

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55770; File No. SR-NSCC-2007-05)

May 15, 2007

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to its Ability to Receive Transaction Data From Trade Reporting Facilities that are Facilities of a Self-Regulatory Organization

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on March 26, 2007, 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)(i) of the Act² and Rule 19b-4(f)(1) 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 clarify NSCC’s Rule 7, “Comparison and Trade Recording Operation,” in order to make clear that NSCC may accept transaction data on behalf of NSCC members from trade reporting facilities that are affiliated with and operated as a facility of a self-regulatory organization (“Trade Reporting Facilities” or “TRFs”).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(A)(i).

³ 17 CFR 240.19b-4(f)(1).

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 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 this filing is to clarify NSCC's Rule 7, "Comparison and Trade Recording Operation," in order to make clear that NSCC may accept transaction data on behalf of NSCC Members from Trade Reporting Facilities.

Background

NSCC's Rule 7 permits NSCC in its discretion to accept transaction data from self-regulatory organizations ("SROs"), as defined in the Securities Exchange Act of 1934 (and, similarly, from derivatives clearing organizations registered or deemed registered with the Commodities Futures Trading Commission). Such data may be provided directly by an SRO or through subsidiary or affiliated organizations.

In conjunction with the recent separation of the National Association of Securities Dealers, Inc. ("NASD") and The Nasdaq Stock Market, Inc. ("Nasdaq"), the Commission approved the establishment by NASD and Nasdaq of the NASD/Nasdaq Trade Reporting Facility, which provides NASD members with an alternative means for reporting transactions in exchange-listed securities effected otherwise than on an exchange. Since then, NASD has

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

established several additional new TRFs in conjunction with other registered securities exchanges, each of which provides NASD members with alternate means for reporting transactions in exchange-listed securities effected otherwise than on an exchange. All of these TRFs will operate as joint ventures with the relevant exchanges, but NASD, the “SRO Member” of each such venture, will have sole regulatory responsibility for each TRF. As such, the TRFs are facilities “of NASD and subject to NASD’s registration as a national securities association.”⁵

At the current time, NASD filed proposed rule changes with the Commission relating to the establishment of the following TRFs: The NASD/Nasdaq TRF; the NASD/National Securities Exchange (NSX) TRF; the NASD/Boston Stock Exchange (BSE) TRF; and the NASD/New York Stock Exchange (NYSE) TRF. Currently, all the TRFs are operational. The rules governing the operations of these facilities are contained in NASD Rule 4000 and 6100 Series for the NASD/Nasdaq TRF, NASD Rule 4000C and 6000C Series for the NASD/NSX TRF, NASD Rule 4000D and 6000D Series for the NASD/BSE TRF, and NASD Rule 4000E and 6000E Series for the NASD/NYSE TRF. With the exception of the NASD/NYSE TRF, the applicable rules permit the TRFs, at the option of their NASD member participant, to submit the data relating to reported trades to NSCC for clearance and settlement.

In order to accommodate the NASD and to promote the efficient processing of securities transactions, NSCC proposes to clarify its Rule 7, Section 5⁶ to make clear that it may accept transaction data from such TRFs as facilities of the NASD, the applicable SRO. For this

⁵ See e.g., Securities Exchange Act Release Nos. 54084 (June 30, 2006), 71 FR 38935 (July 10, 2006) [SR-NASD-2005-087] (establishment of the NASD/Nasdaq TRF); 54715 (November 6, 2006), 71 FR 66354 (November 14, 2006) [SR-NASD-2006-108] (establishment of the NASD/NSX TRF); and 54931 (December 13, 2006), 71 FR 76409 (December 20, 2006) [SR-NASD-2006-115] (establishment of the NASD/BSE TRF).

⁶ Rule 7, Section 5 is proposed to be renumbered as part of other changes pending pursuant to File No. SR-NSCC-2006-04.

purpose, the proposed clarification provides that the TRF be affiliated with and operated as a facility of the SRO and that the rules and operation of the TRF be the subject of a rule change of the SRO that has been duly filed with the Commission and is effective.⁷ By allowing NSCC to receive transaction data for clearing purposes from these facilities with respect to NSCC's members, broker-dealers will be able to report transactions for both reporting/regulatory and clearing purposes in a single report to the TRFs.

The proposed rule change is consistent with the requirements of Section 17A of the Act⁸ and the rules and regulations thereunder applicable to NSCC because the proposed change is a clarification that does not adversely affect the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible and does not adversely affect the respective rights or obligations of the clearing agency or its members.

(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.

⁷ NASD filed a proposed rule change relating to the establishment of the NASD/NYSE TRF for immediate effectiveness, asserting that such proposed rule change was "non-controversial" because it was substantially similar to the rules relating to the other TRFs, which were subject to notice and comment and approved by the Commission. Securities Exchange Act Release No. 55325 (February 21, 2007), 72 FR 8820 (February 27, 2007) [SR-NASD-2007-011].

⁸ 15 U.S.C. 78q-1.

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)(i) of the Act⁹ and Rule 19b-4(f)(1)¹⁰ thereunder because it constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of NSCC. At any time within 60 days of the filing of the proposed 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.

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-2007-05 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-2007-05. 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

⁹ 15 U.S.C. 78s(b)(3)(A)(i).

¹⁰ 17 CFR 240.19b-4(f)(1).

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. The text of the proposed rule change is available at NSCC, the Commission's Public Reference Room, and <http://www.nsc.com/legal/2007/2007-05.pdf>. 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-2007-05 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.¹¹

Florence E. Harmon
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).