

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change.

(a) The proposed rule change is annexed hereto as Exhibit 5. It consists of modifications to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”) with regard to NSCC’s Insurance Processing Service and Insurance Carrier Members.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed changes were approved on December 13, 2006 by the Credit and Market Risk Management Committee of NSCC’s Board of Directors.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) The purpose of this filing is to amend NSCC’s Rules related to the Insurance Processing Services (“IPS”) and Insurance Carrier Members, in order to allow retirement and other benefit plans and programs offered by registered broker/dealers to be processed on the IPS platform.

Background

NSCC’s Insurance Processing Service is a non-guaranteed service, meaning that NSCC does not function as a central counterparty or guarantor in respect of payment obligations arising in connection with IPS transactions.

The Insurance Processing Service was established in 1997 as the Annuities Processing Service, as a centralized communication link that connected participating insurance carriers with broker/dealers and other entities that distributed annuities issued by the participating insurance carrier.¹ The service was later expanded to accommodate processing of life insurance products (in addition to annuities) and its name was changed to the “Insurance Processing Service”. Similarly, the name of the participating insurance carriers using IPS was changed from “Annuities Carrier Members” to “Insurance Carrier Members”.²

Currently, IPS provides for the communication of data relating to insurance products (both annuities and life insurance products) and for the settlement of certain payments relating to insurance products, as set forth in Rule 57 of NSCC’s Rules.

¹ See Securities Exchange Act Release No. 34-39096 (September 19, 1997) (File No. SR-NSCC-96-21).

² See Securities Exchange Act Release No. 34-40634 (November 4, 1998) (File No. SR-NSCC-98-13) and Securities Exchange Act Release No. 34-41477 (June 4, 1999) (File No. SR-NSCC-99-04).

Participating insurance carriers that use IPS to communicate with their distributors regarding their insurance products are called “Insurance Carrier Members”. Their distributors are called “Members” or “Mutual Fund/Insurance Services Members”, entities that use IPS under authority of Rule 2 of NSCC’s Rules. The qualifications of Insurance Carrier Members are set forth in Rule 56 and Addendum Q of NSCC’s Rules.

Certain retirement and other benefit plans and programs offered by a broker/dealer are functionally similar to annuities, in that the broker/dealer (functioning as an administrator and/or custodian of the program) offers multiple investment options (typically mutual funds or annuities) within the “wrap” of the program, for sale to plan sponsors through distributing broker/dealer intermediaries. Current IPS functionality that is used for annuities and other insurance products is useful in the context of these programs. Examples of such functionalities included the communication of customer positions and activity among the investment options within the program, information regarding the values of the various investment options included within the program, data concerning program commissions and other compensation due to the distributing broker/dealers and the payment of such commissions and compensation through NSCC’s daily money settlement.

Proposed Amendments to NSCC’s Rules

Under the proposed amendments, the Insurance Processing Service is renamed the “Insurance and Retirement Processing Services”, or “IPS”, and the products processed through IPS are renamed “IPS Eligible Products”. IPS Eligible Products now include, in addition to insurance products, retirement and other benefit plans and programs.

“Insurance Carrier Member” is renamed “Insurance Carrier/Retirement Services Member”. Formerly, only insurance companies could qualify under this membership category. Pursuant to the proposed rule change, registered broker/dealers will also be eligible to qualify as Insurance Carrier/Retirement Services Members. The membership qualifications applicable to insurance companies in their capacity as Insurance Carrier/Retirement Services Members are unchanged. The membership qualifications applicable to a broker/dealer in its capacity as an Insurance Carrier/Retirement Services Member will be the same as the qualifications currently applicable to a broker/dealer which acts as a Mutual Fund/Insurance Services Member, processing transactions on IPS today as a distributor of insurance products issued by an Insurance Carrier Member. These qualifications, such as the requirement that the broker/dealer maintain \$50,000 in excess net capital over that required by the Commission or the broker/dealers designated examining authority (“Excess Net Capital”), are also the same qualifications required of a broker/dealer that participates in NSCC’s Mutual Fund Services, whether acting as a Fund Member (analogous to an Insurance Carrier/Retirement Services Member on IPS) or as a Mutual Fund/Insurance Services Member distributing mutual funds and similar fund products on NSCC’s mutual fund processing platform, Fund/Serv.

Rule 1

The definition of “Eligible Insurance Plan” is deleted and has been replaced by the term “IPS Eligible Product,” in order to include retirement and other benefit plans and programs as products that may be processed through the “Insurance and Retirement Processing Services” (modifying the defined term, “Insurance Processing Services”). The defined term “Insurance Carrier Member” is changed to “Insurance Carrier/Retirement Services Member, as discussed above. Conforming changes are made throughout NSCC’s Rules.

An unrelated technical change is made to defined terms “TPA” and “TPA Member,” to clarify that a TPA Member must be a third party administrator. Although implied, this had not been expressly stated as previously drafted.

