

## OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 49

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

File No.\* SR - 2020 - \* 017

Amendment No. (req. for Amendments \*)

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 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

Section 806(e)(1) \*

☐

Section 806(e)(2) \*

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Security-Based Swap Submission pursuant  
 to the Securities Exchange Act of 1934

Section 3C(b)(2) \*

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Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



## Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Enhance Insurance & Retirement Services to provide for a new centralized repository and transactional platform called "Insurance Information Exchange" and make certain clarification changes to the NSCC Rules & Procedures

## 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 \* James Last Name \* Nygard  
 Title \* Director and Assistant General Counsel  
 E-mail \* jnygard@dtcc.com  
 Telephone \* (813) 470-1898 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 09/28/2020

By Nikki Poulos

(Name \*)

Managing Director and Deputy General Counsel

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.

npoulos@dtcc.com

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549	
For complete Form 19b-4 instructions please refer to the EFFF website.	
<div>Form 19b-4 Information *</div> <div>AddRemoveView</div>	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.
<div>Exhibit 1 - Notice of Proposed Rule Change *</div> <div>AddRemoveView</div>	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)
<div>Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</div> <div>AddRemoveView</div>	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)
<div>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</div> <div>AddRemoveView</div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	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.
<div>Exhibit 3 - Form, Report, or Questionnaire</div> <div>AddRemoveView</div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	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.
<div>Exhibit 4 - Marked Copies</div> <div>AddRemoveView</div>	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.
<div>Exhibit 5 - Proposed Rule Text</div> <div>AddRemoveView</div>	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.
<div>Partial Amendment</div> <div>AddRemoveView</div>	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

## 1. Text of Proposed Rule Change

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) is attached hereto as Exhibit 5 and would amend NSCC’s Rules & Procedures (“Rules”)<sup>1</sup> to enhance existing Insurance and Retirement Processing Services (“I&RS”) to (i) provide for a new centralized repository and transactional platform called “Insurance Information Exchange” (“IIEX”) for transmission of data relating to IPS Eligible Products (“I&RS Data”)<sup>2</sup> and (ii) update certain defined terms and the name of I&RS services in the Rules and make certain other clarification changes.

(b) Not applicable.

(c) Not applicable.

## 2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by the Business, Technology & Operations Committee of the Board of Directors of NSCC on June 16, 2020.

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

### (a) Purpose

NSCC is proposing to provide a centralized repository and transactional platform to transmit and receive data relating to I&RS Data. NSCC is also proposing to update certain defined terms and the name of the I&RS services in the Rules to reflect conventional use of such terms and make certain other clarification changes.

### (i) Background

#### *IIEX*

NSCC is proposing to provide I&RS Members (as defined below) and their service providers with a centralized data repository to transmit and receive I&RS Data. Such I&RS Members would include (i) insurance companies that are Insurance Carrier/Retirement Services Members (“Carriers”); and (ii) Carriers’ intermediaries, such as broker-dealers, banks and insurance agencies, that are Members, Mutual Fund/Insurance Services Members and Data Services Only Members that distribute participating Carriers’ insurance products (collectively, “Distributors,” and, together with “Carriers,” collectively referred to herein as “I&RS

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<sup>1</sup> Capitalized terms not defined herein are defined in the Rules, available at [https://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](https://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

<sup>2</sup> An “IPS Eligible Product” is currently defined in the Rules and includes such insurance products, retirement or other benefit plans, or programs that are identified by NSCC as eligible for processing through its I&RS. See Rule 1, supra note 1.

Members”). Some I&RS Members use third-party service providers to send or receive I&RS Data on their behalf. Such third-party service providers are not typically I&RS Members. I&RS Members authorize NSCC to send I&RS Data to the service providers or receive I&RS Data from the service providers on the I&RS Members’ behalf.

I&RS provides for transmission of I&RS Data, including annuity and life insurance policy applications and premiums, licensing and appointments, commission payments, reporting of client positions and valuations, asset pricing, financial activity reporting and annuity customer account transfers.<sup>3</sup> I&RS also provides settlement of post-issue money/funding activities between Carriers and Distributors as well as between Carriers. The aim of these services is to automate and provide seamless end-to-end communication between Carriers, Distributors and their service providers for the sale, processing and money settlement of insurance products nationwide. NSCC does not act as a central counterparty with respect to I&RS services and I&RS services are not guaranteed by NSCC.

Current processing of I&RS Data through I&RS consists of large batch files transmitted and received by I&RS Members and their service providers through I&RS. I&RS acts as a pass through receiving the batch files from I&RS Members and sending them to their counterparts. While effective and efficient, the sheer volume of records processed daily can make it challenging for I&RS Members to pinpoint specific information needed. For example, using Positions & Valuations (“POV”), Carriers send individual and group annuity, life insurance long-term care and retirement income/immediate annuities contract details on a daily, weekly, monthly or other periodic basis to Distributors, giving the Distributors a current snapshot of their entire book of business. Often, depending on the life cycle of a contract or the purpose for the POV data, Distributors will need only a subset of the I&RS Data provided through I&RS by the Carriers.

At the request of and in consultation with industry participants, NSCC developed IIEX, a data repository, that would provide for a centralized collection of I&RS Data, which I&RS Members and their service providers could access and query to gather meaningful information. The data in the IIEX repository would be derived from I&RS Data that is currently being sent by batch files. I&RS Members and their service providers would be able to view and retrieve all or a subset of the information. In IIEX, I&RS will continue to act as a pass through for I&RS Data but will also start storing the I&RS Data in a data repository and allow I&RS Members to transmit, view and retrieve I&RS Data using a user interface and allow I&RS Members and their service providers to transmit, view and retrieve I&RS Data using Application Programming

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<sup>3</sup> The Rules require NSCC to maintain a list of insurance products and retirement or other benefit plans or programs which may be the subject of orders processed through I&RS and may from time to time add IPS Eligible Products to such list or remove IPS Eligible Products therefrom. An IPS Eligible Product must have been assigned a CUSIP number. Section 1(d) of Rule 3, supra note 1.

Interfaces (“APIs) specifically for use with IIEX.<sup>4</sup> IIEX would be an addition to existing services, its use would be voluntary and existing services for Members or their service providers would not be affected by the implementation of IIEX.

I&RS Members that subscribe to IIEX could access IIEX using their same connections that they currently utilize to connect to I&RS or download an API and access IIEX through the API. Service providers that are authorized by I&RS Members to receive data will have access to IIEX using APIs. The APIs could be specifically tailored to help I&RS Members and service providers to make certain types of queries and for different uses.

Currently, each I&RS Member indicates which other I&RS Members and service providers should receive the I&RS Data relating to that I&RS Member and also the type of I&RS Data that should be sent to other I&RS Members and service providers. This process would not change as a result of IIEX and IIEX would not change which parties receive or have access to I&RS Data. As with existing I&RS services, under IIEX only I&RS Members or their designated service providers would have access to an I&RS Member’s I&RS Data and IIEX would contain secure entitlements that would allow only I&RS Members and their service providers to view and download only that I&RS Data from IIEX that they are entitled to receive as indicated by the I&RS Member whose I&RS Data they are receiving.

### ***Changes to the Name of I&RS and Certain Defined Terms***

NSCC is also proposing to update certain defined terms and the name of the I&RS services in the Rules to reflect conventional use of such terms. NSCC is proposing to change the name of I&RS from “Insurance and Retirement Processing Services” to “Insurance & Retirement Services”. In addition, NSCC is proposing to change the term “IPS Data” to “I&RS Data”, change the term “IPS Eligible Products” to “I&RS Eligible Products”, and change the term “MF/IPS Products” to MF/I&RS Products”. NSCC is also proposing to remove the footnote in Rule 57 that states the I&RS was formerly known as the Insurance Processing Service as such information is not necessary.

#### ***(ii) Proposed Rule Changes***

NSCC proposes to amend Rule 57 to add a new feature within I&RS, called Insurance Information Exchange or IIEX, that would enable I&RS Members and their service providers to transmit, view and retrieve I&RS Data using a centralized data repository.<sup>5</sup> IIEX would be an

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<sup>4</sup> An API is a code that allows two software programs to communicate. APIs for IIEX will allow software programs used by I&RS Member and their service providers to communicate with the IIEX repository to transmit, view and retrieve I&RS Data.

<sup>5</sup> Rule 57 generally provides that NSCC will not be responsible for the completeness or accuracy of any data transmitted between NSCC Members through I&RS, nor for any errors, omissions or delays which may occur in the absence of gross negligence on NSCC’s part, in the transmission of such data between NSCC Members. See Rule 57,

optional feature, and I&RS Members would have access to the repository through their existing connection to NSCC or using APIs being developed in connection with the feature. Service providers would have access to IIEX using APIs only, based on authorization by I&RS Members. The subscription would allow for multiple intraday transmission, viewing, and retrieval of I&RS Data to which the I&RS Member or service provider is entitled to receive in the data repository. The proposed rule change would also provide that service providers would be required to enter into such agreements as determined by NSCC to gain access to IIEX, which agreements will include an agreement to pay the fees set forth in the Rules for IIEX.

