

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="36"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="012"/>
Amendment No. (req. for Amendments *) <input type="text"/>		

Filing 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"/>
			Rule		
Pilot <input type="checkbox"/>	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)(6)
			<input checked="" 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)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

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 action (limit 250 characters, required when Initial is checked *).

Amend Certain Fees Relating to Mutual Fund Services, and Insurance and Retirement Processing Services

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 action.

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.

(Title *)

Date

By

(Name *)

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 EFFF 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 *

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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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, security-based swap submission, or advance notice 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

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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

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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

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 the Proposed Rule Change

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) is annexed hereto as Exhibit 5 and consists of modifications to Addendum A (Fee Structure) (“Addendum A”) of NSCC’s Rules & Procedures (“Rules”) in order to make certain adjustments and clarifications in the fee provisions for NSCC’s Mutual Fund Services (“MFS”) and Insurance and Retirement Processing Services (“I&RS”), as described below.¹

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Businesses, Technology and Operations Committee of the Board of Directors of NSCC at a meeting duly called and held on September 12, 2018.

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

(a) Purpose

The purpose of this proposed rule change is to reduce certain fees for MFS and I&RS set forth in Addendum A as described below, in order to better align fees with the costs of services provided by NSCC by reducing the fees so that the revenue received by NSCC would be closer to the costs of providing the services. In addition, certain fee reductions as described below are also intended to incentivize greater use of certain MFS and I&RS products. The proposed rule change would also clarify the description of certain fees as described below to improve clarity and transparency of the Rules. NSCC expects the proposed rule change would result in a decrease in revenue of approximately 9.5% for each of the MFS and I&RS services.

(i) **BACKGROUND**

NSCC has undertaken a strategic review of its pricing structure, and developed a revenue and pricing strategy with the goal of among other things, reducing pricing complexity in Addendum A and aligning pricing with costs.² As a result of the review, NSCC has determined that certain fees in MFS and I&RS have over time become misaligned with the costs of services.

¹ Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Rules, available at http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf.

² NSCC is also proposing changes to fees for NSCC services that are not MFS and I&RS services in a separate proposal. In addition, NSCC’s affiliates, The Depository Trust Company and Fixed Income Clearing Corporation are proposing changes to their respective fees.

Such fees are misaligned because the revenue that NSCC has been receiving for such services has increased over time more than the costs to provide the services. NSCC believes that this is a result of streamlined processes in such services which have resulted in the reduction of processing costs for NSCC for such services. NSCC believes it is reasonable and appropriate to assess Members and Limited Members (collectively, “NSCC Members”) fees that are commensurate with the costs of services provided to NSCC Members. Accordingly, the proposed changes would adjust certain fees in MFS and I&RS so that revenue for NSCC would better align with the costs of the services by reducing the revenue that NSCC receives so that it is closer to the costs of providing the services by NSCC. NSCC believes that the proposed fee reductions would allow NSCC to lower the costs for services to NSCC Members while still providing adequate funding to enable NSCC to recover its costs in providing the services.

NSCC is also proposing certain fee changes as described below to incentivize greater use of certain MFS and I&RS products.

In addition, NSCC is proposing certain clarifying changes to the description of certain fees in Addendum A as described below to enhance clarity and transparency of the Rules.

(ii) **PROPOSED RULE CHANGES**

A. Networking Omni/SERV[®] Fee Reductions.

Omni/SERV, which is a feature of the MFS Networking service, provides a streamlined communication platform for the transmission of files for fund accounts held in omnibus.³ NSCC is proposing to reduce the monthly fee for Omni/SERV file transmissions in Section IV.H.3. of Addendum A from \$2,500 per month to \$1,500 per month. As discussed below, NSCC believes that the proposed fee reduction would better align the fees with the costs of providing Omni/SERV.

B. Profile Phases I and II Fee Reductions.

NSCC is proposing to reduce the monthly fee for Phases I and II of the Mutual Fund Profile Service (“Profile”) in Section IV.J.b. of Addendum A from \$2,000 per month to \$1,250 per month.⁴ In addition, NSCC is proposing to change the credit that Profile II users (with 25 or

³ An omnibus fund account is a fund account held by a financial intermediary on behalf of multiple underlying investors. Omni/SERV allows NSCC Members to communicate information relating to the underlying investors’ sub-accounts.

⁴ NSCC offers two levels of service through Profile, which are referred to in NSCC’s fee schedule as “Phase I” and “Phase II.” Phase I is used by NSCC Members to transmit price and rate information for mutual funds and pooled investment entities (each a “Fund” and collectively, “Funds”). Phase II consists of three databases, (i) the participant profile database, (ii) the security issue profile database, and (iii) the distribution declaration information profile database. Through these three databases, NSCC offers a centralized repository for prospectus and operational information for securities of Funds, Fund distributions and Fund processing capabilities. The current fee to use both Phase I and Phase II is \$2,000 per month. See Section IV.J.b. of Addendum A, supra note 1.

fewer Funds) receive in footnote 1 of Addendum A from \$1,150 to \$1,000. Together, with the reduction in the monthly fee from \$2,000 to \$1,250, this proposed change would reduce the overall net fee for such users from \$850 to \$250.

As discussed below, NSCC believes that the proposed fee reduction would better align the fees with the costs of providing Phases I and II.

In addition, NSCC believes that the proposed reduction in the fees and the credit for smaller firms for Phases I and II would incentivize more firms to use the service. NSCC believes that more firms using the service would increase the value of the service by providing greater access to more Fund data to NSCC Members.

C. Positions Fee Reductions.

NSCC is proposing to reduce the fees in three tiers for Positions (Full, New and Retirement Plans) in Section IV.K.2.a.(i) of Addendum A as follows: (i) reduce fees for 0 to 500,000 items/month from \$8 to \$6 per 1,000 items, (ii) reduce fees for 500,001 to 2,000,000 items/month from \$4 to \$3.50 per 1,000 items, and (iii) reduce fees for 4,000,001 or more items/month from \$2 to \$1.25 per 1,000 items. NSCC is not proposing to reduce the fees for 2,000,001 to 4,000,000 items/month.⁵ As discussed below, NSCC believes that the proposed fee reduction would better align the fees with the costs of providing Positions (Full, New and Retirement Plans).

