

Bolded, underlined text indicates added language

~~Bolded, strikethrough texts~~ indicates deleted language



**NATIONAL
SECURITIES
CLEARING
CORPORATION**

RULES & PROCEDURES

RULE 57. INSURANCE AND RETIREMENT PROCESSING SERVICES

SEC. 1. (a) The Corporation may provide a service to enable Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members and Data Services Only Members to transmit such data and information relating to IPS Eligible Products (the "IPS Data") and, with respect to Members, Mutual Fund/Insurance Services Members and Insurance Carrier/Retirement Services Members, to settle payments relating to insurance products between themselves. Such services shall be known as the Insurance and Retirement Processing Services ("IPS") and will be accomplished in accordance with the provisions of this Rule.¹

(b) Each Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member and Data Services Only Member that desires access to IPS must complete and deliver to the Corporation such agreements as the Corporation may from time to time require.

(c) IPS Data must be submitted to the Corporation in such formats and by such times as established by the Corporation from time to time, and, depending upon the type of IPS Data submitted, may require a response from the receiver of IPS Data.

(d) The Corporation will review IPS Data received from Insurance Carrier/Retirement Services Members, Mutual Fund/Insurance Services Members, Members and Data Services Only Members for such information as the Corporation determines from time to time to be necessary. If the IPS Data does not contain the information required by the Corporation, the Corporation will reject the IPS Data and will advise the appropriate Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Services Only Member in such form and by such time as established by the Corporation from time to time.

(e) If the IPS Data appears to contain the information required by the Corporation, subject to any rights the Corporation may have as provided in the Rules generally, the Corporation will transmit the IPS Data to the appropriate Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Services Only Member in such form and by such time as established by the Corporation from time to time.

(f) Pursuant to the policies established by the Corporation from time to time, the Corporation will notify, in such form and at such times as established by the Corporation from time to time, an Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Services Only Member, in respect of certain IPS Data which requires a response, if no such response has been received by the Corporation.

¹ The Insurance and Retirement Processing Services were formerly known as the "Insurance Processing Service".

(g) Pursuant to the policies established by the Corporation from time to time, a submitter of IPS Data can withdraw certain IPS Data submitted by submitting an instruction to the Corporation in such form and by such time as established by the Corporation from time to time. Upon receipt of a withdrawal instruction, the Corporation will (i) delete from IPS the IPS Data withdrawn and (ii) notify the appropriate party of the withdrawn IPS Data in such form and by such time as established by the Corporation from time to time. **Unless IPS Data is rejected, withdrawn or deleted from IPS as provided herein, the Corporation will store and maintain all IPS Data submitted to it for transmission between and among Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members and Data Services Only Members and be permitted to evaluate the usefulness of such IPS Data, including by providing such IPS Data to third parties under appropriate agreements of confidentiality and to prohibit such third parties from using such IPS Data other than for evaluation purposes.**

(h) Notwithstanding the foregoing, nothing prohibits an Insurance Carrier/Retirement Services Member, Mutual Fund/Insurance Services Member, Member or Data Services Only Member from requiring data or information in addition to any IPS Data that has been transmitted through the Corporation.

(i) Submission of IPS Data to, or alteration or withdrawal of IPS Data from, the Corporation shall not relinquish, extinguish or affect any legal or regulatory right or obligation of the Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Data Services Only Member.

(j) The Corporation will not be responsible for the completeness or accuracy of the IPS Data received from or transmitted to an Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Service Only Member transmitted through IPS nor for any errors, omissions or delays which may occur in the absence of gross negligence on the Corporation's part, in the transmission of such IPS Data to or from an Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Services Only Member.

(k) Settlement of money payments in respect of IPS transactions shall be made in accordance with Rule 12 and other provisions of these Rules. At any time, the Corporation may prohibit any payment from settling through IPS if the Corporation, in its discretion, determines that such action is necessary for the protection of the Corporation, Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members, creditors or investors.

(l) If at any time the Corporation fails to receive payment from a Member, Mutual Fund/Insurance Services Member or Insurance Carrier/Retirement Services Member which payment was to be used to make payment to the contra side of the IPS transaction, the Corporation, in its discretion, may reverse in whole or in part any credit previously given to the Member, Mutual Fund/Insurance Services Member, or Insurance Carrier/Retirement Services Member who is the contra side to the IPS transaction, within such time frame as determined by the Corporation from time to time.