Certain “global” references used throughout NSCC’s Rules (i.e., references to “Insurance Carrier Members” and the “Insurance Processing Service”) will be replaced with the new terms, but due the extent of their use throughout the Rules, have not been included within Exhibit 5.

Rule 3

Section 9 of Rule 3 is revised to refer to “IPS Eligible Products”, rather than insurance plans, as the subject of transactions processed on IPS.

Rule 50

Section 8 of Rule 50 is revised to delete references to an “Insurance Company” as the entity which would confirm or reject an ACATs transfer of IPS Eligible Products, substituting “Insurance Carrier/Retirement Services Member” in its stead. Similar changes are also made to the description of ACATs for Eligible IPS Products in Section 6 of Rule 57.

Rule 56

Rule 56 is revised to include broker/dealers as entities which can become Insurance Carrier/Retirement Services Members.

Rule 57

Rule 57 is revised to refer to the “Insurance and Retirement Processing Services”, in place of the “Insurance Processing Service”. In addition, an error in Section 2(a) is corrected, to state that the service is offered by NSCC.

Addendum Q

Addendum Q is revised to reflect that broker/dealers that are Insurance Carrier/Retirement Services Members or applicants must meet the general qualifications currently applicable to Insurance Carrier Members (other than with respect to financial qualifications that are applicable solely to insurance companies). In addition, Addendum Q is revised to reflect that such broker/dealers must also maintain \$50,000 in Excess Net Capital.

(b) The proposed rule change will allow processing of additional financial products through NSCC, thereby facilitating the prompt and accurate processing of transactions, consistent with the requirements of the Securities Exchange Act of 1934 (the "Act") and the rules and regulations promulgated thereunder applicable to NSCC.

4. Self-Regulatory Organization's Statement on Burden on Competition.

NSCC does not believe that the proposed rule changes will have any impact, or impose any burden, on competition.

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

Written comments relating to the proposed rule changes have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

6. Extension of Time Period for Commission Action.

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2).

(a) The proposed rule change is to take effect pursuant to paragraph A of Section 19(b)(3) of the Act and Rule 19b-4 thereunder.

(b) The proposed rule change effects a change that (i) does not adversely affect the safeguarding of securities or funds in the custody of NSCC or for which it is responsible; and (ii) does not significantly affect the respective rights or obligations of NSCC or persons using this service, because it enhances a non-guaranteed service, the Insurance Processing Service, to accommodate the distribution of retirement and other benefit plans on an automated platform.

(c) Not applicable.

(d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.

The proposed rule changes are not based on the rules of another Self-Regulatory Organization or the Commission.

9. Exhibits

Exhibit 1 – Notice of proposed rule changes for publication in the Federal Register.

Exhibit 2 – N/A

Exhibit 3 – N/A

Exhibit 4 – N/A

Exhibit 5 – Proposed Rule Text

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-NSCC-2006-16)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Securities Clearing Corporation (“NSCC”) relating to modifications of the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”) with regard to NSCC’s Insurance Processing Service and Insurance Carrier Members.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on _____, NSCC filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The text of the proposed rule change is attached hereto as Exhibit 5.

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

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

(1) The purpose of this filing is to amend NSCC’s Rules related to the Insurance Processing Services (“IPS”) and Insurance Carrier Members, in order to allow retirement and other benefit plans and programs offered by registered broker/dealers to be processed on the IPS platform.

Background

NSCC's Insurance Processing Service is a non-guaranteed service, meaning that NSCC does not function as a central counterparty or guarantor in respect of payment obligations arising in connection with IPS transactions.

The Insurance Processing Service was established in 1997 as the Annuities Processing Service, as a centralized communication link that connected participating insurance carriers with broker/dealers and other entities that distributed annuities issued by the participating insurance carrier.¹ The service was later expanded to accommodate processing of life insurance products (in addition to annuities) and its name was changed to the "Insurance Processing Service". Similarly, the name of the participating insurance carriers using IPS was changed from "Annuities Carrier Members" to "Insurance Carrier Members".²

Currently, IPS provides for the communication of data relating to insurance products (both annuities and life insurance products) and for the settlement of certain payments relating to insurance products, as set forth in Rule 57 of NSCC's Rules. Participating insurance carriers that use IPS to communicate with their distributors regarding their insurance products are called "Insurance Carrier Members". Their distributors are called "Members" or "Mutual Fund/Insurance Services Members", entities that use IPS under authority of Rule 2 of NSCC's Rules. The qualifications of Insurance Carrier Members are set forth in Rule 56 and Addendum Q of NSCC's Rules.

