

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-51871; File No. SR-NSCC-2005-03)

June 17, 2005

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to the Collecting of Fees for Services Provided by Other Entities

I. Introduction

On April 26, 2005, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-NSCC-2005-03 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”).¹ Notice of the proposal was published in the Federal Register on May 13, 2005.² No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

NSCC is a subsidiary of the Depository Trust and Clearing Corporation (“DTCC”). Members of NSCC and their affiliates may from time to time utilize the services of DTCC subsidiaries that are not registered as clearing agencies with the Commission. Such subsidiaries include Global Asset Solutions LLC and DTCC Deriv/Serv LLC. In addition, members of NSCC and their affiliates may utilize the services of other third parties. NSCC has determined that it would be more efficient and less costly if the fees that members agree to pay for such services were collected by NSCC rather than through independent billing mechanisms that

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 51674, (May 9, 2005), 70 FR 25636.

would otherwise have to be established by each subsidiary of DTCC and third party that is not a registered clearing agency.

NSCC's rules currently allow for fee collection arrangements with respect to collection of fees from members. The rule change further clarifies this practice and makes clear that NSCC may similarly collect fees and charges for services provided to affiliates of its members. NSCC will enter into appropriate agreements with such subsidiaries and others regarding the collection of fees.

III. Discussion

Section 17A(a)(1)(B) of the Act provides that inefficient procedures for clearance and settlement impose unnecessary costs on investors and persons facilitating transactions by and acting on behalf of investors.³ Although the services provided by unregulated DTCC subsidiaries and by other third parties are not core clearance and settlement services, they are related to the clearance and settlement operations of NSCC and of its members. By streamlining the fee collection process for these services so that NSCC's members will pay these fees to NSCC as a part of their normal monthly NSCC bills, the proposed rule change should help to improve efficiency in the operations of NSCC members and thereby should remove unnecessary cost for NSCC members and for the persons (i.e., the DTCC subsidiaries and the other entities providing services to NSCC members) facilitating transactions by and acting on behalf of investors. Accordingly, the Commission finds that the proposed rule change is consistent with the requirements of Section 17A of the Act.

³ 15 U.S.C. 78q-1(a)(A)(B).

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.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-2005-03) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland
Deputy Secretary

⁴ 17 CFR 200.30-3(a)(12).