services applicants and Third Party Administrator applicants (both non-guaranteed service members) must have an established business history of a minimum of three years or personnel with sufficient operational background and experience to ensure the ability of the applicant to conduct such a business. The business history requirement for full service Members, as well as Mutual Fund/Insurance Services Members and Fund Members (both non-guaranteed service members) is six months, or the member must have personnel with sufficient operational background and experience to ensure the ability of the applicant to conduct such a business.

NSCC has determined that the business history requirement of Insurance Carrier/Retirement Services and Third Party Administrator applicants need not be any more stringent than those applied to Fund Members and Mutual Fund/Insurance Services Members. Therefore, NSCC proposes to change the three year requirement to six months.

#### Fund Members that are Insurance Companies

Under NSCC's Rules, an Insurance Company may apply to become a Fund Member, however, the financial requirements for Insurance Companies is not specifically set forth in Addendum I. Addendum I states that all "other" applicants shall be required to meet financial stability and operational capability standards as are applicable to the industry in which the applicant is associated. Historically, NSCC looked to its Insurance Carrier/Retirement Services Member financial standards set forth in Rule 57. NSCC proposes to clearly state Insurance Company financial standards under its Fund Member financial requirements in Addendum B, Section 3.

9. Rule 3 ("Lists to be Maintained")

In consolidating NSCC's membership standards, NSCC proposes to move to Rule 2 the portions of Rule 3 (specifically, Sections 2, 5, and 6) that pertain to Municipal Comparison Only Members, Non-Clearing Members, and/or Data Services Only Members. For purposes of clarity, the remaining information within Rule 3 would be reorganized and reordered.

10. Addendum D ("Statement of Policy Envelope Settlement Service")

To more accurately reflect the scope of the information contained within Addendum D, NSCC proposes to rename it "Statement of Policy Envelope Settlement Service, Mutual Fund Services, Insurance and Retirement Processing Service and Other Services Offered by the Corporation."

11. Rule 38 ("Captions")

Mirroring FICC's Rules, NSCC proposes to add language to Rule 38 to make clear that NSCC's Rules are governed by New York substantive law. This language currently exists in

NSCC's membership agreements only. Rule 38 would be renamed "Governing Law and Captions."

12. Technical Corrections

In 2006, NSCC submitted for immediate effectiveness proposed rule change SR-NSCC-2006-07 which made clarifying and technical changes to NSCC's Rules related to funds which are eligible for processing on Fund/Serv.<sup>7</sup> At that time, the membership qualifications contained within Section 1.(viii) of Rule 31 ("Data Services Only Member") should have been modified to reflect the definitional change made within Rule 1 with respect to "TPA." Accordingly, NSCC is correcting the text within its rules to eliminate the reference to "defined contribution plans as defined in Section 414(i) of the Internal Revenue Code of 1986, as amended," and refer instead, to "a retirement or other benefit plan."

In 2006, NSCC submitted for immediate effectiveness proposed rule change SR-NSCC-2006-14 which, among other things, deleted references to the Product Repository service as NSCC had determined not to offer the service.<sup>8</sup> At that time, any references within NSCC to "Repository Data" should have been deleted. Accordingly, NSCC is seeking to delete such references.

In 2005, the Commission approved NSCC proposed rule change SR-NSCC-2005-01 which clarified that the operational capability that is ordinarily focused upon by NSCC during

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<sup>7</sup> Securities Exchange Act Release No. 54366 (August 25, 2006), 71 FR 52199.

<sup>8</sup> Securities Exchange Act Release No. 54921 (December 12, 2006), 71 FR 76415.



the application process is the ability of an applicant to appropriately communicate with NSCC, that is, the ability to input to NSCC and to receive output from NSCC on a timely and accurate basis.<sup>9</sup> The rule change removed certain provisions that might be interpreted to impose upon NSCC an obligation to make determinations with respect to particular aspects of operational capability. Instead, NSCC relies upon the requirement that the applicant in fact be able to satisfactorily communicate with NSCC as generally stated in the operational capability requirements currently set forth for members in NSCC's Rules. At the time of the filing, the provision within Rule 60 with respect to approval of TPA Member applicants based upon an alternative operational standard should have been deleted. Accordingly, NSCC now seeks to delete this provision from its Rules. NSCC would continue to retain the right to examine any aspect of an applicant's or member's business pursuant to the provisions of Rule 15.

In 2005, the Commission approved NSCC proposed rule change SR-NSCC-2005-14 which added Rule 64 ("DTCC Shareholders Agreement") requiring that full service Members of NSCC purchase shares of the common stock of the Depository Trust & Clearing Corporation ("DTCC"), NSCC's parent corporation, and that certain Limited Member types could voluntarily purchase such shares.<sup>10</sup> Section 5 of Rule 64 made incorrect references to "Members" and should have referenced all member types specified in Section 2 ("Members") and Section 3 ("Fund Members, Insurance Carrier/Retirement Services Members, Municipal Comparison Only

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<sup>9</sup> Securities Exchange Act Release No. 51600 (April 22, 2005), 70 FR 22167.

<sup>10</sup> Securities Exchange Act Release No. 52922 (December 7, 2005), 70 FR 74070.

Members, and Mutual Fund/Insurance Services Members”) of Rule 64. Accordingly, NSCC now seeks to correct such references.

In 2004, the Commission approved NSCC proposed rule change SR-NSCC-2003-05 which modified NSCC’s Rules to provide that notices to members posted by NSCC via electronic format (i.e., posted on NSCC’s Web site) meet NSCC’s notification obligations.<sup>11</sup> At that time, Section 7 of Rule 45 (“Notices”) was added to NSCC’s Rules with an incorrect reference to Section 3. NSCC is seeking to remove this incorrect reference.

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>12</sup> and the rules and regulations thereunder applicable to NSCC because it should assure the safeguarding of securities and funds in NSCC’s custody or control or for which it is responsible by assisting NSCC applicants and members in understanding, and thereby complying with, NSCC’s membership standards and requirements thereby protecting NSCC and its members from undue risk.

(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.

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<sup>11</sup> Securities Exchange Act Release No. 50085 (July 26, 2004), 69 FR 45872.

<sup>12</sup> 15 U.S.C. 78q-1.

(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 been solicited and none have been received. NSCC will notify the Commission of any written comments it receives.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to ninety days of such date 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 such 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, as amended, 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](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2006-17 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NSCC-2006-17. 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, on official business days between the hours of 10:00 am and 3:00 pm. 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.dtcc.com/downloads/legal/rule\\_filings/2006/nsc/2006-17.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2006/nsc/2006-17.pdf). 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-2006-17 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

Florence E. Harmon  
Acting Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).