

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-96590; File No. SR-NSCC-2022-017)

December 28, 2022

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Make Certain Adjustments in the Fees for NSCC's I&RS Positions and Valuations Service and Certain Clarifications to Addendum A

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 21, 2022, 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. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A)³ of the Act and subparagraph (f)(2)⁴ of Rule 19b-4 thereunder. 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 of NSCC consists of modifications to Addendum A (Fee Structure) ("Addendum A") of NSCC's Rules & Procedures ("Rules") in order to make certain adjustments in the fees for the Positions and Valuations service

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(2).

(“Positions”) in NSCC’s Insurance & Retirement Services (“I&RS”) and make certain clarifications to Addendum A, as described below.⁵

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency 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. The clearing agency 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

1. Purpose

Overview of Proposed Rule Change

The purpose of this proposed rule change is to increase the fees for Positions, as described below, in order to align those fees more closely with the costs of providing the products and services to Members and Limited Members that use I&RS (collectively, “I&RS Members”). The fee changes are being made to better align fees with the costs of services provided by NSCC by adjusting the fees so that the revenue received by NSCC would be closer to the costs of providing the services consistent with NSCC’s cost-based

⁵ Capitalized terms used herein and not otherwise defined have the meaning assigned to such terms in the Rules, available at https://dtcc.com/~media/Files/Downloads/legal/rules/nsc_rules.pdf.

plus markup fee model.⁶ In general, fee levels for NSCC are set by NSCC after periodic reviews of a number of factors, including revenues, operating costs and potential service enhancements.

Pursuant to Section 5 of Rule 57, NSCC provides a service to enable Insurance Carrier/Retirement Services Members to transmit data to other I&RS Members relating to positions and valuations specific to I&RS Eligible Products.⁷ Pursuant to this service, Insurance Carrier/Retirement Services Members can send data using four file types – (i) a focused file (“Positions Focused”) that includes underlying fund and current value information as well as a distributor’s entire book of business, which is typically sent daily; (ii) a full file (“Positions Full”) that includes information in the Positions Focused file as well as information pertaining to contract parties and service features, which is typically sent on a schedule agreed to by the trading partners; (iii) a new business file (“Positions New”) that provides data in the identical format to the Positions Full file but includes only new contract information, which is only sent once; and (iv) a retirement plan file (“Positions for Retirement Plans”) that provides data relating to insurance-based

⁶ NSCC has in place procedures to control costs and to regularly review pricing levels against costs of operation. NSCC’s fees are cost-based plus a markup as approved by its Board of Directors or management (pursuant to authority delegated by the Board of Directors), as applicable. This markup is applied to recover development costs and operating expenses, and to accumulate capital sufficient to meet regulatory and economic requirements. See NSCC Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures, available at https://www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/NSCC_Disclosure_Framework.pdf, at 121.

⁷ Section 5 of Rule 57, supra note 5. The term “I&RS Eligible Product” means an insurance product or a retirement or other benefit plan or program included in the list for which provision is made in Section 1.(d) of Rule 3. Definition of “I&RS Eligible Product”, Rule 1, supra note 5.

group annuities and mutual fund-based retirement accounts including detailed plan and participant level data.

NSCC continuously engages in discussions with I&RS Members regarding proposed enhancements, proposed fee changes and potential impacts. As a result of these discussions, I&RS Members have requested enhancements to the current Positions file. The enhancements include modifying current records and adding a new record to accommodate data related to indexed life and annuity products. The proposed pricing increase was developed using a cost-plus pricing methodology and would be an increase in Positions fees of approximately 4% for Positions Full, Positions New and Positions for Retirement Plans and an increase of approximately 9.1% for Positions Focused. The estimated annual revenue increase for Positions fees would cover development cost and maintenance for the proposed enhancements and related system developments.

NSCC is also proposing to add abbreviations in Addendum A of the Rules to match descriptions of Positions Full, Positions New, Positions for Retirement Plans and Positions Focused used in marketing materials and client communications.

