

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-84770; File No. SR-NSCC-2018-011)

December 10, 2018

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Certain Fees and Make Other Changes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 26, 2018, National Securities Clearing Corporation (“NSCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rules 19b-4(f)(2) and (f)(4) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change would amend Addendum A (Fee Structure) of the NSCC Rules & Procedures (“Rules”)<sup>5</sup> with respect to certain fees as well as make other changes, as described in greater detail below.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(2) and (f)(4).

<sup>5</sup> Capitalized terms not defined herein are defined in the Rules, available at [http://www.dtcc.com/~media/Files/Downloads/legal/rules/nsc\\_rules.pdf](http://www.dtcc.com/~media/Files/Downloads/legal/rules/nsc_rules.pdf).

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency 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. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to amend Addendum A (Fee Structure) of the Rules with respect to certain fees and make other changes in order to (i) reduce complexity and increase transparency, (ii) better align fees with the costs of services provided by NSCC, and (iii) encourage Member practices that promote efficient market behavior. The proposed rule change would also make technical and conforming changes. Taken collectively, the proposed rule changes would reduce NSCC's revenue by approximately 4%.

In order to accomplish these objectives, NSCC is proposing to (i) remove fees with little or no activity, (ii) group fees for related or similar services under one fee, (iii) modify certain fees, and (iv) remove fees that relate to settlement of certain transaction activity.

(i) **BACKGROUND**

NSCC provides clearance and settlement services for trades executed by its Members in the U.S. equity, corporate and municipal bond, and unit investment trust markets.

Members are assessed fees in accordance with Addendum A (Fee Structure). The current Fee Structure covers a multitude of fees that are assessed on Members based upon their activities and the services utilized. The number of fees and the methods by which they are calculated make the current Fee Structure unnecessarily complex. In addition, certain fees in the current Fee Structure have over time become misaligned with the costs of services provided by NSCC.

NSCC has undertaken a strategic review of its pricing structure, and developed a revenue and pricing strategy with the goals of reducing pricing complexity, aligning pricing with costs of providing the services, and encouraging Member practices that promote efficient market behavior.<sup>6</sup>

A. **Pricing Overly Complex**

The number of fees and the methods by which they are calculated make the current Fee Structure difficult for Members to understand and reconcile. In fact, Members and market participants have often indicated to NSCC that the current Fee Structure is too complex and difficult to understand.

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<sup>6</sup> NSCC is also proposing changes to fees for NSCC's Mutual Fund Services and Insurance and Retirement Processing Services in a separate proposal. In addition, NSCC's affiliates, The Depository Trust Company ("DTC") and Fixed Income Clearing Corporation, are proposing changes to their respective fees.

In order to streamline the Fee Structure, the proposal would include changes to standardize fees and remove fees that have little activity or no activity. The proposed changes would also eliminate fees that relate to delivery of certain securities outside of NSCC. In addition, in order to reduce the complexity of pricing, the proposed changes would group fees for similar services into one fee. By simplifying and updating the Fee Structure, these proposed changes would improve the transparency of the Rules.

B. Pricing Misalignment with Costs of Services

Certain fees in the current Fee Structure have over time become misaligned with NSCC's costs of providing the services. As such, the revenue from these fees no longer cover the costs of such services. NSCC believes it is reasonable and appropriate to assess Members fees that are commensurate with the costs of services provided to Members. Accordingly, the proposed changes would adjust certain fees so that revenue for NSCC would better align with the costs of the services.

C. Promote Efficient Market Behavior

The proposed changes would adjust certain fees in order to encourage Member practices that promote efficient market behavior.

(ii) **PROPOSED FEE CHANGES**

Based upon feedback from Members and market participants as well as a review of current fees conducted by NSCC as described above, NSCC is proposing to modify the Fee Structure to (i) reduce complexity and increase transparency, (ii) better align fees with the costs of services provided by NSCC, and (iii) encourage Member practices that promote efficient market behavior.

In that respect, the proposed Fee Structure would consolidate 28 fees, modify 2 existing fees and eliminate 8 fees, each as further described below.