NSCC also proposes to amend Addendum A of the Rules to include the fees for subscription to IIEX.

### **IIEX Fees for I&RS Members**

IIEX was developed at the request of and in consultation with industry participants and the proposed fees for IIEX were created to pay for the costs of developing IIEX and maintaining IIEX in a manner that would fulfill the requirements for IIEX expected from industry participants consistent with NSCC's cost-based plus markup fee model.<sup>6</sup> Based on financial projections of development and maintenance costs and anticipated participation by I&RS Members and service providers, it is not anticipated that the IIEX costs and revenues will change the overall operating margin percentage of I&RS.

The proposed fee for I&RS Members would be a monthly subscription based on the number of policies an I&RS Member would be able to access in the data repository consistent with the current fee structure for I&RS Data. For instance, transaction fees for Positions are currently based on the number of policies accessed by each side (i.e., the side delivering and the side receiving).<sup>7</sup> Also consistent with the current fee structure, the fees for IIEX will be tiered based on the number of policies to which a participant has access through IIEX.<sup>8</sup> Those I&RS Members or service providers that have access to more policies will pay a higher monthly fee but will pay a reduced fee per policy. For instance, an I&RS Member that has access to 50,000

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Section 1(j), supra note 1. The proposed changes to Rule 57 would be subject to these limitations.

<sup>6</sup> NSCC has in place procedures to control costs and to regularly review pricing levels against costs of operation. NSCC's fees are cost-based plus a markup as approved by its Board of Directors. This markup is applied to recover development costs and operating expenses, and to accumulate capital sufficient to meet regulatory and economic requirements. See NSCC Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures, available at [https://www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/NSCC\\_Disclosure\\_Framework.pdf](https://www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/NSCC_Disclosure_Framework.pdf), at 121.

<sup>7</sup> See Section K.2. of Addendum A of the Rules, supra note 1.

<sup>8</sup> See e.g., Positions fees which are tiered based on the number of items (i.e., policies) are sent or delivered. Id.

policies through IIEX will pay a monthly fee of \$1,500 which would be 3 cents per policy (\$1,500/50,000). An I&RS Member that has access to 200,000 policies through IIEX would pay a higher fee of \$2,000 per month which would be 1 cent per policy (\$2,000/200,000). As the number of policies a participant has access to increases, the monthly fee increases by tier but the price per policy decreases as more policies are accessed through each tier level. This is consistent with the anticipated costs of developing and maintaining IIEX. The incremental costs to NSCC of adding a policy to the IIEX repository is not exactly linear. For instance, while it will cost more to house 100,000 policies than it does to house 50,000 policies in the IIEX repository, it will not cost twice as much. In addition, as discussed above the fees were intended to cover the costs of developing and maintaining IIEX in accordance with NSCC's cost-based plus markup fee model.<sup>9</sup> The fee structure for existing services will not be affected by the new fees for IIEX.

This fee structure is designed to cover the costs of developing and maintaining IIEX.

Fees for I&RS Members that subscribe to IIEX would be as follows:

<u>Number of Policies</u>	<u>Monthly Fee</u>
0 – 50,000	\$1,500
50,001 – 200,000	\$2,000
200,001 – 400,000	\$3,000
Greater than 400,000	\$5,000

#### **IIEX Fees for Service Providers**

The proposed fee for service providers, that would only have access to IIEX through APIs, would be half the fees charged to I&RS Members and would also be based on the number of policies the service providers would be able to access in the data repository. Service providers are being charged half of the fees of I&RS Members for IIEX because they will only have access to APIs and the costs for developing and maintaining APIs is less than the costs for developing and maintaining IIEX for direct access for I&RS Members. Fees for service providers that subscribe to IIEX would be as follows:

<u>Number of Policies</u>	<u>Monthly Fee</u>
0 – 50,000	\$750
50,001 – 200,000	\$1,000
200,001 – 400,000	\$1,500
Greater than 400,000	\$2,500

For instance, if a Carrier subscribes and has access to 49,000 policies, the monthly fee for that Carrier would \$1,500 because it is an I&RS Member. If a Distributor subscribes and is provided access only to such Carrier's 49,000 policies, the monthly fee for the Distributor would also be \$1,500 because it is an I&RS Member. If a service provider subscribes and is provided access only to such Carrier's 49,000 policies, the monthly fee for the service provider would be

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<sup>9</sup> See supra note 6.

\$750.

### **Proposed Name Changes and Clarification Changes**

NSCC would also amend NSCC's Rules to reflect the proposed name change of I&RS to Insurance & Retirement Services and change the term "IPS Data" to "I&RS Data", change the term "IPS Eligible Products" to "I&RS Eligible Products", and change the term "MF/IPS Products" to "MF/I&RS Products". NSCC would also remove the footnote in Rule 57 that states the I&RS was formerly known as the Insurance Processing Service as such information is not necessary. Such changes would be made in several places in the Rules.

#### **(iii) Implementation Timeframe**

NSCC would implement the proposed changes by no later than November 30, 2020. In connection with the development of IIEX, NSCC worked with a group of I&RS Members (the "Pilot Group") to determine the requirements for IIEX that would be expected from industry participants. IIEX would initially be offered only to I&RS Members that are members of the Pilot Group in November 2020 in order to finalize testing in a production environment. For their assistance in the development of IIEX and assistance in the initial testing in production data, NSCC would not charge members of the Pilot Group for IIEX until the first full month that IIEX is available to the Pilot Group in a production environment, which is anticipated to be December 2020. IIEX would be offered to all I&RS Members and their service providers beginning January 1, 2021.

As proposed, legends would be added to the Rules stating there are changes that became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. Each proposed legend also would include a date by 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 Rules & Procedures.

In addition, a footnote would be added to the description of IIEX in Rule 57 that states that IIEX will initially be offered only to I&RS Members that are members of the Pilot Group, that NSCC will offer IIEX to members of the Pilot Group in November 2020 in order to finalize testing in a production environment, that NSCC will not charge the members of the Pilot Group until the first full month that IIEX is available to the Pilot Group in a production environment which is anticipated to be December 2020 and that on January 1, 2021, IIEX will be offered to all I&RS Members and their service providers pursuant to Rule 57 and the footnote will automatically be removed from Rule 57.

#### **(b) Statutory Basis**

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 ("Act"),<sup>10</sup> requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. The changes to the name of I&RS to "Insurance & Retirement Services", the change of the defined terms discussed above and the removal of the footnote relating to the

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<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).



former name of I&RS are consistent with this provision because the proposed clarification changes would enhance clarity and transparency for participants with respect to services offered by NSCC allowing I&RS Members to have a better understanding of the Rules relating to I&RS. The name changes would reflect current uses of the terms used within I&RS and removing unnecessary language will help to clarify the Rules. Having clear and accurate Rules would help I&RS Members to better understand their rights and obligations regarding NSCC's services. NSCC believes that when I&RS Members better understand their rights and obligations regarding NSCC's services, they can act in accordance with the Rules. NSCC believes that better enabling I&RS Members to comply with the Rules would promote the prompt and accurate clearance and settlement of securities transactions by NSCC consistent with the requirements of the Act, in particular Section 17A(b)(3)(F) of the Act.<sup>11</sup>

Section 17A(b)(3)(D) of the Act<sup>12</sup> requires that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. NSCC believes that the proposed rule change to Addendum A is consistent with this provision of the Act because the proposed fees would align with the cost of building and delivering the proposed IIEX repository to I&RS Members and their service providers consistent with NSCC's cost-based plus markup fee model.<sup>13</sup> NSCC believes the proposed changes to the fee are equitable because they would apply uniformly to all Members and service providers 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 developing and maintaining IIEX. Based on financial projections of development and maintenance costs and anticipated participation by I&RS Members and service providers, it is not anticipated that the IIEX costs and revenues will change the overall operating margin percentage of I&RS. Therefore, by establishing fees that align with the cost of delivery of this feature and allocating those fees equitably among the subscribing users, the proposed rule change would provide for the equitable allocation of reasonable dues, fees and other charges among its participants consistent with the requirements of Section 17A(b)(3)(D) of the Act.<sup>14</sup>

In addition, the proposed rule change is designed to comply with Rule 17Ad-22(e)(21) promulgated under the Act.<sup>15</sup> Rule 17Ad-22(e)(21) under the Act requires NSCC to, inter alia, establish, implement, maintain and enforce written policies and procedures reasonably designed to be efficient and effective in meeting the requirements of its participants and the markets it serves. The proposed rule change would enhance the ability of I&RS Members and their service providers to transmit, view and retrieve I&RS Data in a secure, centralized location. IIEX would provide I&RS Members and their service providers a more efficient method of transmitting,

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<sup>11</sup> Id.

<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>13</sup> See supra note 6.

