

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-51753; File No. SR-NSCC-2005-02)

May 27, 2005

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving Proposed Rule Change to Enhance Automated Customer Account Transfer Service to Permit the Automated Notification of Changes to the Broker-Dealer of Record for Applicable Insurance Products

I. Introduction

On April 4, 2005, the National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) and on April 12, 2005, amended proposed rule change SR-NSCC-2005-02 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”).<sup>1</sup> Notice of the proposal was published in the Federal Register on April 20, 2005.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

NSCC is enhancing its Automated Customer Account Transfer Service (“ACAT Service”) to permit the automated notification of changes to the broker-dealer of record for applicable insurance products.

Information regarding the broker-dealer of record for an annuity or life insurance product is maintained by the insurance company that is the issuer of the product. Currently there is no mechanism within the ACAT Service that can automate notification of changes to the broker-dealer of record. Annuity and life insurance products have a manually-intensive processing

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

<sup>2</sup> Securities Exchange Act Release No. 51541 (April 13, 2005), 70 FR 20609 (April 20, 2005).

stream connected with account transfers relative to the automated processing of assets such as equity and debt securities and mutual fund shares.

Under the proposed rule, the delivering and receiving broker-dealers for annuities or life insurance products will be able to communicate information regarding the change of broker-dealer of record through the ACAT Service. The ACAT Service will communicate the information through a link to a new product of NSCC's Insurance Processing Services ("IPS") called Inforce Transactions ("IFT"). IFT will relay the information to the issuer insurance company and will also provide a means of communicating to the ACAT Service whether the insurance company has confirmed, rejected, or requested a modification of the change. NSCC will not debit or credit a delivering or receiving broker-dealer for the value of any applicable insurance product that is part of a customer account transfer.

In order for the receiving and delivering broker-dealers and the issuer insurance company to be able to effect an account change through the ACAT Service, the insurance company must participate in IPS, the receiving broker-dealer must participate in the ACAT Service and IPS, and the delivering broker-dealer must participate in the ACAT Service.

NSCC is also making certain technical changes to Rule 50, which governs the ACAT Service. For purposes of bringing efficiencies to the financial marketplace, NSCC's Rule 50 will cover all asset types regardless of whether NSCC has the operational capability to effect the transfer of such assets. NSCC either will undertake to cause the asset transfer or asset reregistration to occur or will issue a document evidencing each delivering firm's obligation and each receiving firm's entitlement that will result from the transfer. Such instructions, regardless of their form, are commonly referred to as receive and deliver instructions. NSCC is adding a

definition, “ACAT Receive and Deliver Instruction,”<sup>3</sup> relating to these instructions. NSCC also is making certain technical changes to the ACATS rule.

### III. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>4</sup> The Commission finds that NCCC’s proposed rule change is consistent with this requirement because by automating and facilitating the change in broker-dealer of record for eligible insurance products associated with account transfers, the enhancements to the ACAT Service and the new IFT product should reduce processing errors and delays that are typically associated with manual processing.

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

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<sup>3</sup> As defined in NSCC Rule 1:

The term “ACAT Receive and Deliver Instruction” shall mean such document, form, file, report or other information issued by the Corporation [NSCC] to a Member or to a QSD (as defined in Rule 50), on behalf of such QSD’s participants, which identifies Automated Customer Account Transfer receive and deliver obligations.

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-2005-02) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Margaret H. McFarland  
Deputy Secretary

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<sup>5</sup> 17 CFR 200.30-3(a)(12).