NSCC is proposing to consolidate the following fee groupings –

- Bond Correction Fee for supplemental input on T+1  
Bond Correction Fee for supplemental input on T+2  
Bond Correction Fee for supplemental input after T+2  
Trade Rejection Fee
- Obligation Warehouse Fee to close an obligation and send to Continuous Net Settlement (“CNS”)  
Clearance Activity Fee – the component that is calculated based on the number of sides processed monthly by NSCC  
Clearance Activity Fee – “value into the net” component  
Fee for Flip Trades
- Obligation Warehouse Fee to withhold an obligation from being closed and send to the CNS  
Obligation Warehouse Fee for each obligation closed due to Reconfirmation and Pricing Service (“RECAPS”) (charged per RECAPS cycle)  
Clearance Activity Fee – “value out of the net” component  
Fee for Foreign Securities Transactions (Netted)
- Fee for Index Creation and Redemption Units instruction submitted for regular way (T+2) settlement  
Fee for Index Creation and Redemption Units instruction submitted for shortened settlement
- Fee for Failure to Deliver to CNS (Short-In CNS) per item short in CNS for 31 to 60 days at close of business  
Fee for Failure to Deliver to CNS (Short-In CNS) per item short in CNS for 61 to 90 days at close of business  
Fee for Failure to Deliver to CNS (Short-In CNS) per item short in CNS for more than 90 days at close of business
- Fee for CNS Stock Dividend Payment (Long)  
Fee for CNS Cash Dividend and Interest Payment (Long)  
Fee for CNS Stock Dividend Payment (Short)  
Fee for CNS Cash and Interest Payment (Short)
- Automated Customer Account Transfer Service (“ACATS”) fee for Standard Transfer Initiation Form  
ACATS fee for Non-Standard Transfer Initiation Form  
ACATS fee for Recording Asset Delivers

ACATS fee for Corrections – asset additions, deletions, or changes  
ACATS fee for Insurance Registrations  
ACATS fee for adjustment of customer account number  
ACATS fee for Account Transfer Rejects

NSCC is proposing to modify the following fees –

- Trade recording fee for each side of foreign security trades entered for settlement, but not compared by NSCC
- Fee in connection with New York State Transfer Taxes

NSCC is proposing to eliminate the following fees –

- Bond Correction Fee for Trades Deleted on T+1
- Bond Correction Fee for Trades Deleted on T+2
- Bond Correction Fee for Trades Deleted after T+2
- Obligation Warehouse Fee for each obligation closed due to Pair Off (charged per obligation side)
- Fee for day deliveries to CNS to cover short value positions
- Fee for research on invalid CNS dividend or interest claim
- Monthly Participant Fees for trade input, either (a) as a Service Bureau or (b) by an affiliated Service Bureau
- Special Service Fees for DTC Sponsored Accounts – available to each CNS participant who is not also a participant of DTC

The foregoing proposed fee changes would address pricing complexity, pricing misalignment with costs of services, and encourage member practices that promote efficient market behavior, as further described in the discussion below.

A. Fee Changes to Address Pricing Complexity

Section I of Addendum A (Trade Comparison and Recording Service Fees)

In Section I.B.2.a., NSCC is proposing to group three Bond Correction Fees currently assessed to the submitter for all supplemental input on T+1 (\$0.60), T+2 (\$0.90), and after T+2 (\$1.50), along with the Trade Rejection Fee (\$.50 per bond reject) from Section I.B.3., into one single fee. Based on a blended average<sup>7</sup> of the four fees

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<sup>7</sup> NSCC calculates the blended average by dividing the portion of 2017 revenue attributed to the relevant fee groups by the applicable 2017 volume numbers. The

using 2017 volume numbers, NSCC is proposing a fee of \$0.95 to the submitter that would apply to all bond correction supplemental input after T. NSCC would accomplish this by deleting the four fees and revising the lead-in sentence to remove the exception language and add in \$0.95 as the fee applicable to the submitter.

In Section I.B.2.b., NSCC is proposing to remove three Bond Correction Fees currently assessed to both sides for trades deleted on T+1 (\$0.60), T+2 (\$0.90), and after T+2 (\$1.50). These fees currently have little or no activity, and NSCC is proposing to delete them.