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>15</sup> 17 CFR 240.17Ad-22(e)(21).

viewing and retrieving I&RS Data and enable I&RS Members and their service providers to provide data necessary for transacting business more quickly and in a more streamlined manner. Therefore, by establishing a more efficient and effective process for data providers to deliver, and data receivers to receive, I&RS Data, NSCC believes that the proposed change is consistent with the requirements of Rule 17Ad-22(e)(21), promulgated under the Act.<sup>16</sup>

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

NSCC does not believe that the proposed rule change would have any adverse impact, or impose any burden, on competition because the proposed rule change would add an optional function to NSCC's services that would provide a more efficient method by which subscribing Carriers and Distributors and their service providers may transmit, view and retrieve I&RS Data. IIEX would not affect the type of I&RS Data that I&RS Members or their service providers are able to transmit, view and retrieve pursuant to I&RS, it would only affect the manner in which I&RS Members and service providers may transmit, view and retrieve I&RS Data. IIEX would not affect services for I&RS Members or service providers that do not subscribe to IIEX and they would transmit, view and retrieve I&RS Data in the same manner as they currently transmit, view and retrieve I&RS Data. The fees for IIEX were designed to be reasonable and align with the projected cost of building and operating the IIEX repository and APIs. Therefore, as an optional feature available for subscription, the proposed rule change would not disproportionately impact any NSCC Members, have any effect on existing NSCC services other than to add a new method of transmitting, viewing and retrieving I&RS Data, nor have any adverse impact on competition.

Moreover, because the proposed rule change would improve the efficiency by which subscribing I&RS Members and their service providers may view, transmit and retrieve I&RS Data, the proposed rule change may have a positive effect on competition among Carriers and Distributors. The proposed feature would provide these firms with a faster, more streamlined method of transmitting and receiving I&RS Data, and therefore could enable IPS Eligible Products to be marketed more quickly. Specifically, Distributors could have the ability to distribute IPS Eligible Products into the market to consumers more quickly because Distributors would have the ability to obtain information with respect to these products in a quicker, more efficient manner. NSCC does not believe that offering early access to IIEX to members of the Pilot Group for testing in the production environment will have any impact on competition. While such members will be able to access data in IIEX earlier than other I&RS Members, NSCC does not believe the early access to the data in the new repository for less than two months will have any appreciable effect on the market for such data or competition.

NSCC does not believe that the proposed changes to the name of I&RS or to the defined terms as described above, or the removal of the footnote explaining the former name of I&RS, would have any impact on competition because such changes are clarifications of the Rules which would improve the Member's understanding of the Rules and would not otherwise affect the rights or obligations of I&RS Members.

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<sup>16</sup>

Id.

**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 Securities and Exchange Commission (“Commission”) of any written comments it receives.

**6. Extension of Time Period for Commission Action**

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

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

(a) The proposed rule change is to take effect immediately upon filing pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and subparagraphs (f)(2)<sup>18</sup> and (f)(4)<sup>19</sup> of Rule 19b-4 under the Act.

(b) With respect to the proposed fees for IIEX, the proposed rule change establishes or changes a due, fee, or other charge under Rule 19b-4(f)(2).<sup>20</sup> With respect to the new proposed IIEX feature, under Rule 19b-4(f)(4) the proposed rule change constitutes a change in an existing service of a registered clearing agency that (i) does 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) does not significantly affect the respective rights or obligations of the clearing agency or persons using the service because the proposed rule change merely enhances the I&RS services to add an optional function to transmit, view and retrieve I&RS Data using a centralized repository rather than batch files.<sup>21</sup>

The proposed changes to the name of I&RS and the defined terms described above, and the removal of the footnote describing the former name of I&RS, are clarifying in nature and do not change any of the existing business practices of NSCC or affect the rights or obligations of NSCC or I&RS Members. Therefore, the proposed rule change would not (i) adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for

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<sup>17</sup> 15 U.S.C 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(2).

<sup>19</sup> 17 CFR 240.19b-4(f)(4).

<sup>20</sup> 17 CFR 240.19b-4(f)(2).

<sup>21</sup> 17 CFR 240.19b-4(f)(4).

which it is responsible or (ii) significantly affect the rights or obligations of NSCC or NSCC participants consistent with Rule 19b-4(f)(4).<sup>22</sup>

(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 Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

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 – IIEX Pricing Methodology. **Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 3 is being requested pursuant to 17 CFR 240.24b-2.**

Exhibit 4 – Not applicable.

Exhibit 5 – Text of the proposed rule change to the Rules.

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<sup>22</sup>

Id.

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_]; File No. SR-NSCC-2020-017)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Enhance the Insurance and Retirement Processing Services to Provide for a New Centralized Repository and Transactional Platform Called “Insurance Information Exchange” and Make Certain Clarification Changes to the NSCC Rules & Procedures.

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 September \_\_, 2020, 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 subparagraphs (f)(2)<sup>4</sup> and (f)(4)<sup>5</sup> of Rule 19b-4 thereunder. 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 NSCC’s Rules & Procedures (“Rules”)<sup>6</sup> to enhance existing Insurance and Retirement Processing Services (“I&RS”) to (i)

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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).

<sup>5</sup> 17 CFR 240.19b-4(f)(4).

<sup>6</sup> Capitalized terms not defined herein are defined in the Rules, available at

provide for a new centralized repository and transactional platform called “Insurance Information Exchange” (“IIEX”) for transmission of data relating to IPS Eligible Products (“I&RS Data”)<sup>7</sup> and (ii) update certain defined terms and the name of I&RS services in the Rules and make certain other clarification changes.

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

NSCC is proposing to provide a centralized repository and transactional platform to transmit and receive data relating to I&RS Data. NSCC is also proposing to update certain defined terms and the name of the I&RS services in the Rules to reflect conventional use of such terms and make certain other clarification changes.

(i) Background

*IIEX*

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[https://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](https://www.dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

<sup>7</sup> An “IPS Eligible Product” is currently defined in the Rules and includes such insurance products, retirement or other benefit plans, or programs that are identified by NSCC as eligible for processing through its I&RS. See Rule 1, supra note 6.

NSCC is proposing to provide I&RS Members (as defined below) and their service providers with a centralized data repository to transmit and receive I&RS Data. Such I&RS Members would include (i) insurance companies that are Insurance Carrier/Retirement Services Members (“Carriers”); and (ii) Carriers’ intermediaries, such as broker-dealers, banks and insurance agencies, that are Members, Mutual Fund/Insurance Services Members and Data Services Only Members that distribute participating Carriers’ insurance products (collectively, “Distributors,” and, together with “Carriers,” collectively referred to herein as “I&RS Members”). Some I&RS Members use third-party service providers to send or receive I&RS Data on their behalf. Such third-party service providers are not typically I&RS Members. I&RS Members authorize NSCC to send I&RS Data to the service providers or receive I&RS Data from the service providers on the I&RS Members’ behalf.

I&RS provides for transmission of I&RS Data, including annuity and life insurance policy applications and premiums, licensing and appointments, commission payments, reporting of client positions and valuations, asset pricing, financial activity reporting and annuity customer account transfers.<sup>8</sup> I&RS also provides settlement of post-issue money/funding activities between Carriers and Distributors as well as between Carriers. The aim of these services is to automate and provide seamless end-to-end communication between Carriers, Distributors and their service providers for the sale,

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<sup>8</sup> The Rules require NSCC to maintain a list of insurance products and retirement or other benefit plans or programs which may be the subject of orders processed through I&RS and may from time to time add IPS Eligible Products to such list or remove IPS Eligible Products therefrom. An IPS Eligible Product must have been assigned a CUSIP number. Section 1(d) of Rule 3, supra note 6.

processing and money settlement of insurance products nationwide. NSCC does not act as a central counterparty with respect to I&RS services and I&RS services are not guaranteed by NSCC.

Current processing of I&RS Data through I&RS consists of large batch files transmitted and received by I&RS Members and their service providers through I&RS. I&RS acts as a pass through receiving the batch files from I&RS Members and sending them to their counterparts. While effective and efficient, the sheer volume of records processed daily can make it challenging for I&RS Members to pinpoint specific information needed. For example, using Positions & Valuations (“POV”), Carriers send individual and group annuity, life insurance long-term care and retirement income/immediate annuities contract details on a daily, weekly, monthly or other periodic basis to Distributors, giving the Distributors a current snapshot of their entire book of business. Often, depending on the life cycle of a contract or the purpose for the POV data, Distributors will need only a subset of the I&RS Data provided through I&RS by the Carriers.

At the request of and in consultation with industry participants, NSCC developed IIEX, a data repository, that would provide for a centralized collection of I&RS Data, which I&RS Members and their service providers could access and query to gather meaningful information. The data in the IIEX repository would be derived from I&RS Data that is currently being sent by batch files. I&RS Members and their service providers would be able to view and retrieve all or a subset of the information. In IIEX, I&RS will continue to act as a pass through for I&RS Data but will also start storing the I&RS Data in a data repository and allow I&RS Members to transmit, view and retrieve



I&RS Data using a user interface and allow I&RS Members and their service providers to transmit, view and retrieve I&RS Data using Application Programming Interfaces (“APIs) specifically for use with IIEX.<sup>9</sup> IIEX would be an addition to existing services, its use would be voluntary and existing services for Members or their service providers would not be affected by the implementation of IIEX.

I&RS Members that subscribe to IIEX could access IIEX using their same connections that they currently utilize to connect to I&RS or download an API and access IIEX through the API. Service providers that are authorized by I&RS Members to receive data will have access to IIEX using APIs. The APIs could be specifically tailored to help I&RS Members and service providers to make certain types of queries and for different uses.