ANALYTIC REPORTING SERVICE

~~SEC. 12. (a) The Corporation may provide a service (the “Analytic Reporting Service”) to enable NSCC Members or Limited Members to access aggregated information from all participating sources related to the insurance products market, including benchmarking information and league tables (such aggregated information referred to as “Analytics Data”). The Analytic Reporting Service may provide a mechanism for comparing and benchmarking the particular NSCC Member’s or Limited Member’s data to the Analytics Data. The Corporation may make Analytics Data available to parties that are not existing NSCC Members or Limited Members.~~

~~(b) The Analytics Data produced by the Corporation shall be sourced from the IPS Data processed through the Corporation, as well as from other data and information related to the insurance products market that is otherwise supplied to the Corporation by Members, Limited Members or other parties that are not NSCC Members or Limited Members for purposes of creating Analytics Data (such other data referred to as “Storage Data”). IPS Data and Storage Data are collectively referred to as “Source Data” with respect to Analytics Data.~~

~~(c) The Analytic Reporting Service is a service offered by the Corporation to NSCC Members and Limited Members on such Member’s or Limited Member’s behalf. The Corporation will not use or disclose the Storage Data received by the Corporation other than for purposes of providing Analytics Data and other purposes permitted under applicable law.~~

~~(d) The Analytic Reporting Service will permit an NSCC Member or Limited Member to preclude the disclosure or attribution of its Source Data, in order to permit compliance with the laws and regulations governing disclosure of such information prior to earnings reporting. It is ultimately the responsibility of the NSCC Member or Limited Member to determine whether the Analytic Reporting Service process for avoiding disclosure meets its legal requirements and to determine whether disclosure is permissible.~~

~~(e) “Opting-Out”. For purposes of this rule, the term “Opting-Out” shall mean that an NSCC Member or Limited Member elects to prevent the attribution of Source Data to it either individually or in a readily discernible individualized manner as part of the Analytic Reporting Service. To “Opt-Out”, an existing NSCC Member or Limited Member must provide NSCC with written notice of its election within the initial ninety (90) day election period. A new NSCC Member or Limited Member may notify NSCC of its election to “Opt-Out” at any time prior to account activation. Once an NSCC Member’s or Limited Member’s Source Data is included in the Analytic Reporting Service in a readily discernible or individualized manner, the NSCC Member or Limited Member may elect at any time to discontinue having NSCC attribute its Source Data in the Analytic Reporting~~

~~Service by providing NSCC with thirty (30) days written notice of its “Opt-Out” election. For purposes of the Analytic Reporting Service, an NSCC Member or Limited Member that does not elect to “Opt-Out” as provided in this section, shall be deemed to have consented to the release of its Source Data as part of the Analytics Data for the purposes of Rule 49.~~

~~(f) — Each NSCC Member and Limited Member that elects to submit any Storage Data represents to the Corporation:~~

~~(i) — that it has the right to submit such Storage Data to the Corporation;~~

~~(ii) — that either:~~

~~A. no third party consents are required in connection with submission to the Corporation of any Storage Data, or~~

~~B. if any third party consents are required in connection with submission to the Corporation of any Storage Data, it has obtained all such third party consents;~~

~~(iii) — that it has the right to allow the Corporation to use such Storage Data in the creation of the Analytics Data that shall be reported to third parties; and~~

~~(iv) — that either:~~

~~A. it has made the notices, and offered the rights, to individuals with regard to its submission of such Storage Data to the Corporation for use in preparing Analytics Data that is reported to third parties, as required by applicable privacy regulations under the Gramm-Leach-Bliley Act; or~~

~~B. if it is not the appropriate party, it has ensured that the appropriate party has made the notices, and offered the rights, to individuals with regard to such NSCC Member or Limited Member’s submission of such Storage Data to the Corporation for use in preparing Analytics Data that is reported to third parties, as required by applicable privacy regulations under Gramm-Leach-Bliley Act.~~

~~Each NSCC Member and Limited Member that elects to submit any Storage Data agrees that it shall indemnify the Corporation, and any of its employees, officers, directors, shareholders, agents, and participants who may sustain any loss, liability or expense as a result of the Corporation’s reliance upon such Member’s or Limited Member’s representations set forth in this Section.~~

~~(g) Because Analytics Data is based solely upon Source Data provided to the Corporation, the Corporation makes no representation or warranty that any Analytics Data accurately reflects past, present or future market performance, nor does the Corporation guarantee the adequacy, accuracy, timeliness or~~

~~completeness of any Analytics Data or its fitness for any purpose. The Corporation shall not be subject to any damages or liabilities whatsoever with respect to any errors, omissions or delays in any Analytics Data nor for any party's use of or reliance upon any Analytics Data.~~

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ADDENDUM A

NATIONAL SECURITIES CLEARING CORPORATION

FEE STRUCTURE

IV. OTHER SERVICE FEES

K. Insurance and Retirement Processing Services^{6, 7}

1. Transaction Fees

⁶ Unless otherwise noted, all Insurance and Retirement Processing Services transaction fees are per side, and both sides are charged for each item. Volume is calculated on an aggregate basis among qualified carrier members or qualified distributor members, as applicable.