Certain retirement and other benefit plans and programs offered by a broker/dealer are functionally similar to annuities, in that the broker/dealer (functioning as an administrator and/or custodian of the program) offers multiple investment options (typically mutual funds or annuities) within the "wrap" of the program, for sale to plan sponsors through distributing broker/dealer intermediaries. Current IPS functionality that is used for annuities and other insurance products is useful in the context of these programs. Examples of such functionalities included the communication of customer positions and activity among the investment options within the program, information regarding the values of the various investment options included within the program, data concerning program commissions and other compensation due to the distributing broker/dealers and the payment of such commissions and compensation through NSCC's daily money settlement.

¹ See Securities Exchange Act Release No. 34-39096 (September 19, 1997) (File No. SR-NSCC-96-21).

² See Securities Exchange Act Release No. 34-40634 (November 4, 1998) (File No. SR-NSCC-98-13) and Securities Exchange Act Release No. 34-41477 (June 4, 1999) (File No. SR-NSCC-99-04).

Proposed Amendments to NSCC's Rules

Under the proposed amendments, the Insurance Processing Service is renamed the "Insurance and Retirement Processing Services", or "IPS", and the products processed through IPS are renamed "IPS Eligible Products". IPS Eligible Products now include, in addition to insurance products, retirement and other benefit plans and programs.

"Insurance Carrier Member" is renamed "Insurance Carrier/Retirement Services Member". Formerly, only insurance companies could qualify under this membership category. Pursuant to the proposed rule change, registered broker/dealers will also be eligible to qualify as Insurance Carrier/Retirement Services Members. The membership qualifications applicable to insurance companies in their capacity as Insurance Carrier/Retirement Services Members are unchanged. The membership qualifications applicable to a broker/dealer in its capacity as an Insurance Carrier/Retirement Services Member will be the same as the qualifications currently applicable to a broker/dealer which acts as a Mutual Fund/Insurance Services Member, processing transactions on IPS today as a distributor of insurance products issued by an Insurance Carrier Member. These qualifications, such as the requirement that the broker/dealer maintain \$50,000 in excess net capital over that required by the Commission or the broker/dealers designated examining authority ("Excess Net Capital"), are also the same qualifications required of a broker/dealer that participates in NSCC's Mutual Fund Services, whether acting as a Fund Member (analogous to an Insurance Carrier/Retirement Services Member on IPS) or as a Mutual Fund/Insurance Services Member distributing mutual funds and similar fund products on NSCC's mutual fund processing platform, Fund/Serv.

Rule 1

The definition of "Eligible Insurance Plan" is deleted and has been replaced by the term "IPS Eligible Product," in order to include retirement and other benefit plans and programs as products that may be processed through the "Insurance and Retirement Processing Services" (modifying the defined term, "Insurance Processing Services"). The defined term "Insurance Carrier Member" is changed to "Insurance Carrier/Retirement Services Member, as discussed above. Conforming changes are made throughout NSCC's Rules.

An unrelated technical change is made to defined terms "TPA" and "TPA Member," to clarify that a TPA Member must be a third party administrator. Although implied, this had not been expressly stated as previously drafted.

Certain "global" references used throughout NSCC's Rules (*i.e.*, references to "Insurance Carrier Members" and the "Insurance Processing Service") will be replaced with the new terms, but due the extent of their use throughout the Rules, have not been included within Exhibit 5.

Rule 3

Section 9 of Rule 3 is revised to refer to “IPS Eligible Products”, rather than insurance plans, as the subject of transactions processed on IPS.

Rule 50

Section 8 of Rule 50 is revised to delete references to an “Insurance Company” as the entity which would confirm or reject an ACATs transfer of IPS Eligible Products, substituting “Insurance Carrier/Retirement Services Member” in its stead. Similar changes are also made to the description of ACATs for Eligible IPS Products in Section 6 of Rule 57.

Rule 56

Rule 56 is revised to include broker/dealers as entities which can become Insurance Carrier/Retirement Services Members.

Rule 57

Rule 57 is revised to refer to the “Insurance and Retirement Processing Services”, in place of the “Insurance Processing Service”. In addition, an error in Section 2(a) is corrected, to state that the service is offered by NSCC.

Addendum Q

Addendum Q is revised to reflect that broker/dealers that are Insurance Carrier/Retirement Services Members or applicants must meet the general qualifications currently applicable to Insurance Carrier Members (other than with respect to financial qualifications that are applicable solely to insurance companies). In addition, Addendum Q is revised to reflect that such broker/dealers must also maintain \$50,000 in Excess Net Capital.

(2) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder applicable to NSCC. The proposed rule change will not affect the safeguarding of funds or securities in NSCC’s custody and control, or for which it is responsible.

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.

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or send an e-mail to rule-comment@sec.gov. Please include File No. SR-NSCC-2006-16 on the subject line.
- Paper comments should be sent in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington D.C. 20549-0609.

All submissions should refer to File Number SR-NSCC-2006-16. 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 Room, 100 F Street, NE, Washington D.C. 20549-9303. Copies of such filing also will be available for inspection and copying at the principal office of DTC. 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 submission should refer to the file number above and should be submitted within _____ days after the date of publication.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Nancy M. Morris

EXHIBIT 5

Bold and underlined text indicates proposed additions to the Rules.

