

Proposed Rule Change by National Securities Clearing Corporation
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires <input type="text"/>			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Modify NSCCs Rules, as necessary, to shorten the account transfer timeframe with respect to certain types of ACATS and ACATS Fund/SERV transfers.

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Last Name
Title
E-mail
Telephone Fax

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date
By Vice President & Deputy General Counsel
(Name) (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 and consists of modifications to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”) with regard to the Automated Customer Account Transfer Service (“ACATS”) and ACATS Fund/SERV processing.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed changes do not require the approval 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 the proposed rule change is to modify NSCC’s Rules, as necessary¹, 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 process².

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, Inc. (“FINRA”, f/k/a National

¹ Rule 50 (Automated Customer Account Transfer Service) is generally non-specific with respect to account transfer timeframes. Rule 52 (Mutual Fund Services) Section 16 (ACAT/Transfers) is non-specific and does not require modification.

² *See* Release No. 34-40487 (File No. SR-NSCC-98-06).

Association of Securities Dealers, Inc.) has submitted a comparable rule filing on behalf of the NYSE and NASD with the Commission³.

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 timeframe within which an account transfer may be responded to (accepted or rejected) will be shortened accordingly.⁴

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.⁵

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.

³ See SR-FINRA-2007-005.

⁴ 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.

⁵ Other non-standard transfers are: fail reversals, reclaims and residual credits (see Rule 50, Sec. 12). PTD’s do not have a “Request” status.

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.

(b) Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to remove impediments to and perfect the mechanism of a national system for prompt and accurate clearance and settlement of securities transactions.⁶ By reducing the timeframe required for the transfer of customer accounts between NSCC Members, the amendments will bring enhanced efficiency to Members and benefit their customers. As such, the proposed rule change is consistent with NSCC's statutory obligation to remove impediments to and perfect the mechanism of a national system for prompt and accurate clearance and settlement of securities transactions.

4. 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.

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

6. Extension of Time Period for Commission Action.

NSCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

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

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

(d) Not applicable.

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

The proposed rule changes are based primarily on the proposed revised rules of the NYSE and NASD.

9. Exhibits

Exhibit 1 - Notice of proposed rule change 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-2007-13)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Securities Clearing Corporation (“NSCC”).
The purpose of this filing is to amend NSCC’s Rules & Procedures with regard to the Automated Customer Account Transfer Service (“ACATS”) as well as ACATS Fund/SERV processing.

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 _____, 2007, 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 proposed rule change consists of modifications to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”), and is annexed as Exhibit 5 to the filing.

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 the proposed rule change is to modify NSCC's Rules, as necessary¹, 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 process².

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, Inc. ("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 Commission³.

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 timeframe within which an account transfer may be responded to (accepted or rejected) will be shortened accordingly.⁴

¹ Rule 50 (Automated Customer Account Transfer Service) is generally non-specific with respect to account transfer timeframes. Rule 52 (Mutual Fund Services) Section 16 (ACAT/Transfers) is non-specific and does not require modification.

² *See* Release No. 34-40487 (File No. SR-NSCC-98-06).

³ *See* SR-FINRA-2007-005.

⁴ 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.

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.⁵

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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.

(2) Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to remove impediments to and perfect the mechanism of a national system for prompt and accurate clearance and settlement of securities transactions.⁶ By reducing the timeframe required for the transfer of customer accounts between NSCC Members, the amendments will bring enhanced efficiency to Members and benefit their customers. As such, the proposed rule change is consistent with NSCC's statutory obligation to remove impediments to and perfect the mechanism of a

⁵ Other non-standard transfers are: fail reversals, reclaims and residual credits (*see* Rule 50, Sec. 12). PTD's do not have a "Request" status.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

national system for 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.

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

Within 35 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 90 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 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-2007-13 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, DC 20549-1090.

