

Required fields are shown with yellow backgrounds and asterisks.

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

File No. \* SR 2021 - \* 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"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<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) \*

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(2) \*

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 \*).

Add Fees for NSCC's MF Info Xchange Service, Modify Fees for NSCC's AIP Service and Make Certain Other Clarification Changes to Addendum A of the NSCC Rules

### Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*  Last Name \*

Title \*

E-mail \*

Telephone \*  Fax

### Signature

Pursuant to the requirements of the Securities Exchange of 1934, National Securities Clearing Corporation has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date

(Title \*)

By

(Name \*)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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19b-4 - SR-NSCC-2021-017 (Fee Cha

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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Exh 1A - SR-NSCC-2021-017 (Fee Cl

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

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

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2- Notices, Written Comments, Transcripts, Other Communications**

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit 3 (Redacted) - NSCC Member-

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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Exhibit 5 - SR-NSCC-2021-017 (Fee C

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

## 1. Text of the Proposed Rule Change

(a) The proposed rule change of National Securities Clearing Corporation (“NSCC”) is annexed hereto as Exhibit 5 and consists of modifications to Addendum A (Fee Structure) (“Addendum A”) of NSCC’s Rules & Procedures (“Rules”) in order to (i) add fees for NSCC’s MF Info Xchange service, (ii) make certain adjustments in the fees for NSCC’s Alternative Investment Product service (“AIP”) and (iii) make certain other clarification changes to Addendum A, as described below.<sup>1</sup>

(b) Not applicable.

(c) Not applicable.

## 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Businesses, Technology and Operations Committee of the Board of Directors of NSCC at a meeting duly called and held on September 21, 2021.

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

### (a) Purpose

The purpose of this proposed rule change is to (i) add fees for MF Info Xchange, (ii) make certain adjustments in the fees for AIP and (iii) make certain clarifications to Addendum A, as described below. The fee changes are being made to better align fees with the costs of services provided by NSCC by adjusting the fees so that the revenue received by NSCC would be closer to the costs of building and providing the services consistent with NSCC’s cost-based plus markup fee model.<sup>2</sup> In general, fee levels for NSCC are set by NSCC after periodic reviews of a number of factors, including revenues, operating costs and potential service enhancements. NSCC also continuously engages in discussions with NSCC Members regarding proposed fee changes and potential impacts.

### (i) MF Info Xchange Fees

MF Info Xchange facilitates and centralizes the delivery and receipt of time-critical notifications, including corporate actions, service disruptions, large trade notifications and other

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<sup>1</sup> Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Rules, available at [http://dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

<sup>2</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

critical alerts. The service was launched on November 30, 2018 with 3 event types.<sup>3</sup> Given the limited number of event types available for event notifications upon the launch of MF Info Xchange, NSCC did not charge fees initially for the use of the service.<sup>4</sup> NSCC indicated that it would file with the Securities and Exchange Commission (“Commission”) an appropriate rule change proposal to implement any fees for MF Info Xchange if NSCC added fees for the service.<sup>5</sup> Fund Members are typically funds or asset managers of funds and use MF Info Xchange to send notifications regarding the funds to their distribution partners. NSCC Members that are not Fund Members are typically broker/dealers or other distributors that use MF Info Xchange to receive and track such notifications sent by the Fund Members as well as send notifications to Fund Members about their funds.

Since the launch, MF Info Xchange has been enhanced with an additional 25 event types and additional user interface capabilities. NSCC believes that it is appropriate to begin charging fees for the service given the added capabilities and in order to offset the costs of building and maintaining the service.

NSCC is proposing to implement a two-tiered billing structure for MF Info Xchange based on the anticipated amount of use of the service by NSCC Members.<sup>6</sup> Based on a review of the usage by NSCC Members, NSCC believes that NSCC Members that are not Fund Members and larger Fund Members use the service more than smaller Fund Members. NSCC believes that the number of Security Issue IDs that a Fund Member maintains on Fund/SERV<sup>®</sup> is a good indication of the size of the Fund Member and the level of usage of MF Info Xchange by such Fund Member. Most notifications in MF Info Xchange relate to a specific security issuance and each Security Issue ID represents a security issuance. Therefore, Fund Members that maintain more Security Issue IDs, will have a greater number of security issuances for which notifications will need to be sent. NSCC Members that are not Fund Members typically receive notifications from multiple Fund Members and often benefit from receiving notifications for a large number of security issuances.