D. IFT Tiered Pricing Program Fee Reductions and Revised Description.

NSCC proposes to restructure the current In Force Transactions (“IFT”)⁶ tiered pricing program, including certain fee reductions and certain clarifications as described below.

(1) IFT Fee Reductions.

Currently, NSCC Members engaged in IFTs are required to choose an Activity Level (Level 1, Level 2 or Level 3) based on their projected activity. Each Activity Level has a

⁵ NSCC has determined that, based on the average number of users and revenues generated for each tier, the intended overall revenue decrease for the service could be accomplished by reducing the three tiers as indicated without reducing the fees for the tier for 2,000,001 to 4,000,000 items/month. In addition, NSCC determined that the proposed tier structure following the Fee Reductions would continue to incentivize NSCC Members to increase their use of the service which NSCC believes increases efficiency in sending contract details. All NSCC Members using the service would benefit from the proposed fee reductions because the NSCC Members who reach the tier for 2,000,001 to 4,000,000 items/month would benefit from the fee reductions in the lower two tiers.

⁶ IFT is an I&RS offering that automates data processing with respect to transactions relating to “in-force” contracts among participating NSCC Members. “In-force” contract transactions are transactions that occur after the underlying insurance contract has become effective.

corresponding minimum monthly fee. NSCC Members that choose Level 2 and Level 3 benefit from discounted fees per transaction after the amount of fees incurred for the month reaches the amount of the minimum monthly fee. Once the respective amount of the monthly fee is met, the discount for Level 2 is 20% (i.e., from \$1.25/\$.35 per transaction to \$1.00/\$.28 per transaction) and the discount for Level 3 is 40% (i.e., from \$1.25/\$.35 per transaction to \$.75/\$.21 per transaction). The discounts are set forth in an IFT Chart in Addendum A.

NSCC is proposing to decrease the overall price of certain IFTs in Section IV.K.3. of Addendum A from \$1.25 per request to \$.65 per request, increase the number of levels in the IFT tiered pricing program from three to four, set new monthly minimum fees for each level and apply new discount percentages for the proposed Level 2, Level 3 and Level 4.

As discussed below, NSCC believes that the proposed fee reduction would better align the fees with the costs of providing the IFT service.

In addition, the IFT tiered pricing program is intended to incentivize greater use of the IFT product by discounting transaction fees once the minimum monthly fee has been met for higher Activity Level designations. The proposed changes are intended to further incentivize greater use by reducing transaction pricing for IFTs generally and increasing the number of minimum monthly fee thresholds, and thus discounts, from which NSCC Members may choose.

(2) IFT Clarifications.

NSCC is proposing to change the description of the IFT chart in Addendum A to clarify when the discounts are applied and update the description in the chart for readability, including changing “Activity Level” to “Threshold Level” and stating the discounts as a percentage rather than a dollar amount for each Level and revising the description of the discount in the table. Below is the proposed updated chart:

*IN FORCE TRANSACTIONS CHART

THRESHOLD LEVEL	MINIMUM MONTHLY FEE	DISCOUNT FOR TRANSACTIONS AFTER FEES EXCEED MINIMUM MONTHLY FEE AMOUNT
Level 1	\$250	No Discount (pay base price of \$0.65/\$0.35 for Requests/Inquiries)
Level 2	\$500	5%
Level 3	\$1,000	10%
Level 4	\$3,000	20%

NSCC is also proposing to move the fees for the IFTs that are currently listed in TIER 5 (\$1.25) to TIER 4 (\$0.65) in Section IV.K.3. of Addendum A with other transactions that are \$0.65 per request to reflect the proposed fee reductions set forth above. In addition, NSCC is proposing to move the description of the fee for Producer Management Portal (per inquiry), which is currently in TIER 5 in Section IV.K.3. of Addendum A, to Section IV.K.2.h. of Addendum A so that the fee is in the same section as other Producer Management Portal fees and to re-number the items in Section IV.K.2.h. of Addendum A to reflect the addition of the fee in this Section. NSCC is also proposing to remove TIER 5 in Section IV.K.3. of Addendum A since there would no longer be any fees in that TIER following the proposed changes described above. In addition, NSCC is proposing to rename the Producer Management Portal fee to “Distributor Subscription Fee” to clarify that the \$1.25 fee is for distributor inquiries for Producer Management Portal and to add a provision clarifying that the maximum fee paid by Distributors is \$6,000 per month. There is a \$6,000 per month maximum because if the number of inquiries would result in more than \$6,000 in fees in a month, the distributor could pay the \$6,000 Distributor Batch Service Fee for the month rather than pay on a per inquiry basis.

NSCC is proposing to revise the description of the *In Force Transaction Chart as described above, move the IFT transaction fees to TIER 4 with other transaction fees that are \$0.65, delete TIER 5, move and rename the Producer Management Portal fee, re-number the items in Section IV.K.2.h. of Addendum A and add language relating to a \$6,000 maximum per month for the Distributor Subscription Fee for enhanced clarity and transparency of the Rules.

E. Decimals.

In Section IV.H. through Section IV.K. of Addendum A, where a dollar amount is less than one and where there is not currently a zero in front of the decimal point, NSCC is proposing to place a zero before the decimal point for enhanced clarity and consistency with other decimals contained in Addendum A.

The proposed changes set forth in items 3(a)(ii)(A), (B), (C) and (D)(1) above are proposed fee reductions and are referred to herein as “Fee Reductions.” For each of the services for which Fee Reductions are being proposed, NSCC has determined that the revenue has increased over time more than the overall costs to provide the service. Since implementation of the current fees, revenues have increased for each of the services due to existing NSCC Members increasing their use of the services and new NSCC Members using the services. In addition, costs to provide the services are lower as a result of streamlined processes which increase efficiency in such services to allow NSCC to provide the services for lower costs than when the current fees were implemented. NSCC has determined that the revenue that it would receive for each of the services above following the proposed Fee Reductions would be closer to the costs of providing the services and sufficient to enable NSCC to recover costs to NSCC to provide the services. As such, NSCC believes that the proposed Fee Reductions would better align the fees with the costs of providing each of the services for which Fee Reductions are being proposed.