All submissions should refer to File Number SR-NSCC-2007-13. 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. 20549-1090. Copies of such filing also will be available for inspection and copying at the principal office of NSCC. 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

TEXT OF PROPOSED RULE CHANGE

Underline and bold indicate new text.

~~Brackets and strikethrough~~ indicate deleted text

RULE 50 AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE

SEC. 1. The Corporation may provide a service to enable Members and Qualified Securities Depositories, on behalf of their participants (hereinafter referred to as the "QSD"), to transfer accounts of their customers between themselves on an automated basis. Such automated transfer of customer accounts will be known as the Automated Customer Account Transfer Service (hereinafter referred to as the "ACAT Service") and will be processed in accordance with the provisions of this Rule.

SEC. 2. A Member or QSD to whom a customer's full account is to be transferred (hereinafter referred to as the "Receiving Member") may initiate the procedure by submitting to the Corporation, within such time frame as established by the Corporation from time to time, a transfer initiation request in such automated format as the Corporation may establish from time to time.

SEC. 3. The Corporation will review the transfer initiation request received for such data which the Corporation determines from time to time to be necessary. Notwithstanding the foregoing, the Corporation will not be responsible for the completeness or accuracy of any information contained in the transfer initiation request. If the request does not contain the required data, the Corporation will reject the request. If the Corporation rejects the request, the Receiving Member must reinitiate the request as if it had never been previously submitted. The Receiving Member may submit, through the facilities of the Corporation, such documentation as the Member or QSD who currently has the account (hereinafter referred to as the "Delivering Member") requires to transfer the account, and any such delivery shall be made pursuant to the procedures of the Corporation as the Corporation may provide from time to time. The Corporation assumes no responsibility for the completeness or accuracy of any such form or documentation submitted through the facilities of the Corporation or otherwise.

SEC. 4. Each day the Corporation will produce a report, in such form as determined by the Corporation from time to time, indicating all customer account transfer requests received by the Corporation that day. On a daily basis, Members and QSDs must compare the list of customer account transfer requests as reported by the Corporation that were initiated throughout that day with any transfer initiation requests delivered to or received from the Corporation or from another Member or QSD. Any discrepancies between the report and the transfer

initiation requests received or delivered must be immediately reported to the Corporation. To the extent necessary or appropriate, the Corporation will cause an adjustment to be made to such report within such time as the Corporation determines to be necessary.

SEC. 5. Within the time frame established by the Corporation or, to the extent applicable, the Delivering Member's Designated Examining Authority ("DEA"), and, to the extent applicable, pursuant to reasons permitted by the Delivering Member's DEA, the Delivering Member must either reject a customer account transfer request by submitting a rejection to the Corporation in such form as determined by the Corporation from time to time, or submit to the Corporation detailed customer account asset data in such format as established by the Corporation from time to time; provided, however, that if Fund/Serv Eligible Fund assets are to be transferred through Mutual Fund Services, the Delivering Member must specify the quantity of each Fund/Serv Eligible Fund asset to be processed and indicate whether each such transfer shall be a full or a partial transfer¹. A Delivering Member who rejects a transfer request must indicate the reason for the rejection. Any transfer request that is not responded to by a Delivering Member within such time frame as established by the Corporation from time to time will be deleted from the ACAT Service by the Corporation and the Receiving and Delivering Member's will be notified accordingly. A Receiving Member who desires to resubmit a transfer request that is deleted will be required to reinitiate the request as if one had never been previously submitted.

