

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54921; File No. SR-NSCC-2006-14)

December 12, 2006

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Clarifying and Technical Changes to its Insurance Processing Service

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on November 2, 2006, the National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by NSCC. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act² and Rule 19b-4(f)(4) thereunder³ so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The purpose of the proposed rule change is to make clarifying and technical changes to NSCC’s Rule 57 regarding NSCC’s Insurance Processing Service (“IPS”).

II. Self-Regulatory Organization’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 the places specified in Item IV

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(A)(iii).

³ 17 CFR 240.19b-4(f)(4).

below. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.⁴

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

The purpose of the proposed rule change is to make clarifying and technical changes to Rule 57 of NSCC's Rules regarding IPS. NSCC proposes to reformat Rule 57 for clarity. References to services or functionalities that are not currently offered would be deleted and to those that have changed since the rule was initially written would be revised accordingly. These changes are explained below.

Reformatting of Rule 57 Rule 57 is being reorganized such that (i) Section 1 of the rule now consolidates all of the general provisions that will generally apply to all IPS services and (ii) each subsequent section (Sections 2 through 10) applies to a separate service offering within IPS. This differs from the format of the current rule in which some of the services are referenced in a list contained in Section 1 of the rule and certain other of the services are described in separate, individual sections of the rule.

Section 1 Section 1 will contain all of the general provisions that apply to all services within IPS. Most of these general provisions are contained in Sections 1 and 2 of the current Rule 57 and with some exceptions are repeated in subsequent sections of the current rule with respect to specific services.

The statement currently contained in Addendum D of NSCC's Rules, which states that NSCC does not guarantee money settlement of IPS transactions, is being restated in Subsection (l) of Section 1 of the rule. Repositioning the statement in the rule which governs the

⁴ The Commission has modified the text of the summaries prepared by NSCC.

insurance services will help clarify to applicants and members that IPS is not a “guaranteed service.”

The last two sentences of current Subsection (d) of Section 2 of Rule 57, which state that NSCC would adjust IPS data on the instruction of a participant, are being deleted. Because NSCC acts as a pass-through of IPS data, it would not generally be expected to make adjustments on such data.

Provisions contained in Sections 1 and 2, which are specific to a particular service offering within IPS, of the current Rule 57 are being deleted and moved to subsequent sections that are dedicated to that particular service offering. For example, the material regarding application information is being moved to Section 3, “Applications and Premiums.”

Section 2, “Commissions and Compensation” Section 2 will set forth the provisions specific to the commission service offered in IPS, which provisions are currently in Section 3. The service, currently named “Commissions and Charge Backs,” is being renamed “Commissions and Compensation” to reflect that the service currently accommodates other types of compensation payable between insurance carriers and distributors such as bonus amounts. General provisions that are not specific to the Commissions and Charge Backs service and that apply generally to all IPS services are being deleted from this section and placed in Section 1 as discussed above.

Sections 3(d) and (e) of the current rule, which state that NSCC may offer members the ability to cancel commission transactions, are being deleted. At the time the commission service

was originally proposed, NSCC anticipated that it would develop such an enhancement.⁵ The enhancement has not been developed and there are no plans to develop it at this time.

The provisions in the current rule regarding the date on which commission transactions may settle are being rewritten to use terminology consistent with analogous provisions elsewhere in the rules.

Section 3, “Applications and Premiums” Section 3 will set forth the provisions that are specific to the applications and premiums services in IPS, which provisions are currently in Sections 2 and 4. The provisions of the current Sections 2 and 4 that are of general applicability to all IPS services are deleted from these sections and placed in Section 1 as discussed above.

Section 2 (e) of the current rule, which states that NSCC will reject application data if it has four or more errors, is being deleted. The precise data requirements of the various services change from time to time as new fields are added or deleted or made mandatory or optional, and the data requirements therefore are more typically contained in the NSCC user guides and other documentation rather than being set forth in the text of the NSCC Rules.

Section 4, “Licensing and Appointments” Section 4 will set forth the provisions specific to the licensing and appointments services within IPS. In the current rule, the reference to the licensing and appointments service is contained in Sections 1 and 4 in the list of types of data that may be transmitted through IPS.

Section 5, “Positions and Valuations” Section 5 will set forth the provisions specific to the positions and valuations services within IPS. Section 5 of the current rule, which regards a product repository service which may be offered by NSCC, is being deleted. NSCC determined not to offer this service after the proposed rule change for the service had been filed and

⁵ Securities Exchange Act Release No. 39096 (September 19, 1997), 62 FR 50416 (September 25, 1997) [File No. SR-NSCC-96-21].

approved.⁶ NSCC has no plans to offer such a service at this time and would file a proposed rule change should it determine to do so after this provision is deleted from the rules.

Section 6, “ACATS/Transfers” Section 6 will set forth the provisions specific to the ACATS transfer service within IPS and is reworded slightly differently from the current Section 6 in order to use terminology that is consistent with analogous terminology elsewhere in NSCC’s rules.

Section 7, “Asset Pricing” Section 6 sets forth the provisions specific to the asset pricing service within IPS.

Section 8, “Financial Activity Reporting” Section 7 will set forth the provisions specific to the financial activity reporting service within IPS, which service is referenced in Section 1 of the current rule in the list of types of data that may be transmitted through IPS.

Section 9, “In Force Transactions” Section 9 will set forth the provisions specific to the In Force Transactions services within IPS.

Section 10, “InsurExpress” Section 10 will set forth the provisions specific to the InsurExpress service within IPS. This service was the subject of a proposed rule change regarding the insurance service that was proposed to be offered under the name “Portal.”⁷

The proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because in clarifying NSCC’s Rules to more accurately and clearly set forth the nature of the insurance processing services already offered by NSCC, the proposed rule change effects a change in an existing service of NSCC that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of NSCC and (ii) does not

⁶ Securities Exchange Act Release No. 47644 (April 7, 2003), 68 FR 17850 (April 11, 2003) [File No. SR-NSCC-2003-04].

⁷ Securities Exchange Act Release No. 48896 (December 9, 2003), 68 FR 70553 (December 18, 2003) [File No. SR-NSCC-2003-18].

significantly affect the respective rights or obligations of NSCC or those members using the service.

(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.

(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 yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act⁸ and Rule 19b-4(f)(4) thereunder⁹ because the proposed rule effects a change in an existing service of NSCC that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of NSCC and (ii) does not significantly affect the respective rights or obligations of NSCC or those members using the service. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

⁹ 17 CFR 240.19b-4(f)(4).

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. Please include File Number SR-NSCC-2006-14 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NSCC-2006-14. 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. 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 www.nsc.com. 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-2006-14 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Florence E. Harmon
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).