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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 120.

<sup>3</sup> See Securities Exchange Act Release No. 84611 (November 16, 2018), 83 FR 59427 (November 23, 2018) (SR-NSCC-2018-010). The initial 3 event types were Fund Merger, Fund Closure – Hard Close and Fund Closure – Soft Close.

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> For purposes of this filing, NSCC Members refers to Members and Limited Members.

Fund/SERV is an NSCC service providing for the processing and settling of Fund/SERV Eligible Funds.<sup>7</sup> Each Fund/SERV Eligible Fund that is processed through Fund/SERV is required to be assigned a Security Issue ID, such as a CUSIP.<sup>8</sup> NSCC is proposing to charge NSCC Members that are not Fund Members that use MF Info Xchange and Fund Members that maintain more than 25 Security Issue IDs on Fund/SERV that use MF Info Xchange, \$1,500 per month (“Tier 1”). NSCC is proposing to charge Fund Members that maintain 25 or fewer Security Issue IDs on Fund/SERV that use MF Info Xchange \$250 per month (“Tier 2”).

NSCC believes that the tiered structure will align the fees with the costs of services provided by NSCC by setting the fees so that the revenue received by NSCC would be sufficient to recover the costs of building and maintaining the service. The tiered billing structure is similar to NSCC’s billing structure for its Mutual Fund Profile Service (“MFPS”). Users of MFPS that use Phases I & II<sup>9</sup> that have greater than 25 Security Issue IDs in MFPS pay \$1,250.00 per month whereas users that have 25 or fewer Security Issue IDs registered in MFPS that use Phases I & II pay \$250.00 per month.<sup>10</sup> Based on its experience with MFPS<sup>11</sup> and discussions with Fund Members, NSCC believes that the threshold of greater than 25 Security Issue IDs has been a good estimation of the size of the Fund Member and the amount of use of

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<sup>7</sup> Fund/SERV Eligible Fund means a fund or other pooled investment entity which are subject of orders processed through Mutual Fund Services. See definition of “Fund/SERV Eligible Fund, Rule 1, supra note 1 and Section 1(c) of Rule 3, supra note 1.

<sup>8</sup> See Section 1(c) of Rule 3, supra note 1, which requires that unless otherwise required by NSCC, each Fund/SERV Eligible Fund be assigned a CUSIP number. CUSIP is a registered trademark of the American Bankers Association.

<sup>9</sup> Phases I & II are also known as MFPS I (Daily Price and Rate File) and MFPS II (Security Issue Database and Distribution Database). The terms Phase I and Phase II are used in the Rules because MFPS I and MFPS II were implemented in phases with MFPS I implemented first in 1996 and MFPS II implemented in 1999. See Securities Exchange Act Release No. 37171 (May 8, 1996), 61 FR 24344 (May 14, 1996) (SR-NSCC-96-04) (order approving MFPS I implementation) and Securities Exchange Act Release No. 40614 (October 28, 1998), 63 FR 59615 (November 4, 1998) (SR-NSCC-98-09) (notice of filing of rule change implementing MFPS II).

<sup>10</sup> Section IV.J.b. of Addendum A and accompanying footnote 5 in Addendum A, supra note 1. See also Securities Exchange Act Release No. 61413 (January 25, 2010), 75 FR 4894 (January 29, 2010) (SR-NSCC-2009-12) (NSCC introduced the credit for MFPS for smaller fund families that had 25 or fewer funds in their fund family) and Securities Exchange Act Release No. 84771 (December 10, 2018), 83 FR 64393 (December 14, 2018) (SR-NSCC-2018-012) (NSCC reduced the fees in MFPS to current levels) (“2018 Filing”).

<sup>11</sup> After NSCC lowered its fees in 2019 for funds with 25 or fewer Security IDs on MFPS from \$850 to \$250, the number of such funds using MFPS has doubled. See 2018 Filing, Id.

the service by each Fund Member. Also based on pricing levels and usage in MFPS and discussions with NSCC Members, NSCC believes that the \$1,500 and \$250 pricing levels are sufficient to recover the costs of building and maintaining the service without being so excessive as to materially disincentivize use of MF Info Xchange.