~~[Bracketed strikethrough text]~~ indicates deleted text.

RULE 1. DEFINITIONS AND DESCRIPTIONS

* * *

Eligible Government Security

The term "Eligible Government Security" means a Government Security included in the list for which provision is made in Section 10 of Rule 3.

~~[Eligible Insurance Plan]~~

~~The term "Eligible Insurance Plan" means an Insurance Plan included in the list for which provision is made in Section 9 of Rule 3.]~~

* * *

~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member**

The term "~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member**" (**previously referred to as an Insurance Carrier Member**) means any ~~[Insurance Company]~~**company, partnership, limited liability corporation or other organization or entity**, who is a not a Member, but who is specified and has qualified pursuant to the provisions of Rule 56.

Insurance Company

The term "Insurance Company" means any company, partnership, limited liability corporation or other organization or entity who is subject to supervision or regulation pursuant to the provisions of state insurance law and issues insurance contracts.

Insurance Entity

The term "Insurance Entity" means an insurance company, partnership, corporation, limited liability corporation or other organization or entity who is licensed to sell insurance products and is subject to supervision or regulation pursuant to the provisions of state insurance laws.

IPO Tracking System

The term "IPO Tracking System" means the system offered by DTC pursuant to its rules and procedures which allows lead managers and syndicate members of Initial Public Offerings to monitor flipping of new issues in an automated book-entry environment.

IPS Eligible Product

The Term "IPS Eligible Product" means an insurance product or a retirement or other benefit plan or program included in the list for which provision is made in Section 9 of Rule 3.

Long Position

The term "Long Position" means the number of units of a CNS Security which a Member is entitled to receive from the Corporation.

* * *

The Corporation

The term "the Corporation" means the National Securities Clearing Corporation.

[TPA

~~The term "TPA" means any partnership, corporation, limited liability company or other organization or entity that acts as a third party administrator on behalf of a retirement or other benefit plan.]~~

TPA Member

The term "TPA Member" means any partnership, corporation, limited liability corporation or other organization, entity or person, **that acts as a third party administrator on behalf of a retirement or other benefit plan,** who is not a Member, but who is specified and has qualified pursuant to the provisions of Rule 60.

* * *

RULE 3. LISTS TO BE MAINTAINED

* * *

SEC. 9. The Corporation shall maintain a list of insurance ~~[plans]~~ **products and retirement or other benefit plans or programs** which

may be the subject of orders processed through the ~~{Insurance Processing Service}~~**Insurance and Retirement Processing Services** (hereinafter referred to as "~~{Eligible Insurance Plans}~~**IPS Eligible Products**") and may from time to time add ~~{insurance plans}~~ **IPS Eligible Products** to such list or remove ~~{insurance plans}~~ **IPS Eligible Products** therefrom. An ~~{Eligible Insurance Plan}~~ may only be an insurance plan that has been **IPS Eligible Product must have been** assigned a CUSIP number.

SEC. 10. The Corporation shall maintain a list of government securities which may be the subject of contracts processed through the Corporation (hereinafter referred to as "Eligible Government Securities") and may from time to time add government securities to such list or remove government securities therefrom. An Eligible Government Security may only be: an unmatured, marketable debt security in book-entry form that is a direct obligation of the United States Government; such other security issued or guaranteed by the United States, a U.S. government agency or instrumentality, or a U.S. government-sponsored corporation; or, such other security as determined by the Corporation from time to time.

SEC. 11. Members, Fund Members, ~~{Insurance Carrier Members}~~**Insurance Carrier/Retirement Services Members**, Municipal Comparison Only Members, and TPA Members, shall not:

* * *

RULE 50. AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE

* * *

SEC. 8 . A Receiving Member will have one (1) business day after receipt from the Corporation of the report detailing the customer account asset data to review the account and accept all assets, or, to the extent permitted by the Member's DEA, if applicable, reject one or more assets within a DEA determined asset category, request the Delivering Member to make adjustments to it or, as permitted by the Corporation or, to the extent applicable, the Receiving Member's DEA, reject the account. No action is required by the Receiving Member if it determines to accept all assets in an account. During the one (1) business day time period, only the Delivering Member will be able to add, delete or change an item by delivering to the Corporation such information in such form and by such time as established by the Corporation from time to time, other than with respect to MF/IPS Products (as defined below), which can also be deleted by the Receiving Member. Each business day that a Delivering Member causes an adjustment to be made to an account will give the Receiving Member an additional one (1) business day to review the account. If Fund/Serv Eligible Fund assets and/or ~~{IPS eligible insurance products}~~**IPS Eligible Products** ("MF/IPS

