

OMB APPROVAL	
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Page 1 of

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 Form 19b-4

File No. SR - -
 Amendment No.

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 type="checkbox"/>	Section 19(b)(3)(A) <input checked="" 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"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input checked="" type="checkbox"/> 19b-4(f)(4)	
			<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

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the proposed rule change (limit 250 characters).

The proposed rule change is an enhancement to NSCCs insurance services that will support processing instructions for the transfer or reallocation of underlying investment options within a variable annuity contract.

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, Senior Counsel & Deputy General Counsel NSCC
 (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.

Carol Jameson, cjameson@dtcc.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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 the Proposed Rule Change.

(a) The proposed rule change is an enhancement to NSCC's insurance services that will support processing instructions for the transfer or reallocation of underlying investment options within a variable annuity contract.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change does not require the approval of the Board of Directors of NSCC.

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 an enhancement to an insurance service of the National Securities Clearing Corporation ("NSCC") that will support the processing of instructions for the transfer or reallocation of underlying investment options within a variable insurance contract. The enhancement is referred to as Fund Transfers. It is an offering within NSCC's In-Force Transactions service of NSCC's Insurance and Retirement Processing Service ("IPS," formerly called the Insurance Processing Service).

Background

NSCC's IPS provides a centralized communication link that connects participating insurance companies with intermediaries such as broker-dealers, banks and insurance agencies that distribute their insurance products. The platform supports the exchange of information and settlement of monies at various points through the insurance contract initiation and servicing cycle, for both fixed and variable insurance products.¹

Development and implementation of the Funds Transfer process is the second phase in automating and standardizing a broad range of in-force policy transactions: starting in 2005 with ACATS for insurance, and expanding later to the communication of changes in internal registered representatives and brokerage account numbers.² The automation of in-force policy transactions is consistent with the insurance industry's

¹ IPS also supports processing of non-insurance retirement products that may be offered by a broker-dealer, in which case the funds transfer functionality would support the communication of changes in investment options offered within a retirement or other benefit program for which a broker-dealer is the plan administrator or custodian, supporting communications between this broker-dealer and with the distributing broker-dealer.

² See SR-NSCC-2005-02, Securities Exchange Act Release No. 51753 (May 27, 2005), 70 FR 32859 (June 6, 2005); SR-NSCC-2005-09, Securities Act Release No. 52343 (August 26, 2005).

straight-through processing objectives and the continued efforts to mainstream insurance products with other financial products.

Funds Transfer Transactions

A request for a funds transfer is initiated by a distributor of the contract, on behalf of the contract owner, and transmitted to the insurance company. The transaction requires validation by both the distributor and the insurance company, enabling each to review the transaction request against its own legal and other product and customer rules applicable to the transaction.

Prior to initiating a funds transfer request, the distributor generally must access current contract information to determine if the request can be made with respect to a particular contract, including fund balances held under the contract and applicable rules. Accordingly, the funds transfer functionality includes a real-time inquiry and response transaction from the distributor to the insurance company that allows the insurance company to provide a current "snapshot" of the contract, or NSCC's Positions and Values ("POV") service can be used in conjunction with the request. Receipt of the current contract information from the insurance company permits the distributor to review the transfer in light of suitability and compliance requirements.

Following the values inquiry and response, the distributor initiates a fund transfer request transaction with the insurance company through NSCC's Funds Transfer functionality. NSCC performs industry-defined edits as to transaction format and, once the transaction passes NSCC edits, it is forwarded to the insurance company. The insurance company has the opportunity to review the requested transfer against its rules and applicable suitability and compliance requirements and its arrangements with the transmitting distributor. The insurance company responds back to the distributor through NSCC with an acceptance or rejection of the fund transfer request. This message is checked against NSCC's edits as to transaction form and sent to the distributor.

When the fund transfer is successfully processed by the insurance company, it sends a "success" message through the funds transfer functionality to the distributor. Alternatively, the insurance company may send a failure message to the distributor if the requested transaction fails (for instance, if a price change in an underlying fund results in a value that is outside of the amount allowed for a transfer, after the request is initiated), or a pending message.

The funds transfer functionality also supports a cancellation transaction to allow the distributor to request the cancellation of a funds transfer request. The insurance company can accept the cancellation request, or it can reject it (if, for example, the insurance company does not allow the cancellation under the reject reason code provided by the distributor). Additional funds transfer functionality may be developed as the system is enhanced to accommodate distributor and insurance company requirements.

The funds transfer functionality is intended to replace current processes used by distributors today to request a transfer of assets within the insurance contract, such as on-

line insurance company website requests, telephone, fax and email. Automation of the process will increase efficiency, create an automated record of the transaction, and facilitate monitoring compliance with regulatory requirements.³ By centralizing all funds transfer requests initiated by registered representatives through one application at NSCC, a broker-dealer firm will be better able to monitor the activity of its registered representatives to assure compliance with regulatory requirements. To facilitate compliance with requirements under Rule 22c-1 under the '40 Act, the fund transfer request message from the distributor to the insurance company has mandatory message fields for the transaction date and transaction time, these being the date and time the distributing broker-dealer received the fund transfer request from its customer. Pursuant to arrangements between a distributing broker-dealer and the insurance company that issued the variable contract, the insurance company may determine to accept the broker-dealer's receipt of the order from its customer as the time the order was received for purposes of Rule 22c-1.⁴

(b) The proposed rule change will promote processing efficiencies between insurance companies and distributors of variable insurance products, thereby facilitating the prompt and accurate processing of securities 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 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, Participants, or Others.