The proposed changes set forth herein in items 3(a)(ii)(D)(2) and (E) are proposed clarifying changes to the description of the fees and are referred to herein as “Clarifications.” Each of the Clarifications are being proposed in order to improve the clarity and transparency of the Rules.

(iii) **IMPLEMENTATION TIMEFRAME**

NSCC expects to implement the proposed rule changes on January 1, 2019. As proposed, a legend would be added to Addendum A stating there are changes that became effective upon filing with the Securities and Exchange Commission (“Commission”) but have not yet been implemented. The proposed legend also would include January 1, 2019, as the 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 Addendum A.

(b) **Statutory Basis**

NSCC believes this proposal is consistent with the requirements of the Securities Exchange Act of 1934 (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)⁷ and 17A(b)(3)(F)⁸ of the Act and Rule 17Ad-22(e)(23)(ii),⁹ as promulgated under the Act, for the reasons described below.

Section 17A(b)(3)(D) of the Act¹⁰ requires, in part, that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.

The proposed Fee Reductions set forth above are consistent with 17A(b)(3)(D) of the Act¹¹ because the proposed fees would be allocated equitably among the NSCC Members that subscribe for those services based on each NSCC Member’s use of such services. In addition, NSCC believes that the proposed Fee Reductions are reasonable because they would enable NSCC to better align its revenue with the costs and expenses required for NSCC to provide the services to NSCC Members. Specifically, NSCC has determined that based on the current usage and projected revenue for each of the services listed above for which Fee Reductions are proposed, the decrease in fees would result in revenues for those services that would be closer to the costs of providing such services. Therefore, by establishing fees that align with the costs of delivery of these products and services and allocating those fees equitably among the subscribing NSCC Members, the proposed Fee Reductions are consistent with the requirements of Section 17A(b)(3)(D) of the Act.¹²

⁷ 15 U.S.C. 78q-1(b)(3)(D).

⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁹ 17 CFR 240.17Ad-22(e)(23)(ii).

¹⁰ 15 U.S.C. 78q-1(b)(3)(D).

¹¹ Id.

¹² Id.

NSCC also believes that the proposed Clarifications above are consistent with 17A(b)(3)(D) of the Act¹³ because each of the proposed Clarifications would clarify the meaning of the fees in the Rules without affecting the amount of the existing fee for such line item. The amounts of the existing fees would continue to be equitably allocated among the subscribing NSCC Members in accordance with their utilization of the services. Therefore, NSCC believes that the proposed Clarifications would not affect the allocation or amount of fees, and would thereby continue to provide for the equitable allocation of reasonable fees, consistent with Section 17A(b)(3)(D) of the Act.¹⁴

Section 17A(b)(3)(F) of the Act¹⁵ requires, in part, that the Rules promote the prompt and accurate clearance and settlement of securities transactions. NSCC believes that the proposed Clarifications set forth above would enhance NSCC Members' ability to understand the fees associated with the MFS and I&RS services. Specifically, the proposed Clarifications would clarify the meaning of certain provisions of Addendum A relating to the IFT tiered pricing program and Producer Management Portal and revise certain decimals to be consistent with other decimals in the Rules and enhance clarity and transparency in the Rules in this regard. As such, the proposed Clarifications would allow NSCC Members to have a better understanding of the Rules in relation to their activities and thereby assist in promoting the requirements of Section 17A(b)(3)(F) of the Act.¹⁶

Rule 17Ad-22(e)(23)(ii) under the Act¹⁷ requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide 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. The proposed Clarifications set forth above would help ensure that the fees set forth in Addendum A are clear and transparent to NSCC Members. Having a clear and transparent Addendum A would help NSCC Members to better understand NSCC's fees and help provide NSCC Members with increased predictability and certainty regarding the fees they incur in participating in NSCC. As such, by improving the clarity and transparency of the Rules, NSCC believes the proposed Clarifications are consistent with Rule 17Ad-22(e)(23)(ii) under the Act.¹⁸

4. Self-Regulatory Organization's Statement on Burden on Competition

NSCC does not believe that the proposed Fee Reductions would have an adverse impact, or impose any burden, on competition because, in each case, the proposed Fee Reductions would

¹³ Id.

¹⁴ Id.

¹⁵ 15 U.S.C. 78q-1(b)(3)(F).

¹⁶ Id.

¹⁷ 17 CFR 240.17Ad-22(e)(23)(ii).

¹⁸ Id.

be a reduction in fees as currently set forth in the Rules that would not disproportionately impact any NSCC Members. As a reduction to the fees currently in the Addendum A for these services, the proposed Fee Reductions would not impede any NSCC Members from engaging in the services or have an adverse impact on any NSCC Members.

Moreover, the proposed Fee Reductions may promote competition because, in each case, the proposed Fee Reductions would allow NSCC Members to engage in a greater number of transactions with lower costs than they would incur today for the same transactions. In addition, as described above, NSCC believes that the proposed fee changes to the Profile Phase I and Phase II and the proposed fee reductions and increased discount levels for the IFT tiered pricing program would incentivize greater use of those services by NSCC Members. NSCC believes that increased use of the NSCC services as a result of the fee reductions would enhance participation in the marketplace by providing all NSCC Members that use the services more data which would increase the value of the services and promote competition among NSCC Members that use the services.

NSCC does not believe that the proposed Clarifications would have any impact on competition because such changes are clarifications of the Rules that would not affect the rights or obligations of NSCC Members.

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

NSCC has not received or solicited any written comments relating to this proposal. NSCC will notify the Commission of any written comments received by NSCC.

6. Extension of Time Period for Commission Action

Not applicable.

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 changes are to take effect immediately upon filing pursuant to paragraph A of Section 19(b)(3)¹⁹ of the Act.