In Section I.C.2., NSCC is proposing to change the trade recording fee charged for a foreign security trade entered for settlement, but not compared by NSCC, from \$0.75 to \$0.85 per side. NSCC is proposing this change in order to standardize the trade recording fees so that they would be the same for bonds as well as foreign security trades. NSCC believes having a standard trade recording fee regardless of the types of securities would help to reduce complexity of pricing and streamline the Fee Structure.

In Section I.D., NSCC is proposing to group the \$0.35 Obligation Warehouse Fee to close an obligation and send it to CNS, along with other fees, into the “value into the net” component of the Clearance Activity Fee in Section II.A., given that these fees all

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blended average is then used by NSCC as the resulting consolidated fee, with adjustments in some instances to achieve a round number. NSCC believes using this blended average approach would minimize impact to Members. For example, assume NSCC is grouping Fee A and Fee B into one fee using the blended average approach. If the 2017 revenue from these two fees was \$400,000 and these fees were collectively assessed 2,000 times during 2017, the resulting consolidated fee based on a blended average would be \$200 ( $\$400,000/2,000$ ).

relate to activities going into the netting process.<sup>8</sup> Similarly, NSCC is proposing to group two Obligation Warehouse Fees, (i) the \$0.05 fee to withhold an obligation from being closed and send to the CNS and (ii) the \$0.35 fee for each obligation closed due to RECAPS (charged per RECAPS cycle), along with the Fee for Foreign Securities Transactions (Netted) (\$.50 per item) from Section II.I., into the “value out of the net” component of the Clearance Activity Fee in Section II.A., given that these fees all relate to activities exiting the netting process. NSCC is also proposing to eliminate the Obligation Warehouse Fee for each obligation closed due to Pair Off that is charged per obligation side. This fee currently has little or no activity, and NSCC is proposing to delete it.

In Section I.E., NSCC is proposing to group the two fees for Index Creation and Redemption Units instructions into one fee based on a blended average<sup>9</sup> of the two fees using 2017 volume numbers. Specifically, NSCC is grouping the \$30 fee assessed on each side of each Index Creation and Redemption Units instruction submitted for regular way (T+2) settlement and the \$50 fee assessed on each side of each Index Creation and Redemption Units instruction submitted for shortened settlement into a single \$35 fee assessed on each side of each Index Creation and Redemption Units instruction submitted.

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<sup>8</sup> In addition to the Obligation Warehouse Fee to close an obligation and send it to CNS, NSCC is also proposing to group (i) the component of the Clearance Activity Fee that is calculated based on the number of sides processed monthly by the CNS (\$0.021593 per side for zero to 35,000 monthly sides, \$0.001197 per side for 35,001 to 42,000,000 monthly sides, and \$0.000628 per side for over 42,000,000 monthly sides) from Section II.A. and (ii) the Fee for Flip Trades (\$.00060 per side) from Section II.D., into the “value into the net” component of the Clearance Activity Fee.

<sup>9</sup> See supra note 7.



Section II of Addendum A (Trade Clearance Fees)

In Section II.A., NSCC is proposing to group the component of the Clearance Activity Fee that is calculated based on the number of sides processed monthly by CNS, along with other fees as discussed above, into the “value into the net” component of the Clearance Activity Fee.<sup>10</sup> After the proposed consolidation, the “value into the net” component of the Clearance Activity Fee would increase from \$0.331940430 to \$0.47 per million of processed value.

As discussed above, NSCC is proposing to group the two Obligation Warehouse Fees from Section I.D.5 and 9 with the “value out of the net” component of the Clearance Activity Fee in Section II.A., along with the Fee for Foreign Securities Transactions (Netted) (\$.50 per item) from Section II.I. After the proposed consolidation, the “value out of the net” component of the Clearance Activity Fee would decrease from \$2.36844405 to \$2.12 per million of settling value.

NSCC is proposing to eliminate the fee for day deliveries to CNS to cover short valued positions (\$.40 per delivery) from Section II.B. This proposed change would simplify the Fee Structure by removing fees that relate to delivery of certain securities outside of NSCC.