BIN and REP Incentive Discount: Effective October 1, 2009, Participants that submit BIN or REP transactions (i.e., In Force Transactions-Registered Representative Change Requests or Confirms (2.f. and 2.g. of this Section T., also referred to as "REP" transactions) and -Brokerage Identification Number Change Requests or Confirms (2.h. and 2.i. of this Section T., also referred to as "BIN" changes) will receive the first \$350 in such transactions, each month, at no cost.

In addition, effective October 1, 2009, Participants that submit BIN or REP transactions will receive a credit of 30% of the BIN and REP transaction costs (net of the monthly \$350 discount) to be applied to fees charged (but not to exceed the amount charged) in respect of Insurance and Retirement Services "Core Products". Core Products are the following: Positions, Commissions, Financial Activity Reporting, Applications/Subsequent Premiums, and Asset Pricing.

⁷ Extraordinary Event Pricing: if arranged in advance with NSCC, a Participant may qualify for a credit on transaction fees incurred due to extraordinary events such as mergers or mass reconciliations that generate unusually high transaction volume for a limited duration. With respect to transaction types for which the participant has no history of prior usage, the credit is in the amount of 85% of the transaction fees chargeable in respect of the transaction type, with an additional credit in the amount of 5% if the participant continues use of the transaction type after the event. With respect to transaction types for which the participant has a history of prior usage, the credit is in an amount sufficient to produce an aggregate fee for the transaction type that is no more than 120% of the average amount charged to the participant in respect of such transactions in the prior three months.

g. Analytic Reporting Service

Version⁹	Monthly Fee			Opt-Out Members
	Tier 1¹⁰	Tier 2¹¹	Tier 3¹²	
Release 1.0	\$1,000	\$750	\$500	\$1,667
Release 2.0	\$3,000	\$2,250	\$1,500	\$5,000
Release 3.0	\$8,000	\$6,000	\$4,000	\$13,333
Release 4.0	\$10,500	\$7,875	\$5,250	\$17,500
Release 5.0	\$12,000	\$9,000	\$6,000	\$20,000

⁹ ~~Roll out of each subsequent Release Version will be based on client feedback and the timing of functionality enhancements. Roll out of each subsequent Release Version supersedes and replaces the immediately preceding Release Version.~~

¹⁰ ~~Tier 1 = Carriers with \$25 billion or more in assets; Dealers with 10,000 or more financial advisors.~~

¹¹ ~~Tier 2 = Carriers with \$4 billion or more, but less than \$25 billion, in assets; Dealers with 3,000 or more, but less than 10,000, financial advisors.~~

¹² ~~Tier 3 = Carriers with less than \$4 billion in assets; Dealers with less than 3,000 financial advisors.~~

O. Alternative Investment Products

1. Higher Volume¹³⁹ Eligible AIP Product Fees

i. Records

- | | | |
|----|--|-------------------|
| A. | The first 2,999,999 records per calendar year | \$0.10 per record |
| B. | The next 1,000,000 records per calendar year ¹⁴¹⁰ | \$0.09 per record |
| C. | The next 1,000,000 records per calendar year ¹⁵¹¹ | \$0.08 per record |
| D. | All additional records ¹⁶¹² | \$0.07 per record |

ii. Trades

- | | | |
|----|--|------------------|
| A. | The first 10,000 trades per calendar year | \$5.00 per trade |
| B. | The next 10,000 trades per calendar year ¹⁷¹³ | \$4.75 per trade |
| C. | The next 10,000 trades per calendar year ¹⁸¹⁴ | \$4.50 per trade |
| D. | All additional trades ¹⁹¹⁵ | \$4.00 per trade |

2. Lower Volume²⁰¹⁶ Eligible AIP Product Fees

- | | | |
|----|---------|-------------------|
| i. | Records | \$1.00 per record |
|----|---------|-------------------|

¹³⁹ Higher volume Eligible AIP Products are identified in subsection 3.

¹⁴¹⁰ i.e., the 3,000,000th to 3,999,999th records submitted in a calendar year.

¹⁵¹¹ i.e., the 4,000,000th to 4,999,999th records submitted in a calendar year.

¹⁶¹² i.e., the 5,000,000th and higher records submitted in a calendar year.