Products”) are to be transferred the Receiving Member shall also, within one (1) business day after receipt from the Corporation of the report detailing the MF/IPS Products data or simultaneous with the submission of an acceleration instruction, submit to the Corporation detailed transfer instructions in such format as established by the Corporation from time to time, which instructions shall be processed through Mutual Fund Services in accordance with Section 16 of Subsection A of Rule 52 or through IPS in accordance with Section 6 of Rule 57, as applicable. If a Receiving Member submits instructions and determines that a modification must be made to such instruction, such modifications must be submitted within the same deadline. Each business day that the Delivering Member causes an adjustment to be made to an account will give the Receiving Member an additional one (1) business day to submit such transfer information. With respect to Fund/Serv Eligible Fund assets, if the Receiving Member fails to properly submit such transfer information within the required time period, the Corporation shall transmit through Mutual Fund Services such standing transfer information as the Corporation shall determine. Each day the Corporation will produce a report indicating the transfer instructions that have been received by the Corporation, if any, and, with respect to Fund/Serv Eligible Fund assets, if no instructions have been received, the standing instructions which will be submitted to the Mutual Fund Processor or Fund Member. Each day the Corporation will produce a report to the Receiving and Delivering Member, indicating the Fund/Serv Eligible Fund customer account asset transfers which have been confirmed or rejected by the Mutual Fund Processor or Fund Member in accordance with Section 16 of Subsection A of Rule 52. Such report will also indicate those transfers which the Mutual Fund Processor or Fund Member has not confirmed or rejected or which have been deleted. Each day the Corporation will produce a report to the Receiving and Delivering Member, indicating the ~~IPS eligible insurance products~~ **IPS Eligible Products** transfers which have been confirmed or rejected by the ~~Insurance Company~~ **Insurance Carrier/Retirement Services Member** in accordance with Section 6 of Rule 57, or which have been deleted.

* * *

RULE 56. ~~INSURANCE CARRIER MEMBER~~INSURANCE CARRIER/RETIREMENT SERVICES MEMBER

SEC. 1. The Corporation shall act for those organizations, entities or persons who qualify as an ~~Insurance Carrier Member~~ **Insurance Carrier/Retirement Services Member** under these Rules and who apply to the Corporation to act for them, and whose applications are approved by the Corporation. A partnership, corporation, limited liability corporation or other organization, entity or person shall be qualified to become an ~~Insurance Carrier Member~~ **Insurance Carrier/Retirement Services Member** if:

(a) it **is an Insurance Company, and it** has an RBC Ratio, as derived from annual statutory financial statements filed by it with ~~the~~its supervisory or regulatory entity ~~{referenced in (b) below}~~ (or, between filings of such annual statutory financial statements, an RBC Ratio derived in a similar manner from then-current financial data), of 250% or greater; ~~and~~or

(b) it is ~~[subject to supervision or regulation pursuant to the provisions of state insurance laws and is licensed to sell insurance products]~~**a broker or dealer registered under the Securities Exchange Act of 1934, as amended (“Registered Broker-Dealer”)**.

A partnership, corporation, limited liability corporation or other organization, entity or person whose application to become an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** has been approved by the Corporation shall sign and deliver to the Corporation an instrument in writing whereby such applicant shall agree as provided in Section 2 of this Rule.

SEC. 2. Each applicant to become an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** shall sign and deliver to the Corporation an instrument in writing whereby the applicant shall agree:

(a) that the only service or system offered by the Corporation that it will utilize as an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** is the ~~[Insurance Processing Service]~~**Insurance and Retirement Processing Services**;¹

(b) to abide by the Rules of the Corporation and to be bound by all the provisions thereof and that the Corporation shall have all the rights and remedies contemplated by the Rules of the Corporation;

(c) that the Rules of the Corporation shall be a part of the terms and conditions of every transaction which it submits to the Corporation;

(d) not to submit any transaction to the ~~[Insurance Processing Service]~~**Insurance and Retirement Processing Services** unless the Rules of the Corporation are part of the terms and conditions of such transaction, nor to submit or confirm any transaction or charge to or through the ~~[Insurance Processing Service]~~**Insurance and Retirement Processing Services** in contravention of the requirements of any laws, rules, regulations, or statutes of any governmental or regulatory body to which the ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** is subject;

(e) to pay to the Corporation the compensation provided for by the Rules of the Corporation for ~~[insurance]~~**IPS Eligible Product** transactions; and, pay

¹ ~~[Insurance Carrier Members]~~**Insurance Carrier/Retirement Services Members** who meet the membership criteria for either Fund Membership or Mutual Fund/Insurance Services Membership are permitted to apply to become such a Member.

such fines as may be imposed in accordance with such Rules of the Corporation for the failure to comply therewith;