Proposed Rule Change

NSCC is proposing to increase the fees charged for the Positions Full, Positions New, Positions for Retirement Plans files that are currently set forth in Section IV.H.2.a.(i) of Addendum A as follows: (i) increase fees for 0 to 500,000 items/month from \$6.00 to \$6.25 per 1,000 items, (ii) increase fees for 500,001 to 2,000,000 items/month from \$3.50 to \$3.65 per 1,000 items, (iii) increase fees for 2,000,001 to 4,000,000 items/month from \$3.00 to \$3.10 per 1,000 items and (iv) increase fees for 4,000,001 or more items/month from \$1.25 to \$1.30 per 1,000 items. NSCC is also

proposing to add the abbreviations PVF, PNF and PRP next to Full, New and Retirement Plans, respectively, to reflect the abbreviations used in marketing materials and client communications relating to these services.

NSCC is proposing to increase the fees charged for the Positions Focused file that are currently set forth in Section IV.H.2.a.(ii) of Addendum A as follows: (i) increase fees for 0 to 500,000 items/month from \$3.00 to \$3.25 per 1,000 items, (ii) increase fees for 500,001 to 2,000,000 items/month from \$1.50 to \$1.65 per 1,000 items, (iii) increase fees for 2,000,001 to 4,000,000 items/month from \$1.00 to \$1.10 per 1,000 items and (iv) increase fees for 4,000,001 or more items/month from \$0.50 to \$0.55 per 1,000 items. NSCC is also proposing to add the abbreviation PFF next to Positions Focused to reflect the abbreviations used in marketing materials and client communications relating to this services.

Expected Member/NSCC Impact

The proposed fee changes would impact all users of Positions. Based on a review of users in the second quarter of 2022, it is anticipated that approximately 82% of the I&RS Members receive files using Positions Full, Positions New or Positions for Retirement Plans and approximately 63% of I&RS Members receive files using Positions Focused. The proposed pricing increase is expected to result in an increase in Positions fees of approximately 4% for Positions Full, Positions New and Positions for Retirement Plans and an increase of approximately 9.1% for Positions Focused.

The proposed fee increases are designed to cover the costs of enhancing and maintaining I&RS in accordance with NSCC's cost-based plus markup fee model.⁸ Following the implementation of fees, assuming revenues and expenses remain constant,⁹ NSCC anticipates recouping the costs of building the enhancements within approximately two years of implementing the fees.

Implementation Timeline

NSCC expects to implement the proposed rule change on January 1, 2023. As proposed, a legend would be added to Addendum A stating that changes became effective upon filing with the Commission but have not yet been implemented. The proposed legend also would include January 1, 2023 as the date on which such changes would be implemented and the file number of this proposal, and state that, once this proposal is implemented, the legend would automatically be removed from Addendum A.

2. Statutory Basis

NSCC believes this proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, NSCC believes this proposal is consistent with Sections 17A(b)(3)(D)¹⁰ and

⁸ See supra note 6.

⁹ Revenues and expenses may not remain constant. Costs of providing the service may change if, for example, I&RS Members request further service enhancements or the costs of NSCC's technology change. In addition, revenues may change depending on the number of users of the service. NSCC regularly reviews pricing levels against costs of operation. As with its other services, if NSCC determines that its operating margin is too high or too low, NSCC would propose changes to pricing levels accordingly.

¹⁰ 15 U.S.C. 78q-1(b)(3)(D).

17A(b)(3)(F)¹¹ and Rule 17Ad-22(e)(23)(ii),¹² as promulgated under the Act, for the reasons described below.

Section 17A(b)(3)(D) of the Act requires that the rules of a clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. NSCC believes the proposed fees would be allocated equitably among I&RS Members that use Positions.¹³ NSCC believes the proposed fee changes are reasonable because they are based on the expected investment costs to develop the Positions enhancements and related system developments, the projected annual costs to run the service (including both technology and non-technology run costs) and projected revenues for the service. Such proposed fee changes are expected to recover such investment and operating costs in an appropriate timeframe. NSCC notes that once the proposed Positions fees are implemented, the fees would be periodically reviewed pursuant to NSCC's procedures to determine whether they continue to appropriately reflect NSCC's costs of operation.¹⁴

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a clearing agency promote the prompt and accurate clearance and settlement of securities transactions.¹⁵ NSCC believes that the proposed clarifications to add abbreviations for the services in Addendum A would enhance I&RS Members' ability to understand which

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

¹² 17 CFR 240.17Ad-22(e)(23)(ii).

¹³ 15 U.S.C. 78q-1(b)(3)(D).

¹⁴ See supra note 6.

