

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101656; File No. SR-NSCC-2024-009)

November 19, 2024

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Add Activity Status Tracking to I&RS and Make Certain Clarification Changes in the Rules

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 November 14, 2024, 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) of the Act³ and Rule 19b-4(f)(2)⁴ and Rule 19b-4(f)(4) thereunder.⁵ 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 modifications to NSCC’s Insurance & Retirement Services (“I&RS”) in order to provide for Activity Status Tracking (“Activity Status”), a new service offering designed to allow I&RS members to communicate with

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).

⁵ 17 CFR 240.19b-4(f)(4).

each other relating to activity status of I&RS transactions, and to make other clarification changes to the Rules, as described in greater detail below.⁶

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

The proposed rule change consists of modifications to I&RS in order to provide for Activity Status, a new service offering designed to allow I&RS members to communicate with each other relating to activity status of I&RS transactions, and to make other clarification changes to the Rules, as described in greater detail below.

The objectives and expected impacts of the proposed rule change to I&RS Members⁷ would be to make available a new optional service offering that would provide a more efficient method for I&RS Members to choose to transmit, view and

⁶ Terms not defined herein are defined in the NSCC Rules & Procedures ("Rules"), available at www.dtcc.com/legal/rules-and-procedures.

⁷ I&RS Members include (i) insurance companies that are Insurance Carrier/Retirement Services Members ("Carriers"); and (ii) Carriers' intermediaries, such as broker-dealers, banks and insurance agencies, that are Members, Mutual Fund/Insurance Services Members and Data Services Only Members that distribute participating Carriers' insurance products (collectively, "Distributors," and, together with "Carriers," collectively referred to herein as "I&RS Members").

retrieve I&RS Data and to improve the Member's understanding of the Rules relating to I&RS.

Activity Status was developed at the request of and in consultation with industry participants, and the proposed fees for the service offering were designed to pay for the costs of developing and maintaining such offering in a manner that would fulfill the requirements expected from industry participants consistent with NSCC's cost-based plus markup fee model.⁸ Based on financial projections of development and maintenance costs and anticipated participation by I&RS Members, it is anticipated that the costs and revenues would result in a slight increase in the overall operating margin percentage of I&RS. NSCC anticipates recouping the costs of building the service offering within approximately 3.5 years of implementing the fees. In addition to the building cost of Activity Status, NSCC incurs a run-cost based on use and maintenance of its staffing and technology resources to operate I&RS. NSCC would continue to evaluate the costs and revenues of Activity Status after implementation to determine if its fees for the service are consistent with NSCC's overall pricing methodology.

As with its other services, if NSCC determines that its operating margin is too high or too low, NSCC could change pricing levels of Activity Status to be consistent with its overall pricing methodology.

⁸ 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. 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 www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/NSCC_Disclosure_Framework.pdf, at 118.

I&RS

I&RS allows I&RS Members to transmit I&RS Data⁹ among each other, including data relating to annuity and life insurance policy applications and premiums, licensing and appointments, commission payments, reporting of client positions and valuations, asset pricing, financial activity reporting and annuity customer account transfers. I&RS also allows certain I&RS Members to settle payments relating to I&RS Eligible Products. NSCC does not act as a central counterparty with respect to I&RS and I&RS are not guaranteed by NSCC.

Activity Status Tracking (ACT)

NSCC is proposing to establish Activity Status which is intended to allow I&RS Members to communicate the status of business transactions involving I&RS Eligible Products. Currently, there is not a standardized method for I&RS Members to communicate with each other relating to the status of transactions involving I&RS Eligible Products from the beginning of the application process until the applicable contracts are in force. Applications that are submitted to Carriers may take weeks to process before a position is sent back to a Distributor. During the processing time, there is currently no standardized way to communicate the status of the order. Overseeing the statuses of new business across different Carriers can be difficult and inefficient, with many communications existing across multiple mediums, like paper applications, Carrier websites and phone calls. For instance, some Carriers offer activity status of new

⁹ “I&RS Data” means data and information relating to I&RS Eligible Products. See Rule 57, supra note 6. “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 of the Rules. See definition of I&RS Eligible Product, Rule 1, supra note 6.

business via their public website which requires Distributors to go to multiple Carrier websites to get a complete view of their outstanding business.

Clients have requested a feature that would allow I&RS Members to update each other on the status of transactions in I&RS Eligible Products beginning at the application stage including such information as the applicable Carrier, product type, product CUSIP (if applicable), the producer involved in the transaction and similar information. Activity Status would provide the ability of I&RS Members to communicate with each other using standardized messages relating to the status of transactions in I&RS Eligible Products from the start of such transactions beginning at the application stage. Activity Status is designed to standardize messages relating to providing real-time activity across platforms and planning tools. I&RS Members would be able to track electronic applications through the underwriting process, participating in standardized communication.

As with other I&RS service offerings, Activity Status was built to be accessible by an Application Programming Interface (“API”) specifically for use for users of Activity Status. Using the Activity Status API, I&RS Members will be able to send messages in a standard file format containing information relating to the activity status of each transaction.

NSCC would add the following description of Activity Status in a new Section 3 in Rule 57:

ACTIVITY STATUS TRACKING (ACT)

SEC. 3. The Corporation may provide a service to enable I&RS Members to transmit status information to other I&RS Members relating to transactions involving I&RS Eligible Products.

NSCC would also renumber the sections following Activity Status to reflect the addition of Activity Status as a new Section 3.