(b) Concerning the proposed Fee Reductions, the proposed rule changes establish or change a due, fee, or other charge.²⁰ Concerning the proposed Clarifications, such changes constitute changes to an existing service of a registered clearing agency that (i) do not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible, and (ii) do not significantly affect the respective rights or obligations of the clearing agency or persons using the service because the proposed Clarifications consist of changes that are clarifying, and because these changes are clarifying in nature, do not change any

¹⁹ 15 U.S.C 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f)(2).

of the existing business practices of NSCC or affect the rights or obligations of NSCC or NSCC Members.²¹

(c) Not applicable.

(d) Not applicable.

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

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing, and Settlement Supervision Act of 2010

Not applicable.

11. Exhibits

Exhibit 1 – Not applicable.

Exhibit 1A – 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 – Proposed changes to the Rules.

²¹ 17 CFR 240.19b-4(f)(4).

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-NSCC-2018-012)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Certain Fees Relating to Mutual Fund Services, and Insurance and Retirement Processing Services

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on November __, 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 Act³ and Rules 19b-4(f)(2) and (f)(4) thereunder.⁴ 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 consists of modifications to Addendum A (Fee Structure) (“Addendum A”) of NSCC’s Rules & Procedures (“Rules”) in order to make certain adjustments and clarifications in the fee provisions for NSCC’s Mutual Fund

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(2) and (f)(4).

Services (“MFS”) and Insurance and Retirement Processing Services (“I&RS”), as described below.⁵

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 reduce certain fees for MFS and I&RS set forth in Addendum A as described below, in order to better align fees with the costs of services provided by NSCC by reducing the fees so that the revenue received by NSCC would be closer to the costs of providing the services. In addition, certain fee reductions as described below are also intended to incentivize greater use of certain MFS and I&RS products. The proposed rule change would also clarify the description of certain fees as described below to improve clarity and transparency of the Rules. NSCC expects the proposed rule change would result in a decrease in revenue of approximately 9.5% for each of the MFS and I&RS services.

⁵ Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Rules, available at http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf.

(i) **BACKGROUND**

NSCC has undertaken a strategic review of its pricing structure, and developed a revenue and pricing strategy with the goal of among other things, reducing pricing complexity in Addendum A and aligning pricing with costs.⁶ As a result of the review, NSCC has determined that certain fees in MFS and I&RS have over time become misaligned with the costs of services. Such fees are misaligned because the revenue that NSCC has been receiving for such services has increased over time more than the costs to provide the services. NSCC believes that this is a result of streamlined processes in such services which have resulted in the reduction of processing costs for NSCC for such services. NSCC believes it is reasonable and appropriate to assess Members and Limited Members (collectively, “NSCC Members”) fees that are commensurate with the costs of services provided to NSCC Members. Accordingly, the proposed changes would adjust certain fees in MFS and I&RS so that revenue for NSCC would better align with the costs of the services by reducing the revenue that NSCC receives so that it is closer to the costs of providing the services by NSCC. NSCC believes that the proposed fee reductions would allow NSCC to lower the costs for services to NSCC Members while still providing adequate funding to enable NSCC to recover its costs in providing the services.

NSCC is also proposing certain fee changes as described below to incentivize greater use of certain MFS and I&RS products.

⁶ NSCC is also proposing changes to fees for NSCC services that are not MFS and I&RS services in a separate proposal. In addition, NSCC’s affiliates, The Depository Trust Company and Fixed Income Clearing Corporation are proposing changes to their respective fees.

In addition, NSCC is proposing certain clarifying changes to the description of certain fees in Addendum A as described below to enhance clarity and transparency of the Rules.

(ii) **PROPOSED RULE CHANGES**

A. Networking Omni/SERV[®] Fee Reductions.

Omni/SERV, which is a feature of the MFS Networking service, provides a streamlined communication platform for the transmission of files for fund accounts held in omnibus.⁷ NSCC is proposing to reduce the monthly fee for Omni/SERV file transmissions in Section IV.H.3. of Addendum A from \$2,500 per month to \$1,500 per month. As discussed below, NSCC believes that the proposed fee reduction would better align the fees with the costs of providing Omni/SERV.

B. Profile Phases I and II Fee Reductions.

NSCC is proposing to reduce the monthly fee for Phases I and II of the Mutual Fund Profile Service (“Profile”) in Section IV.J.b. of Addendum A from \$2,000 per month to \$1,250 per month.⁸ In addition, NSCC is proposing to change the credit that Profile II users (with 25 or fewer Funds) receive in footnote 1 of Addendum A from

⁷ An omnibus fund account is a fund account held by a financial intermediary on behalf of multiple underlying investors. Omni/SERV allows NSCC Members to communicate information relating to the underlying investors’ sub-accounts.

⁸ NSCC offers two levels of service through Profile, which are referred to in NSCC’s fee schedule as “Phase I” and “Phase II.” Phase I is used by NSCC Members to transmit price and rate information for mutual funds and pooled investment entities (each a “Fund” and collectively, “Funds”). Phase II consists of three databases, (i) the participant profile database, (ii) the security issue profile database, and (iii) the distribution declaration information profile database. Through these three databases, NSCC offers a centralized repository for prospectus and operational information for securities of Funds, Fund distributions and Fund processing capabilities. The current fee to use both Phase I and Phase II is \$2,000 per month. See Section IV.J.b. of Addendum A, supra note 5.

\$1,150 to \$1,000. Together, with the reduction in the monthly fee from \$2,000 to \$1,250, this proposed change would reduce the overall net fee for such users from \$850 to \$250.

As discussed below, NSCC believes that the proposed fee reduction would better align the fees with the costs of providing Phases I and II.

In addition, NSCC believes that the proposed reduction in the fees and the credit for smaller firms for Phases I and II would incentivize more firms to use the service. NSCC believes that more firms using the service would increase the value of the service by providing greater access to more Fund data to NSCC Members.

C. Positions Fee Reductions.

NSCC is proposing to reduce the fees in three tiers for Positions (Full, New and Retirement Plans) in Section IV.K.2.a.(i) of Addendum A as follows: (i) reduce fees for 0 to 500,000 items/month from \$8 to \$6 per 1,000 items, (ii) reduce fees for 500,001 to 2,000,000 items/month from \$4 to \$3.50 per 1,000 items, and (iii) reduce fees for 4,000,001 or more items/month from \$2 to \$1.25 per 1,000 items. NSCC is not proposing to reduce the fees for 2,000,001 to 4,000,000 items/month.⁹ As discussed below, NSCC believes that the proposed fee reduction would better align the fees with the costs of providing Positions (Full, New and Retirement Plans).