(f) that its books and records shall at all times be open to inspection by the duly authorized representatives of the Corporation and that the Corporation shall be furnished with all such information in respect of its business and transactions as the Corporation may require, provided that if it shall cease to be an [~~Insurance Carrier Member~~]**Insurance Carrier/Retirement Services Member**, the Corporation shall have no right to inspect its books and records or to require information relating to transactions wholly subsequent to the time when it ceased to be an [~~Insurance Carrier Member~~]**Insurance Carrier/Retirement Services Member**;

(g) to be bound by any amendment to the Rules of the Corporation with respect to any transaction submitted through the [~~Insurance Processing Service~~]**Insurance and Retirement Processing Services** subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation, provided, however, that no such amendment shall affect its right to cease to be an [~~Insurance Carrier Member~~]**Insurance Carrier/Retirement Services Member** or alter the provisions of Rule 4 of the Corporation unless before such amendment becomes effective it is given an opportunity to give written notice to the Corporation of its election that the Corporation shall cease to act for it;

(h) that its agreement with the Corporation shall inure to the benefit of and be binding upon the parties thereto and their respective successors and assigns;

(i) to review the Rules of the Corporation in effect on the date hereof including Addendum D relating to the non- guarantee by the Corporation of settlement payments through the [~~Insurance Processing Service~~]**Insurance and Retirement Processing Services**;

(j) to return immediately, pursuant to requirements imposed by agreement and/or the Rules of the Corporation, in the form of certified funds or Federal Funds, any monies received from the Corporation when requested to do so by the Corporation;

(k) that the failure of any agent that the [~~Insurance Carrier Member~~]**Insurance Carrier/Retirement Services Member** uses with respect to the processing of transactions through the [~~Insurance Processing Service~~]**Insurance and Retirement Processing Services** shall not excuse the [~~Insurance Carrier Member~~]**Insurance Carrier/Retirement Services Member** from liability for a violation of the Corporation's Rules;

(l) that it may only request the deletion of an **IPS** Eligible [~~Insurance Plan~~]**Product** in writing; and

(m) to pay to the Corporation any amounts which pursuant to the provisions of Rule 4 of the Corporation shall become payable by the ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** to the Corporation.

Each applicant to become an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** shall complete and deliver to the Corporation an Applicant Questionnaire in such form as prescribed by the Corporation from time to time and shall provide such other reports and information as the Corporation may determine are appropriate.

SEC. 3. The Corporation shall approve an application to become an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** pursuant to this Rule only upon a determination by the Corporation that the applicant meets the standards of financial responsibility and operational capability as set forth in the Procedures, or such other standards of financial responsibility and operational capability as the Corporation may promulgate.

Notwithstanding that an application to become an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** shall have been approved by the Corporation, if a material change in condition at the applicant occurs which could bring into question the applicant's ability to perform, and such material change becomes known to the Corporation prior to the applicant commencing use of the Corporation's ~~[Insurance Processing Service]~~**Insurance and Retirement Processing Services**, the Corporation shall have the right to stay commencement by the applicant of use of the Corporation's ~~[Insurance Processing Service]~~**Insurance and Retirement Processing Services** until a reconsideration of the applicant's financial responsibility and operational capability can be completed. As a result of such reconsideration, the Corporation may determine to withdraw approval or condition the approval upon the furnishing of additional information or assurances.

If the Corporation determines that the applicant fails to meet any of such standards, but in the opinion of the Corporation any one or more of such standards as applied to the applicant is unduly or disproportionately severe or the conduct of the applicant has been such as not to make it against the interests of the Corporation, Settling Members, creditors or investors to approve such application to become an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member**, the Corporation may approve the application either unconditionally or on an appropriate, temporary or other conditional basis. When approving an application on a conditional or temporary basis, the Corporation may obtain additional assurances from the applicant as provided for in Rule 15.

Notwithstanding the foregoing, the Corporation may deny an application to become an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** upon a determination by the Corporation that the Corporation does not

have adequate personnel, space, data processing capacity or other operational capability at that time to perform its services for the applicant without impairing the ability of the Corporation to provide services for its existing Settling Members, Municipal Comparison Only Members, Fund Members, Data Services Only Members or ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Members** to assure the prompt, accurate and orderly processing and settlement of securities transactions or to otherwise carry out its functions; provided, however, that any such applications which are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit.

An applicant shall submit to such examinations by the Corporation of its financial responsibility and operational capability as the Corporation is authorized to conduct pursuant to Rule 15.

SEC. 4. Before denying an application to become an ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Member** pursuant to Section 3 of this Rule, the Corporation shall furnish the applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and shall notify the applicant of its right to request a hearing to determine whether the application should be denied, such request to be filed by the applicant with the Corporation pursuant to Rule 37 within seven business days of the applicant's receipt of such notice from the Corporation.

