

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105427; File No. SR-NSCC-2026-007]

### **Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Facilitate the Exchange of a Mutual Fund Share to an Exchange-Traded Fund Share, Shorten the Settlement Time for Certain Networking Payments, and Clarify Certain Fees**

May 11, 2026.

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 May 1, 2026, 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 Act<sup>3</sup> and Rule 19b-4(f)(4) thereunder.<sup>4</sup> 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<sup>5</sup> consists of amendments to the NSCC Rules to (i) update Fund/SERV<sup>®6</sup> to facilitate the exchange of a mutual fund share to an exchange-

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(4).

<sup>5</sup> Terms not defined herein are defined in the NSCC Rules & Procedures (“Rules”), available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

<sup>6</sup> See Rule 52, Part A, supra note 5.

traded fund (“ETF”) share class, (ii) shorten the settlement time for certain Networking Payments to the same day NSCC is notified of the payment and (iii) clarify the Fund/SERV transaction fees charged to NSCC Members.<sup>7</sup>

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

NSCC is proposing to change the NSCC Rules to (i) update Fund/SERV to facilitate the exchange of a mutual fund share to an ETF share class, (ii) shorten the settlement time for certain Networking Payments to the same day NSCC is notified of the payment and (iii) clarify the Fund/SERV transaction fees charged to NSCC Members.

**Background**

**Dual-Share-Class Structures**

ETFs continue to grow in market adoption due to their intra-day liquidity, tax efficiency, and generally lower operating costs relative to traditional mutual funds. ETFs are market traded securities designed to track indices, commodities, bonds, or other

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<sup>7</sup> For purposes of this filing, “NSCC Members” refers to the Members and Limited Members of NSCC that are entitled to use the services set forth in Rule 52.

baskets of assets, and are bought and sold throughout the trading day like any other exchange-listed security.

An increasing number of mutual funds (“Funds”) are now introducing ETF share classes within the same portfolio as their existing mutual fund share classes. This trend follows the expiration of a patent originally obtained by The Vanguard Group, Inc. (“Vanguard”) relating to a dual share class structure, which previously prevented other Funds from offering ETF and mutual fund share classes within a single fund without exemptive relief. Under the Investment Company Act of 1940, a Fund may not operate both mutual fund and ETF share classes in a single portfolio unless it first obtains exemptive relief from the Commission. Vanguard secured such exemptive relief in 2000 and patented the structure in 2003. While the patent remained effective, other asset managers could not rely on a similar structure. Since the patent’s expiration in 2023, other Funds have begun applying for—and the Commission has begun granting—exemptive relief to permit the operation of dual share class structures.<sup>8</sup>

The exemptive relief sought generally includes authorization for Funds to offer both mutual fund shares and ETF shares within the same portfolio and, in certain cases, also includes permission to provide an “exchange privilege” allowing mutual fund shareholders to exchange their mutual fund shares for ETF shares under specified conditions.<sup>9</sup>

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<sup>8</sup> As of March 17, 2026, approximately, 100 Funds have sought exemptive relief to offer a dual-share-class structure. See Securities Exchange Act Release No. 105028 (Mar. 17, 2026), 91 FR 13675 (Mar. 20, 2026) (granting conditional exemptive relief under Section 11(d)(1) of the Act for ETF share classes of multi-class funds).

<sup>9</sup> See, e.g., DFA Investment Dimensions Group Inc., et al., Investment Company Act Release No. 35770 (Sept. 29, 2025), 90 FR 47412 (Oct. 1, 2025) (File No. 812-15484).

To support this developing industry model and to facilitate the operational processing of mutual fund to ETF share class exchanges, NSCC proposes to amend its Rules governing Fund/SERV.<sup>10</sup> The proposed amendments would permit Funds<sup>11</sup> and ETF agents (“ETF Agents”)—which facilitate the creation and redemption processes for ETFs—that are NSCC Members to transmit ETF exchange data through Fund/SERV for purposes of supporting an exchange from a mutual fund share class to an ETF share class. This enhancement to Fund/SERV is intended to provide a standardized and automated mechanism for communicating the ETF exchange details necessary to complete such transactions and to ensure that both Funds and ETF Agents can rely on existing NSCC infrastructure for these newly permitted dual share class operations. Fund/SERV does not currently have data fields or a process in place specifically for mutual fund to ETF share class exchanges, and processing of ETF exchange data is done manually outside of Fund/SERV.

### **Networking Activity Settlement**

NSCC proposes to amend its Rules to modify the settlement timing for Networking Payments, which will include residual cash amounts arising from fractional share differences when mutual fund shares are converted into ETF share class shares. Networking is an NSCC service that facilitates the communication of customer account data and the settlement of certain payment obligations between NSCC Members.<sup>12</sup> In

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<sup>10</sup> Fund/SERV is NSCC’s automated platform for processing mutual fund transactions, including purchases, redemptions, and conversions. See Rule 52, Part A, supra note 5.

<sup>11</sup> Under Rule 52, the entities processing data on behalf of mutual funds are Fund Members or Mutual Fund Processors.