³ Variable insurance products are "securities" for purposes of federal securities law, the sale of which is subject to regulation by the Securities and Exchange Commission and the Financial Industry Regulatory Authority ("FINRA", successor to the National Association of Securities Dealers, or NASD). In addition, investment options (or "funds") included within a variable insurance contract are typically separate accounts that are, absent an exemption, required to register as investment companies under the Investment Company Act of 1940 (the "'40 Act"). Funds transfers must therefore also comply with relevant provisions of the '40 Act and the regulations promulgated thereunder.

⁴ Rule 22c-1 under the '40 Act, often referred to as the 'forward pricing rule', requires that orders in investment company shares be priced based upon the current net asset value (NAV) next computed after receipt of the order to buy or redeem shares (17 CFR 270.22c-1(a)). The receipt of an order for the purchase or redemption of mutual fund shares by a distributing broker-dealer, from its customer, is generally deemed receipt of the order in investment company shares for purposes of Rule 22c-1. This practice is generally subject to the provisions of the distribution agreement between the fund and the distributing broker-dealer. The NSCC funds transfer working group has developed a model agreement provision that can be adopted by the insurance company and the broker-dealer, based on the analogous provisions relating to the receipt of orders contained in the distribution agreement between a mutual fund company and a distributing broker-dealer.

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) or Section 19(b)(7)(D).

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

(b) Because the proposed rule change effects a change in an existing service of NSCC that (i) does not adversely affect the safe-guarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and (ii) does not significantly affect the respective rights and obligations of the clearing agency or persons using the service, it has become effective pursuant to Section 19 (b) (3) (A) (iii) of the Act and Rule 19b-4 (f) (4) promulgated 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.

(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 change is not based on the rules of another self-regulatory organization or the Commission.

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 - N/A

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-NSCC-2008-03)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Securities Clearing Corporation ("NSCC") to enhance NSCC's insurance services to support the processing of instructions for the transfer or reallocation of underlying investment options within a variable insurance contract.

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 proposed rule change is an enhancement to NSCC's insurance services to support the processing of instructions for the transfer or reallocation of underlying investment options within a variable insurance contract.

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.

(a) The purpose of the proposed rule change is an enhancement to an insurance service of the National Securities Clearing Corporation ("NSCC") that will support the processing of instructions for the transfer or reallocation of underlying investment options within a variable insurance contract. The enhancement is referred to as Fund Transfers. It is an offering within NSCC's In-Force Transactions service of

NSCC's Insurance and Retirement Processing Service ("IPS," formerly called the Insurance Processing Service).

Background

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Prior to initiating a funds transfer request, the distributor generally must access current contract information to determine if the request can be made with respect to a particular contract, including fund balances held under the contract and applicable rules. Accordingly, the funds transfer functionality includes a real-time inquiry and response transaction from the distributor to the insurance company that allows the insurance company to provide a current "snapshot" of the contract, or NSCC's Positions and Values ("POV") service can be used in conjunction with the request. Receipt of the current contract information from the insurance company permits the distributor to review the transfer in light of suitability and compliance requirements.

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The funds transfer functionality is intended to replace current processes used by distributors today to request a transfer of assets within the insurance contract, such as on-line insurance company website requests, telephone, fax and email. Automation of the process will increase efficiency, create an automated record of the transaction, and facilitate monitoring compliance with regulatory requirements.³ By centralizing all funds transfer requests initiated by registered representatives through one application at NSCC, a broker-dealer firm will be better able to monitor the activity of its registered representatives to assure compliance with regulatory requirements. To facilitate compliance with requirements under Rule 22c-1 under the '40 Act, the fund transfer request message from the distributor to the insurance company has mandatory message fields for the transaction date and transaction time, these being the date and time the distributing broker-dealer received the fund transfer request from its customer. Pursuant to arrangements between a distributing broker-dealer and the insurance company that issued the variable contract, the insurance company may determine to accept the broker-dealer's receipt of the order from its customer as the time the order was received for purposes of Rule 22c-1.⁴

³ Variable insurance products are "securities" for purposes of federal securities law, the sale of which is subject to regulation by the Securities and Exchange Commission and the Financial Industry Regulatory Authority ("FINRA", successor to the National Association of Securities Dealers, or NASD). In addition, investment options (or "funds") included within a variable insurance contract are typically separate accounts that are, absent an exemption, required to register as investment companies under the Investment Company Act of 1940 (the "'40 Act"). Funds transfers must therefore also comply with relevant provisions of the '40 Act and the regulations promulgated thereunder.

⁴ Rule 22c-1 under the '40 Act, often referred to as the 'forward pricing rule', requires that orders in investment company shares be priced based upon the current net asset value (NAV) next computed after receipt of the order to buy or redeem shares (17 CFR 270.22c-1(a)). The receipt of an order for the purchase or redemption of mutual fund shares by a distributing broker-dealer, from its customer, is generally deemed receipt of the order in investment company shares for purposes of Rule 22c-1. This

(b) The proposed rule change will promote processing efficiencies between insurance companies and distributors of variable insurance products, thereby facilitating the prompt and accurate processing of securities transactions, consistent with the requirements of the Securities Exchange Act of 1934 (the "Act") and the rules and regulations promulgated thereunder applicable to NSCC.

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-2008-03 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.

practice is generally subject to the provisions of the distribution agreement between the fund and the distributing broker-dealer. The NSCC funds transfer working group has developed a model agreement provision that can be adopted by the insurance company and the broker-dealer, based on the analogous provisions relating to the receipt of orders contained in the distribution agreement between a mutual fund company and a distributing broker-dealer.

All submissions should refer to File Number SR-NSCC-2008-03. 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 Section 100 F Street, NE, Washington DC 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