In renumbered Section II.B., NSCC is proposing to group the three Fees for Failure to Deliver to CNS (Short-In CNS) (\$.50 per item short in CNS for 31 to 60 days at close of business; \$.75 per item short in CNS for 61 to 90 days at close of business; and \$1.00 per item short in CNS for more than 90 days at close of business) into a single

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<sup>10</sup> See supra note 8.

fee, and increase it to \$3.00<sup>11</sup> for each item short in CNS for more than 30 days at close of business. NSCC is proposing these changes not only in order to reduce pricing complexity but also to encourage Member practices that promote efficient market behavior, i.e., disincentivize Members to have CNS fails for more than 30 days. NSCC believes encouraging Members to address CNS fails that are more than 30 days would promote efficient market behavior because securities would be delivered to CNS on a more timely basis.

As discussed above, NSCC is proposing to group (i) the Fee for Flip Trades (\$.00060 per side) from Section II.D., along with other fees, into the “value into the net” component of the Clearance Activity Fee<sup>12</sup> and (ii) the Fee for Foreign Securities Transactions (Netted) (\$.50 per item) from Section II.I., along with two Obligation Warehouse Fees, (x) the \$0.05 fee to withhold an obligation from being closed and send to the CNS and (y) the \$0.35 fee for each obligation closed due to RECAPS (charged per RECAPS cycle), into the “value out of the net” component of the Clearance Activity Fee.

In renumbered Section II.G., NSCC is proposing to group the four fees relating to CNS stock dividend, cash dividend, and interest payments (Fee for CNS Stock Dividend Payment (Long) – \$12.00 per item; Fee for CNS Cash Dividend and Interest Payment (Long) – \$1.40 per item; Fee for CNS Stock Dividend Payment (Short) - \$12 per item;

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<sup>11</sup> Based on discussion with clients, NSCC believes that imposing a \$3.00 fee per day for each item short in CNS for more than 30 days is an appropriate amount that would serve as an effective deterrent to Members having CNS fails for more than 30 days (i.e., Members would be incentivized to deliver securities to CNS within 30 days of the settlement date so that they would not be assessed this daily fee).

<sup>12</sup> See supra note 8.

and Fee for CNS Cash and Interest Payment (Short) – \$1.40 per item) into one fee. Based on a blended average<sup>13</sup> of the four fees using 2017 volume numbers, NSCC is proposing a fee of \$1.85 for each CNS stock dividend, cash dividend, and interest payment, including both long and short. NSCC is also proposing to remove the fee for research on invalid CNS dividend or interest claim (\$70 per claim). This fee currently has little or no activity, and NSCC is proposing to delete it.

*Section IV of Addendum A (Other Service Fees)*

In Section IV.F., NSCC is proposing to group seven fees relating to ACATS into one single fee. Specifically, NSCC is proposing to group the following ACATS fees: (i) the ACATS fee for Standard Transfer Initiation Form (\$.18 per submission), (ii) the ACATS fee for Non-Standard Transfer Initiation Form (\$.18 per submission), (iii) the ACATS fee for Recording Asset Delivers (\$.05 per asset which is reported by the delivering firm), (iv) the ACATS fee for Corrections – asset additions, deletions, or changes (\$.06 per asset), (v) the ACATS fee for Insurance Registrations (\$.25 per insurance registration submitted, to the receiver and the deliverer), (vi) the ACATS fee for adjustment of customer account number (\$.12 per adjustment), and (vii) the ACATS fee for Account Transfer Rejects (\$1.20 per full account reject per side where both parties are required by their designated examining authority or other regulatory body to use an automated customer account transfer service), into a new proposed fee for account

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<sup>13</sup> See supra note 7.

transfers. Based on a blended average<sup>14</sup> of the seven fees using 2017 volume numbers, NSCC is proposing an ACATS fee for Account Transfers of \$0.50 per transfer initiation.

Section V of Addendum A (Pass-Through and Other Fees)

NSCC is proposing to eliminate the Monthly Participant Fees for trade input, either (a) as a Service Bureau or (b) by an affiliated Service Bureau (\$250.00 per month) from Section V.A.2. NSCC is also proposing to eliminate the Special Service Fees for DTC Sponsored Accounts (available to each CNS participant who is not also a participant of DTC) that is currently in Section V.B.1. Both of these fees currently have little or no activity, and NSCC is proposing to delete them.