Currently, each I&RS Member indicates which other I&RS Members and service providers should receive the I&RS Data relating to that I&RS Member and also the type of I&RS Data that should be sent to other I&RS Members and service providers. This process would not change as a result of IIEX and IIEX would not change which parties receive or have access to I&RS Data. As with existing I&RS services, under IIEX only I&RS Members or their designated service providers would have access to an I&RS Member’s I&RS Data and IIEX would contain secure entitlements that would allow only I&RS Members and their service providers to view and download only that I&RS Data from IIEX that they are entitled to receive as indicated by the I&RS Member whose

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<sup>9</sup> An API is a code that allows two software programs to communicate. APIs for IIEX will allow software programs used by I&RS Member and their service providers to communicate with the IIEX repository to transmit, view and retrieve I&RS Data.

I&RS Data they are receiving.

***Changes to the Name of I&RS and Certain Defined Terms***

NSCC is also proposing to update certain defined terms and the name of the I&RS services in the Rules to reflect conventional use of such terms. NSCC is proposing to change the name of I&RS from “Insurance and Retirement Processing Services” to “Insurance & Retirement Services”. In addition, NSCC is proposing to change the term “IPS Data” to “I&RS Data”, change the term “IPS Eligible Products” to “I&RS Eligible Products”, and change the term “MF/IPS Products” to “MF/I&RS Products”. NSCC is also proposing to remove the footnote in Rule 57 that states the I&RS was formerly known as the Insurance Processing Service as such information is not necessary.

**(ii) Proposed Rule Changes**

NSCC proposes to amend Rule 57 to add a new feature within I&RS, called Insurance Information Exchange or IIEX, that would enable I&RS Members and their service providers to transmit, view and retrieve I&RS Data using a centralized data repository.<sup>10</sup> IIEX would be an optional feature, and I&RS Members would have access to the repository through their existing connection to NSCC or using APIs being developed in connection with the feature. Service providers would have access to IIEX using APIs only, based on authorization by I&RS Members. The subscription would allow for multiple intraday transmission, viewing, and retrieval of I&RS Data to which the I&RS Member or service provider is entitled to receive in the data repository. The

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<sup>10</sup> Rule 57 generally provides that NSCC will not be responsible for the completeness or accuracy of any data transmitted between NSCC Members through I&RS, nor for any errors, omissions or delays which may occur in the absence of gross negligence on NSCC’s part, in the transmission of such data between NSCC Members. See Rule 57, Section 1(j), supra note 6. The proposed changes to Rule 57 would be subject to these limitations.

proposed rule change would also provide that service providers would be required to enter into such agreements as determined by NSCC to gain access to IIEX, which agreements will include an agreement to pay the fees set forth in the Rules for IIEX.

NSCC also proposes to amend Addendum A of the Rules to include the fees for subscription to IIEX.

### **IIEX Fees for I&RS Members**

IIEX was developed at the request of and in consultation with industry participants and the proposed fees for IIEX were created to pay for the costs of developing IIEX and maintaining IIEX in a manner that would fulfill the requirements for IIEX expected from industry participants consistent with NSCC's cost-based plus markup fee model.<sup>11</sup> Based on financial projections of development and maintenance costs and anticipated participation by I&RS Members and service providers, it is not anticipated that the IIEX costs and revenues will change the overall operating margin percentage of I&RS.

The proposed fee for I&RS Members would be a monthly subscription based on the number of policies an I&RS Member would be able to access in the data repository consistent with the current fee structure for I&RS Data. For instance, transaction fees for Positions are currently based on the number of policies accessed by each side (i.e., the

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<sup>11</sup> NSCC has in place procedures to control costs and to regularly review pricing levels against costs of operation. NSCC's fees are cost-based plus a markup as approved by its Board of Directors. This markup is applied to recover development costs and operating expenses, and to accumulate capital sufficient to meet regulatory and economic requirements. See NSCC Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures, available at [https://www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/NSCC\\_Disclosure\\_Framework.pdf](https://www.dtcc.com/-/media/Files/Downloads/legal/policy-and-compliance/NSCC_Disclosure_Framework.pdf), at 121.

side delivering and the side receiving).<sup>12</sup> Also consistent with the current fee structure, the fees for IIEX will be tiered based on the number of policies to which a participant has access through IIEX.<sup>13</sup> Those I&RS Members or service providers that have access to more policies will pay a higher monthly fee but will pay a reduced fee per policy. For instance, an I&RS Member that has access to 50,000 policies through IIEX will pay a monthly fee of \$1,500 which would be 3 cents per policy ( $\$1,500/50,000$ ). An I&RS Member that has access to 200,000 policies through IIEX would pay a higher fee of \$2,000 per month which would be 1 cent per policy ( $\$2,000/200,000$ ). As the number of policies a participant has access to increases, the monthly fee increases by tier but the price per policy decreases as more policies are accessed through each tier level. This is consistent with the anticipated costs of developing and maintaining IIEX. The incremental costs to NSCC of adding a policy to the IIEX repository is not exactly linear. For instance, while it will cost more to house 100,000 policies than it does to house 50,000 policies in the IIEX repository, it will not cost twice as much. In addition, as discussed above the fees were intended to cover the costs of developing and maintaining IIEX in accordance with NSCC's cost-based plus markup fee model.<sup>14</sup> The fee structure for existing services will not be affected by the new fees for IIEX.

This fee structure is designed to cover the costs of developing and maintaining IIEX.

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<sup>12</sup> See Section K.2. of Addendum A of the Rules, supra note 6.

<sup>13</sup> See e.g., Positions fees which are tiered based on the number of items (i.e., policies) are sent or delivered. Id.

<sup>14</sup> See supra note 11.

Fees for I&RS Members that subscribe to IIEX would be as follows:

<u>Number of Policies</u>	<u>Monthly Fee</u>
0 – 50,000	\$1,500
50,001 – 200,000	\$2,000
200,001 – 400,000	\$3,000
Greater than 400,000	\$5,000

### **IIEX Fees for Service Providers**

The proposed fee for service providers, that would only have access to IIEX through APIs, would be half the fees charged to I&RS Members and would also be based on the number of policies the service providers would be able to access in the data repository. Service providers are being charged half of the fees of I&RS Members for IIEX because they will only have access to APIs and the costs for developing and maintaining APIs is less than the costs for developing and maintaining IIEX for direct access for I&RS Members. Fees for service providers that subscribe to IIEX would be as follows:

<u>Number of Policies</u>	<u>Monthly Fee</u>
0 – 50,000	\$750
50,001 – 200,000	\$1,000
200,001 – 400,000	\$1,500
Greater than 400,000	\$2,500

For instance, if a Carrier subscribes and has access to 49,000 policies, the monthly fee for that Carrier would \$1,500 because it is an I&RS Member. If a Distributor subscribes and is provided access only to such Carrier's 49,000 policies, the monthly fee for the Distributor would also be \$1,500 because it is an I&RS Member. If a service provider subscribes and is provided access only to such Carrier's 49,000 policies, the monthly fee for the service provider would be \$750.

### **Proposed Name Changes and Clarification Changes**

NSCC would also amend NSCC's Rules to reflect the proposed name change of I&RS to Insurance & Retirement Services and change the term "IPS Data" to "I&RS Data", change the term "IPS Eligible Products" to "I&RS Eligible Products", and change the term "MF/IPS Products" to MF/I&RS Products". NSCC would also remove the footnote in Rule 57 that states the I&RS was formerly known as the Insurance Processing Service as such information is not necessary. Such changes would be made in several places in the Rules.

#### **(iii) Implementation Timeframe**

NSCC would implement the proposed changes by no later than November 30, 2020. In connection with the development of IIEX, NSCC worked with a group of I&RS Members (the "Pilot Group") to determine the requirements for IIEX that would be expected from industry participants. IIEX would initially be offered only to I&RS Members that are members of the Pilot Group in November 2020 in order to finalize testing in a production environment. For their assistance in the development of IIEX and assistance in the initial testing in production data, NSCC would not charge members of the Pilot Group for IIEX until the first full month that IIEX is available to the Pilot Group in a production environment, which is anticipated to be December 2020. IIEX would be offered to all I&RS Members and their service providers beginning January 1, 2021.

As proposed, legends would be added to the Rules stating there are changes that became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. Each proposed legend also would include a date by 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 Rules

& Procedures.

In addition, a footnote would be added to the description of IIEX in Rule 57 that states that IIEX will initially be offered only to I&RS Members that are members of the Pilot Group, that NSCC will offer IIEX to members of the Pilot Group in November 2020 in order to finalize testing in a production environment, that NSCC will not charge the members of the Pilot Group until the first full month that IIEX is available to the Pilot Group in a production environment which is anticipated to be December 2020 and that on January 1, 2021, IIEX will be offered to all I&RS Members and their service providers pursuant to Rule 57 and the footnote will automatically be removed from Rule 57.