¹⁷¹³ i.e., the 10,001st to 20,000th trades submitted in a calendar year.

¹⁸¹⁴ i.e., the 20,001st to 30,000th trades submitted in a calendar year.

¹⁹¹⁵ i.e., the 30,001st and higher trades submitted in a calendar year.

²⁰¹⁶ Lower volume Eligible AIP Products are identified in subsection 3.

ii. Trades \$30.00 per trade

3. ELIGIBLE AIP PRODUCT	HIGHER VOLUME	LOWER VOLUME	FEE ²⁴¹⁷ CAP
Hedge Fund		√	
Fund of Funds		√	
Private Equity Fund		√	
Managed Debt Fund		√	
Private Debt Fund		√	
Managed Currency Fund		√	
Commodity Pool Fund		√	
REIT	√		√
Managed Future Fund	√		√
Business Development Corporation (BDC)	√		√
Registered Hedge Fund ²²¹⁸	√		
Oil & Gas Public	√		√
Oil & Gas Private	√		√
Equipment Leasing Public	√		√
Equipment Leasing Private	√		√
Futures Public	√		√
Futures Private	√		√

²⁴¹⁷ If column is checked, the applicable fees apply to all entities processing such products through AIP; however, the maximum charge for AIP Distributors in this regard is a cumulative maximum (for submission of records and trades) of \$50,000 per calendar year.

²²¹⁸ For purposes of the Alternative Investment Products fee structure, "Registered Hedge Fund" shall mean hedge funds that are registered under the Investment Company Act of 1940, as amended.

3. ELIGIBLE AIP PRODUCT	HIGHER VOLUME	LOWER VOLUME	FEE ²⁴¹⁷ CAP
Notes Public	√		√
Notes Private	√		√
Real Estate Public	√		√
Real Estate Private	√		√
Closed End Management Investment Company	√		√
All Other		√	

V. PASS-THROUGH AND OTHER FEES

A. Participant Fees - represents the monthly fee for each number assigned to a Member or Municipal Comparison Only Member for participation by each Member or Municipal Comparison Only Member under such number in one or more of the specified services provided by the Corporation. The services and their related base fees are:

1. Trade Processing System

For Members	\$300.00 per month, per account
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2. Trade input, either (a) as a Service Bureau or (b) by an affiliated Service Bureau

	\$250.00 per month
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3. Global Clearance Network Service

	\$100.00 per month
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4. International Link Service

	Per Agreement with Link Service Participant
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B. Special Service Fees:

1. Commission Billing:

a. Debit	\$.50 per item
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	b. Credit	\$.50 per item
2.	DTC Sponsored Accounts – available to each CNS participant who is not also a participant of DTC:	Cost
3.	Output Fees	
	a. Machine Readable Output	\$10.00 per tape
	b. Service Bureau Tapes	\$2.50 per tape
	c. Magnetic Tape not returned	\$20.00 per tape
	d. Printed Output Reports:	
	For Members with less than 20,000 lines per month	No charge
	For Members with 20,000 or more lines per month	\$4.00 per each 1000 lines
4.	Microfiche Reports	\$3.00 per fiche
5.	Special Research	\$25.00 per hour
6.	Domestic Portfolio Composition File	\$125.00 per month per file
7.	Foreign Portfolio Composition File	\$125.00 per month per file
8.	Subscription-based Portfolio Composition File Reporting	\$3.00 per unit per month for the first zero to 200 average daily units ²³¹⁹
		\$2.00 per unit per month for the next 300 average daily units (201st to 500th units)
		\$1.00 per unit per month for all average daily units above 500 (501 st and above)
		\$600 minimum; ²⁴²⁰ \$1,550 maximum per month

²³¹⁹ “Units” refers to the number of portfolio subscriptions for each billing month.

Unit charges are calculated by applying the tiered fee structure to the average daily number of units subscribed for by the Member in the billing month.

C. Pass-Through Expenses:

1. Communications
 - a. Communications Access Cost
 - b. Telephone toll calls Cost
 - c. Failure to migrate from legacy networks to SMART and/or SFTI Cost²⁵²¹
2. Forms Cost
3. Miscellaneous Expenses: Cost
Any other expense not specified above, whether one-time or recurring, which the Corporation may incur on behalf of a Member at a Member's request

²⁴²⁰ From June 2, 2014 until December 31, 2015, the minimum will be \$300 per month and, thereafter the minimum will increase to \$600 per month and this footnote will be deleted.

²⁵²¹ The entire cost of supporting the legacy network connections will be allocated among the remaining users pro rata.