(ii) **AIP Fee Changes**

AIP is a standardized, trading and reporting platform that links the alternative investments industry to securely and efficiently exchange data and money relating to alternative investment products, including hedge funds, funds of funds, private equity, non-traded real estate investment trusts, managed futures and limited partnerships. NSCC has undertaken a strategic review of its pricing structure for AIP, and developed a revenue and pricing strategy with the goal of aligning the pricing of AIP with costs of providing the service. As a result of the review, NSCC has determined that certain fees in AIP have, over time, become misaligned with the costs of service as a result of increased technology run costs relating to the service. NSCC would also like to lower certain fees relating to capital calls and lower volume transfers<sup>12</sup> to incentivize greater use of those products. In connection with the realignment, NSCC is proposing to eliminate a cap of \$250,000 currently in place for AIP Distributors. Currently, there are certain products for which a \$250,000 fee cap applies for AIP Distributors.<sup>13</sup> Once an AIP Distributor has been charged \$250,000 for transactions relating to such products in a calendar year, it will not pay with respect to transactions in those products for the remainder of the calendar year.<sup>14</sup> The fee cap was put in place to incentivize greater use of AIP with respect to certain products for AIP Distributors.<sup>15</sup>

NSCC believes that the fee cap has been successful in incentivizing AIP Distributors to use AIP and to require more of their fund counterparties (i.e., AIP Manufacturers) to use AIP.<sup>16</sup> Given the growth of AIP and to readjust the overall revenues, NSCC no longer believes that the fee cap is necessary as an incentive or appropriate given AIP's operating margin.

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<sup>12</sup> AIP has a tiered billing system based on whether services are being used for higher volume products or lower volume products. See Section L.O.3 of Addendum A, supra note 1, which indicates which products are considered higher volume and which are considered lower volume. Fees are lower with respect to higher volume products

<sup>13</sup> See Section IV.O.3. of Addendum A and accompanying footnote 12 of Addendum A, supra note 1.

<sup>14</sup> Id.

<sup>15</sup> See Securities Exchange Act Release No. 63634 (January 3, 2011), 76 FR 1475 (January 10, 2011) (SR-NSCC-2010-19) (stating that the fee cap was implemented to “encourage broker-dealers to use the service and expand coverage of these products and increase the value of the overall market”)

<sup>16</sup> For instance, since the fee cap was put in place in 2010, the number of Eligible AIP Products on the AIP platform has grown from under 500 to over 7000.

NSCC is also proposing to increase lower volume record transaction fees for AIP Manufacturers from \$1 to \$2 (AIP Distributors will continue to pay \$1) in order to better align revenues of AIP with the costs of providing the services.

NSCC is proposing to lower fees relating to capital calls to incentivize use of AIP with respect to capital calls. Capital calls are considered “Trades” in the Rules and higher volume Trades are currently priced at a range from \$5 per trade to \$4 per trade depending on the number of trades in each calendar year<sup>17</sup> and lower volume Trades are \$10 per trade.<sup>18</sup> In addition to capital calls, Trades include initial purchases, subsequent purchases, partial redemption requests, full redemption requests and commitments. NSCC has received feedback from AIP Members indicating that capital calls are performed more frequently than other types of Trades and as a result, AIP Members have not been using AIP for capital calls because the AIP Members believe the price is currently too high for both higher volume products and lower volume products with respect to capital calls. As a result, NSCC is proposing to reduce the price for all capital calls to \$2 to incentivize use of AIP for capital calls. This reduction would apply to capital calls with respect to higher volume products and lower volume products.

NSCC is also proposing to lower fees relating to lower volume transfers to incentivize use of AIP with respect to lower volume transfers. NSCC has received feedback from AIP Members that lower volume transfers are also priced too high and as a result AIP Members have not been using AIP for lower volume transfers. NSCC is proposing to reduce lower volume transfers from \$5 to \$2 in order to incentivize use of AIP for lower volume transfers.