## 2. Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>15</sup> requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. The changes to the name of I&RS to “Insurance & Retirement Services”, the change of the defined terms discussed above and the removal of the footnote relating to the former name of I&RS are consistent with this provision because the proposed clarification changes would enhance clarity and transparency for participants with respect to services offered by NSCC allowing I&RS Members to have a better understanding of the Rules relating to I&RS. The name changes would reflect current uses of the terms used within I&RS and removing unnecessary language will help to clarify the Rules. Having clear and accurate Rules would help I&RS Members to better understand their rights and obligations regarding NSCC’s services. NSCC believes that when I&RS Members better understand their rights and obligations regarding NSCC’s services, they can act in

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

accordance with the Rules. NSCC believes that better enabling I&RS Members to comply with the Rules would promote the prompt and accurate clearance and settlement of securities transactions by NSCC consistent with the requirements of the Act, in particular Section 17A(b)(3)(F) of the Act.<sup>16</sup>

Section 17A(b)(3)(D) of the Act<sup>17</sup> requires that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. NSCC believes that the proposed rule change to Addendum A is consistent with this provision of the Act because the proposed fees would align with the cost of building and delivering the proposed IIEX repository to I&RS Members and their service providers consistent with NSCC's cost-based plus markup fee model.<sup>18</sup> NSCC believes the proposed changes to the fee are equitable because they would apply uniformly to all Members and service providers 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 developing and maintaining IIEX. Based on financial projections of development and maintenance costs and anticipated participation by I&RS Members and service providers, it is not anticipated that the IIEX costs and revenues will change the overall operating margin percentage of I&RS. Therefore, by establishing fees that align with the cost of delivery of this feature and allocating those fees equitably among the subscribing users, the proposed rule change would provide for the equitable allocation of reasonable dues,

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<sup>16</sup> Id.

<sup>17</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>18</sup> See supra note 11.



fees and other charges among its participants consistent with the requirements of Section 17A(b)(3)(D) of the Act.<sup>19</sup>

In addition, the proposed rule change is designed to comply with Rule 17Ad-22(e)(21) promulgated under the Act.<sup>20</sup> Rule 17Ad-22(e)(21) under the Act requires NSCC to, inter alia, establish, implement, maintain and enforce written policies and procedures reasonably designed to be efficient and effective in meeting the requirements of its participants and the markets it serves. The proposed rule change would enhance the ability of I&RS Members and their service providers to transmit, view and retrieve I&RS Data in a secure, centralized location. IEX would provide I&RS Members and their service providers a more efficient method of transmitting, viewing and retrieving I&RS Data and enable I&RS Members and their service providers to provide data necessary for transacting business more quickly and in a more streamlined manner. Therefore, by establishing a more efficient and effective process for data providers to deliver, and data receivers to receive, I&RS Data, NSCC believes that the proposed change is consistent with the requirements of Rule 17Ad-22(e)(21), promulgated under the Act.<sup>21</sup>

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

NSCC does not believe that the proposed rule change would have any adverse impact, or impose any burden, on competition because the proposed rule change would add an optional function to NSCC's services that would provide a more efficient method by which subscribing Carriers and Distributors and their service providers may

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

<sup>20</sup> 17 CFR 240.17Ad-22(e)(21).

<sup>21</sup> Id.

transmit, view and retrieve I&RS Data. IIEX would not affect the type of I&RS Data that I&RS Members or their service providers are able to transmit, view and retrieve pursuant to I&RS, it would only affect the manner in which I&RS Members and service providers may transmit, view and retrieve I&RS Data. IIEX would not affect services for I&RS Members or service providers that do not subscribe to IIEX and they would transmit, view and retrieve I&RS Data in the same manner as they currently transmit, view and retrieve I&RS Data. The fees for IIEX were designed to be reasonable and align with the projected cost of building and operating the IIEX repository and APIs. Therefore, as an optional feature available for subscription, the proposed rule change would not disproportionately impact any NSCC Members, have any effect on existing NSCC services other than to add a new method of transmitting, viewing and retrieving I&RS Data, nor have any adverse impact on competition.

Moreover, because the proposed rule change would improve the efficiency by which subscribing I&RS Members and their service providers may view, transmit and retrieve I&RS Data, the proposed rule change may have a positive effect on competition among Carriers and Distributors. The proposed feature would provide these firms with a faster, more streamlined method of transmitting and receiving I&RS Data, and therefore could enable IPS Eligible Products to be marketed more quickly. Specifically, Distributors could have the ability to distribute IPS Eligible Products into the market to consumers more quickly because Distributors would have the ability to obtain information with respect to these products in a quicker, more efficient manner. NSCC does not believe that offering early access to IIEX to members of the Pilot Group for testing in the production environment will have any impact on competition. While such

members will be able to access data in IIEX earlier than other I&RS Members, NSCC does not believe the early access to the data in the new repository for less than two months will have any appreciable effect on the market for such data or competition.

NSCC does not believe that the proposed changes to the name of I&RS or to the defined terms as described above, or the removal of the footnote explaining the former name of I&RS, would have any impact on competition because such changes are clarifications of the Rules which would improve the Member's understanding of the Rules and would not otherwise affect the rights or obligations of I&RS 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 it receives.

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>22</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>23</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.

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<sup>22</sup> 15 U.S.C 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f).

#### 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-2020-017 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-2020-017. 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-2020-017 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>24</sup>

Secretary

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<sup>24</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 3**

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## RULES & PROCEDURES

### TEXT OF PROPOSED RULE CHANGE

**Bold and underlined text** indicates proposed added language.

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



## NATIONAL SECURITIES CLEARING CORPORATION RULES

### RULE 1. DEFINITIONS AND DESCRIPTIONS

**[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf](https://www.dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf). These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]**

\* \* \*

*He, him, his*

The words “he”, “him” and “his” shall include partnerships, corporations or other organizations or entities, as well as individuals, when the context so requires.

#### **I&RS Eligible Product**

**The term “I&RS Eligible Product” means an insurance product or a retirement or other benefit plan or program included in the list for which provision is made in Section 1.(d) of Rule 3.**

*Id Net Subscriber*

The term “ID Net Subscriber” has the meaning specified in Rule 65.

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#### **IPS Eligible Product**

**The term “IPS Eligible Product” means an insurance product or a retirement or other benefit plan or program included in the list for which provision is made in Section 1.(d) of Rule 3.**

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### RULE 2. MEMBERS AND LIMITED MEMBERS

**[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf](https://www.dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf). These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]**

\* \* \*

## SEC. 2. Membership Types

The Corporation shall have the following membership types:

(i) Member -

A Member, unless otherwise limited by the Corporation pursuant to these Rules, may generally access all services made available by the Corporation. Only Members shall be entitled to settle contracts through the Corporation and to participate in the Comparison and Recording Operation and Accounting Operation.

(ii) Limited Members -

In addition to Members, upon the request of an applicant, the Corporation may approve an application by a Person to become a Limited Member, whose use of the Corporation's services is limited to those services specified by the Corporation. Such Limited Members will be termed as follows:

(a) Data Services Only Member –

Participates solely in the transmission of data and information, and shall utilize only those features of services that the Corporation may, from time to time, expressly designate as eligible for access by a Data Services Only Member.

(b) Fund Member –

Participates in the Corporation's Mutual Fund Services, acting as a mutual fund's 1) principal underwriter, 2) co-distributor, 3) sub-distributor, or 4) an entity that is otherwise authorized to process transactions on behalf of a mutual fund.

(c) Insurance Carrier/Retirement Services Member -

Participates in the Corporation's Insurance ~~and~~ Retirement ~~Processing~~ Services as provided for in Rule 57.

(d) Municipal Comparison Only Member –

Participates in the Corporation's Comparison Operation, solely for the comparison of municipal securities transactions.

(e) Mutual Fund/Insurance Services Member -

Participates in the Corporation's Mutual Fund Services and Insurance ~~and~~ Retirement ~~Processing~~ Services as provided for in Rules 52 and 57.

\* \* \*

RULE 2A. INITIAL MEMBERSHIP REQUIREMENTS

**[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf](https://dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf). These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]**

SEC. 1. ELIGIBILITY FOR MEMBERSHIP

\* \* \*

E. Membership and Other Agreements

Each applicant to become a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member, Fund Member, Third Party Administrator Member, Third Party Provider Member, Investment Manager/Agent Member, AIP Member or Data Services Only Member shall sign and deliver to the Corporation an instrument in writing whereby the applicant shall agree, among other things:

- (a) That the only services or systems which the participant may utilize are those that are permitted by the Corporation. If the participant intends only to use the (i) AIP Services, (ii) Mutual Fund Services and/or (iii) the Insurance ~~and~~ Retirement ~~Processing~~ Services, that the participant will so limit its activities at the Corporation;

\* \* \*

RULE 3. LISTS TO BE MAINTAINED

**[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf](https://dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf). These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]**

\* \* \*

SEC. 1. (a) The Corporation shall maintain a list of the securities which may be the subject of contracts cleared through the Corporation (hereinafter referred to as "Cleared Securities"), and may from time to time add securities to such list or remove securities therefrom. Unless the Corporation shall otherwise determine, Cleared Securities may only be those issues of securities the issuer of which is subject to, or regularly complies with, Rule 10b-17 of the Securities and Exchange Commission, promulgated pursuant to the Securities Exchange Act of 1934, as amended. The Corporation shall accept an issue of securities as a Cleared Security only upon a determination by the Corporation that it has the existing operational capability to do so and to continue successfully to provide its services to Members.