B. Fee Changes to Address Pricing Misalignment with Costs of Service

In Section III.B., NSCC is proposing to adjust the fee assessed for services in connection with New York State (“NYS”) stock transfer taxes from \$1.00 per form to \$175.00 per month.<sup>15</sup> NSCC has not increased this fee since 1990<sup>16</sup> even though the costs of providing this service have increased. In addition, NSCC believes changing the way this fee is charged from “per form” to “per month” would simplify the fee reconciliation process for Members because they would no longer need to ensure the

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<sup>14</sup> Id.

<sup>15</sup> This service is provided under Rule 14 (Transfer Taxes) to facilitate Members’ compliance with the NYS stock transfer tax, which is imposed on the sale or transfer of certain securities within New York. See supra note 5. In 2017, this service was utilized by approximately 14 Members, all of whom were either large or medium-size firms. On average, each Member submitted approximately 20 forms per month.

<sup>16</sup> See Securities Exchange Act Release No. 28085 (June 1, 1990), 55 FR 23495 (June 8, 1990) (SR-NSCC-89-18).

number of forms they submitted is consistent with fees charged. NSCC believes assessing Members a \$175 monthly fee for this service is appropriate because doing so would not only allow NSCC to cover the increased costs of providing this service but also simplify the fee reconciliation process for Members that use this service.

C. Fee Changes to Promote Efficient Market Behavior

As discussed above, in renumbered Section II.B., NSCC is proposing to group the current three fees for failure to deliver to CNS (\$.50 per item short in CNS for 31 to 60 days at close of business; \$.75 per item short in CNS for 61 to 90 days at close of business; and \$1.00 per item short in CNS for more than 90 days at close of business) into one single fee of \$3.00<sup>17</sup> per item short in CNS for more than 30 days at close of business. In addition to reduce pricing complexity, these changes are being proposed in order to encourage Member practices that promote efficient market behavior (i.e., encourage Members to address CNS fails that are more than 30 days). NSCC believes encouraging Members to address CNS fails that are more than 30 days would promote efficient market behavior because securities would be delivered to CNS on a more timely basis.

D. Technical and Conforming Changes

NSCC is proposing a number of technical and conforming changes. Specifically, due to the grouping and/or removal of certain fees as described above, NSCC is proposing to renumber or re-letter, as applicable, current Fee Structure Sections I.D.6 to 8 and 11; II.A.(c), C., E. to H., and J.; IV.F.; V.A.3 to 4; and V.B.2 to 7.

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<sup>17</sup> See supra note 11.

Additionally, NSCC is proposing to update the format of (i) the \$.40 Listed Equity System Correction Fees to \$0.40 in Section I.B.1., (ii) the Fails to Deliver to CNS (Short-In CNS) \$.25 fee per item short in CNS for 1 to 30 days at close of business to \$0.25 in re-lettered Section II.B., (iii) the \$.40 per item fee for security orders generated to \$0.40 in re-lettered Section II.C., (iv) the \$.75 per item fee for Clearing Interface Exemption or Inclusion Instruction to NSCC to \$0.75 in re-lettered Section II.E., (v) the \$.06 ACATS fee for Recording Asset Receives to \$0.06 in Section IV.F.2., and (vi) the \$.12 ACATS fee for Non-CNS Receive/Deliver Orders issued to \$0.12 in re-numbered Section IV.F.3.