SEC. 6. The Corporation will notify a Receiving Member, in such manner as determined by the Corporation from time to time, of customer account transfer requests that have been rejected by the Delivering Member and the Corporation will cause such requests to be deleted from the ACAT Service unless a correction is submitted by the Receiving Member as set forth below. To the extent the rejection is for enumerated categories, as specified by the Corporation from time to time, within one (1) business day after notification of a Delivering Member's rejection, a Receiving Member may adjust a customer account transfer request by submitting corrections to the Corporation in such manner as determined by the Corporation from time to time. A Delivering Member must either reject the adjusted transfer request by submitting a rejection to the Corporation or submit to the Corporation detailed customer account asset data, in such manner and by such time as determined by the Corporation from time to time. If the Delivering Member fails to respond to the adjusted transfer request within such time frame as established by the Corporation from time to time, the Corporation will delete such request from the ACAT Service and the Receiving and Delivering Members will be notified accordingly. A Receiving Member who

¹ A full transfer will cause all Fund/Serv Eligible Fund account assets, whether greater or lesser than the quantity specified, to be transferred. A partial transfer will cause only the Fund/Serv Eligible Fund account asset quantity specified or such lesser amount to be transferred.

desires to resubmit a transfer request that is deleted will be required to reinitiate the request as if one had never been previously submitted.

SEC. 7. Upon receipt by the Corporation from the Delivering Member of customer account asset data, the Corporation will use its best efforts to validate the data for edit errors. However, the Corporation will not assume the responsibility for such validation process. If no edit errors or format errors are discovered by the Corporation in the asset data, details of the account will be reported to both the Delivering Member and the Receiving Member in such manner and by such time as established by the Corporation from time to time. If the Corporation discovers that customer account asset data contains one or more edit errors or, format errors, the Corporation will notify the Receiving Member in such manner and by such time as determined by the Corporation from time to time that customer account asset data has been received from the Delivering Member but that it contains edit errors or format errors. The Corporation will notify the Delivering Member in such manner and by such time as determined by the Corporation from time to time of all customer account asset data reported, indicating that which contains errors. The Delivering Member will be required to correct those items that contain edit errors or format errors in order to permit delivery of the customer's account to occur within the time frame as established by the Delivering Member's DEA. If the Delivering Member fails to correct edit errors or format errors within such time frame established by the Corporation, the Corporation will delete the transfer request from the ACAT Service. A Receiving Member who desires to resubmit a transfer request that is deleted will be required to reinitiate the request as if one had never been previously submitted.

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 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 Products transfers which have been confirmed or rejected by the Insurance Carrier/Retirement Services Member in accordance with Section 6 of Rule 57, or which have been deleted.

SEC. 9. Once a customer account has been accepted by the Receiving Member:

(i) To the extent a transfer is between a Member and another Member:

- (1) Unless the customer account asset data input to the Corporation indicates that a CNS eligible item is to be delivered ex-CNS or an asset is being tracked through DTC's IPO Tracking System, the Corporation will cause all CNS eligible items to enter the CNS accounting operation as provided in the Procedures as of T+1 and such items shall be subject to Rule 11 and other provisions of the Rules; provided, however, that subject to any rights the Corporation may have as provided in these Rules generally, the Corporation will guarantee the settlement of any such ACAT CNS item only to the extent that the Member who has a payment obligation to the Corporation arising out of the ACAT CNS item, pays the Corporation his entire settlement obligation (including any mark-to-market obligation) for the day the ACAT payment obligation arose. To the extent that such Member fails to complete such settlement

obligation, in the sole discretion of the Corporation, open CNS ACAT deliver obligations may, in whole or in part, be eliminated from the CNS accounting operation. If the Corporation eliminates an item, any credits received by a Member arising from the corresponding payment obligation shall be reversed and settlement of the item shall be effected between the Receiving and Delivering Member and not through the Corporation.

- (2) The Corporation will issue an instruction file to DTC specifying the assets to be delivered/received for all non-CNS eligible items and CNS-eligible items designated to be delivered ex-CNS, that are otherwise eligible at DTC, in each case pursuant to the standing instructions filed with the Corporation by the Delivering Member;
- (3) The Corporation will produce ACAT Receive and Deliver Instructions for all non-CNS eligible items (for the purpose of this Rule, all ACAT items subject to a voluntary reorganization as specified in the Procedures Section VII.H.4. shall be deemed non-CNS eligible items) and CNS-eligible items designated to be delivered ex-CNS.