**(iii) Clarification changes**

NSCC is also proposing to add a heading for Mutual Fund Services in Addendum A and renumber the headings in Addendum A to reflect that a number of services listed in Addendum A fall within Mutual Fund Services. NSCC would also renumber other sections of Addendum A to reflect the renumbering for Mutual Fund Services.

**(iv) Proposed Rule Changes**

**A. MF Info Xchange Fees**

NSCC is proposing to add the fees to MF Info Xchange in new proposed section IV.G.5 of Addendum A.

**B. AIP Fee Changes.**

NSCC is proposing to state that all capital calls are \$2 per trade in new proposed Section IV.L.1.c (for higher volume capital calls) and new proposed Section IV.L.2.c (for lower volume capital calls) of Addendum A. NSCC would add “(other than capital calls)” in proposed sections IV.L.1.b. and IV.L.2.b. of Addendum A to reflect that capital calls would be separately covered

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<sup>17</sup> Section IV.O.1.ii of Addendum A, supra note 1.

<sup>18</sup> Section IV.O.2.ii of Addendum A, supra note 1.

in other sections. NSCC is proposing to increase the lower volume record transactions fees for AIP Manufacturers in new proposed section IV.L.2.a. of Addendum A from \$1 dollar per trade to \$2 dollar per trade. NSCC is also proposing to reduce lower volume transfers from \$5 to \$2 in new proposed Section IV.L.2.d.. of Addendum A. NSCC is proposing to remove the \$250,000 fee cap for AIP Distributors in new proposed Section IV.L.3. and to remove the accompanying footnote 12 of Addendum A.

Based on feedback from NSCC Members and a review of other pricing levels, NSCC believes that:

- reducing fees to \$2 for all capital calls and reducing lower volume transfers to \$2 would incentivize NSCC Members to begin using AIP with respect to capital calls and with respect to lower volume transfers
- increasing the lower volume record transaction fees from \$1 to \$2 and removing the fee cap for AIP Distributors would raise revenue to an appropriate level to help ensure that AIP operates with a positive operating margin without being so excessive as to materially disincentivize the use of AIP for lower volume record transactions or the use of AIP by AIP Distributors.

### C. Clarification Changes

NSCC is proposing to add a heading “Mutual Fund Services” in Section IV.G. of Addendum A and proposing to renumber Mutual Fund Services under that heading to reflect the services that fall within Mutual Fund Services. NSCC is also proposing to renumber sections following Section IV.G. to reflect the renumbering within Section IV.G. of Addendum A.

#### (iii) Expected Member/NSCC Impact

##### A. MF Info Xchange Fees

The fee changes for MF Info Xchange would impact all users of the service. Based on a review of users in the first quarter of 2021, it is anticipated that initially approximately 67% of the users will fall within Tier 1 and be charged \$1,500 per month and approximately 33% of the users will fall within Tier 2 and be charged \$250 per month. Of the users in Tier 1, approximately 67% are expected to be Fund Members that maintain more than 25 Security Issue IDs and approximately 33% are expected to be NSCC Members that are not Fund Members.

The fees are intended to cover the costs of developing and maintaining MF Info Xchange in accordance with NSCC’s cost-based plus markup fee model.<sup>19</sup> Following the implementation of fees, assuming revenues and expenses remain constant,<sup>20</sup> NSCC anticipates recouping the

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<sup>19</sup> See note 2, *supra*.

<sup>20</sup> It is not certain that revenues and expenses will remain constant. Costs of providing the service may change, for instance, if NSCC Members request service enhancements or NSCC’s technology costs change. In addition, revenues may change depending on the number of users of the service. NSCC regularly reviews pricing levels against costs of



costs of building MF Info Xchange within approximately three years of implementing the fees and expects to have a positive operating margin thereafter.

**B. AIP Fee Changes**

In general, NSCC anticipates that, as result of the proposed changes to remove the \$250,000 fee cap, four AIP Distributors will see a fee increase for use of the affected products. Based on a review of client invoices in June 2021, which NSCC believes is representative of typical AIP usage, NSCC anticipates that as a result of all of the fee changes approximately 59% of AIP users comprised of mainly AIP Manufacturers engaging in lower volume activity will see a fee increase, approximately 40% of AIP users comprised of mainly AIP users engaging in higher volume activity will see no fee impact and less than 1% of AIP users will see a fee decrease.

