

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53424; File No. SR-NSCC-2005-17)

March 6, 2006

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change To Modify Its Rules and Procedures Related to the Collection of Commission Payments

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on December 29, 2005, the National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) and on February 3, 2006, amended, the proposed rule change 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 this proposed rule change is to modify NSCC’s Rules and Procedures with regard to the collection of commission payments.

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.²

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by NSCC.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

As part of ongoing efforts to increase processing efficiencies, NSCC is proposing to modify its Rule 16, "Settlement of Commissions," to further standardize and automate the processing of commission bill payments.

In 2001, NSCC modified Rule 16 to implement the use of Automated Clearing House ("ACH") wire transfers when making payments to non-clearing members utilizing the commission bill service. As a part of NSCC's move to payment of credits by ACH wire transfer, all non-clearing members were required to execute appropriate ACH documentation in order to receive their credit payments.³ While NSCC automated the payment of funds from NSCC to non-clearing members, the collection of monies owed to NSCC by non-clearing members was not automated. Non-clearing members continue to pay commission bill settlement funds to NSCC by checks.

NSCC proposes to further modify Rule 16 to require the use of ACH preauthorized payments in the collection of funds from those non-clearing members that are indebted to NSCC as a result of utilizing the service. Accordingly, within the timeframe determined by NSCC, NSCC would debit the bank account designated by each non-clearing member an amount equal to the debit owed by the non-clearing member to NSCC.⁴ All non-clearing members would be required to execute appropriate ACH documentation.

In addition to the above change, NSCC would also make a technical correction to Rule 16(3) to conform the Rule to practice. NSCC would eliminate text that provides that non-

³ Securities Exchange Act Release No. 44550 (July 12, 2001), 66 FR 37509 (July 18, 2001) [File No. SR-NSCC-2001-08].

⁴ Currently, commission bill settlement takes place on the 15th day of each month or on the next preceding business day if the 15th is not a business day.

clearing members deliver information to NSCC on the 10th day of each month, as this practice has been discontinued.

Implementation

NSCC will work with New York Stock Exchange (“NYSE”) and American Stock Exchange (“AMEX”) staff to obtain new ACH documentation from all non-clearing members that currently utilize the commission bill service. By March 15, 2006 (or within two weeks of approval by the SEC of this rule filing, whichever is later) NSCC will begin implementing the ACH debit process on a rolling-basis. NSCC anticipates that collection of funds by check from non-clearing members to NSCC would be discontinued in its entirety by the end of the second quarter of 2006.

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder applicable to NSCC because it will facilitate the prompt and accurate payment of commission bill transactions, thereby promoting 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 any impact or impose any burden on competition.

⁵ 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

NSCC has worked with and has received the support of the NYSE and AMEX with respect to these proposed changes. No written comments relating to the proposed rule change have 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

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period: (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding; or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve such proposed rule change or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

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. Please include File Number SR-NSCC-2005-17 in the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NSCC-2005-17. 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, 100 F Street, NE, Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of NSCC and on NSCC's Web site, www.nsc.com/legal. 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-2005-17 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.⁶

Nancy M. Morris
Secretary

⁶ 17 CFR 200.30-3(a)(12).