To the extent that a value is specified on an ACAT Receive and Deliver Instruction, other than for those asset types or asset settling locations designated by the Corporation from time to time, the value for settlement purposes pursuant to Section 10 will be in U.S. dollars and will be based upon (A) in the case of CNS eligible items, the price in the CNS system, or (B) in the case of non-CNS eligible items, (i) the price obtained from a pricing source, if available or, if not available, (ii) the price in U.S. dollars assigned by the Delivering Member or ascribed to such item pursuant to a default matrix as established from time to time by the Corporation, whichever is greater, and will also specify such other information as the Corporation may determine from time to time and shall otherwise, to the extent applicable, be subject to the rules of the Members' DEAs, including, but not limited to, their close-out provisions and shall not be subject to the Rules of the Corporation.

(ii) To the extent a transfer is between QSD participants or between a QSD participant and a Member:

- (1) For all DTC eligible assets, other than (a) U.S. dollar cash balances ("Cash"), (b) assets covered by a standing instruction filed by the Delivering Member with the Corporation, and (c) assets for which a special receive/deliver instruction request was received from the Delivering Member at the time asset details were submitted, the Corporation will

issue an instruction file to DTC specifying the quantity of each asset to be delivered with a deliver value of zero.²

(2) The Corporation will produce ACAT Receive and Deliver Instructions for all assets to be transferred and, upon request, will also produce special receive/deliver instructions naming the Receiving Member and Delivering Member. All such special receive/deliver instructions will specify no value.

(3) For all Cash assets, the Corporation will issue payment instructions to DTC naming the paying/receiving entity.

All assets to be transferred through DTC shall be subject to the rules and procedures of DTC.

SEC. 10. To the extent a transfer is between a Member and another Member:

(i) On Settlement Date as indicated on the ACAT Receive and Deliver Instructions, the Corporation will debit and credit the appropriate Member's settlement account for the value of the applicable items. The actual delivery and corresponding money settlement of the underlying assets, regardless of whether a Member's account has been debited pursuant to this subsection, shall be the responsibility of the appropriate Member and, to the extent applicable, shall be pursuant to the rules of the Member's DEA. If a Member fails to make a delivery, such failure, to the extent applicable, shall be subject to the rules of the Member's DEA and not the Rules of the Corporation.

(ii) The actual delivery and corresponding money settlement, if any, of Fund/Serv Eligible Fund assets which have been rejected or deleted in accordance with Section 16 of Subsection A of Rule 52 for which ACAT Receive and Deliver Instructions have been issued shall be the responsibility of the appropriate Member and, to the extent applicable, shall be pursuant to the rules of the Member's DEA. If a Member fails to make a delivery, such failure shall be, to the extent applicable, subject to the rules of the Member's DEA and not the Rules of the Corporation.

(iii) On Settlement Date, as indicated on the ACAT Settlement Report, the Corporation will debit and credit the Member's settlement account for the value of the Fund/Serv Eligible Fund assets which were specified by the Delivering Member to be processed through Mutual Fund Services in accordance with Section 16 of Subsection A of Rule 52. The Corporation will credit the settlement account of the Member whose settlement account was debited and debit the settlement account of the Member

² The special receive/deliver instruction referenced in this Section has the same legal effect as an ACAT Receive and Deliver instruction.

whose settlement account was credited, for the value of the Fund/Serv Eligible Fund assets within such time frame as specified by the Corporation from time to time following receipt from the Mutual Fund Processor or Fund Member of the transfer data confirmation.

SEC. 11. On each business day, the Corporation will issue to each Member and QSD such reports, in such forms and containing such information as established by the Corporation from time to time, indicating the status and details of requested customer account transfers. On each business day, Members and QSDs must compare the reports received against their records and any discrepancies between the two must be immediately reported to the Corporation. To the extent necessary or appropriate, the Corporation will cause an adjustment to be made to the report.

