SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64196; File No. SR-NSCC-2010-15)

April 6, 2011

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving Proposed Rule Change Relating to Establishing an Automated Service for the Processing of Transfers, Replacements, and Exchanges of Insurance and Retirement Products

I. Introduction

On November 18, 2010, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act").[1] The proposed rule change allows NSCC to add a new automated service to process transfers, replacements, and exchanges of insurance and retirement products through NSCC's Insurance and Retirement Processing Service ("IPS"). The proposed rule change was published for comment in the Federal Register on November 30, 2010.[2] No comment letters were received. This order approves the proposed rule change.

II. Description of the Proposal

The proposed rule change will enable NSCC to offer a new automated service for the transfer, replacement, or exchange (collectively referred to as a "Replacement") of an existing insurance contract that is eligible for NSCC's IPS. Specifically, NSCC will add new Section 11 to Rule 57 (Insurance and Retirement Processing Services) that will centralize and automate Replacement processing and will decrease the administrative burden on and risk to NSCC Members, Insurance Carrier/Retirement Service Members, Mutual Fund/Insurance Services

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[1] 15 U.S.C. 78s(b)(1).

[2] Securities Exchange Act Release No. 63368 (Nov. 23, 2010), 75 FR 74117.

Members, and Data Services Only Members. Prior to this rule change, the Replacement process was not conducted through a centralized or automated process and requires extensive manual processing of paper forms and other documents. The insurance industry utilized Transfer of Assets forms, 1035 Exchange Forms, or other similar paperwork (collectively referred to as "TOA") to document the request and the authorization for a Replacement.

Under the new service, an Insurance Carrier/Retirement Services Member will be able to initiate a Replacement ("Receiving Carrier") by submitting an instruction to NSCC to process a Replacement ("Request for Replacement"). NSCC will then transmit the Request for Replacement to the designated Insurance Carrier/Retirement Services Member ("Delivering Carrier"). The Delivery Member will have to confirm, reject, or request modification to the Request for Replacement in the format and by such time as established by NSCC. NSCC will delete from the IPS Requests for Replacement that are not confirmed or rejected. The IPS will also incorporate and will automate the settlement of confirmed Replacements into NSCC's existing IPS settlement process.

Also under the new Section 11, the Delivering Carrier will waive the obligation of the Receiving Carrier to submit a signed physical copy of the TOA unless specifically required by state or local law. The transfer of any physical documents related to Replacements that are required under state law would continue to be transferred outside of NSCC. It will be the sole obligation of the Insurance Carrier/Retirement Services Members involved in the Replacement to confirm that all legal requirements, including any requirement to obtain a signed physical copy of the TOA imposed by applicable state or local law, are satisfied prior to confirming a Request for Replacement. The Replacement service will permit the transfer of documentation as an attachment to the Request for Replacement but this will not be a requirement to utilize the

Replacement service. The waiver of the obligation to submit signed physical documents is intended to improve the orderly processing of Replacements.

Finally, NSCC will update the Fee Schedule to incorporate the fees associated with processing a Request for Replacement. The fee associated with a Request for Replacement, including submitting incremental replacement status messages and money settlement, will be $5.00 per Request for Replacement. The cost will be divided between the carriers associated with the transaction with the Receiving Carrier responsible for $3.75 per transaction, which is three-fourths of the cost of the Replacement service, and the Delivering Carrier responsible for the remaining $1.25, which is one-fourth of the cost. The fee associated with obtaining the status of a pending Request for Replacement, including incremental statuses, will be $1.00 per pending status request. The cost will be divided evenly between the Receiving Carrier and the Distributor, each of which will be responsible for paying a fee of $0.50.

Members will be advised of the specific implementation date through the issuance of an NSCC Important Notice.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules thereunder applicable to NSCC. In particular, the Commission finds that the proposal is consistent with Section 17A(b)(3)(F) of the Act,[3] which requires, among other things, that the rules of a registered clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions. NSCC's new Replacement service is designed to process Replacements in a more timely and efficient manner by reducing manual errors, lowering costs, and providing a uniform platform for Replacements processing. In

[3] 15 U.S.C. 78q-1(b)(3)(F).

addition, the new service should increase the speed of processing Replacements through the use of automation, which should also decrease NSCC's operational risk posed by processing paper documentation. Accordingly, NSCC's proposal should promote the 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[4] and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[5] that the proposed rule change (File No. SR-NSCC-2010-15) be and hereby is approved.[6]

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.[7]

Cathy H. Ahn
Deputy Secretary

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[4] 15 U.S.C. 78q-1.

[5] 15 U.S.C. 78s(b)(2).

[6] 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).

[7] 17 CFR 200.30-3(a)(12).