

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="11"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2010"/> - * <input type="text" value="10"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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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"/>				
<table border="1" style="width: 100%;"> <tr> <td style="width: 10%;">Pilot <input type="checkbox"/></td> <td style="width: 40%;">Extension of Time Period for Commission Action * <input type="text"/></td> <td style="width: 50%;">Date Expires * <input type="text"/></td> </tr> </table>			Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="text"/>	Date Expires * <input type="text"/>	Rule			
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="text"/>	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 <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, required when Initial is checked *).

Clarify Rule 53 that an Alternative Investment Product (AIP) Services prospective member is not required to designate a settling bank in order to become an AIP member.

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 * <input type="text" value="Jennifer"/>	Last Name * <input type="text" value="Kim"/>
Title * <input type="text" value="Associate Counsel"/>	
E-mail * <input type="text" value="jkim1@dtcc.com"/>	
Telephone * <input type="text" value="(212) 855-3283"/>	Fax <input type="text" value="(212) 855-3214"/>

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 <input type="text" value="09/20/2010"/>		
By <input type="text" value="Larry E. Thompson"/>	<input type="text" value="Managing Director and 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 (required)

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 (required)

Add Remove View

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 National Securities Clearing Corporation (“NSCC” or the “Corporation”) proposes to clarify the provision in Rule 53 (Alternative Investment Product Services and Members”) of its Rules & Procedures (the “Rules”) that an Alternative Investment Product (“AIP”) Service prospective member is not required to designate a settling bank in order to become an AIP member.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) This proposed rule change was approved by the Risk Committee of the Board of Directors on June 16, 2010.

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

(a) The National Securities Clearing Corporation (“NSCC” or the “Corporation”) proposes to clarify the provision in Rule 53 (Alternative Investment Product Services and Members”) of its Rules & Procedures (the “Rules”) that an Alternative Investment Product (“AIP”) Service prospective member is not required to designate a settling bank in order to become an AIP member.

AIP Service

In 2007, NSCC filed with the Securities and Exchange Commission (“Commission”), a rule change that established the AIP Service,¹ a processing platform for alternative investment products such as hedge funds, fund of hedge funds, commodities pools, managed futures and real estate investment trusts (“REITs”).

The AIP Service provides for settlement of related payments (“AIP Payments”) such as subscriptions and redemptions, activity, distributions, and commissions for AIPs. The AIP Service also supports communication of information and settlement of AIP Payments between the AIP Manufacturer² and the AIP Distributor³ to facilitate

¹ See Securities and Exchange Act Release No. 57813 (May 12, 2008), 73 FR 28539 (May 16, 2008) (SR-NSCC-2007-12).

² NSCC Rule 53 defines an AIP Manufacturer as an AIP Member acting on behalf of, or under authority of, the sponsor, general partner or any other party responsible for the creation or manufacturing of an Eligible AIP Product.

³ NSCC Rule 53 defines an AIP Distributor as an AIP Member acting on behalf of, or under authority of, a customer or other investor in an Eligible AIP Product, or otherwise

processing of subscriptions and purchases, tenders and redemptions, dividends and distributions, commissions and fees, positions reporting, product information, account maintenance, automated transmission of imaged documents and such other services as NSCC may determine from time to time. AIP Members may provide for the transmission of data in connection with transactions for which the payments are made outside of NSCC, or for settlement through NSCC at their option.

AIP Settlement

Currently, Rule 53, Section 7, paragraph (h) provides that unless “otherwise permitted by the Corporation, each AIP Member shall appoint an AIP Settling Bank for the purpose of settling with the Corporation on behalf of the AIP Member pursuant to an AIP Settling Bank Agreement.” This settlement bank provision was implemented in the initial AIP Service rule filing to accommodate the stringent settlement rules implemented for the AIP Service. AIP settlement is segregated from all other NSCC settlement obligations and is settled on a gross debit/gross credit basis. In other words, AIP Service participants must fully fund their debits before receipt of their credits. In the event of a failure, NSCC does not fund the credits but rather begins the AIP reversal process. The AIP Service’s pre-funded settlement mitigates DTCC’s risk. This settling bank provision was also included in the original AIP Service filing because participants were initially required to settle all NSCC invoices with their settlement obligation.

Clarification of Settling Bank Provision in Rule 53

Since the development of the AIP Service, a significant number of prospective participants view its reporting functionality (Position, Activity and Distribution) as a key first step in adoption of the AIP Service. These AIP prospects have expressly indicated their interest in becoming AIP members in order to participate in the transmission of AIP Data⁴ and not the settling functions of the AIP Service.