In addition to the foregoing, to the extent that a Receiving Member determines that information as reported on the transfer initiation request is inaccurate, he may cause an adjustment to be made by submitting corrected data to the Corporation. If a Delivering Member determines that the account number of his customer as reported on the transfer initiation request is inaccurate, he may cause an adjustment to be made by submitting corrected data to the Corporation. In both such cases, corrected data must be submitted to the Corporation within such time as established by the Corporation from time to time.

SEC. 12. The Corporation may also provide services to enable Delivering Members to initiate the transfer of:

- (i) residual credit positions, which are received for the benefit of a customer's account by the Delivering Member after the ACAT process is completed or which, due to a restriction, were not included in the original asset transfer (hereinafter collectively referred to as "Residual Credits");
- (ii) a partial account held by a Delivering Member (in the form of cash or securities), (hereinafter collectively referred to as "Partial Accounts");
- (iii) cash in respect of fail positions for which delivery is unable to be completed, provided, however, that this transfer may only be initiated to the extent that the fail is between a Member and another Member (hereinafter collectively referred to as "Fail Reversals"); and
- (iv) cash or securities mistakenly delivered as part of the ACAT Service, other than Fund/Serv Eligible Fund assets and positions eligible for processing at a Registered Clearing Agency with whom the Corporation has entered into an agreement relating to the ACAT Service (hereinafter referred to as an "ACAT RCA") provided, however, that this transfer may only be initiated to the extent that the delivery is between a Member and another Member (hereinafter collectively referred to as "Reclaims").

Such transfers shall be processed as follows:

1. Transfers may be initiated by a Delivering Member by submitting to the Corporation such details as required by the Corporation from time to time within such time frame as established by the Corporation from time to time. The Corporation will reject a transfer if the details contain an edit or format error. The Corporation will notify the Delivering Member if a transfer is rejected and the Delivering Member must reinitiate the transfer as if it had never been previously submitted. If no edit errors or format errors are discovered by the Corporation in the asset data, details of the account will be reported to both the Delivering Member and the Receiving Member in such manner and by such time as established by the Corporation from time to time.

2. A Receiving Member may reject the transfer by submitting such information as determined by the Corporation by the time and in the manner specified by the Corporation on the same day as the transfer request is received or, in respect of Reclaim transfers, no later than two business days following the day the Reclaim transfer request is received. No action is required by the Receiving Member if it determines to accept the transfer. A Receiving Member may not submit corrections and a Delivering Member may not make adjustments to such transfer request.

3. Settlement Date for all transfers covered by this section shall be one business day following the day the Corporation receives the transfer request unless the request is Reclaim transfer, in which case Settlement Date shall be one business day following the day the Receiving Member accepts the request or the Corporation deems the request accepted, or the request includes options assets which are eligible for processing an ACAT RCA, in which case the settlement date for all assets shall be two business days following the day the Corporation receives the transfer request.

SEC. 13. A Receiving Member may submit a request to a Delivering Member to initiate the transfer of a partial customer account, in such form as determined by the Corporation from time to time. Such request shall be delivered by the Corporation to the Delivering Member on the same day as received by the Corporation. Each day for a period not to exceed ~~[three]~~ **two** days, the Corporation will produce a report, in such form as determined by the Corporation from time to time, indicating all such requests received by the Corporation. A Delivering Member ~~[may respond to a request at any time by following the procedure set forth in Section 12 of this Rule. No action is required by the Delivering Member if it determines not to respond to a request.]~~ **must either reject a customer account transfer request by submitting a rejection to the Corporation in such form as determined by the Corporation from time to time, or submit to the Corporation detailed customer account asset data in such format as established by the Corporation from time to time.** If a request is rejected, the Delivering Member must indicate the reason for the rejection.