⁹ NSCC has determined that, based on the average number of users and revenues generated for each tier, the intended overall revenue decrease for the service could be accomplished by reducing the three tiers as indicated without reducing the fees for the tier for 2,000,001 to 4,000,000 items/month. In addition, NSCC determined that the proposed tier structure following the Fee Reductions would continue to incentivize NSCC Members to increase their use of the service which NSCC believes increases efficiency in sending contract details. All NSCC Members using the service would benefit from the proposed fee reductions because the NSCC Members who reach the tier for 2,000,001 to 4,000,000 items/month would benefit from the fee reductions in the lower two tiers.

D. IFT Tiered Pricing Program Fee Reductions and Revised Description.

NSCC proposes to restructure the current In Force Transactions (“IFT”)¹⁰ tiered pricing program, including certain fee reductions and certain clarifications as described below.

(1) IFT Fee Reductions.

Currently, NSCC Members engaged in IFTs are required to choose an Activity Level (Level 1, Level 2 or Level 3) based on their projected activity. Each Activity Level has a corresponding minimum monthly fee. NSCC Members that choose Level 2 and Level 3 benefit from discounted fees per transaction after the amount of fees incurred for the month reaches the amount of the minimum monthly fee. Once the respective amount of the monthly fee is met, the discount for Level 2 is 20% (i.e., from \$1.25/\$.35 per transaction to \$1.00/\$.28 per transaction) and the discount for Level 3 is 40% (i.e., from \$1.25/\$.35 per transaction to \$.75/\$.21 per transaction). The discounts are set forth in an IFT Chart in Addendum A.

NSCC is proposing to decrease the overall price of certain IFTs in Section IV.K.3. of Addendum A from \$1.25 per request to \$.65 per request, increase the number of levels in the IFT tiered pricing program from three to four, set new monthly minimum fees for each level and apply new discount percentages for the proposed Level 2, Level 3 and Level 4.

¹⁰ IFT is an I&RS offering that automates data processing with respect to transactions relating to “in-force” contracts among participating NSCC Members. “In-force” contract transactions are transactions that occur after the underlying insurance contract has become effective.

As discussed below, NSCC believes that the proposed fee reduction would better align the fees with the costs of providing the IFT service.

In addition, the IFT tiered pricing program is intended to incentivize greater use of the IFT product by discounting transaction fees once the minimum monthly fee has been met for higher Activity Level designations. The proposed changes are intended to further incentivize greater use by reducing transaction pricing for IFTs generally and increasing the number of minimum monthly fee thresholds, and thus discounts, from which NSCC Members may choose.

(2) IFT Clarifications.

NSCC is proposing to change the description of the IFT chart in Addendum A to clarify when the discounts are applied and update the description in the chart for readability, including changing “Activity Level” to “Threshold Level” and stating the discounts as a percentage rather than a dollar amount for each Level and revising the description of the discount in the table. Below is the proposed updated chart:

*IN FORCE TRANSACTIONS CHART

THRESHOLD LEVEL	MINIMUM MONTHLY FEE	DISCOUNT FOR TRANSACTIONS AFTER FEES EXCEED MINIMUM MONTHLY FEE AMOUNT
Level 1	\$250	No Discount (pay base price of \$0.65/\$0.35 for Requests/Inquiries)
Level 2	\$500	5%
Level 3	\$1,000	10%
Level 4	\$3,000	20%

NSCC is also proposing to move the fees for the IFTs that are currently listed in TIER 5 (\$1.25) to TIER 4 (\$0.65) in Section IV.K.3. of Addendum A with other transactions that are \$0.65 per request to reflect the proposed fee reductions set forth above. In addition, NSCC is proposing to move the description of the fee for Producer Management Portal (per inquiry), which is currently in TIER 5 in Section IV.K.3. of Addendum A, to Section IV.K.2.h. of Addendum A so that the fee is in the same section as other Producer Management Portal fees and to re-number the items in Section IV.K.2.h. of Addendum A to reflect the addition of the fee in this Section. NSCC is also proposing to remove TIER 5 in Section IV.K.3. of Addendum A since there would no longer be any fees in that TIER following the proposed changes described above. In addition, NSCC is proposing to rename the Producer Management Portal fee to “Distributor Subscription Fee” to clarify that the \$1.25 fee is for distributor inquiries for Producer Management Portal and to add a provision clarifying that the maximum fee paid by Distributors is \$6,000 per month. There is a \$6,000 per month maximum because if the number of inquiries would result in more than \$6,000 in fees in a month, the distributor could pay the \$6,000 Distributor Batch Service Fee for the month rather than pay on a per inquiry basis.

NSCC is proposing to revise the description of the *In Force Transaction Chart as described above, move the IFT transaction fees to TIER 4 with other transaction fees that are \$0.65, delete TIER 5, move and rename the Producer Management Portal fee, re-number the items in Section IV.K.2.h. of Addendum A and add language relating to a \$6,000 maximum per month for the Distributor Subscription Fee for enhanced clarity and transparency of the Rules.

E. Decimals.

In Section IV.H. through Section IV.K. of Addendum A, where a dollar amount is less than one and where there is not currently a zero in front of the decimal point, NSCC is proposing to place a zero before the decimal point for enhanced clarity and consistency with other decimals contained in Addendum A.

The proposed changes set forth in items II(A)(1)(ii)(A), (B), (C) and (D)(1) above are proposed fee reductions and are referred to herein as “Fee Reductions.” For each of the services for which Fee Reductions are being proposed, NSCC has determined that the revenue has increased over time more than the overall costs to provide the service. Since implementation of the current fees, revenues have increased for each of the services due to existing NSCC Members increasing their use of the services and new NSCC Members using the services. In addition, costs to provide the services are lower as a result of streamlined processes which increase efficiency in such services to allow NSCC to provide the services for lower costs than when the current fees were implemented. NSCC has determined that the revenue that it would receive for each of the services above following the proposed Fee Reductions would be closer to the costs of providing the services and sufficient to enable NSCC to recover costs to NSCC to provide the services. As such, NSCC believes that the proposed Fee Reductions would better align the fees with the costs of providing each of the services for which Fee Reductions are being proposed.