NSCC is also proposing to delete the word “withhold” and replace it with “reversal” in the parenthetical portion within the lead-in sentence of Section I.B.2.a. This change is being proposed in order to conform with the recent revisions to simplify, clarify, and improve the description of the rules regarding submission and processing of syndicate takedown trades and syndicate takedown reversals in Procedure II, Section D.2(A)(2)(g) of the Rules.<sup>18</sup>

**(iii) EXPECTED MEMBER IMPACT**

In general, NSCC anticipates that the proposal would result in fee reductions for approximately 127 Members (41%) and fee increases for approximately 35 Members (11%). Of the 35 Members that may have their fees increased, 20 would have an increase of less than \$1,000 per year, 7 would have an increase between \$1,000 to \$10,000 per year, 3 would have an increase of \$27,000 to \$40,000 per year, and 5 would have an

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<sup>18</sup> See Securities Exchange Act Release 83397 (June 8, 2018), 83 FR 27802 (June 14, 2018) (SR-NSCC-2018-002).

increase of \$100,000 to \$200,000 per year. These estimates are calculated based on 2017 volume numbers.

(iv) **MEMBER OUTREACH**

Beginning in June 2018, NSCC has conducted ongoing outreach to Members in order to provide them with notice of the proposed changes to the affected fees. As of the date of this filing, no written comments relating to the proposed changes have been received in response to this outreach. The Commission will be notified of any written comments received.

(v) **IMPLEMENTATION TIMEFRAME**

NSCC would implement this proposal on January 1, 2019. As proposed, a legend would be added to the Fee Structure stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legend also would include a date on which such changes would be implemented and the file number of this proposal, and state that, once this proposal is implemented, the legend would automatically be removed from the Fee Structure.

2. **Statutory Basis**

NSCC believes this proposal is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, NSCC believes this proposal is consistent with Sections 17A(b)(3)(D)<sup>19</sup> and

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<sup>19</sup> 15 U.S.C. 78q-1(b)(3)(D).

17A(b)(3)(F)<sup>20</sup> of the Act and Rule 17Ad-22(e)(23)(ii),<sup>21</sup> as promulgated under the Act, for the reasons described below.

Section 17A(b)(3)(D) of the Act requires that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.<sup>22</sup> NSCC believes the proposed rule changes to the Fee Structure, described in detail in Item II(A)(1)(ii)(A) above (entitled “Fee Changes to Address Pricing Complexity”), to reduce the complexity of the Fee Structure would provide for the equitable allocation of reasonable fees. NSCC believes the proposed changes to address pricing complexity are equitable because they would apply uniformly to all Members that use the applicable services. NSCC believes these proposed changes are reasonable because they are designed to reduce complexity and increase transparency of the Fee Structure with minimal client impact. Therefore, NSCC believes the proposed rule changes described in detail in Item II(A)(1)(ii)(A) above to reduce the complexity of the Fee Structure are consistent with Section 17A(b)(3)(D) of the Act.

NSCC believes the proposed rule changes to the Fee Structure, described in detail in Item II(A)(1)(ii)(B) above (entitled “Fee Changes to Address Pricing Misalignment with Costs of Service”), to better align pricing with costs of services would provide for the equitable allocation of reasonable fees. The proposed changes would modify the fee assessed for services in connection with NYS stock transfer taxes from \$1.00 per form to a monthly fee of \$175 in order to better align with the increased costs of providing the

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<sup>20</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>21</sup> 17 CFR 240.17Ad-22(e)(23)(ii).

<sup>22</sup> 15 U.S.C. 78q-1(b)(3)(D).



services. NSCC believes the proposed changes to the rate as well as the method of charging this fee are equitable because they are designed to simplify the fee reconciliation process for Members and would apply uniformly to all Members that utilize the services. NSCC believes the proposed changes are reasonable because they would be commensurate with the costs of resources allocated by NSCC in providing such services. Therefore, NSCC believes the proposed rule changes to the Fee Structure described in detail in Item II(A)(1)(ii)(B) above to better align pricing with costs of services are consistent with Section 17A(b)(3)(D) of the Act.

NSCC also believes the proposed rule changes to the Fee Structure, described in detail in Item II(A)(1)(ii)(C) above (entitled “Fee Changes to Promote Efficient Market Behavior”), to encourage Member practices that promote efficient market behavior would provide for the equitable allocation of reasonable fees. The proposed change would assess Members a daily \$3 fee per item short in CNS that are more than 30 days at close of business. NSCC believes the proposed changes are equitable because they would apply uniformly to all Members that have CNS fails that are more than 30 days. NSCC believes the proposed changes are reasonable because they are designed to encourage Members to address CNS fails that are more than 30 days in order to promote efficient market behavior. Therefore, NSCC believes the proposed rule changes to the Fee Structure described in detail in Item II(A)(1)(ii)(C) above to encourage Member practices that promote efficient market behavior are consistent with Section 17A(b)(3)(D) of the Act.

