



November 1, 2005

Jonathan G. Katz, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-9303

Re: SR-NSCC-2005-13
Proposed Rule Change to Modify and Consolidate Clearing Fund Rules

Dear Mr. Katz:

Cossé International Securities, Inc. appreciates the opportunity to comment on the above-referenced rule filing by the NSCC. The proposed rule change would modify NSCC Procedure XV (Clearing Fund Formula and Other Matters), and make other technical changes. The NSCC has also stated its intention to change other administrative procedures regarding the method of notification of a participant's daily Clearing Fund requirement, and the timeframe allowed to a participant for satisfying Clearing Fund deficits.

We have had an opportunity to discuss the administrative changes referred to above with staff at the NSCC, and, due to the nature of our concerns, they have encouraged us to file our comments with the Commission, even though the administrative part of those changes were not originally part of the filing made for public comment. We believe that the Commission has the authority to include a review of these comments in its consideration of the subject filing, and that it is appropriate to do so, in that they relate to proposed changes in the rules and procedures of the NSCC that participants are required to adhere to, and a description of those changes were included in an exhibit to the filing made with the Commission. Specifically, the requirement to timely satisfy clearing fund deficiencies is contained in NSCC Rule 4, Section 3 (Clearing Fund), which also contains references to the possibility of disciplinary action in accordance with Rule 46 (Restrictions on Access to Services) or Rule 48 (Disciplinary Proceedings) in the event of a failure to make a required deposit. The description of the administrative changes is included in NSCC Important Notice A#6055 dated June 21, 2005, a copy of which was attached as Exhibit 2 to the filing with the Commission.

Cossé International Securities is a small self-clearing broker-dealer, located in Seattle, Washington, with no branch offices and a total staff of seven. We are a full-service retail firm that engages mostly in agency transactions in listed equities, and occasionally in a limited number of mutual funds. We maintain no inventory, and have no underwriting participations. We have one producing broker, and the daily number and value of our trades can vary widely. While we usually have a sizeable excess of funds in our Clearing Fund account, on occasion we may incur a deficit, due to trading activity.

Notification of Clearing Fund Requirement

Currently, participants receive notification of their daily Clearing Fund requirement by fax. NSCC is proposing to discontinue this method of notification, and instead require participants to access Clearing Fund requirement information using the Participant Browser Service ("PBS"). This information would be made available at 4 a.m. PST (7 a.m. EST). Participants must register to use PBS, and NSCC recommends at least 4 individuals per participant be so registered. The exclusive use of PBS poses a problem for us, in that we have limited qualified personnel to access it, especially in the absence of our primary and backup personnel. While we recognize the importance of cross-training personnel and ensuring backups for critical or time-sensitive functions, it is not reasonable to require that a second or third level backup at a small firm retain the expertise to step into every function at a moment's notice perhaps once every other year, or that they will be able to access a system that requires a password they may not have used for a similar length of time.

Earlier Satisfaction of Clearing Fund Deficits

Currently, NSCC requires its participants to satisfy their Clearing Fund deficits by 12:00 p.m. PST (3:00 p.m. EST). Under the new proposal, Clearing Fund deficits will be due to NSCC by 7:00 a.m. PST (10:00 a.m. EST). Our personnel do not arrive at work until shortly before the market opens at 6:30 a.m. PST, since we have infrequent demand from our clients for access to the markets at that early hour. Also, we have been informed that banking personnel are not available to assist with wire transmissions until 7:00 a.m. PST. We therefore believe that this proposal poses an undue burden on firms such as ours, or indeed for west coast firms in general, in that it provides insufficient time to receive notice and deal with a deficiency that the firm would have no prior knowledge of, and no opportunity to gain the assistance of banking personnel in making a transfer of funds until the deadline for it has already been reached.

The current proposal to require retrieval of the daily Clearing Fund requirement using PBS, and the acceleration of the deadline to satisfy deficits by 5 hours is a material change from current practice, and poses an undue burden on smaller firms, especially on the west coast. We believe that the following recommendations will ease the resulting compliance burden on such firms, while still providing the enhanced sufficiency of the Clearing Fund that the NSCC seeks.

First, we request that an alternative method of notification of the Clearing Fund requirement be available. While the continuation of a fax option is most preferable, an email option may also be acceptable. If the Clearing Fund requirement is already available electronically through the PBS, then it should not be technologically difficult for NSCC personnel to automate the transmission of that requirement to a participant via facsimile or email. For a firm that has limited personnel or is in an different timezone, flexibility in the method of notification will help ensure that the participant is able to receive it in a timely manner.

Secondly, we request that the deadline for satisfying a Clearing Fund deficit be pushed back from 7:00 a.m. to 9:00 a.m. PST (12:00 p.m. EST). This revised deadline is still 3 hours earlier than current requirements, providing NSCC much of the additional time that it wanted, but still gives a west coast firm a reasonable amount of time to deal with such a deficiency during business hours.

Alternatively, if the NSCC wishes to maintain a deadline of 7:00 a.m. PST for satisfying a Clearing Fund deficiency, we request that notification to the participant of such deficiency be made no later than 3:00 p.m. PST (6:00 p.m. EST) on the previous business day. Again, such advance

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notification would allow the participant more time during business hours to make arrangements for the transmission of the funds needed to satisfy a deficiency.

Thank you for the opportunity to comment on this proposed rule change. If you have questions or would like to discuss our comments further, please contact the undersigned at 206-624-6651.

Very truly yours,

Dennis A. Young
Vice President/Treasurer