

[Federal Register: March 23, 2007 (Volume 72, Number 56)]  
 [Notices]  
 [Page 13846-13847]  
 From the Federal Register Online via GPO Access [wais.access.gpo.gov]  
 [DOCID:fr23mr07-136]

-----  
 SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55490; File No. SR-NSCC-2007-02]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees Charged to the CDS Clearing and Depository Services, Inc.

March 19, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (`Act'),\1\ notice is hereby given that on January 26, 2007, the National Securities Clearing Corporation (`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 primarily by NSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

-----  
 \1\ 15 U.S.C. 78s(b)(1).  
 -----

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

The proposed rule change would permit NSCC, effective February 1, 2007, to cease to charge fees for `Covered Services' in `Omnibus Accounts' (as each term is defined below) to the CDS Clearing and Depository Services, Inc. (`CDS'), formerly the Canadian Depository for Securities Ltd., in exchange for CDS agreeing not to charge NSCC for such services.\2\  
 -----

\2\ The Depository Trust Company (`DTC') has submitted a similar proposed rule change (File No. SR-DTC-2007-02).  
 -----

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.\3\  
 -----

\3\ The Commission has modified parts of these statements.  
 -----

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

The purpose of the proposed rule change is to facilitate the efficient processing of cross-border securities transactions between

the U.S. and Canada. CDS is a participant in both NSCC and DTC. CDS holds securities in the name of Cede & Co., DTC's nominee name, in one or more omnibus accounts at DTC, and also has a clearance account at NSCC (collectively the ``CDS Omnibus Accounts'').\4\  
-----

\4\ For purposes of this rule filing, the term ``CDS Omnibus Accounts'' shall not include CDS's additional accounts established pursuant to the Multiple Account Number Agreement, dated October 27, 2006 between CDS and NSCC and the Additional Account Agreement, dated October 27, 2006 between DTC and CDS.  
-----

[[Page 13847]]

CDS operates the New York Link Service, which enables CDS Participants to clear and settle transactions with DTC Participants through sponsored accounts maintained by CDS with DTC and NSCC. Through such sponsored accounts, CDS Participants may clear and settle transactions on a trade for trade basis or on a continuous net settlement basis through the facilities of DTC and NSCC. DTC operates the Canadian-Link Service, which enables DTC Participants to clear and settle transactions with CDS Participants through an omnibus account maintained by DTC at CDS.\5\  
-----

\5\ Securities Exchange Act Release No. 52784 (November 16, 2005), 70 FR 70902 (November 23, 2005) [File No. SR-DTC-2005-08].  
-----

In order to more efficiently facilitate cross-border clearance and settlement DTC, NSCC, and CDS have agreed not to charge each other for Covered Services \6\ in Omnibus Accounts.  
-----

\6\ ``Covered Services'' includes such services as: (a) Messaging and conversion of messages, (b) clearing, (c) monthly account charges, (d) deliveries/receives, (e) deposits and withdrawals, (f) custody, (g) asset servicing (dividends, reorganizations), (h) tax services, including U.S. and Canadian tax withholding, as applicable, and non-U.S. Tax Relief and Foreign Currency Payments via the Elective Dividend Service (EDS), (i) communications/networking, (j) money settlement (and roll-up), (k) reconciliation, and (l) any other services agreed to between DTC, NSCC, and CDS in writing.  
-----

Currently, DTC, NSCC, and CDS charge fees in accordance with their respective standard fee schedules for securities clearing, settlement, and asset servicing in their respective Omnibus Accounts. The proposed rule change would provide that instead of invoicing each other each month for services in the Omnibus Accounts, DTC and NSCC will no longer charge CDS for Covered Services in Omnibus Accounts in exchange for CDS no longer charging DTC and NSCC for similar services. As most of the activity processed in each of the Omnibus Accounts relates to reciprocal services which are charged to DTC, NSCC, and CDS at different rates (e.g., DTC would be charged in accordance with the standard CDS fee schedule and vice versa) not charging each other for Covered Services will ensure that the fees of NSCC and CDS are more equitably aligned.

DTC, NSCC, and CDS will continue to charge their respective participants for activity in the Omnibus Accounts.

This proposed rule change is consistent with the requirements Section 17A of the Act and the rules and regulations thereunder because it recognizes that most of the activity in the Omnibus Accounts represents the processing of reciprocal activity in similar services

used by each of the entities which are charged to DTC, NSCC, and CDS at different rates. As such, it provides for a more equitable allocation of fees charged by DTC and NSCC.

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

NSCC does not believe that the proposed rule change would 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

Because the foregoing rule change changes fees charged clearing members by NSCC, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act \7\ and Rule 19b-4(f)(2) \8\ thereunder. At any time within sixty 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.

-----  
 \7\ 15 U.S.C. 78s(b)(3)(A)(ii).  
 \8\ 17 CFR 240.19b-4(f)(2).  
 -----

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-2007-02 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-2007-02. 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, 100 F Street, NE., Washington, DC 20549. Copies of such filing also will be available

for inspection and copying at the principal office of NSCC and on NSCC's Web site at <http://www.nsc.org>.

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-2007-02 and should be submitted on or before April 13, 2007.

For the Commission, by the Division of Market Regulation,  
pursuant to delegated authority.\9\  
-----

\9\ 17 CFR 200.30-3(a)(12).  
-----

Florence E. Harmon,  
Deputy Secretary.  
[FR Doc. E7-5350 Filed 3-22-07; 8:45 am]

BILLING CODE 8010-01-P