SEC. 14. Notwithstanding the forgoing, to the extent a transfer involves an asset position eligible for delivery at an ACAT RCA (other than the DTC), and both the Receiving Member and the Delivering Member have an account at the ACAT RCA, the Corporation will either: issue an instruction file to the applicable ACAT RCA indicating the quantity of assets to be delivered and received and the delivering/receiving participant, or produce ACAT Receive and Deliver Instructions if requested by the Delivering Member at the time the asset details are submitted or pursuant to a standing instruction filed by the Delivering Member with the Corporation. Such ACAT Receive and Deliver Instructions and instruction files shall not specify a value, unless the transfer is between two Members and the assets to be transferred are government securities (where a nominal value shall be specified) and mortgage-backed securities. In the case of mortgage-backed securities, the ACAT Receive and Deliver Instructions and instruction files shall specify a value for each item (in accordance with the pricing provisions of Section 9 of this Rule for non-CNS eligible items) and, on Settlement Date as indicated on the ACAT Receive and Deliver Instructions and instruction files, the Corporation will debit and credit the appropriate Members' settlement accounts for the specified value of such items.

SEC. 15. The Corporation may report to the Delivering and Receiving Members' DEA, to the extent applicable, such information regarding customer account transfers as may be requested of the Corporation from time to time by the DEA.

SEC. 16. Settlement of money payments between Members arising out of account transfers covered by this Rule shall be made in accordance with Rule 12 and other provisions of these Rules.

SEC. 17. Each Member or participant of a QSD that requests a transfer through the ACAT Service (the "Requesting Firm") agrees to (i) indemnify and hold harmless the Member or participant of a QSD that accepts such transfer request (the "Accepting Firm") from and against any and all losses, claims, damages or liabilities (or actions in respect thereof) to which the Accepting Firm may become subject, under any provision of law, to the Accepting Firm's customer or to any other person, insofar as such losses, claims, damages or liabilities arise out of or are based upon an unauthorized or allegedly unauthorized transfer request or any inaccurate or allegedly inaccurate documentation or information, in any format, transmitted by the Requesting Firm through NSCC or the ACAT Service and (ii) reimburse the Accepting Firm for any legal or other expenses reasonably incurred by the Accepting Firm in connection with defending any such action or claim as such expenses are incurred. Each Requesting Firm agrees that an Accepting Firm accepting its transfer request through the ACAT Service shall be a third-party beneficiary of the above indemnification and reimbursement obligations in respect of such request, and that such an Accepting Firm may assert any claim under these indemnification and reimbursement obligations as a third-party beneficiary directly against such Requesting Firm.

Each Accepting Firm agrees, promptly after receipt of written notice from any customer of the Accepting Firm or any other person, or after any action is brought against the Accepting Firm by such a customer or other person in respect of a loss, claim, damage or liability that may give rise to the indemnification obligations under the preceding paragraph, to notify the Requesting Firm in writing of the receipt of such notice or action. The Requesting Firm agrees that any failure by the Accepting Firm to give such notice does not relieve the Requesting Firm of any liability to the Accepting Firm under the preceding paragraph. If any action shall be brought against the Accepting Firm that may give rise to the indemnification provisions of the preceding paragraph, the Accepting Firm further agrees that the Requesting Firm shall be entitled to participate therein and/or assume the defense thereof (with counsel satisfactory to the Accepting Firm), without the prejudice to the continuing rights of the Accepting Firm. Each Requesting Firm and Accepting Firm agrees that any Requesting Firm or Accepting Firm benefitting from the notification and participation obligations in this paragraph is intended to be a third-party beneficiary of such obligations and may enforce such obligations as a third-party beneficiary against the promisor thereof.

Each Requesting Firm and Accepting Firm agrees that any dispute between them arising under this section shall be resolved directly between them, and that the Corporation shall not be made a party to any such dispute and shall have no responsibility with respect to the enforcement or satisfaction of any indemnification, reimbursement, notification and participation obligations contained in this section.