

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-49685; File No. SR-NSCC-2004-02)

May 11, 2004

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Acceptance of Non-Standard Settlement Input for Trade Recording Purposes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, notice is hereby given that on April 7, 2004, 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 primarily by NSCC. 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 modify NSCC’s procedures to provide for the acceptance of non-standard settlement input (i.e., cash, next day, and sellers-options transactions) from members that are either special representatives or self-regulatory organizations (“SROs”) submitting on behalf of NSCC members for the members’ over-the-counter (“OTC”) equity, regional exchange (“RIO”), and correspondent clearing (“CORR”) transactions.

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

---

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

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.<sup>2</sup>

(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 modify NSCC's Procedures II (Trade Comparison Service) and IV (Special Representative Service) to provide for the acceptance by NSCC of non-standard settlement input (*i.e.*, cash, next day, and sellers-option transactions) from members that are either special representatives or SROs submitting on behalf of NSCC members for the members' OTC equity, RIO, and CORR transactions.<sup>3</sup> These transactions will not settle through NSCC. They must be settled directly between the parties.<sup>4</sup>

NSCC provides the same service for New York Stock Exchange ("NYSE") and American Stock Exchange ("Amex") equity securities and will offer a similar service for

---

<sup>2</sup> The Commission has modified the text of the summaries prepared by NSCC.

<sup>3</sup> Cash, next day, and sellers-option trades in foreign securities will not be accepted for reporting by NSCC as reflected in revised NSCC Procedure II.C.2.

<sup>4</sup> At this time, NSCC will only accept locked-in trade input for trade recording purposes. NSCC will not accept transaction input from members for trade comparison purposes. Data submitted by members that are special representatives is submitted as lock-in trade data, as provided in NSCC Rule 39. Members should also note that because these non-standard settlement transactions will be settled outside of NSCC, a non-standard settling trade and its related corresponding clearing transaction will not be netted. Rather these transactions will result in two separate transactions that must be settled separately by the related parties.

cash and next day settling transactions in fixed income securities through NSCC's real-time trade matching system ("RTTM").<sup>5</sup>

NSCC has determined to provide this additional service at the request of its participants. Like the current service provided for NYSE and Amex equity securities and the RTTM service for fixed income securities transactions, members will settle all non-standard equity OTC, RIO, and CORR transactions outside of NSCC. This should ensure that there is no increased risk to NSCC or its participants. NSCC believes that accepting such non-standard settlement input will provide increased efficiencies for members by enabling them to further automate their processes for such transactions.

The proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>6</sup> and the rules and regulations thereunder because it will allow NSCC to provide increased efficiencies to participants with regard to their automation of processes for non-standard OTC, RIO, and CORR transactions and thereby will promote the prompt and accurate clearance and settlement of securities transactions.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

---

<sup>5</sup> Securities Exchange Act Release No. 49294 (February 23, 2004), 69 FR 9668 (March 1, 2004) [File No. SR-NSCC-2003-15](order approving NSCC's implementation of RTTM for fixed income securities). RTTM will commence receiving non-standard settlement input for comparison purposes in June 2004.

<sup>6</sup> 15 U.S.C. 77(q-1)(b)(3)(F).

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments relating to the proposed rule change have been solicited or received. NSCC has advised its members of the proposed changes in its Important Notice A#5678, P&S#5338 (February 18, 2004). 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 took effect upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>7</sup> and Rule 19b-4(f)(4)<sup>8</sup> thereunder because the proposed rule effects a change in an existing service of NSCC that does not adversely affect the safeguarding of securities or funds in the custody or control of NSCC or for which it is responsible and does not significantly affect the respective rights or obligations of NSCC or persons using the service. At any time within sixty days of the filing of such 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.

---

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>8</sup> 17 CFR 240.19b-4(f)(4).

#### 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-2004-02 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-NSCC-2004-02. 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 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, 450 Fifth Street, NW, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of NSCC and on NSCC's website at [www.nsc.com](http://www.nsc.com). 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-2004-02 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.<sup>9</sup>

Jill M. Peterson  
Assistant Secretary

---

<sup>9</sup> 17 CFR 200.30-3(a)(12).