¹⁵ 15 U.S.C. 78q-1(b)(3)(F).

fees are associated with the with files within Positions. Specifically, the proposal would add abbreviations to the Rules that are currently used in marketing materials and other client communications to refer to these services. As such, the proposed clarifications would improve the clarity of the Fee Structure in Addendum A of the Rules and provide I&RS Members with a better understanding of those fees in relation to their activities. In this way, the proposed clarification are consistent with the requirements of Section 17A(b)(3)(F) of the Act.¹⁶

Rule 17Ad-22(e)(23)(ii) under the Act requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency.¹⁷ The proposed fees would be clearly and transparently stated in Addendum A of the Rules, which are available on a public website,¹⁸ thereby enabling Members to identify the fees associated with participating in Positions. As such, NSCC believes the proposed rule change is consistent with Rule 17Ad-22(e)(23)(ii) under the Act.¹⁹

The proposed clarifications to add abbreviations for services, as described above, would improve the transparency of the fees in Addendum A to I&RS Members. Having a clear and transparent Addendum A would help I&RS Members to better understand

¹⁶ Id.

¹⁷ 17 CFR 240.17Ad-22(e)(23)(ii).

¹⁸ See supra note 5.

¹⁹ 17 CFR 240.17Ad-22(e)(23)(ii).

NSCC's fees and help provide I&RS Members with increased predictability and certainty regarding the fees they incur in participating in NSCC. As such, NSCC believes the proposed rule changes are also consistent with Rule 17Ad-22(e)(23)(ii) under the Act.²⁰

(B) Clearing Agency's Statement on Burden on Competition

NSCC believes the proposed rule change to increase fees for Positions may have an impact on competition. NSCC believes the proposed rule change could burden competition by negatively affecting such I&RS Members' operating costs. While these I&RS Members may experience increases in their fees when compared to their fees under the current fee structure, NSCC does not believe such change in fees would, in and of itself, mean that the burden on competition is significant. The proposed Positions fee increase would not advantage or disadvantage any particular member or user of Positions, or unfairly inhibit access to Positions. Further, the proposal would similarly affect all I&RS Members that utilize Positions based on each I&RS Member's usage of Positions.

Regardless of whether the burden on competition is deemed significant, NSCC believes any burden on competition that is created by the proposed rule change would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.²¹ The proposed rule change to increase fees for Positions would be necessary in furtherance of the purposes of the Act because the Rules must provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.²² As described above, NSCC believes that the proposed rule

²⁰ Id.

²¹ 15 U.S.C. 78q-1(b)(3)(I).

²² 15 U.S.C. 78q-1(b)(3)(D).

change would result in fees that are equitably allocated because they are applied uniformly to all I&RS Members that use the applicable services. The proposal also would result in reasonable fees, because they would allow NSCC to recoup its expenses in building the proposed enhancements and related system developments and continue to operate Positions with a positive operating margin. As such, NSCC believes the proposed rule change would be necessary in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.²³

NSCC also believes that the fees are appropriate in furtherance of the purposes of the Act because the fees are designed to align NSCC's revenue with the costs of enhancing and providing the services, consistent with NSCC's cost-based plus markup fee model. As noted above, the proposed fees are equitably allocated among I&RS Members.²⁴ The fees would enable NSCC to pay for building the proposed enhancements to this service and would allow continue to operate Positions with a positive operating margin. As such, NSCC believes the proposed rule change would be appropriate in furtherance of the purposes of the Act, specifically Section 17A(b)(3)(I) of the Act.²⁵

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

NSCC has conducted outreach to I&RS Members in order to provide them with notice of the proposed rule change to the affected fees.

²³ 15 U.S.C. 78q-1(b)(3)(I).

²⁴ See supra note 6.

²⁵ 15 U.S.C. 78q-1(b)(3)(I).

NSCC has not received or solicited any written comments relating to this proposal. If any written comments are received by NSCC, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)²⁶ of the Act and paragraph (f)²⁷ of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or

²⁶ 15 U.S.C 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f).

appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2022-017 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-NSCC-2022-017. 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 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC’s website (<https://dtcc.com/legal/sec-rule-filings.aspx>). 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-2022-017 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.²⁸

J. Matthew DeLesDernier,
Deputy Secretary.

²⁸ 17 CFR 200.30-3(a)(12).