

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65623; File No. SR-NSCC-2011-09)

October 26, 2011

Self-Regulatory Organizations; The National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Revise NSCC's Fee Schedule as it Applies to Certain Hedge Fund Products within NSCC's Alternative Investment Products Service

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 12, 2011, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I and II below, which Items have been prepared primarily by NSCC. NSCC filed the proposal pursuant to Section 19(b)(3)(A)(ii) of the Act,² and Rule 19b-4(f)(2)³ thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

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

The proposed rule change will revise NSCC's fee schedule as it applies to certain hedge fund products within NSCC's Alternative Investment Products Service ("AIP").

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(A)(ii).

³ 17 CFR 240.19b-4(f)(2).

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 the proposed rule change is to revise NSCC's fee schedule (Addendum A of the NSCC Rules and Procedures) as it applies to certain hedge fund products within AIP to align the application of those fees with the cost of delivering the services. The proposed revisions to NSCC's fee schedule can be viewed at http://www.dtcc.com/downloads/legal/rule_filings/2011/nsc/2011-09.pdf

The current AIP fee schedule is based upon previously projected transaction volumes for the various AIP eligible product types, where fees for higher volume products were intended to be lower than were fees for lower volume products.⁵ In general, products such as non-traded Real Estate Investment Trusts and Managed Futures funds are higher volume products based on their distribution strategy, number of client accounts, and investment minimums. NSCC had previously projected that all hedge fund products would be lower volume as they are generally

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

⁵ Securities Exchange Act Release No. 34-59285 (January 23, 2009), 74 FR 5875 (February 2, 2009) and Securities Exchange Act Release No. 34-63634 (January 3, 2011), 76 FR 1475 (January 10, 2011).

less broadly distributed, the number of investors is generally limited, and the investment minimums are quite high.

NSCC has since recognized that certain hedge funds are distributed through third party channels and are structured to be more attractive to the market. In general, these hedge funds are registered under the Investment Company Act of 1940, as amended (“1940 Act”) and as such, generally have lower investment minimums and no statutory limit on the number of investors, factors which tend to increase their transaction volume over traditional hedge funds. The AIP fee schedule, as it was originally intended and filed with the Commission, contemplated a fee differentiation based on volume. Accordingly, NSCC seeks to apply the lower fee structure to hedge funds that are registered under the 1940 Act.

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁶ and the rules and regulations thereunder applicable to NSCC because it updates the NSCC fee schedule and provides for the equitable allocation of fees among NSCC’s members. In addition, this proposed rule change is consistent with CPSS/IOSCO recommendations because it provides NSCC members with sufficient information for them to identify and evaluate accurately the costs associated with using NSCC’s services.

(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.

⁶ 15 U.S.C. 78q-1.

(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 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 proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act⁷ and Rule 19b-4(f)(2)⁸ 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 (<http://www.sec.gov/rules/sro.shtml>); or

⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

⁸ 17 CFR 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2011-09 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NSCC-2011-09. 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 such filings also will be available for inspection and copying at the principal office of NSCC and on NSCC's website at

http://www.dtcc.com/downloads/legal/rule_filings/2011/nsc/2011-09.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-2011-09 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.⁹

Kevin O'Neill
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).