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to

promote the prompt and accurate clearance and settlement of securities transactions.<sup>23</sup>

The proposed rule changes to promote efficient market behavior, as described in Item II(A)(1)(ii)(C) above (entitled “Fee Changes to Promote Efficient Market Behavior”), are designed to encourage Members to address CNS fails that are more than 30 days. In this respect, the proposal would encourage Member practices that would reduce the number of CNS fails that are more than 30 days and thereby promote the prompt and accurate clearance and settlement of securities transactions. As such, NSCC believes the proposed rule changes to promote efficient market behavior are consistent with Section 17A(b)(3)(F) of the Act.

The proposed rule changes to make technical and conforming changes, as described in Item II(A)(1)(ii)(D) above (entitled “Technical and Conforming Changes”), would help ensure that the Rules, including the Fee Structure, remain accurate and clear to Members. Having accurate and clear Rules would help Members to better understand their rights and obligations regarding NSCC’s clearance and settlement services. NSCC believes that when Members better understand their rights and obligations regarding NSCC’s clearance and settlement services, they can act in accordance with the Rules. NSCC believes that better enabling Members to comply with the Rules would promote the prompt and accurate clearance and settlement of securities transactions by NSCC. As such, NSCC believes the proposed rule changes to make technical and conforming changes are consistent with Section 17A(b)(3)(F) of the Act.

Rule 17Ad-22(e)(23)(ii) under the Act requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide

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<sup>23</sup> 15 U.S.C. 78q-1(b)(3)(F).

sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency.<sup>24</sup> NSCC believes that the proposed rule changes to reduce the complexity of the Fee Structure, as described in Item II(A)(1)(ii)(A) above (entitled “Fee Changes to Address Pricing Complexity”), and to make technical and conforming changes, as described in Item II(A)(1)(ii)(D) above (entitled “Technical and Conforming Changes”), would help ensure that the Fee Structure is transparent and clear to Members. Having a transparent and clear Fee Structure would help Members, NSCC believes, to better understand NSCC’s fees and help provide Members with increased predictability and certainty regarding the fees they incur by participating in NSCC. As such, NSCC believes the proposed rule changes to reduce the complexity of the Fee Structure and to make technical and conforming changes are consistent with Rule 17Ad-22(e)(23)(ii) under the Act.

(B) Clearing Agency’s Statement on Burden on Competition

NSCC believes the proposed rule changes to modify (i) the trade recording fee for foreign security trades and (ii) the fee assessed for services in connection with NYS stock transfer taxes, may have an impact on competition because these changes would likely increase the fees of those Members that utilize these services when compared to their fees under the current Fee Structure. NSCC believes these proposed rule changes could burden competition by negatively affecting such Members’ operating costs. While these Members may experience increases in their fees when compared to their fees under the current Fee Structure, NSCC does not believe such change in fees would in and of itself mean that the burden on competition is significant. This is because even though the

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<sup>24</sup> 17 CFR 240.17Ad-22(e)(23)(ii).

amount of the fee increase may seem significant in some instances (e.g., going from \$1 per form to \$175 per month), NSCC believes the increase in fees would similarly affect all Members that utilize the services, and therefore the burden on competition would not be significant.

Regardless of whether the burden on competition is deemed significant, NSCC believes any burden on competition that is created by these proposed rule changes would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>25</sup>

The proposed rule changes to modify (i) the trade recording fee for foreign security trades and (ii) the fee assessed for services in connection with NYS stock transfer taxes, would be necessary in furtherance of the purposes of the Act because the Rules must provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.<sup>26</sup> As described above, NSCC believes that the proposed rule changes would result in fees that are equitably allocated (by applying uniformly to all Members that use the applicable services) and would result in reasonable fees (by reducing the complexity of the Fee Structure with minimal client impact and by aligning with costs, respectively). As such, NSCC believes these proposed rule changes would be necessary in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>27</sup>

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<sup>25</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>26</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>27</sup> 15 U.S.C. 78q-1(b)(3)(I).