The proposed changes set forth herein in items II(A)(1)(ii)(D)(2) and (E) are proposed clarifying changes to the description of the fees and are referred to herein as

“Clarifications.” Each of the Clarifications are being proposed in order to improve the clarity and transparency of the Rules.

(iii) **IMPLEMENTATION TIMEFRAME**

NSCC expects to implement the proposed rule changes on January 1, 2019. As proposed, a legend would be added to Addendum A stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legend also would include January 1, 2019, as the 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 Addendum A.

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)¹¹ and 17A(b)(3)(F)¹² of the Act and Rule 17Ad-22(e)(23)(ii),¹³ as promulgated under the Act, for the reasons described below.

Section 17A(b)(3)(D) of the Act¹⁴ requires, in part, that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.

The proposed Fee Reductions set forth above are consistent with 17A(b)(3)(D) of the Act¹⁵ because the proposed fees would be allocated equitably among the NSCC

¹¹ 15 U.S.C. 78q-1(b)(3)(D).

¹² 15 U.S.C. 78q-1(b)(3)(F).

¹³ 17 CFR 240.17Ad-22(e)(23)(ii).

¹⁴ 15 U.S.C. 78q-1(b)(3)(D).

Members that subscribe for those services based on each NSCC Member's use of such services. In addition, NSCC believes that the proposed Fee Reductions are reasonable because they would enable NSCC to better align its revenue with the costs and expenses required for NSCC to provide the services to NSCC Members. Specifically, NSCC has determined that based on the current usage and projected revenue for each of the services listed above for which Fee Reductions are proposed, the decrease in fees would result in revenues for those services that would be closer to the costs of providing such services. Therefore, by establishing fees that align with the costs of delivery of these products and services and allocating those fees equitably among the subscribing NSCC Members, the proposed Fee Reductions are consistent with the requirements of Section 17A(b)(3)(D) of the Act.¹⁶

NSCC also believes that the proposed Clarifications above are consistent with 17A(b)(3)(D) of the Act¹⁷ because each of the proposed Clarifications would clarify the meaning of the fees in the Rules without affecting the amount of the existing fee for such line item. The amounts of the existing fees would continue to be equitably allocated among the subscribing NSCC Members in accordance with their utilization of the services. Therefore, NSCC believes that the proposed Clarifications would not affect the allocation or amount of fees, and would thereby continue to provide for the equitable allocation of reasonable fees, consistent with Section 17A(b)(3)(D) of the Act.¹⁸

¹⁵ Id.

¹⁶ Id.

¹⁷ Id.

¹⁸ Id.

Section 17A(b)(3)(F) of the Act¹⁹ requires, in part, that the Rules promote the prompt and accurate clearance and settlement of securities transactions. NSCC believes that the proposed Clarifications set forth above would enhance NSCC Members' ability to understand the fees associated with the MFS and I&RS services. Specifically, the proposed Clarifications would clarify the meaning of certain provisions of Addendum A relating to the IFT tiered pricing program and Producer Management Portal and revise certain decimals to be consistent with other decimals in the Rules and enhance clarity and transparency in the Rules in this regard. As such, the proposed Clarifications would allow NSCC Members to have a better understanding of the Rules in relation to their activities and thereby assist in promoting the requirements of Section 17A(b)(3)(F) of the Act.²⁰

Rule 17Ad-22(e)(23)(ii) under the Act²¹ requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide 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. The proposed Clarifications set forth above would help ensure that the fees set forth in Addendum A are clear and transparent to NSCC Members. Having a clear and transparent Addendum A would help NSCC Members to better understand NSCC's fees and help provide NSCC Members with increased predictability and certainty regarding the fees they incur in participating in NSCC. As such, by improving the clarity and

¹⁹ 15 U.S.C. 78q-1(b)(3)(F).

²⁰ Id.

²¹ 17 CFR 240.17Ad-22(e)(23)(ii).

transparency of the Rules, NSCC believes the proposed Clarifications are consistent with Rule 17Ad-22(e)(23)(ii) under the Act.²²

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

NSCC does not believe that the proposed Fee Reductions would have an adverse impact, or impose any burden, on competition because, in each case, the proposed Fee Reductions would be a reduction in fees as currently set forth in the Rules that would not disproportionately impact any NSCC Members. As a reduction to the fees currently in the Addendum A for these services, the proposed Fee Reductions would not impede any NSCC Members from engaging in the services or have an adverse impact on any NSCC Members.

Moreover, the proposed Fee Reductions may promote competition because, in each case, the proposed Fee Reductions would allow NSCC Members to engage in a greater number of transactions with lower costs than they would incur today for the same transactions. In addition, as described above, NSCC believes that the proposed fee changes to the Profile Phase I and Phase II and the proposed fee reductions and increased discount levels for the IFT tiered pricing program would incentivize greater use of those services by NSCC Members. NSCC believes that increased use of the NSCC services as a result of the fee reductions would enhance participation in the marketplace by providing all NSCC Members that use the services more data which would increase the value of the services and promote competition among NSCC Members that use the services.

²²

Id.

NSCC does not believe that the proposed Clarifications would have any impact on competition because such changes are clarifications of the Rules that would not affect the rights or obligations of NSCC Members.

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

NSCC has not received or solicited any written comments relating to this proposal. 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 Act²³ and paragraph (f) of Rule 19b-4 thereunder.²⁴ 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:

²³ 15 U.S.C 78s(b)(3)(A).

²⁴ 17 CFR 240.19b-4(f).

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. Please include File Number SR-NSCC-2018-012 on the subject line.