<sup>12</sup> See Rule 52, Part B, supra note 5. Networking Payments are Fund/SERV Eligible Fund payments, other than payments settled through Fund/SERV or DTCC Payment aXis. Id.

certain transactions in which mutual fund shares are converted into ETF share class shares, residual cash amounts may arise as a result of fractional share differences. NSCC Members have indicated a preference to settle such residual cash amounts as Networking Payments and to accelerate the settlement of all Networking Payments.

Under the current Rules, Networking Payments settle on the Business Day (“Debit Day”) following the day on which NSCC is notified of the applicable dollar amounts to be debited (“Other Payable Amounts”).<sup>13</sup> NSCC receives notification of the Other Payable Amounts one Business Day following the transaction date. As a result, settlement generally occurs two Business Days after the transaction date. Although a “Business Day” is defined as any day NSCC is open for business, NSCC does not process payments of money, including Networking Payments, on days when banks in New York are closed.<sup>14</sup> In addition, current NSCC procedures require NSCC Members to notify NSCC of Networking Payment Other Payable Amounts between 1:00 a.m. ET and 5:00 a.m. ET, Monday through Saturday, with Debit Day occurring Monday through Friday on Business Days on days when banks in New York are open. Accordingly, the Debit Day is at least one Business Day after notice of the Other Payable Amounts have been submitted to NSCC and at least two Business Days following the transaction date.

NSCC Members have requested the ability to accelerate this process so that Debit Day be the same day that NSCC is notified of the Other Payable Amounts and one Business Day after the transaction date, provided that (i) the Debit Day is a Business Day, (ii) banks in New York are open, and (iii) NSCC receives notice of the Other

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<sup>13</sup> See Rule 52, Part B, Section 3(b), supra note 5 (outlines timing of processing Other Payable Amounts).

<sup>14</sup> See definition of “Business Day”, Rule 1, and Section 3(b) of Rule 52, Part B, supra note 5.

Payable Amounts during the time period specified by NSCC (currently between 1:00 a.m. ET and 5:00 a.m. ET).

Accordingly, NSCC is proposing to amend its Rules to provide for settlement of Networking Payments on the same Business Day that NSCC is notified when these conditions are satisfied. NSCC believes that this change will improve operational efficiency, better align settlement timing with NSCC Member needs, and support timely and accurate processing of Networking Payments, including residual cash associated with mutual fund-to-ETF share class conversions.

### **Fund/SERV Transaction Fee**

NSCC charges a transaction fee of \$0.06 per side, per order or transfer request settling through NSCC for Fund/SERV transactions.<sup>15</sup> NSCC is proposing to update the description of this fee to specify that records associated with ETF exchange details are included within the scope of this charge. NSCC would also revise the description to provide additional clarity regarding what constitutes a “side” for purposes of the fee and to identify, with greater specificity, (i) the record types to which the transaction fee applies and (ii) when the fee is charged upon submission and receipt, thereby providing NSCC Members with a more accurate understanding of when the fee will be assessed. Other than reflecting that the charge would apply to the new ETF exchange detail records, the proposed changes would not modify how the transaction fee is currently assessed by NSCC.

### **Proposed Rule Changes**

#### **Rule 52, Part A – Mutual Fund to ETF Share Class Exchange Details**

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<sup>15</sup> See Section IV.G.1.b. of Addendum A, supra note 5.

NSCC is proposing to update Section 3 of Rule 52, Part A to incorporate the ability to include ETF exchange details in records processed through Fund/SERV. Specifically, NSCC would add a provision providing that, where an order relates to the exchange or conversion of a Fund/SERV Eligible Fund with an exchange-traded fund share class (an “ETF Exchange”), NSCC would transmit order data to Members that (i) have subscribed to receive ETF Exchange order data and (ii) have been identified as the ETF Agent with respect to the ETF share class involved in the exchange. In addition, an ETF Agent would be required to contact NSCC if it does not receive order data for an ETF Exchange, and the ETF Agent would be able to request that NSCC transmit summary data relating to such order, in a manner similar to the existing right available to Funds.

NSCC is also proposing to update Section 4 of Rule 52, Part A to provide that, if a Fund does not reject an order relating to an ETF Exchange, the Fund would transmit relevant share class exchange information (“ETF Exchange Details”) to the ETF Agent through Fund/SERV. The proposed change would further provide ETF Agents with the ability to transmit data back to the Funds as necessary to facilitate the ETF Exchange.

#### **Rule 52, Part B – Same Day Networking Settlement**

NSCC proposes an amendment to Rule 52, Part B, stipulating that the Debit Day for Other Payable Amounts shall be the date on which Funds notify NSCC of the Other Payable Amounts, provided such submission occurs within the timeframe specified by NSCC and on a Business Day on which banks in New York are open for business. If notice of the Other Payable Amounts is not submitted within the timeframe specified by

NSCC, or on a day that is not a Business Day on which banks in New York are open for business, the Rules will provide that Debit Day would be the next Business Day.