\* \* \*

(d) The Corporation shall maintain a list of insurance products and retirement or other benefit plans or programs which may be the subject of orders processed through the Insurance ~~and~~ Retirement ~~Processing~~ Services (hereinafter referred to as "~~IPSI&RS~~ Eligible Products") and may from time to time add ~~IPSI&RS~~ Eligible Products to such list or remove ~~IPSI&RS~~ Eligible Products therefrom. An ~~IPSI&RS~~ Eligible Product must have been assigned a CUSIP number.

\* \* \*

#### RULE 4. CLEARING FUND

**[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf](https://dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf). These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]**

\* \* \*

SEC. 14. *Insurance Deposits.* Each Mutual Fund/Insurance Services Member that uses the Insurance ~~and~~ Retirement ~~Processing~~ Services and each Insurance Carrier/Retirement Services Member (collectively, "Insurance Participants") may be required to make a cash deposit to the Clearing Fund in the amounts determined in accordance with Procedure XV and other applicable Rules and Procedures (its "Insurance Deposit" and, unless specified otherwise, for the purposes of these Rules and Procedures, Required Fund Deposits shall include Insurance Deposits).

If any Insurance Participant fails to satisfy any obligation to the Corporation relating to the Insurance ~~and~~ Retirement ~~Processing~~ Services, the Corporation shall first apply such Insurance Participant's Insurance Deposit. If after such application any loss or liability remains, the Corporation shall next allocate such remaining loss or liability to the other Insurance Participants in successive rounds of loss allocations, in each case up to the aggregate of Insurance Deposits from non-defaulting Insurance Participants and, after the first such round, Insurance Participants that have not submitted a Loss

Allocation Withdrawal Notice in accordance with Section 6 of this Rule, following the procedures and subject to the timeframes set forth in Sections 4 and 6 of this Rule as if such Insurance Participants are Members. If any loss or liability remains thereafter and there are no continuing Insurance Participants, the Corporation shall proceed with loss allocations to Members for a Defaulting Member Event as set forth in Section 4 of this Rule. The application of any Insurance Participant's Insurance Deposit shall not affect any other right or remedy of the Corporation under these Rules and Procedures or under applicable law.

\* \* \*

#### RULE 50. AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE

**[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf](https://www.dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf). These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]**

\* \* \*

SEC. 8. A Receiving Member will have one (1) business day after receipt from the Corporation of the report detailing the customer account asset data to review the account and accept all assets, or, to the extent permitted by the Receiving Member's DEA, if applicable, reject one or more assets within a DEA determined asset category, request the Delivering Member to make adjustments to it or, as permitted by the Corporation or, to the extent applicable, the Receiving Member's DEA, reject the account. No action is required by the Receiving Member if it determines to accept all assets in an account. A Receiving Member may accelerate the transfer of the customer account by either (i) providing an acceleration instruction to the Corporation upon receipt of the customer account asset data list from the Corporation and accepting all assets or (ii) deleting MF/~~IPSI&RS~~ Products (as defined below) and accepting the remaining assets. Once a Receiving Member has accelerated the transfer, the transfer will be in accelerated status. During the one (1) business day time period, only the Delivering Member will be able to add, delete or change an item, provided that the Receiving Member did not accelerate the transfer, by delivering to the Corporation such information in such form and by such time as established by the Corporation from time to time, other than with respect to MF/~~IPSI&RS~~ Products, which can also be deleted by the Receiving Member. Once the Receiving Member accelerates the transfer, the Delivering Member will be prohibited from making any adjustments to the account. If the transfer is not in an accelerated status, each business day that a Delivering Member causes an adjustment to be made to an account will give the Receiving Member an additional one (1) business day to review the account. If Fund/SERV Eligible Fund assets and/or ~~IPSI&RS~~ Eligible Products ("MF/~~IPSI&RS~~ Products") are to be transferred the Receiving Member shall also, within one (1) business day after receipt from the Corporation of the report detailing the MF/~~IPSI&RS~~ Products data or

simultaneous with the submission of an acceleration instruction, submit to the Corporation detailed transfer instructions in such format as established by the Corporation from time to time, which instructions shall be processed through Mutual Fund Services in accordance with Section 16 of Subsection A of Rule 52 or through **IPSI&RS** in accordance with Section 6 of Rule 57, as applicable. If a Receiving Member submits instructions and determines that a modification must be made to such instruction, such modifications must be submitted within the same deadline. Modifications to an already submitted instruction will not be permitted if the transfer is in accelerated status. Each business day that the Delivering Member causes an adjustment to be made to an account will give the Receiving Member an additional one (1) business day to submit such transfer information. With respect to Fund/SERV Eligible Fund assets, if the Receiving Member fails to properly submit such transfer information within the required time period, the Corporation shall transmit through Mutual Fund Services such standing transfer information as the Corporation shall determine. Each day the Corporation will produce a report indicating the transfer instructions that have been received by the Corporation, if any, and, with respect to Fund/SERV Eligible Fund assets, if no instructions have been received, the standing instructions which will be submitted to the Mutual Fund Processor or Fund Member. Each day the Corporation will produce a report to the Receiving and Delivering Member, indicating the Fund/SERV Eligible Fund customer account asset transfers which have been confirmed or rejected by the Mutual Fund Processor or Fund Member in accordance with Section 16 of Subsection A of Rule 52. Such report will also indicate those transfers which the Mutual Fund Processor or Fund Member has not confirmed or rejected or which have been deleted. Each day the Corporation will produce a report to the Receiving and Delivering Member, indicating the **IPSI&RS** Eligible Products transfers which have been confirmed or rejected by the Insurance Carrier/Retirement Services Member in accordance with Section 6 of Rule 57, or which have been deleted.

\* \* \*

#### RULE 57. INSURANCE ~~AND~~ RETIREMENT ~~PROCESSING~~ SERVICES

**[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf](https://dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf). These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]**

SEC. 1. (a) The Corporation may provide a service to enable Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members and Data Services Only Members to transmit such data and information relating to **IPSI&RS** Eligible Products (the "**IPSI&RS** Data") and, with respect to Members, Mutual Fund/Insurance Services Members and Insurance Carrier/Retirement Services Members, to settle payments relating to insurance products between themselves. Such

services shall be known as the Insurance ~~and~~ Retirement ~~Processing~~ Services (“**IPSI&RS**”) and will be accomplished in accordance with the provisions of this Rule.<sup>4</sup>

(b) Each Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member and Data Services Only Member that desires access to **IPSI&RS** must complete and deliver to the Corporation such agreements as the Corporation may from time to time require.

(c) **IPSI&RS** Data must be submitted to the Corporation in such formats and by such times as established by the Corporation from time to time, and, depending upon the type of **IPSI&RS** Data submitted, may require a response from the receiver of **IPSI&RS** Data.

(d) The Corporation will review **IPSI&RS** Data received from Insurance Carrier/Retirement Services Members, Mutual Fund/Insurance Services Members, Members and Data Services Only Members for such information as the Corporation determines from time to time to be necessary. If the **IPSI&RS** Data does not contain the information required by the Corporation, the Corporation will reject the **IPSI&RS** Data and will advise the appropriate Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Services Only Member in such form and by such time as established by the Corporation from time to time.

(e) If the **IPSI&RS** Data appears to contain the information required by the Corporation, subject to any rights the Corporation may have as provided in the Rules generally, the Corporation will transmit the **IPSI&RS** Data to the appropriate Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Services Only Member in such form and by such time as established by the Corporation from time to time.

(f) Pursuant to the policies established by the Corporation from time to time, the Corporation will notify, in such form and at such times as established by the Corporation from time to time, an Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Services Only Member, in respect of certain **IPSI&RS** Data which requires a response, if no such response has been received by the Corporation.

(g) Pursuant to the policies established by the Corporation from time to time, a submitter of **IPSI&RS** Data can withdraw certain **IPSI&RS** Data submitted by submitting an instruction to the Corporation in such form and by such time as established by the Corporation from time to time. Upon receipt of a withdrawal instruction, the Corporation will (i) delete from **IPSI&RS** the **IPSI&RS** Data withdrawn and (ii) notify the appropriate party of the withdrawn **IPSI&RS** Data in such form and by such time as established by the Corporation from time to time. Unless **IPSI&RS** Data is rejected, withdrawn or deleted from **IPSI&RS** as provided herein, the Corporation will store and maintain all

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<sup>4</sup> ~~The Insurance and Retirement Services were formerly known as the “Insurance Processing Service”.~~

**IPSI&RS** Data submitted to it for transmission between and among Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members and Data Services Only Members and be permitted to evaluate the usefulness of such **IPSI&RS** Data, including by providing such **IPSI&RS** Data to third parties under appropriate agreements of confidentiality and to prohibit such third parties from using such **IPSI&RS** Data other than for evaluation purposes.