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RULE 57. ~~[INSURANCE PROCESSING SERVICE]~~ INSURANCE AND RETIREMENT PROCESSING SERVICES

SEC. 1. (a) The Corporation may provide a service to enable Members, ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Members** and Data Services Only Members to transmit such data and information relating to ~~[insurance p]~~ **IPS Eligible Products** (the "IPS Data") and, with respect to Members and ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Members**, to settle payments relating to ~~[insurance p]~~ **IPS Eligible Products** between themselves. Such services shall be known as the ~~[Insurance Processing Service]~~ **Insurance and Retirement Processing Services** ("IPS") and will be accomplished in accordance with the provisions of this Rule.¹

(b) Each Member, ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Member** and Data Services Only Member that

¹ **The Insurance and Retirement Processing Services were formerly known as the "Insurance Processing Service".**

desires access to IPS must complete and deliver to the Corporation such agreements as the Corporation may from time to time require.

(c) IPS Data must be submitted to the Corporation in such formats and by such times as established by the Corporation from time to time, and, depending upon the type of IPS Data submitted, may require a response from the receiver of IPS Data.

(d) The Corporation will review IPS Data received from ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Members**, Members and Data Services Only Members for such information as the Corporation determines from time to time to be necessary. If the IPS Data does not contain the information required by the Corporation, the Corporation will reject the IPS Data and will advise the appropriate ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member**, Member or Data Services Only Member in such form and by such time as established by the Corporation from time to time.

(e) If the IPS Data appears to contain the information required by the Corporation, subject to any rights the Corporation may have as provided in the Rules generally, the Corporation will transmit the IPS Data to the appropriate ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member**, Member or Data Services Only Member in such form and by such time as established by the Corporation from time to time.

(f) Pursuant to the policies established by the Corporation from time to time, the Corporation will notify, in such form and at such times as established by the Corporation from time to time, an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member**, Member or Data Services Only Member, in respect of certain IPS Data which requires a response, if no such response has been received by the Corporation.

(g) Pursuant to the policies established by the Corporation from time to time, a submitter of IPS Data can withdraw certain IPS Data submitted by submitting an instruction to the Corporation in such form and by such time as established by the Corporation from time to time. Upon receipt of a withdrawal instruction, the Corporation will (i) delete from IPS the IPS Data withdrawn and (ii) notify the appropriate party of the withdrawn IPS Data in such form and by such time as established by the Corporation from time to time.

(h) Notwithstanding the foregoing, nothing prohibits an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member**, Member or Data Services Only Member from requiring data or information in addition to any IPS Data that has been transmitted through the Corporation.

(i) Submission of IPS Data to, or alteration or withdrawal of IPS Data from, the Corporation shall not relinquish, extinguish or affect any legal or

regulatory right or obligation of the Member, ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** or Data Services Only Member.

(j) The Corporation will not be responsible for the completeness or accuracy of the IPS Data received from or transmitted to an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member**, Member or Data Service Only Member transmitted through IPS nor for any errors, omissions or delays which may occur in the absence of gross negligence on the Corporation's part, in the transmission of such IPS Data to or from an ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member**, Member or Data Services Only Member.

(k) Settlement of money payments in respect of IPS transactions shall be made in accordance with Rule 12 and other provisions of these Rules. At any time, the Corporation may prohibit any payment from settling through IPS if the Corporation, in its discretion, determines that such action is necessary for the protection of the Corporation, Members, ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Members**, creditors or investors.

(l) If at any time the Corporation fails to receive payment from a Member or ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** which payment was to be used to make payment to the contra side of the IPS transaction, the Corporation, in its discretion, may reverse in whole or in part any credit previously given to the Member or ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** who is the contra side to the IPS transaction, within such time frame as determined by the Corporation from time to time.

COMMISSIONS AND COMPENSATION

SEC. 2.(a) ~~[An Insurance Carrier Member]~~**The Corporation** may provide a service to enable ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Members** to transmit IPS Data regarding commissions, charge backs and other compensation ("Commissions") to Members and Data Services Only Members and, with respect to Members, to settle payments in respect of thereof.

(b) An ~~[Insurance Carrier Member]~~**Insurance Carrier/Retirement Services Member** may initiate a Commission transaction by submitting to the Corporation a payment instruction, in such form and by such time as established by the Corporation from time to time.

(c) Commission transactions received for settlement through the Corporation prior to the time established by the Corporation for this purpose will settle in the settlement cycle occurring immediately following the completion of the processing of data relating to such payment, unless the ~~[Insurance Carrier~~

~~Member~~**Insurance Carrier/Retirement Services Member**'s initiation instruction indicated that such transaction will settle on a date thereafter; provided, however, that no transaction shall settle more than five business days after the day on which the transaction was submitted to the Corporation.

APPLICATIONS AND PREMIUMS

SEC.3.(a)The Corporation may provide a service to enable Members and Data Services Only Members to transmit IPS Data regarding applications and premiums ("Applications and Premiums") to Insurance Carrier~~s~~**Retirement Services Members** and, with respect to Members and ~~Insurance Carrier Member~~**Insurance Carrier/Retirement Services Members**, to settle payments in respect thereof.