NSCC would also amend Addendum A to provide for fees for Activity Status. The fees would be \$0.35 per transaction, per side. NSCC would add a fee description for Activity Status in a Section IV.H.3. in Addendum A.

Additional Clarification Changes

NSCC would also modify the names of two services in Addendum A for clarity. In Section IV.H.2.c. of Addendum A, NSCC would change the description of “Commissions (COM)” to “Commissions and Compensation (COM)” and in Section IV.H.2.d. of Addendum A, NSCC would change the description of “Initial Application Information (APP)” to “Applications and Premiums (APP)”. In each case, NSCC would be changing the descriptions to match the formal name of those services and to match the description of those services in Rule 57 for consistency and to make the Rules easier to understand for I&RS Members.

Implementation Timeframe

NSCC would implement the proposed changes on November 21, 2024.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act, requires, that the Rules be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions.¹⁰

The proposed addition of the Activity Status service offering would provide a standardized method to communicate I&RS Data among I&RS Members relating to the

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

activity status of transactions in I&RS Eligible Products beginning at the application stage, as discussed above. The addition of Activity Status would enhance I&RS Members' ability to communicate with each other relating to ongoing transactions starting at the application stage and bring greater efficiency and expediency to the buying, selling and settlement of such I&RS Eligible Products among I&RS Members. Providing a more efficient and streamlined process with respect to transmitting and receiving such I&RS Data would promote the prompt and accurate clearance and settlement of securities transactions, consistent with the requirements of Section 17A(b)(3)(F) of the Act.¹¹

The renumbering of the Sections in Rule 57 and the renaming of two services in Addendum A discussed above is consistent with this provision because the proposed change would enhance clarity and transparency for participants with respect to services offered by NSCC allowing I&RS Members to have a better understanding of the Rules relating to I&RS. Having clear and accurate Rules would help I&RS Members to better understand their rights and obligations regarding NSCC's services. NSCC believes that when I&RS Members better understand their rights and obligations regarding NSCC's services, they can act in accordance with the Rules. NSCC believes that better enabling I&RS Members to comply with the Rules would promote the prompt and accurate clearance and settlement of securities transactions by NSCC consistent with the requirements of the Act, in particular Section 17A(b)(3)(F) of the Act.¹²

¹¹ Id.

¹² Id.

Section 17A(b)(3)(D) of the Act¹³ requires that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. NSCC believes the proposed fees for Activity Status would align with the cost of building and delivering the proposed service offering, consistent with the provision of the Act. NSCC believes the proposed changes to the fees are equitable because they would apply uniformly to all I&RS Members that utilize the service offering. NSCC believes the proposed changes are reasonable because they would be commensurate with the costs of resources allocated by NSCC in developing and maintaining the service offering. Based on financial projections of development and maintenance costs and anticipated participation by I&RS Members, it is anticipated that the costs and revenues would result in a slight increase in the overall operating margin percentage of I&RS. Therefore, by establishing fees that align with the cost of delivery of these service offerings and allocating those fees equitably among the subscribing users, the proposed rule change would provide for the equitable allocation of reasonable dues, fees and other charges among its participants consistent with the requirements of Section 17A(b)(3)(D) of the Act.¹⁴

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

NSCC does not believe that the proposed rule change would have any adverse impact, or impose any burden, on competition.

The proposed changes to adopt Activity Status would add optional functions to NSCC's services to provide more efficient methods by which subscribing Carriers and

¹³ 15 U.S.C. 78q-1(b)(3)(D).

¹⁴ Id.

Distributors may transmit, view and retrieve I&RS Data. Such changes would not affect services for I&RS Members that do not subscribe to such service offering and non-subscribing I&RS Members would transmit, view and retrieve I&RS Data in the same manner as they currently transmit, view and retrieve I&RS Data. The fees for Activity Status were designed to be reasonable and align with the projected cost of building and operating such service offering and would be charged ratably based on each I&RS Members' use of such service offering. Therefore, the proposed changes to implement such optional service offerings would not disproportionately impact any I&RS Members, have any effect on existing NSCC services other than to add a new method of transmitting, viewing and retrieving I&RS Data, nor have any adverse impact on competition.

Moreover, because the proposed rule changes would improve the efficiency by which subscribing I&RS Members may view, transmit and retrieve I&RS Data, the proposed rule change may have a positive effect on competition among Carriers and Distributors. The proposed features would provide these firms with a faster, more streamlined method of transmitting and receiving I&RS Data, and therefore could enable I&RS Eligible Products to be marketed more quickly. Specifically, I&RS Members could have the ability to distribute I&RS Eligible Products into the market to consumers more quickly because I&RS Members would have the ability to obtain information with respect to these products in a quicker, more efficient manner.

NSCC does not believe the renumbering of the section numbers in Rule 57 in connection with the addition of Activity Status or the renaming of two services in Addendum A discussed above would impact competition. Such changes would help to

ensure that the Rules remain clear and facilitate I&RS Members' understanding of the Rules and their obligations thereunder. The proposed changes would not affect NSCC's operations or the rights and obligations of the membership. As such, NSCC believes the proposed rule change would not have any impact on competition.

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

NSCC has not received or solicited any written comments relating to this proposal. If any written comments are received, 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 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.

NSCC reserves the right not to respond to any comments received.

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)¹⁵ of the Act and paragraph (f)¹⁶ 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 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2024-009 on the subject line.

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f).

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-2024-009. 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 (<https://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>). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to

copyright protection. All submissions should refer to File Number SR-NSCC-2024-009 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Sherry R. Haywood,
Assistant Secretary.

¹⁷ 17 CFR 200.30-3(a)(12).