(h) Notwithstanding the foregoing, nothing prohibits an Insurance Carrier/Retirement Services Member, Mutual Fund/Insurance Services Member, Member or Data Services Only Member from requiring data or information in addition to any **IPSI&RS** Data that has been transmitted through the Corporation.

(i) Submission of **IPSI&RS** Data to, or alteration or withdrawal of **IPSI&RS** Data from, the Corporation shall not relinquish, extinguish or affect any legal or regulatory right or obligation of the Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Data Services Only Member.

(j) The Corporation will not be responsible for the completeness or accuracy of the **IPSI&RS** Data received from or transmitted to an Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Service Only Member transmitted through **IPSI&RS** nor for any errors, omissions or delays which may occur in the absence of gross negligence on the Corporation's part, in the transmission of such **IPSI&RS** Data to or from an Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Services Member, or Data Services Only Member.

(k) Settlement of money payments in respect of **IPSI&RS** transactions shall be made in accordance with Rule 12 and other provisions of these Rules. At any time, the Corporation may prohibit any payment from settling through **IPSI&RS** if the Corporation, in its discretion, determines that such action is necessary for the protection of the Corporation, Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members, creditors or investors.

(l) If at any time the Corporation fails to receive payment from a Member, Mutual Fund/Insurance Services Member or Insurance Carrier/Retirement Services Member which payment was to be used to make payment to the contra side of the **IPSI&RS** transaction, the Corporation, in its discretion, may reverse in whole or in part any credit previously given to the Member, Mutual Fund/Insurance Services Member, or Insurance Carrier/Retirement Services Member who is the contra side to the **IPSI&RS** transaction, within such time frame as determined by the Corporation from time to time.

## COMMISSIONS AND COMPENSATION

SEC. 2. (a) The Corporation may provide a service to enable Insurance Carrier/Retirement Services Members to transmit **IPSI&RS** Data regarding commissions, charge backs and other compensation ("Commissions") to Members, Mutual Fund/Insurance Services Members and Data Services Only Members and, with



respect to Members and Mutual Fund/Insurance Services Members, to settle payments in respect of thereof.

(b) An Insurance Carrier/Retirement Services Member may initiate a Commission transaction by submitting to the Corporation a payment instruction, in such form and by such time as established by the Corporation from time to time.

(c) Commission transactions received for settlement through the Corporation prior to the time established by the Corporation for this purpose will settle in the settlement cycle occurring immediately following the completion of the processing of data relating to such payment, unless the Insurance Carrier/Retirement Services Member's initiation instruction indicated that such transaction will settle on a date thereafter; provided, however, that no transaction shall settle more than five business days after the day on which the transaction was submitted to the Corporation.

### APPLICATIONS AND PREMIUMS

SEC. 3. (a) The Corporation may provide a service to enable Members, Mutual Fund/Insurance Services Members and Data Services Only Members to transmit **IPSI&RS** Data regarding applications and premiums ("Applications and Premiums") to Insurance Carrier/Retirement Services Members and, with respect to Members, Mutual Fund/Insurance Services Members and Insurance Carrier/Retirement Services Members, to settle payments in respect thereof.

(b) Applications and premiums transactions submitted for settlement through the Corporation prior to the time established by the Corporation for this purpose will settle in the settlement cycle occurring immediately following the submission of data relating to such payment, provided however that the Member or Mutual Fund/Insurance Services Member initiating the transaction may submit a cancel instruction prior to the time established by the Corporation for this purpose. Applications and Premiums transactions received for settlement through the Corporation and cancelled in a timely manner will be deleted from **IPSI&RS**.

### LICENSING AND APPOINTMENTS

SEC. 4 (a) The Corporation may provide a service to enable Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members and Data Services Only Members to transmit **IPSI&RS** Data regarding licensing and appointment authorizations and activity (including, but not limited to, licensing and appointment authorizations and activity relating to licensee or appointee training) ("Licensing and Appointments") among themselves or to otherwise supply and access **IPSI&RS** Data regarding Licensing and Appointments directly to or from NSCC, as the case may be, and, with respect to Members, Mutual Fund/Insurance Services Members and Insurance Carrier/Retirement Services Members, to settle payments in respect thereof.

(b) Licensing and Appointments transactions submitted for settlement through the Corporation prior to the time established by the Corporation for this purpose shall

settle in the settlement cycle occurring immediately following the submission of data relating to such payment.

## POSITIONS AND VALUATIONS

SEC. 5. The Corporation may provide a service to enable Insurance Carrier/Retirement Services Members to transmit **IPSI&RS** Data to Members, Mutual Fund/Insurance Services Members and Data Services Only Members regarding positions and valuations specific to an **IPSI&RS** Eligible Product.

## ACAT/TRANSFERS

SEC. 6. (a) The Corporation may provide a service to enable Members to transmit **IPSI&RS** Data regarding **IPSI&RS** Eligible Product customer account transfer data between Members.

(b) Within the time frame established by the Corporation, the Corporation may transmit, to an Insurance Carrier/Retirement Services Member, **IPSI&RS** Eligible Product customer account transfer data in such form and by such time as established by the Corporation from time to time. The Insurance Carrier/Retirement Services Member must confirm, reject, or request a modification with respect to the transfer in such format and by such time as established by the Corporation. Transfers that are not confirmed or rejected within such time frame and in such manner as established from time to time by the Corporation will be deleted from the **IPSI&RS** system by the Corporation.

## ASSET PRICING

SEC. 7. The Corporation may provide a service to enable Insurance Carrier/Retirement Services Members to transmit **IPSI&RS** Data to Members, Mutual Fund/Insurance Services Members and Data Services Only Members regarding the pricing of units and other values in respect of funds or other assets within annuities and other insurance products.

## FINANCIAL ACTIVITY REPORTING

SEC. 8. The Corporation may provide a service to enable Insurance Carrier/Retirement Services Members to transmit to Members, Mutual Fund/Insurance Services Members and Data Services Only Members **IPSI&RS** Data regarding financial transactions and related activity specific to an **IPSI&RS** Eligible Product. The Corporation may transmit and provide access to transaction-specific subaccount data ("Subaccount Data") received through the Financial Activity Reporting service relating to funds or other assets within variable annuity and variable life insurance products to asset managers that manage such funds or assets and to service providers on behalf of such asset managers. Examples of Subaccount Data with respect to variable annuity and variable life insurance product transactions include, but shall not be limited to, the name of the insurance carrier, the date of the transaction, the broker-dealer named on the transaction, the individual advisor listed on the transaction, the type of transaction

(e.g., new purchase, death claim, rebalance, subaccount transfer to or from the subaccount, etc.) and the amount of the transaction.

Asset managers which are not Members or Limited Members will be required to enter into such agreements with the Corporation as determined by the Corporation to gain access to the Subaccount Data, which agreements will include an agreement to pay the fees set forth in the Rules to receive such Subaccount Data and to set up any system requirements necessary to access the data. Service providers receiving the Subaccount Data on behalf of asset managers will also be required to enter into such agreements as determined by the Corporation in order to gain access to such Subaccount Data on behalf of such asset managers to ensure the data is being used as contemplated herein and that there are proper safeguards by the service provider to ensure data security.

## IN FORCE TRANSACTIONS

SEC. 9. (a) The Corporation may provide a service to enable Insurance Carrier/Retirement Services Members, Members, Mutual Fund/Insurance Services Members and Data Services Only Members to transmit **IPSI&RS** Data relating to an existing and effective insurance contract ("In Force Contract") among themselves and, with respect to Insurance Carrier/Retirement Services Members, Members and Mutual Fund/Insurance Services Members, to settle payments in respect thereof.

(b) A Member, Insurance Carrier/Retirement Services Member, Mutual Fund/Insurance Services Member or Data Services Only Member may initiate a request relating to an In Force Contract by submitting to the Corporation instructions ("In Force Transaction Request") in such form and by such time as established by the Corporation from time to time. The contra-side Member's, Insurance Carrier/Retirement Services Member's, Mutual Fund/Insurance Services Member's or Data Services Member's response to such In Force Transaction Request ("In Force Transaction Request Response") shall be submitted to the Corporation in such form and by such time as established by the Corporation from time to time. In Force Transaction Requests and In Force Transaction Request Responses shall be treated and processed by the Corporation as other **IPSI&RS** Data is treated and processed by the Corporation, and shall be subject to the terms, set forth in Section 1 of this Rule 57.

(c) The Corporation may provide a service to enable Members, Insurance Carrier/Retirement Services Members and Mutual Fund/Insurance Services Members to settle money-only payment transactions between themselves in respect of In Force Contracts. A Member, Insurance Carrier/Retirement Services Member or Mutual Fund/Insurance Services Member shall initiate a money-only settlement transaction (hereinafter, the "Initiating **IPSI&RS** Member") by submitting to the Corporation instructions to debit such Initiating **IPSI&RS** Member's account in such form and by such time as established by the Corporation from time to time. In no event shall the Initiating **IPSI&RS** Member be the Member, Insurance Carrier/Retirement Services Member or Mutual Fund/Insurance Services Member to be credited as part of the

money-only settlement transaction. Settlement of money-only payments in respect of In Force Contracts shall be subject to Section 1(k) and (l) of this Rule 57.

