

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69980; File No. SR-NSCC-2013-09)

July 12, 2013

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the Decommissioning of NSCC's Over-the-Counter (OTC) Equity Comparison Service

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 2, 2013, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to the Rules & Procedures ("Rules") of NSCC with respect to the decommissioning of the OTC Equity Comparison Service, as well as technical changes, as more fully described below.

II. Clearing Agency'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

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

<sup>2</sup> 17 CFR 240.19b-4.

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 such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(i) NSCC provides a framework for the comparison and recording of transactions in eligible equity and debt securities executed on national stock exchanges and in the over-the-counter (“OTC”) market, through its Comparison and Trade Recording Operation, provided pursuant to Rule 7 and Procedure II of the Rules. NSCC also provides an Obligation Warehouse service pursuant to Rule 51 and Procedure IIA, under which certain transactions may be submitted for comparison that are not otherwise submitted for processing to NSCC through its other services. Over time, in efforts to promote straight-through processing, markets have assumed increasing responsibility for trade comparison (i.e., matching the buy and sell side of a securities transaction) at the point of trade, and submitting the transaction to NSCC on a “locked-in” basis for trade recording purposes (i.e., with the transaction details having been already compared). Today, all marketplaces interfacing with NSCC have assumed responsibility for equity comparison on their respective venues; as a result the level of over-the-counter bilateral submissions of equity transactions to the equity comparison operation has become nominal.<sup>3</sup> In addition, NSCC’s OTC Equity Comparison service operates through legacy batch processing at the end of the day. Trade capture processes now mostly run in a real-time environment.

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<sup>3</sup> During May 2013, NSCC compared an average of approximately 90 sides (an approximate average of 45 trades) for equity transactions through its OTC Comparison service. As of June 24, 2013, NSCC compared a total of 74 sides (37 trades) for the entire month of June 2013 to date.

Rule 7 and Procedure II each contain notes stating that the comparison function offered thereunder will discontinue once each exchange and/or marketplace assumes responsibility for trade comparison.<sup>4</sup> Therefore, in light of the assumption of the comparison function by each marketplace and minimal volume to equity trades submissions to the OTC Equity Comparison service, NSCC proposes to decommission its OTC Equity Comparison service offering. The proposed change will not, however, impact comparison services with respect to debt transactions (which are compared through the Real Time Trade Matching (or “RTTM”) system) or transactions submitted to the Obligation Warehouse, both of which will continue to be processed in the ordinary course. Once the OTC Equity Comparison service is decommissioned, comparison submissions for equity transactions other than those submitted to the Obligation Warehouse in accordance with Rule 51 and Procedure IIA will not be accepted by NSCC and related output will not be produced. As a result, upon the effective date of this proposal, all equity transactions submitted for processing to NSCC, other than those submitted through the Obligation Warehouse, must be compared prior to submission (i.e., at the marketplace of execution or through FINRA/NASDAQ’s Automated Comparison Transaction facility (“ACT”) and submitted to NSCC on a locked-in basis for trade recording).

To facilitate this proposal, NSCC will amend Rule 7 (Comparison and Trade Recording Operation) and Procedure II (Trade Comparison and Recording Service) to reflect rules text changes consistent with the above. NSCC also proposes to make technical changes to Procedure II to: (i) delete a provision relating to the submission of

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<sup>4</sup> See footnotes to Rule 7 and Procedure II.

municipal securities transactions by Members on behalf of non-members, and (ii) delete a provision relating to potential announcement via Important Notice of the availability of the comparison service for when-issued corporate securities.<sup>5</sup>

In addition Rule 5 (General Provisions) will be revised to clarify that output issued by NSCC with respect to transactions either compared by it, or recorded locked-in transactions (defined as “Compared Contracts”), evidence valid, binding and enforceable compared transactions for purposes of the Rules. In this regard, Rule 1 (Definitions) will be revised to reflect the definition of “Compared Contracts”.

NSCC will also: (i) amend its fee schedule in Addendum A to the Rules to delete references to charges associated with OTC equity comparison, and (ii) make technical changes to the numbering of footnotes and certain cross-references in the Rules to reflect the changes noted above.

The effective date of the proposed rule change will be announced via an NSCC Important Notice at least 30 days in advance of its implementation.

(ii) Statutory Basis. The proposed rule change is consistent with the requirements of Section 17A(b)(3)(F)<sup>6</sup> of the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder, because it provides for operational efficiencies by promoting the comparison of transactions at the point of trade, and therefore are designed to promote the prompt and accurate clearance and settlement of securities transactions.

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<sup>5</sup> With respect to the former provision, the function described is no longer in use and the provision has become obsolete, and with respect to the latter provision, a comparison service is not currently scheduled to be implemented for corporate when-issued securities and NSCC would submit a rule filing to the Commission in the event such an implementation is proposed.

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

(B) Clearing Agency'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, as usage of the OTC Equity Comparison service has declined significantly and other alternatives (including NSCC's Obligation Warehouse and the ACT facility) are available.

(C) Clearing Agency'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 with respect to this filing.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate 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 or disapprove 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 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-2013-09 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-NSCC-2013-09. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on NSCC's website ([http://www.dtcc.com/legal/rule\\_filings/nscc/2013.php](http://www.dtcc.com/legal/rule_filings/nscc/2013.php)). 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-2013-09 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>7</sup>

Elizabeth M. Murphy  
Secretary

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