Paper Comments:

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

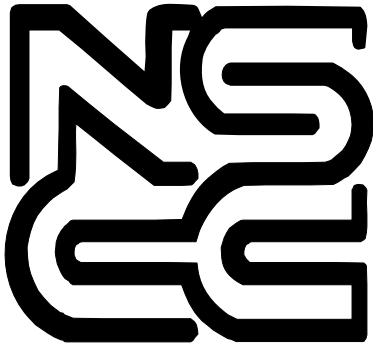
All submissions should refer to File Number SR-NSCC-2018-012. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet 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-2018-012 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.²⁵

Secretary

²⁵ 17 CFR 200.30-3(a)(12).



**NATIONAL
SECURITIES
CLEARING
CORPORATION**

RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

Bold and underlined text indicates proposed added language

~~Bold and strikethrough text~~ indicates proposed deleted language

ADDENDUM A

[Changes to this Addendum A, as amended by File No. SR-NSCC-2018-012, are available at dtcc.com/~media/Files/Downloads/legal/rule-filings/2018/NSCC/SR-NSCC-2018-012.pdf. These changes became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. On January 1, 2019, these changes will be implemented and this legend will automatically be removed from this Addendum A.]

NATIONAL SECURITIES CLEARING CORPORATION

FEE STRUCTURE

I. TRADE COMPARISON AND RECORDING SERVICE FEES - represents the fees to enter and correct original trade data.

IV. OTHER SERVICE FEES

G. Fund/SERV[®]

- | | |
|---|--|
| 1. Membership Fee:
for each participating Member, Mutual Fund/Insurance Services Member and Fund Member regardless of activity level | \$50.00 per month |
| 2. Transaction Fee: | \$0.06 per side per order or transfer request settling through the Corporation |

H. Networking³

- | | |
|---|---|
| 1. Membership Fee:
for each participating Member, Mutual Fund/Insurance Services Member and Fund Member regardless of activity level | \$200.00 per month |
| 2. Activity Fee (all types except for Networking Omnibus Activity Position Files (Omni/SERV)) | \$ 0 .001 per record |
| 3. Networking Omnibus Activity/Position Files (Omni/SERV) | \$2,500 <u>1,500.00</u> monthly file fee for omnibus file transmissions |

I. DTCC Payment aXis³

1. Commission & Fee Settlement

- | | | |
|------|--|---|
| a. | Membership Fee | \$50.00 per month |
| b. | Transaction Fees | |
| i. | For the first 500,000 records submitted each month | \$ <u>0</u> .30 per hundred records, \$50 minimum |
| ii. | For each record in excess of 500,000, but not exceeding 1,000,000 submitted each month | \$ <u>0</u> .20 per hundred records |
| iii. | For each record in excess of 1,000,000 submitted each month | \$ <u>0</u> .10 per hundred records |

2. Invoicing & Fee Settlement

- | | | |
|------|--|-------------------------------------|
| a. | Membership Fee | \$500.00 per month |
| b. | Transaction Fees (excluding Detail Records): | |
| i. | For the first 500,000 records submitted each month | \$ <u>0</u> .10 per record |
| ii. | For each record in excess of 500,000, but not exceeding 1,000,000 submitted each month | \$ <u>0</u> .08 per record |
| iii. | For each record in excess of 1,000,000 submitted each month | \$ <u>0</u> .06 per record |
| c. | Detail Record Fees | |
| i. | For the first 500,000 records submitted each month | \$ <u>0</u> .30 per hundred records |
| ii. | For each record in excess of 500,000, but not exceeding 1,000,000 submitted each month | \$ <u>0</u> .20 per hundred records |
| iii. | For each record in excess of 1,000,000 submitted each month | \$ <u>0</u> .10 per hundred records |

J. Profile

- a. Phase I (price and rate) only \$325.00 per month
- b. Phases I and II ~~\$2,000.00~~ \$1,250.00 per month¹

K. Insurance and Retirement Processing Services^{2, 3}

- 1. Membership Fee \$250.00 per month (will be waived if aggregate Transaction and Other Service Fees in such month equal or exceed \$250.00)
- 2. Transaction Fees
 - a. (i) Positions (Full, New and Retirement Plans)
 - From 0 to 500,000 items/month ~~\$8,006.00~~ per 1,000 items
 - From 500,001 to 2,000,000 items/month ~~\$4,003.50~~ per 1,000 items

¹ Users of Profile II with 25 or fewer funds in their family will receive a ~~\$1,150~~ \$1,000.00 credit per month against the base ~~\$2,000~~ \$1,250.00 per month fee. Thus, the net fee for fund families which meet this criterion will be ~~\$850~~ \$250.00 per month.

² Unless otherwise noted, all Insurance and Retirement Processing Services transaction fees are per side, and both sides are charged for each item. Volume is calculated on an aggregate basis among qualified carrier members or qualified distributor members, as applicable.

Multiple destination fees apply. Participants directing NSCC to deliver Insurance and Retirement Processing Service files to more than two (2) destinations will be charged an additional monthly fee, per product, as follows: (i) Participants directing NSCC to deliver Insurance and Retirement Processing Service files to three (3), four (4) or five (5) destinations will be charged an additional \$50 per month, per product; and (ii) Participants directing NSCC to deliver Insurance and Retirement Processing Service files to more than five (5) destinations will be charged an additional \$100 per month, per product.

³ Extraordinary Event Pricing: if arranged in advance with NSCC, a Participant may qualify for a credit on transaction fees incurred due to extraordinary events such as mergers or mass reconciliations that generate unusually high transaction volume for a limited duration. With respect to transaction types for which the participant has no history of prior usage, the credit is in the amount of 85% of the transaction fees chargeable in respect of the transaction type, with an additional credit in the amount of 5% if the participant continues use of the transaction type after the event. With respect to transaction types for which the participant has a history of prior usage, the credit is in an amount sufficient to produce an aggregate fee for the transaction type that is no more than 120% of the average amount charged to the participant in respect of such transactions in the prior three months.