In response to this feedback, NSCC has developed a functionality that can designate AIP Service members as “non-settling” members that use the AIP Service for messaging only. Position, Activity-Distribution and Commission, are typically “non-settling” and strictly reporting functions. Requiring these prospective participants to supply a settling bank simply for bill payment is a hindrance to product adoption and cost prohibitive. Additionally, the current list of NSCC settling banks accepting new clients is limited and

as the contra-side to an AIP Manufacturer in a transaction (including information processing) with an AIP Manufacturer.

⁴ NSCC Rule 53 provides that “AIP Data transmitted through the AIP Service may include data relating to subscriptions and purchases; redemptions, withdrawals and tender offers; commissions and other fees; distributions; exchange transactions; transfers; position reporting; product information; account maintenance, valuation, and activity and such other data as may be established by the Corporation from time to time.”

those settling banks willing to accept new settlement business have requested large monthly fees from the AIP prospects.

The AIP Service has now been appropriately configured to allow for prospects to apply for membership without designating a settling bank. If a participant is established by Account Administration on the Entity Master File (EMF) without a settling bank's ABA number, EMF notifies the AIP Service application that the participant is non-settling. The AIP Service retains a table of the non-settling participants and validates all settlement files created by the application against the table. If the participant has erroneously indicated settlement, no file will be created or sent to settlement. The erroneous transaction will continue through normal AIP processing as non-settling.

AIP Service participants that do not intend to use its settling function will no longer be required to settle their invoices in their settlement obligations. For those participants who are designated "non-settling" members, they will be permitted to use alternative means of payment as designated from time to time by NSCC. Current methods of payment include DTCC ePayment for NSCC Invoices to settle their bills (which allows participants without a settling bank designation to authorize payment of NSCC Invoices via debit to an ACH-accessible commercial account at a US bank) or via credit card.

Implementation Timeframe

Members will be advised of this Rule 53 clarification that settling bank designation is not a requirement for AIP Service membership through the issuance of an 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. This proposed rule change seeks to clarify Rule 53 which will remove an impediment to the AIP Service membership process.

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.

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) 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 – Not applicable.

Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Not applicable.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-NSCC-2010-10)

September 20, 2010

Self-Regulatory Organizations; National Securities Clearing Corporation; Proposed Rule Change to clarify its Rules & Procedures regarding its Alternative Investment Product (“AIP”) Service.

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 September 20, 2010, 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 amends the Rules of NSCC to clarify the provision in Rule 53 (Alternative Investment Product Services and Members”) of its Rules & Procedures (the “Rules”) that an Alternative Investment Product (“AIP”) Service prospective member is not required to designate a settling bank in order to become an AIP member.

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 proposed rule change amends the Rules of NSCC to clarify the provision in Rule 53 (Alternative Investment Product Services and Members”) of its Rules & Procedures (the “Rules”) that an Alternative Investment Product (“AIP”) Service prospective member is not required to designate a settling bank in order to become an AIP member.

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AIP Settlement

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The AIP Service has now been appropriately configured to allow for prospects to apply for membership without designating a settling bank. If a participant is established by Account Administration on the Entity Master File (EMF) without a settling bank’s ABA number, EMF notifies the AIP Service application that the participant is non-settling. The AIP Service retains a table of the non-settling participants and validates all settlement files created by the application against the table. If the participant has erroneously indicated settlement, no file will be created or sent to settlement. The erroneous transaction will continue through normal AIP processing as non-settling.

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Implementation Timeframe

Members will be advised of this Rule 53 clarification that settling bank designation is not a requirement for AIP Service membership through the issuance of an NSCC Important Notice.

⁴ NSCC Rule 53 provides that “AIP Data transmitted through the AIP Service may include data relating to subscriptions and purchases; redemptions, withdrawals and tender offers; commissions and other fees; distributions; exchange transactions; transfers; position reporting; product information; account maintenance, valuation, and activity and such other data as may be established by the Corporation from time to time.”

(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. This proposed rule change seeks to clarify Rule 53 which will remove an impediment to the AIP Service membership process.

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-2010-10 on the subject line.
- Paper comments should be sent in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington DC 20549-1090.

All submissions should refer to File Number SR-NSCC-2010-10. 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 submissions 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 Trading and Markets, pursuant to delegated authority.

Elizabeth M. Murphy
Secretary