

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55082; File No. SR-NSCC-2006-18)

January 10, 2007

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Create Service to Facilitate the Exchange of Account Related Information on an Automated Basis between Members

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 21, 2006, the National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) and on January 5, 2007, amended<sup>3</sup> 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 proposed rule change seeks to modify NSCC’s Rules to provide for a service to facilitate the exchange of account related information on an automated basis during the movement of correspondent broker accounts between members or during other material events that result in the bulk movement of accounts between members.

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

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The amendment added the number of the new rule inadvertently omitted in the original filing.

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.<sup>4</sup>

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

Currently, when a correspondent firm chooses to move its book of business from one NSCC member to another, there is no standard method for transmitting the detailed customer data between the members. This information is currently exchanged through tapes, CDs, and other means and is dependent on the proprietary data format and values defined by the clearing firm from which the correspondent is moving. The process is time-consuming and prone to incorrect interpretation of data values. It is made more inefficient because clearing firms maintain separate code for each other clearing firm for which they convert data.

NSCC proposes to modify its rules to create the Account Information Transmission Service ("AIT") to facilitate the exchange of account related information during the movement of correspondent broker accounts between members or during other material events that result in the bulk movement of accounts between members. AIT will provide members with a standard mechanism to transmit customer data that will reduce the potential for lost and incorrectly interpreted data and will provide members with a secure facility for the exchange of data. The standard data model also will allow for the adoption of a single code base that is applicable for all conversion events. NSCC believes the single standard format could reduce costs, increase accuracy, and accelerate delivery time.

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<sup>4</sup> The Commission has modified the text of the summaries prepared by NSCC.

NSCC proposes to develop and introduce AIT in two phases. The first phase will be to create the mechanism by which members may transmit data between themselves. Subject to final approval, NSCC intends to implement the first phase on Monday, February 12, 2007. The second phase will involve the development of standardized data formats. NSCC will notify the Commission of phase two enhancements prior to their implementation.

Since AIT is only an information transmission service, NSCC is also proposing to amend its rules to clarify that NSCC will neither be responsible for the accuracy or completeness of any information transmitted through AIT nor for any omissions or delays that may occur in the transmission of AIT data. Finally, NSCC is proposing a \$200 monthly subscription fee for participation in AIT during phase one. NSCC will reevaluate AIT service fees as subsequent enhancements are completed.

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>5</sup> and the rules and regulations thereunder because by reducing costs, increasing accuracy, and accelerating delivery time of bulk movement of accounts between members, it will enable NSCC to facilitate 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.

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<sup>5</sup> 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

The SIA Data Conversion Privacy Working Group initially requested NSCC provide this service. No written comments relating to the proposed rule change have been solicited or received. On November 3, 2006, NSCC notified members of the terms of AIT by Important Notice A#6334, P&S#5904. NSCC will notify the Commission of any written comments it receives.

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](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2006-18 on 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-2006-18. 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 at <http://www.nsccl.com/legal/2006/2006-18-amendment.pdf>. 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-2006-18 and should be submitted on or before [insert date 15 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>6</sup> 17 CFR 200.30-3(a)(12).