The fee changes are intended to realign AIPs revenue with its costs. AIP had a negative operating margin in 2020 and it is anticipated to have a negative operating margin in 2021. Following the fee changes, AIP anticipates that it will have a positive operating margin in 2022 and going forward, consistent with NSCC's cost-based plus markup fee model.<sup>21</sup>

**(iv) Implementation timeline**

NSCC expects to implement the proposed rule changes on January 1, 2022. As proposed, a legend would be added to Addendum A stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legend also would include January 1, 2022, as the date on which such changes would be implemented and the file number of this proposal, and state that, once this proposal is implemented, the legend would automatically be removed from Addendum A.

**(b) Statutory Basis**

NSCC believes this proposal is consistent with the requirements of the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, NSCC believes this proposal is consistent with Sections 17A(b)(3)(D)<sup>22</sup> and 17A(b)(3)(F)<sup>23</sup> of the Act and Rule 17Ad-22(e)(23)(ii),<sup>24</sup> as promulgated

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operation. As with its other services, if NSCC determines that its operating margin is too high or too low, NSCC would change pricing levels accordingly. See 2018 Filing, supra note 10.

<sup>21</sup> Id.

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

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

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

under the Act, for the reasons described below.

Section 17A(b)(3)(D) of the Act<sup>25</sup> requires, in part, that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. The proposed fee changes set forth above are consistent with 17A(b)(3)(D) of the Act<sup>26</sup> because the proposed fees would be allocated equitably among the NSCC Members that subscribe for those services based on each NSCC Member's use of such services. In addition, NSCC believes that the proposed fee changes are reasonable because they would enable NSCC to better align its revenue with the costs and expenses required for NSCC to provide the services to NSCC Members consistent with NSCC's cost-based plus markup fee model.<sup>27</sup> Specifically, NSCC has determined that assuming revenue and expenses remain constant,<sup>28</sup> adding the fee for MF Info Xchange would allow NSCC to recoup the investments it has made in building the service within approximately three years and allow it to operate with a positive operating margin going forward. Based on the current usage and projected revenue for AIP, the realignment of fees would result in overall revenue that would be closer to the costs of providing the service and at the same time provide incentives for users to use AIP for capital calls and lower volume transfers. Therefore, by establishing fees that align with the costs of delivery of these products and services and allocating those fees equitably among the subscribing NSCC Members, the proposed fee changes are consistent with the requirements of Section 17A(b)(3)(D) of the Act.<sup>29</sup>

Section 17A(b)(3)(F) of the Act<sup>30</sup> requires, in part, that the Rules promote the prompt and accurate clearance and settlement of securities transactions. NSCC believes that the proposed clarifications adding the Mutual Fund Services heading in Addendum A and renumbering Addendum A as forth above would enhance NSCC Members' ability to understand the fees associated with Mutual Fund Services. Specifically, the proposed clarifications would clarify which services fall within Mutual Fund Services, similar to the structure for Insurance & Retirement Services and AIP in Addendum A. As such, the proposed clarifications would allow NSCC Members to have a better understanding of the Rules in relation to their activities and thereby assist in promoting the requirements of Section 17A(b)(3)(F) of the Act.<sup>31</sup>

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

<sup>26</sup> Id.

<sup>27</sup> See note 2, supra.

<sup>28</sup> See note 20, supra.

<sup>29</sup> 15 U.S.C. 78q-1(b)(3)(D).

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

<sup>31</sup> Id.