- From 2,000,001 to 4,000,000 items/month \$3.00 per 1,000 items
 - For 4,000,001 or more items/month ~~\$2.00~~1.25 per 1,000 items
- (ii) Positions (Focused)
- From 0 to 500,000 items/month \$3.00 per 1,000 items
 - From 500,001 to 2,000,000 items/month \$1.50 per 1,000 items
 - From 2,000,001 to 4,000,000 items/month \$1.00 per 1,000 items
 - For 4,000,001 or more items/month \$0.50 per 1,000 items
- b. Asset Pricing
- From 0 to 49,999 items/month \$0.75 per 1,000 items
 - From 50,000 to 249,999 items/month \$0.65 per 1,000 items
 - From 250,000 to 999,999 items/month \$0.55 per 1,000 items
 - More than 999,999 items/month \$0.45 per 1,000 items
- c. Commissions
- From 0 to 999 items/month \$40.00 per 1,000 items
 - From 1,000 to 9,999 items/month \$35.00 per 1,000 items
 - From 10,000 to 29,999 items/month \$30.00 per 1,000 items
 - More than 29,999 items/month \$25.00 per 1,000 items
- d. Initial Application Information (APP)⁴
- From 0 to 1,999 items/month \$1.50 per item
 - From 2,000 to 3,499 items/month \$1.00 per item
 - More than 3,499 items/month \$0.50 per item

⁴ Each initial application with a new business attachment will be subject to a \$0.25 discount.

e.	Subsequent Activity (SUB)	\$0.50 per item	
f.	Financial Activity Report (FAR)	\$0.05 per zero to 100,000 items	
		<u>\$0.04</u> per 100,001 to 150,000 items	
		<u>\$0.03</u> per 150,001 to 200,000 items	
		<u>\$0.02</u> per 200,001 or greater items	
g.	Settlement Processing for Insurance		
	• 0 to 20,000 items/month	\$0.65 (per transaction / per side)	
	• 20,001 to 30,000 items/month	\$0.35 (per transaction / per side)	
	• 30,001 to 40,000 items/month	\$0.25 (per transaction / per side)	
	• More than 40,000 items/month	\$0.15 (per transaction / per side)	
h.	Producer Management Portal		
	1. Distributor Batch Service Fees	\$6,000 per month	
	2. <u>Distributor Subscription Fee</u>	<u>\$1.25 per inquiry, \$6,000 maximum per month</u>	
	3. For Insurance Company providers of producer training completions		
	Band	Number of Active Producers Managed	
		Monthly Fee	
	1	0-999	\$0
	2	1,000-9,999	\$1,000
	3	10,000-49,999	\$3,000
	4	50,000-99,999	\$4,000
	5	100,000-249,999	\$5,000
	6	250,000 +	\$5,000, plus \$0.018 per active producer managed

i. Insurance Profile

(1) Insurance Carrier/Retirement Services Members

Subscription	Monthly Fee
Full Data Subscription	\$3,000
Limited Data Subscription	\$1,500

(2) Members, Mutual Fund/Insurance Services Members and Data Services Only Members

Subscription	Monthly Fee
Full Data Subscription	\$3,000
Limited Data Subscription	\$1,500
Full Data Subscription (User Web Interface Only)	\$500, plus \$1.25 per CUSIP download transaction charge
Limited Data Subscription (User Web Interface Only)	\$250, plus \$1.25 per CUSIP download transaction charge

3. Other Service Fees

TIER	FEE	PRODUCT/SERVICE
TIER 1	\$ <u>0</u> .05	All Attachments (per attachment, per side)-
TIER 2	\$0.15	Licensing and Appointments (L&A) Periodic Reconciliation (per item)
TIER 3	\$0.35	Licensing and Appointments (L&A) Transaction (per item)
		Registered Representative Change Confirm (per transaction, per side)
		Registered Representative Change Request (per transaction, per side)
		Brokerage Identification Number Change Request (per transaction, per side)

		Brokerage Identification Number Change Confirm (per transaction, per side)
		Values Inquiry (per inquiry, per side)*
		Policy Administration inquiry (per inquiry, per side)*
TIER 4	\$0.65	Customer Account Transfer Output (per transaction, charged to Insurance Carrier/Retirement Services Member only)
		Customer Account Transfer Confirm (per transaction, per side)
		Request for Replacement Status (a/k/a Pending Case Status) – Receiving Carrier (per Request for Replacement Status)
		Request for Replacement Status (a/k/a Pending Case Status) – Deliverer (per Request for Replacement Status)
		Time Expired Transaction (per transaction, per side)
TIER 5	\$1.25	Request for Replacement - Delivering Carrier (per request)
		Request for Replacement - Receiving Carrier (per request)
		Producer Management Portal (per inquiry)
		Policy Administration Request (per request, per side)*
		Death Notification Request (per request, per side)*
		Fund Transfer (per request, per side)*
		Withdrawals (per request, per side)*
		Arrangements (per request, per side)*

* For the transactions identified Transaction fees for items above with an asterisk (*) ("IFT Transactions"), entities must pay a minimum monthly fee based on the chosen threshold level as set forth apply per transaction until the Minimum Monthly Fee is reached for the chosen Activity Level (as reflected in the *IN FORCE TRANSACTIONS CHART below). Thereafter, For a participant that has chosen Level 2, Level 3 or Level 4 for a month, when the transaction fees for such month for IFT Transactions exceed the minimum monthly fee for such threshold level, the transaction fees above the minimum monthly fee amount will be discounted at the rate specified for such threshold level are as reflected in the *IN FORCE TRANSACTIONS CHART below.

*IN FORCE TRANSACTIONS CHART

<u>THRESHOLD LEVEL</u> <u>ACTIVITY LEVEL</u>	MINIMUM MONTHLY FEE	<u>TRANSACTION FEE PER TRANSACTION OVERDISCOUNT FOR TRANSACTIONS AFTER FEES EXCEED MINIMUM MONTHLY FEE AMOUNT</u>
		Requests/Inquiries
Level 1	<u>\$250</u> <u>\$1,000</u>	<u>\$1.25/\$.35</u> No Discount <u>(pay base price of \$0.65/\$0.35 for Requests/Inquiries)</u>
Level 2	<u>\$500</u> <u>\$3,000</u>	<u>\$1.00/\$0.285%</u>
Level 3	<u>\$1,000</u> <u>\$5,000</u>	<u>\$0.75/\$0.2110%</u>
<u>Level 4</u>	<u>\$3,000</u>	<u>20%</u>