### INSUREXPRESS

SEC. 10. The Corporation may provide a service to enable Insurance Carrier/Retirement Services Members, Members, Mutual Fund/Insurance Services Members and Data Services Only Members to transmit **IPSI&RS** Data relating to the initiation, processing and completion of applications for life insurance contracts and other insurance products among themselves.

### REPLACEMENTS

SEC 11. (a) The Corporation may provide a service to enable Members, Insurance Carrier/Retirement Service Members, Mutual Fund/Insurance Services Members and Data Services Only Members to transmit **IPSI&RS** Data regarding the transfer, exchange or replacement of an existing insurance contract ("Replacement") to Members, Insurance Carrier/Retirement Service Members, Mutual Fund/Insurance Services Members and Data Services Only Members and to settle payments in respect thereof.

(b) A Member, Insurance Carrier/Retirement Service Member, Mutual Fund/Insurance Services Member or Data Services Only Member may initiate a Replacement by submitting to the Corporation instructions to process a Replacement, in such form and by such time as established by the Corporation from time to time (referred to as a "Request for Replacement"). Within the time frame established by the Corporation, the Corporation may transmit, to a Member, Insurance Carrier/Retirement Service Member, Mutual Fund/Insurance Services Member or Data Services Only Member a Request for Replacement in such form and by such time as established by the Corporation from time to time. The Member, Insurance Carrier/Retirement Service Member, Mutual Fund/Insurance Services Member or Data Services Only Member must confirm, reject, or request modification with respect to the Request for Replacement in such format and by such time as established by the Corporation. Transfers that are not confirmed or rejected within such time frame and in such manner as established from time to time by the Corporation will be deleted from the **IPSI&RS** system by the Corporation.

(c) Unless specifically required by state laws, the Member, Insurance Carrier/Retirement Service Member, Mutual Fund/Insurance Services Member or Data Services Only Member receiving a Request for Replacement Processing ("Delivering Carrier") waives the obligation that a Transfer of Assets, 1035 Exchange Form, or other similar paperwork (collectively referred to as "TOA") be signed by an Officer of the carrier submitting the Request for Replacement Processing ("Receiving Carrier") and physically transmitted to the Delivering Carrier. By accepting the Request for Replacement Processing, the Delivering Carrier also agrees to accept the transfer proceeds; consents to the terms and conditions, if any, stated in the TOA attached to the Request for Replacement Processing; and is bound by the TOA with the same force and effect as if it were accompanied by a physical signature.

## INSURANCE PROFILE

SEC 12. (a) The Corporation may provide a service (“Insurance Profile”) to enable Insurance Carrier/Retirement Services Members to transmit **IPSI&RS** Data to Members, Mutual Fund/Insurance Service Members and Data Service Only Members regarding fees, expenses and Commissions (“Fee Data”) or to otherwise supply and provide access to Fee Data directly to or from the Corporation, as applicable.

(b) Insurance Carrier/Retirement Services Members, Members, Mutual Fund/Insurance Service Members and Data Service Only Members may not use, distribute, transmit or otherwise make available Fee Data retrieved from Insurance Profile as the basis for or as a part of a data product or service offered for commercial gain to any other person without the prior written consent of the Corporation. This restriction includes, but is not limited to, service providers and other third parties, whether or not affiliated with an Insurance Carrier/Retirement Services Member, Member, Mutual Fund/Insurance Service Member or Data Service Only Member, regardless of whether such person has previously itself received and/or used any such Fee Data in the past. The Corporation shall have the right, but not the obligation, to audit the use and distribution of Fee Data retrieved from Insurance Profile.

## **INSURANCE INFORMATION EXCHANGE (“IIEX”)<sup>1</sup>**

**SEC 13. The Corporation may provide a service to enable Members, Insurance Carrier/Retirement Services Members, Mutual Fund/Insurance Service Members and Data Service Only Members (collectively, “I&RS Members”), and their respective service providers, to transmit, view and retrieve I&RS Data using a centralized data repository. Service providers will gain access to IIEX only by authorization from I&RS Members and will be required to enter into such agreements as determined by the Corporation, which agreements will include an agreement to pay the fees set forth in the Rules.**

\* \* \*

## PROCEDURE XV. CLEARING FUND FORMULA AND OTHER MATTERS<sup>2</sup>

**[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-](https://dtcc.com/~media/Files/Downloads/legal/rule-)**

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<sup>1</sup> **IIEX will initially be offered only to I&RS Members that are members of the pilot group (“Pilot Group”) that has been working on the development of IIEX with the Corporation. The Corporation will offer IIEX to members of the Pilot Group in November 2020 in order to finalize testing in a production environment. NSCC will not charge the members of the Pilot Group until the first full month that IIEX is available to the Pilot Group in a production environment which is anticipated to be December 2020. On January 1, 2021, IIEX will be offered to all I&RS Members and their service providers pursuant to this Rule 57 and this footnote will automatically be removed from this Rule.**

<sup>2</sup> All calculations shall be performed daily or, if the Corporation deems it appropriate, on a more frequent basis.

**filings/2020/NSCC/SR-NSCC-2020-017.pdf. These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]**

\* \* \*

I.(C) Clearing Fund Formula for Mutual Fund/Insurance Services Members who use the Mutual Fund Services.<sup>3</sup>

\* \* \*

I.(D) Clearing Fund Formula for Fund Members, Insurance Carrier/Retirement Services Members and Certain Mutual Fund/Insurance Services Members

The Clearing Fund Formula for each Fund Member, Insurance Carrier/Retirement Services Member and those Mutual Fund/Insurance Services Members who use the Corporation's Insurance ~~and~~ Retirement ~~Processing~~ Services shall be established at such time as the Corporation determines appropriate.

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## ADDENDUM A

### NATIONAL SECURITIES CLEARING CORPORATION

#### FEE STRUCTURE

**[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf](https://dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf). These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]**

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### III. DELIVERY SERVICE FEES

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<sup>3</sup> This section applies to entities whose use of the Corporation's services are restricted to the Mutual Fund Services and/or the Insurance ~~and~~ Retirement ~~Processing~~ Services. Entities which use or are permitted to use Services other than or in addition to the Mutual Fund Services ~~and~~ Retirement ~~Processing~~ Services are covered by section I.(A).

K. Insurance ~~and~~ Retirement ~~Processing~~ Services<sup>4, 5</sup>

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<sup>4</sup> 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.

<sup>5</sup> 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.

i. Insurance Profile

(1) Insurance Carrier/Retirement Services Members

Subscription	Monthly Fee
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Full Data Subscription	\$3,000
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Limited Data Subscription	\$1,500
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(2) Members, Mutual Fund/Insurance Services Members and Data Services Only Members

Subscription	Monthly Fee
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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
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Limited Data Subscription (User Web Interface Only)	\$250, plus \$1.25 per CUSIP download transaction charge
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j. Insurance Information Exchange (IIEX)

IIEX Fees for Members and Limited Members

Monthly subscription fee based on the number of policies that the Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Data Services Only Member, as applicable, would be entitled to access from the IIEX data repository as follows:

Number of Policies	Monthly Fee
0 – 50,000	\$1,500
50,001 – 200,000	\$2,000
200,001 – 400,000	\$3,000
Greater than 400,000	\$5,000

IIEX Fees for Service Providers (APIs only)

Monthly subscription fee based on the number of policies that the service provider would be entitled to access from the IIEX



data repository as follows:

<u>Number of Policies</u>	<u>Monthly Fee</u>
<u>0 – 50,000</u>	<u>\$750</u>
<u>50,001 – 200,000</u>	<u>\$1,000</u>
<u>200,001 – 400,000</u>	<u>\$1,500</u>
<u>Greater than 400,000</u>	<u>\$2,500</u>

\* \* \*

ADDENDUM D

STATEMENT OF POLICY

ENVELOPE SETTLEMENT SERVICE, MUTUAL FUND SERVICES, INSURANCE  
**AND** RETIREMENT **PROCESSING**-SERVICES AND OTHER SERVICES OFFERED  
BY THE CORPORATION

*[Changes to the Rules & Procedures, as amended by File No. SR-NSCC-2020-017, are available at [dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule-filings/2020/NSCC/SR-NSCC-2020-017.pdf). These changes became effective upon filing with the SEC but have not yet been implemented. By no later than November 30, 2020, these changes will be implemented and this legend will automatically be removed from the Rules & Procedures.]*

\* \* \*

Specifically, but not in limitation of the foregoing, Members, Mutual Fund/Insurance Services Members, Insurance Carrier/Retirement Services Members and Fund Members are hereby advised that with respect to the Mutual Fund Services and Insurance **and** Retirement **Processing**-Services, if at any time the Corporation fails to receive payment from a Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member which payment was to be used to make payment to the contra side of the Mutual Fund Services or Insurance **and** Retirement **Processing**-Services transaction, the Corporation, in its discretion, may reverse in whole or in part any credit previously given to any Member, Mutual Fund/Insurance Services Member, Insurance Carrier/Retirement Services Member or Fund Member who is the contra side to the Mutual Fund Services or Insurance **and** Retirement **Processing**-Services transaction within such time frame as determined by the Corporation from time to time.

\* \* \*