

## MEMORANDUM

TO: **File No. SR-NSCC-2003-21**

FROM: Catherine Moore

DATE: August 2, 2004

SUBJECT: Meeting with CheckFree Corporation regarding its comments on SR-NSCC-2003-21

On Friday May 14, 2004, SEC Staff met with CheckFree Corporation and its representatives for approximately one hour (a list of attendees is provided at the end) to discuss the Separately Managed Accounts Service proposed by the National Securities Clearing Corporation ("NSCC"). CheckFree's presentation primarily focused on its belief that the proposed service will have a burden on competition that is not necessary or appropriate in furtherance of the Securities Exchange Act ("Act") under Section 17A(b)(3)(I) of the Act. Specifically, CheckFree made the following arguments:

1. NSCC's status as a self-regulatory organization holds significant influence. Even though NSCC is not requiring its members to use the SMA Service, CheckFree believes that NSCC's members will feel pressured to use the service. Further, NSCC is marketing the service as being offered by a registered clearing agency.
2. The data standards will not be open to the public. The standards have been copyrighted by the Money Management Institute ("MMI") and NSCC stated in its comment letter that the standards would not be open. CheckFree compared to the FIX standards which are open. CheckFree argued that it is not fair that NSCC and the MMI want to create and own their own standards.
3. The SMA messaging service industry is very price competitive and NSCC's SMA Service is not needed.

The Division staff discussed the following issues with CheckFree:

1. CheckFree's messaging services and the value added services CheckFree includes as part of its messaging service.
2. The difference between the data standards and the protocols (machine language) that NSCC will use to transmit the messages.
3. NSCC's status as an SRO and as an industry utility and the kinds of behavior by an SRO that the Division would probably view as anticompetitive.

### Attendees:

CheckFree: Peter Knight, Chairman & Chief Executive Officer  
Laura Binion, Executive Vice President & General Counsel  
Aex Marasco, Executive Vice President & General Manager

Alston & Bird: Margaret Sheehan, Partner  
Dennis Garris, Partner

SEC: Annette Nazareth, Director  
Robert Colby, Deputy Director  
Larry Bergmann, Associate Director  
Jerry Carpenter, Assistant Director  
Catherine Moore