### **Addendum A – Revise Fund/SERV Transaction Fee Description**

NSCC would update Section IV.G.1.b of Addendum A to reflect that the Fund/SERV transaction fee of \$0.06 would apply to records associated with ETF Exchanges. NSCC would also revise the description to clarify when the transaction fee is assessed and to identify, with greater specificity, the record types to which the fee applies, including delineating when the NSCC Member is charged as the submitter of a record and when it is charged as the recipient of a record.

### **Implementation Date**

NSCC would implement the proposed changes to Rule 52, Part A and to Addendum A on May 18, 2026. NSCC would implement the proposed rule changes to Rule 52, Part B on July 13, 2026.

## **2. Statutory Basis**

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>16</sup>

NSCC believes that the proposed changes to (i) update Rule 52, Part A to add provisions within Fund/SERV to facilitate the exchange of mutual fund shares for ETF share classes and (ii) update Rule 52, Part B to shorten the settlement time for certain Networking Payments to the same business day on which NSCC is notified of the applicable Other Payable Amounts are consistent with Section 17A(b)(3)(F) of the Act.<sup>17</sup>

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<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>17</sup> Id.

These changes would enhance NSCC Members' ability to efficiently process ETF Exchange transactions and reduce settlement timeframes for Networking Payments, including residual cash associated with ETF Exchanges. By improving the efficiency, timeliness, and accuracy of these processes, the proposed changes would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.

In addition, NSCC believes that the proposed changes to clarify the Fund/SERV transaction fees charged to NSCC Members, as set forth in Addendum A of the Rules, are also consistent with Section 17A(b)(3)(F) of the Act. The proposed fee clarifications would enhance the clarity and transparency of the Rules, thereby enabling NSCC Members to more efficiently understand and apply the applicable fee structure when conducting activity through Fund/SERV. NSCC believes that increased clarity and transparency in the Rules supports more efficient NSCC Member operations and, in turn, promotes the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.

Rule 17ad-22(e)(21)<sup>18</sup> under the Act requires that each covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to, among other things, be efficient and effective in meeting the requirements of its participants and the markets it serves. NSCC believes that the proposed changes to (i) update Rule 52, Part A to add provisions within Fund/SERV to facilitate the exchange of mutual fund shares for ETF share classes and (ii) update Rule 52, Part B to shorten the settlement time for certain Networking Payments to the same business day on which

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<sup>18</sup> 17 CFR 240.17ad-22(e)(21).

NSCC is notified of the applicable Other Payable Amounts are consistent with Rule 17ad-22(e)(21).<sup>19</sup> As discussed above, these changes would provide NSCC Members the ability to efficiently process ETF Exchange transactions and reduce settlement timeframes for Networking Payments, including residual cash associated with ETF Exchanges. Accordingly, NSCC believes the proposed rule change is reasonably designed to meet the requirements of its participants and the markets it serves, consistent with Rule 17ad-22(e)(21) under the Act.

Rule 17ad-22(e)(23)(ii)<sup>20</sup> under the Act requires each covered clearing agency 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. NSCC believes that the proposed changes to clarify the Fund/SERV transaction fees charged to NSCC Members, as set forth in Addendum A of the Rules, are consistent with Rule 17ad-22(e)(23)(ii).<sup>21</sup> The proposed changes would identify, with greater specificity, (i) the record types to which the transaction fee applies and (ii) when the fee is assessed upon submission and receipt, thereby providing NSCC Members with a more accurate understanding of when the fee will be charged. These fee-related provisions would be publicly set forth in the NSCC Rules. Accordingly, NSCC believes the proposed rule change is reasonably designed to provide sufficient information for participants to identify and evaluate the risks, fees, and other material costs they incur by participating in NSCC, consistent with Rule 17ad-22(e)(23)(ii) under the Act.

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<sup>19</sup> Id.

<sup>20</sup> 17 CFR 240.17ad-22(e)(23)(ii).

<sup>21</sup> Id.

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

NSCC does not believe that the proposed rule change would have an adverse impact, or impose a burden, on competition. The proposed changes would help NSCC Members process ETF Exchanges, send Networking Payments, and clarify the Rules without adding new obligations for those already using NSCC's services. As such, the proposed changes would not impede any NSCC Members from engaging in the services or have an adverse impact on any NSCC Members.

(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 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 Securities and Exchange Commission ("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/rules-regulations/how-submit-comments](http://www.sec.gov/rules-regulations/how-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](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

NSCC reserves the right to not 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) of the Act<sup>22</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>23</sup> 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 ([www.sec.gov/rules/sro.shtml](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-2026-007 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-2026-007. This file number should be included on the subject line if e-mail is used. To help the Commission process

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<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f).

and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website ([www.sec.gov/rules/sro.shtml](http://www.sec.gov/rules/sro.shtml)). Copies of the filing will be available for inspection and copying at the principal office of NSCC and on DTCC's website ([www.dtcc.com/legal/sec-rule-filings](http://www.dtcc.com/legal/sec-rule-filings)). 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-2026-007 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.<sup>24</sup>

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

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<sup>24</sup> 17 CFR 200.30-3(a)(12).