

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-79739; File No. SR-NSCC-2016-009)

January 4, 2017

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adjust Fees Related to Insurance and Retirement Processing Services

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 December 28, 2016, 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)(2) thereunder.<sup>4</sup> The proposed rule change was effective upon filing with the Commission. 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 Addendum A (Fee Structure) of Rules & Procedures (“Rules”) of NSCC in order to implement a tiered

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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)(2).

pricing structure for the Settlement Processing for Insurance (“STL”)<sup>5</sup> feature of NSCC’s Insurance and Retirement Processing Services (“I&RS”), as described below.<sup>5</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

The proposed rule change would adjust the fee schedule associated with NSCC’s I&RS.<sup>6</sup> Specifically, NSCC proposes to implement a tiered pricing structure for the STL feature.<sup>7</sup> Currently, NSCC charges a flat rate of \$0.65 per transaction per side for the

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<sup>5</sup> Capitalized terms not defined herein are defined in the Rules, available at [http://www.dtcc.com/~media/Files/Downloads/legal/rules/nsccl\\_rules.pdf](http://www.dtcc.com/~media/Files/Downloads/legal/rules/nsccl_rules.pdf).

<sup>6</sup> I&RS is a suite of non-guaranteed services that enables NSCC members using I&RS to exchange information and settle payments with respect to insurance products, retirement plans or programs, and other benefit plans or programs. See Rule 57 (Insurance and Retirement Processing Services), supra note 5.

<sup>7</sup> STL automates and centralizes the settlement of money/funding activities between insurance companies and their intermediaries, such as broker-dealers, banks, and insurance agencies, that distribute participating insurance products. STL is a service within the In Force Transaction suite of services within I&RS. See Section 9 of Rule 57 (Insurance and Retirement Processing Services), supra note 5.

STL feature.<sup>8</sup> The proposed tiered structure would reduce the monthly fees for increased STL volumes. Therefore, under the proposed tiered pricing structure, a monthly transaction volume between 0 – 20,000 items would be charged a fee of \$0.65 per transaction, per side; a monthly transaction volume between 20,001 – 30,000 items would be charged a fee of \$0.35 per transaction, per side; a monthly transaction volume between 30,001 – 40,000 items would be charged a fee of \$0.25 per transaction, per side; and a monthly transaction volume over 40,000 items would be charged a fee of \$0.15 per transaction, per side. As with all I&RS products, volume would be calculated on an aggregate basis among qualified insurance carrier members or qualified distributor members, as applicable.<sup>9</sup>

The proposed fee structure is intended to incentivize use of the STL feature by discounting transaction fees for members that reach the defined transaction tier volume thresholds. In addition, by basing the fee on each member's utilization of the STL feature, the proposed rule change would reduce STL fees to further align these fees with the costs of providing the service because, as volumes increase the cost of providing this service decreases.

The proposed changes would take effect on January 1, 2017.

## 2. Statutory Basis

Section 17A(b)(3)(D) of the Act<sup>10</sup> requires that NSCC's Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its members. The

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<sup>8</sup> See Section IV(K)(3), TIER 4 of Addendum A of the Rules, supra note 5.

<sup>9</sup> See note 6 to Section IV(K) of Addendum A of the Rules, supra note 5.

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(D).

proposed fee is equitably allocated among members because it is based on each member's utilization of the STL feature, as measured by their monthly STL volume.

In addition, NSCC believes that the proposed fee is reasonable because it would enable NSCC to better align its revenue for STL with the costs and expenses required for NSCC to provide this service to its members, while also providing this service to members at a lower cost. Specifically, as STL volumes increase, the costs of providing the STL feature decreases. NSCC has determined that reducing the fees as volumes increase would better align the revenue from STL to the cost of providing this service to members.

Therefore, NSCC believes the proposed rule change is consistent with Section 17A(b)(3)(D).<sup>11</sup>

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

NSCC believes that the proposed rule change could have an impact on competition because the proposed rule change would charge a lower fee for higher STL volumes. NSCC believes, however, that any burden on competition that would be created by the proposed rule change would be necessary and appropriate in furtherance of the Act. Specifically, the proposed rule change is necessary to better align the fees charged for the STL feature with the costs and expenses required for NSCC to provide this service to its members, because, as volumes increase the cost of providing this service decreases. The proposed rule change is appropriate because, as stated, the proposed fee would be equitably allocated among members based on each member's utilization of the STL feature, as measured by their monthly STL volume.

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<sup>11</sup> Id.

(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. 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 rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and subparagraph (f) of Rule 19b-4 thereunder.<sup>13</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 (<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-2016-009 on the subject line.

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<sup>12</sup> 15 U.S.C 78s(b)(3)(A).

<sup>13</sup> 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-2016-009. 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 (<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 (<http://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-2016-009 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.<sup>14</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).