NSCC believes any burden on competition that is created by the proposed rule changes to modify (i) the trade recording fee for foreign security trades and (ii) the fee assessed for services in connection with NYS stock transfer taxes, would also be appropriate in furtherance of the purposes of the Act. The proposed rule changes to modify the trade recording fee for foreign security trades would provide NSCC with the ability to assess a standard trade recording fee regardless of the types of securities and thereby help to reduce complexity of pricing and streamline the Fee Structure. The proposed rule changes to modify the fee for the NYS stock transfer tax service would allow NSCC to cover increased costs of providing the service as well as simplify the fee reconciliation process for Members that use this service. Having the ability to assess fees that are (i) standard regardless of the types of securities and (ii) commensurate with NSCC's costs of providing the services, would help NSCC to (x) reduce complexity of pricing as well as streamline the Fee Structure and (y) continue providing dependable and stable clearance and settlement services to its Members. As such, NSCC believes these proposed rule changes would be appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>28</sup>

NSCC believes the proposed rule changes to promote efficient market behavior, as discussed above in Item II(A)(1)(ii)(C), may have an impact on competition because these changes would likely increase the fees of those Members with CNS fails that are more than 30 days. NSCC believes these proposed rule changes could burden competition by negatively affecting such Members' operating costs. While these Members may experience increases in their fees when compared to their fees under the current Fee

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<sup>28</sup> Id.

Structure, NSCC does not believe such change in fees would in and of itself mean that the burden on competition is significant. This is because even though the amount of the fee increase may be significant (with a maximum increase of \$2.50 for each fail over 30 days), NSCC believes the increase in fees would similarly affect all Members that have CNS fails that are more than 30 days and therefore the burden on competition would not be significant. Regardless of whether the burden on competition is deemed significant, NSCC believes any burden on competition that is created by the proposed rule changes to the fees associated with CNS fails that are more than 30 days would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>29</sup>

NSCC believes that the proposed rule changes to promote efficient market behavior would be necessary in furtherance of the purposes of the Act because the Rules must provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.<sup>30</sup> As described above, NSCC believes that the proposed rule changes would result in fees that are equitably allocated (by imposing the fees on all Members with CNS fails more than 30 days) and would result in reasonable fees (by increasing fees to the extent they would serve as meaningful deterrents to Members having CNS fails that are more than 30 days). As such, NSCC believes the proposed rule changes to promote efficient market behavior would be necessary in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>31</sup>

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<sup>29</sup> Id.

<sup>30</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>31</sup> 15 U.S.C. 78q-1(b)(3)(I).

NSCC believes any burden on competition that is created by the proposed rule changes to promote efficient market behavior would also be appropriate in furtherance of the purposes of the Act. NSCC believes that the proposed rule changes would encourage Members to address CNS fails that are more than 30 days. Reducing the number of CNS fails that are more than 30 days would, NSCC believes, promote the prompt and accurate clearance and settlement of securities transactions. As such, NSCC believes the proposed rule changes to promote efficient market behavior would be appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>32</sup>

NSCC does not believe the proposed rule changes to reduce the complexity of the Fee Structure (other than the proposed rule change to modify the trade recording fee for foreign security trades) and make technical and conforming changes, as discussed above in Items II(A)(1)(ii)(A) and (D), respectively, would impact competition.<sup>33</sup> These changes would apply equally to all Members and would not affect Members' rights and obligations. As such, NSCC believes these proposed rule changes would not have any impact on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

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

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<sup>32</sup> Id.

<sup>33</sup> Id.

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<sup>34</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>35</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2018-011 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-NSCC-2018-011. This file number should be included on the subject line if e-mail is used. To help the Commission process

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<sup>34</sup> 15 U.S.C 78s(b)(3)(A).

<sup>35</sup> 17 CFR 240.19b-4(f).



and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2018-011 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>36</sup>

Eduardo A. Aleman  
Deputy Secretary

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<sup>36</sup> 17 CFR 200.30-3(a)(12).