(b) Applications and premiums transactions submitted for settlement through the Corporation prior to the time established by the Corporation for this purpose will settle in the settlement cycle occurring immediately following the submission of data relating to such payment, provided however that the Member initiating the transaction may submit a cancel instruction prior to the time established by the Corporation for this purpose. Applications and Premiums transactions received for settlement through the Corporation and cancelled in a timely manner will be deleted from IPS.

LICENSING AND APPOINTMENTS

SEC. 4(a) The Corporation may provide a service to enable Members, ~~Insurance Carrier Member~~**Insurance Carrier/Retirement Services Members** and Data Services Only Members to transmit IPS Data regarding licensing and appointment authorizations and activity ("Licensing and Appointments") among themselves and, with respect to Members and ~~Insurance Carrier Member~~**Insurance Carrier/Retirement Services Members**, to settle payments in respect thereof.

(b) Licensing and Appointments transactions submitted for settlement through the Corporation prior to the time established by the Corporation for this purpose shall settle in the settlement cycle occurring immediately following the submission of data relating to such payment.

POSITIONS AND VALUATIONS

SEC. 5. The Corporation may provide a service to enable ~~Insurance Carrier Member~~**Insurance Carrier/Retirement Services Members** to transmit IPS Data to Members and Data Services Only Members regarding positions and

valuations specific to an ~~[annuity or other insurance contract]~~ **IPS Eligible Product**.

ACAT/TRANSFERS

SEC. 6. (a) The Corporation may provide a service to enable Members to transmit IPS Data regarding ~~[insurance p]~~ **IPS Eligible Product** customer account transfer data between Members.

(b) Within the time frame established by the Corporation, the Corporation may transmit, to an Insurance ~~[Company]~~ **Carrier/Retirement Services Member**, IPS ~~[e]~~ **Eligible [insurance] [p]** **Product** customer account transfer data in such form and by such time as established by the Corporation from time to time. The Insurance ~~[Company]~~ **Carrier/Retirement Services Member** must confirm, reject, or request a modification with respect to the transfer in such format and by such time as established by the Corporation. Transfers that are not confirmed or rejected within such time frame and in such manner as established from time to time by the Corporation will be deleted from the IPS system by the Corporation.

ASSET PRICING

SEC. 7. The Corporation may provide a service to enable ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Members** to transmit IPS Data to Members and Data Services Only Members regarding the pricing of units and other values in respect of funds or other assets within annuities and other insurance products.

FINANCIAL ACTIVITY REPORTING

SEC. 8. The Corporation may provide a service to enable ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Members** to transmit to Members and Data Services Only Members IPS Data regarding financial transactions and related activity specific to an ~~[annuity or other insurance p]~~ **IPS Eligible Product**.

IN FORCE TRANSACTIONS

SEC. 9. The Corporation may provide a service to enable ~~[Insurance Carrier Members]~~ **Insurance Carrier/Retirement Services Member**, Members and Data Services Only Members to transmit IPS Data relating to activity specific to an ~~[annuity or other insurance contract]~~ **IPS Eligible Product** among themselves.

INSUREXPRESS

SEC. 10. The Corporation may provide a service to enable ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Members**, Members and Data Services Only Members to transmit IPS Data relating to the initiation, processing and completion of applications for life insurance contracts and other insurance products among themselves.

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ADDENDUM Q

STANDARDS OF FINANCIAL RESPONSIBILITY AND OPERATIONAL CAPABILITY FOR ~~[INSURANCE CARRIER MEMBER]~~ **INSURANCE CARRIER/RETIREMENT SERVICES MEMBERS**

The Corporation shall apply the following standards in determining the financial responsibility and operational capability of ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Members**.

I. ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Member** Standards

- A.** In addition to the requirements established pursuant to the provisions of Rule 56, an applicant for membership as an ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Member** shall:
- (1) have sufficient financial ability to meet obligations to the Corporation;
 - (2) have an established business history of a minimum of three years or personnel with sufficient operational background and experience to ensure the ability of the ~~[Insurance Carrier Member]~~ **Insurance Carrier/Retirement Services Member** to conduct such a business;
 - (3) be able to satisfactorily communicate with the Corporation and to fulfill anticipated commitments to and to meet the operational requirements of the Corporation with necessary promptness and accuracy and to conform to any condition and requirement which the Corporation reasonably deems necessary for its protection;
 - (4) be in good standing in those states in which it is licensed as an insurance carrier and in its state of organization; and

- (5) not be known to be subject to any other action or condition the existence of which would require the applicant to be placed on surveillance by the Corporation.

B. In addition to the foregoing standards, all broker/dealer applicants shall have \$50,000 in excess net capital over the minimum net capital requirement imposed by the SEC or such higher minimum net capital requirement imposed by the broker/dealers designated examining authority ("Excess Net Capital").

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