

IMPORTANT NOTICE

National Securities Clearing Corporation



A#6492

P&S #6062

DATE: August 16, 2007

TO: ALL PARTICIPANTS

ATTENTION: MANAGING PARTNER/OFFICER, OPERATIONS
PARTNER/OFFICER, COMPLIANCE OFFICER

FROM: General Counsel's Office

SUBJECT: RULE CHANGE – SR-NSCC-2007-13 (Automated Customer
Account Transfer Service and ACATS Fund/SERV Processing)

On August 15, 2007, National Securities Clearing Corporation (“NSCC”) filed a rule change with the Securities and Exchange Commission (“SEC”), pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934. This rule change proposes to modify NSCC’s Rules, as necessary, to shorten the account transfer timeframe with respect to certain types of ACATS and ACATS Fund/SERV transfers, each as set forth below.

Background:

ACATS enables Members of NSCC to effect automated transfers of customer accounts among themselves. In operation since 1985, ACATS was designed to facilitate compliance with New York Stock Exchange (“NYSE”) Rule 412 and National Association of Securities Dealers (“NASD”) Uniform Practice Code Section 11870 that require NYSE and NASD members to use automated clearing agency customer account transfer services and to effect customer account transfers within specified time frames. ACATS has been modified over time, with its most significant redesign in 1999 providing NSCC Members with a more seamless and timely customer account transfer process¹.

Proposed Modifications:

NSCC, Members, the customer account division of the Securities Industry and Financial Markets Association (“SIFMA”), NYSE and NASD believe that as technology and processing has improved over time, additional modifications to ACATS processing can be made that will further enhance the timeliness and efficiency of customer account transfers. The Financial Industry Regulatory Authority (“FINRA”, f/k/a National Association of Securities Dealers, Inc.) has submitted a comparable rule filing on behalf of the NYSE and NASD with the Commission².

Standard ACATS transfer:

Standard ACATS transfers currently include a three business day “Request” period. The proposed change will reduce the “Request” timeframe from three business days, to one business day. The

¹ See Release No. 34-40487 (File No. SR-NSCC-98-06).

² See SR-FINRA-2007-005.

timeframe within which an account transfer may be responded to (accepted or rejected) will be shortened accordingly.³

Non-Standard ACATS transfers - Partial Transfer Receiver:

Partial Transfers may be generated by either the Receiving Member (Partial Transfer Receiver, “PTR”) or the Delivering Member (Partial Transfer Deliverer, “PTD”). PTR’s currently have a two business day “Request” period. The proposed change will reduce the “Request” timeframe from two business days, to one business day. The timeframe within which an account transfer may be responded to (accepted or rejected) will be shortened accordingly.⁴

ACAT Fund/SERV:

In an ACAT transfer that includes mutual fund assets, during the “Review” status the Receiving Member (or, if applicable, its ACATS-Fund/SERV Agent) requests the re-registration of mutual fund assets by submitting a Fund Registration input record through ACATS to the Fund Member/Mutual Fund Processor, which then has four business days to either reject or acknowledge the request.

NSCC has found that the majority of Fund Member/Mutual Fund Processors act upon such requests within the first day of receipt, and proposes to reduce the timeframe accordingly from four business days to one business day.

Technical Correction to Rule 50:

NSCC is also making a technical correction to Rule 50, Section 13. Section 13 (which speaks to Receiving Member initiated Partial Transfers) notes that a Delivering Member may respond to a request at any time by following the procedure set forth in Section 12. However, Section 12 addresses actions taken with respect to *Delivering* Member initiated transactions. NSCC is correcting this text accordingly.

Implementation of the Proposed Changes:

NSCC is coordinating implementation of the proposed changes with FINRA (NYSE/NASD) and SIFMA. It is anticipated that implementation of the changes set forth in this rule filing will take place in October of 2007 (contingent upon the Commission’s approval of the NSCC and FINRA (NASD and NYSE) proposed changes). Members will be advised of the implementation timeframe via NSCC Important Notice.

The full text of this rule change (SR-NSCC-2007-13) may be obtained by visiting NSCC’s website at www.nsc.com. Written comments on the proposed rule filing may be addressed to Lisa T. Siebold, Assistant Secretary, National Securities Clearing Corporation, 55 Water Street, New York, New York 10041, and your comments will be forwarded to the SEC. You may also address your written comments to the Secretary of the Commission, Securities and Exchange Commission, 100 F Street NE, Washington, D.C. 20549. We request that you provide NSCC with a copy of your comments.

³ In addition to changes to the “Request” period, NSCC proposes to modify the ACATS “status” timeframes for Request-Adjust, Request-Adjust Past, Request-Past, and Review-Error, from a maximum of three business days, to a maximum of one business day. Rule 50 is non-specific with respect to these timeframes.

⁴ Other non-standard transfers are: fail reversals, reclaims and residual credits (*see* Rule 50, Sec. 12). PTD’s do not have a “Request” status.

Questions regarding ACATS and ACATS Fund/SERV processing should be addressed to William J. Kapogiannis, Director, Product Marketing and Development at (212) 855-5667. Questions regarding the rule filing may be directed to Lisa T. Siebold, Director and Assistant Secretary, at (212) 855-3206, or to the undersigned at (212) 855-3208.

Merrie Faye Witkin
Vice President and Deputy General Counsel