

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-51541; File No. SR-NSCC-2005-02)

April 13, 2005

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Enhance Automated Customer Account Transfer Service to Permit the Automated Notification of Changes to the Broker-Dealer of Record for Applicable Insurance Products

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on April 4, 2005, the National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) and on April 12, 2005, 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

NSCC is seeking to enhance its Automated Customer Account Transfer Service (“ACAT Service”) to permit the automated notification of changes to the broker-dealer of record for applicable insurance products.

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.

¹ 15 U.S.C. 78s(b)(1).

NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.²

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

Information regarding the broker-dealer of record for an annuity or life insurance product is maintained by the insurance company that is the issuer of the product. Currently there is no mechanism within the ACAT Service that can automate notification of changes to the broker-dealer of record. Annuity and life insurance products have a manually-intensive processing stream connected with account transfers relative to the automated processing of assets such as equity and debt securities and mutual fund shares.

Under the proposed rule change, the delivering and receiving broker-dealers for annuities or life insurance products would be able to communicate information regarding the change of broker-dealer of record through the ACAT Service. The ACAT Service would communicate the information through a link to a new product of NSCC’s Insurance Processing Services (“IPS”) called Inforce Transactions (“IFT”). IFT would relay the information to the issuer insurance company and would also communicate to the ACAT Service whether the insurance company had confirmed, rejected, or requested a modification of the change. NSCC would not debit or credit a receiving or delivering firm for the value of any applicable insurance product that is part of a customer account transfer.

In order for the receiving and delivering broker-dealers and the issuer insurance company to be able to effect the change through the ACAT Service, the insurance company must

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

participate in IPS, the receiving broker-dealer must participate in the ACAT Service and IPS, and the delivering broker-dealer must participate in the ACAT Service.

Although the proposed rule change relates to the ACAT Service as it interfaces with IPS, NSCC is also proposing to make certain technical changes to the ACAT Service rule. For purposes of bringing efficiencies to the financial marketplace, NSCC's Rule 50, which governs the ACAT Service, would cover all asset types regardless of whether NSCC has the operational capability to effect the transfer of such assets. As proposed, NSCC either would undertake to cause the asset transfer or asset reregistration to occur or would issue a document evidencing each delivering firm's obligation and each receiving firm's entitlement that would result from an ACAT Service transfer. Such instructions, regardless of their form, are commonly referred to as receive and deliver instructions, and NSCC would add a definition, "ACAT Receive and Deliver Instruction,"³ relating to these instructions. NSCC is also proposing certain technical changes to the ACATS rule.

NSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act⁴ and the rules and regulations thereunder applicable to NSCC because it will automate and facilitate the change in broker-dealer of record for eligible insurance products associated with account transfers, which can be expected to reduce processing errors and delays

³ As proposed, "ACAT Receive and Deliver Instruction" would be defined in NSCC Rule 1 as follows:

The term "ACAT Receive and Deliver Instruction" shall mean such document, form, file, report or other information issued by the Corporation [NSCC] to a Member or to a QSD (as defined in Rule 50), on behalf of such QSD's participants, which identifies Automated Customer Account Transfer receive and deliver obligations.

⁴ 15 U.S.C. 78q-1.

that are typically associated with manual processes. This fosters cooperation and coordination with persons engaged in account transfers and furthers the protection of investors and the public interest.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NSCC does not believe that the proposed rule change will impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

NSCC has worked closely with an industry business advisory group in developing the enhancements that are the subject of this rule filing. Written comments relating to the proposed rule change have not yet 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, as amended, 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-2005-02 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-NSCC-2005-02. 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, 450 Fifth Street, NW, 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 www.nsc.com. 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-2005-02 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.⁵

Margaret H. McFarland
Deputy Secretary

⁵ 17 CFR 200.30-3(a)(12).