Rule 17Ad-22(e)(23)(ii) under the Act<sup>32</sup> requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency. The proposed clarifications adding the Mutual Fund Services heading in Addendum A and renumbering Addendum A as set forth above would help ensure that the fees set forth in Addendum A are clear and transparent to NSCC Members. Having a clear and transparent Addendum A would help NSCC Members to better understand NSCC's fees and help provide NSCC Members with increased predictability and certainty regarding the fees they incur in participating in NSCC. As such, by improving the clarity and transparency of the Rules, NSCC believes the proposed clarifications are consistent with Rule 17Ad-22(e)(23)(ii) under the Act.<sup>33</sup>

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

NSCC believes the proposed rule changes to add fees for MF Info Xchange and increase certain fees for AIP, may have an impact on competition. NSCC believes these proposed rule changes could burden competition by negatively affecting such NSCC Members' operating costs. While these NSCC Members may experience increases in their fees when compared to their fees under the current fee structure, NSCC does not believe such change in fees would in and of itself mean that the burden on competition is significant. This is because even though the amount of the fee increase may seem significant in some instances to certain NSCC Members (e.g., charging \$1,500/mo for MF Info Xchange when it is free now and removing the AIP \$250,000 fee cap), NSCC believes the increase in fees would similarly affect all NSCC Members that utilize the services, and therefore the burden on competition would not be significant.

Regardless of whether the burden on competition is deemed significant, NSCC believes any burden on competition that is created by these proposed rule changes would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>34</sup>

The proposed rule changes to add fees for MF Info Xchange and increase certain fees for AIP would be necessary in furtherance of the purposes of the Act because the Rules must provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.<sup>35</sup> As described above, NSCC believes that the proposed rule changes would result in fees that are equitably allocated (by applying uniformly to all NSCC Members that use the applicable services) and would result in reasonable fees (by allowing NSCC to recoup its expenses in building MF Info Xchange and allow both MF Info Xchange and AIP to operate with a positive operating margin). As such, NSCC believes these proposed rule changes would

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<sup>32</sup> 17 CFR 240.17Ad-22(e)(23)(ii).

<sup>33</sup> Id.

<sup>34</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>35</sup> 15 U.S.C. 78q-1(b)(3)(D).

be necessary in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>36</sup>

NSCC also believes that the fees are appropriate in furtherance of the purposes of the Act because the fees are set so that the revenue received by NSCC would be closer to the costs of building and providing the services consistent with NSCC's cost-based plus markup fee model and are being equitably allocated among NSCC Members.<sup>37</sup> Moreover, NSCC believes that the fees will enable NSCC to pay for building and continue to operate MF Info Xchange. NSCC believes MF Info Xchange has a positive effect on competition among users because the service allows data providers to more effectively communicate event notifications relating to funds and other pooled investment entities ("Funds"). The service provides data providers with a more efficient method of distributing event notifications to parties that need to see such information in order to facilitate the trading and processing of Fund securities. NSCC believes this enhances competition among Funds and Fund participants by allowing parties to distribute such information more quickly and in a more streamlined manner. Based on experiences with the similar billing structure used in MFPS and discussions with NSCC Members, NSCC does not believe that the addition of the proposed fees for MF Info Xchange would materially disincentivize use of MF Info Xchange. As such, NSCC believes these proposed rule changes would be appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>38</sup>

NSCC does not believe that any proposed fee reductions would have a burden on competition and may promote competition because the proposed fee reductions would allow NSCC Members to engage in a greater number of transactions with lower costs than the prices they would incur today for the same transactions.

NSCC does not believe that the proposed clarifications to add the Mutual Fund Services heading to Addendum A and to renumber Addendum A would have any impact on competition because such changes are clarifications of the Rules that would not affect the rights or obligations of NSCC Members.

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<sup>36</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>37</sup> See note 2, supra.

<sup>38</sup> 15 U.S.C. 78q-1(b)(3)(I).

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

NSCC has conducted ongoing outreach to NSCC Members in order to provide them with notice of the proposed changes to the affected fees.

NSCC has not received or solicited any written comments relating to this proposal. If any written comments are received by NSCC, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission’s instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission’s Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

NSCC reserves the right not to respond to any comments received.

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

Not applicable.

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

(a) The proposed rule changes are to take effect immediately upon filing pursuant to paragraph A of Section 19(b)(3)<sup>39</sup> of the Act.

(b) Concerning the proposed fee changes, the proposed rule changes establish or change a due, fee, or other charge.<sup>40</sup> Concerning the proposed clarifications, such changes constitute changes to an existing service of a registered clearing agency that (i) do not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible, and (ii) do not significantly affect the respective rights or obligations of the clearing agency or persons using the service because the proposed clarifications consist of

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<sup>39</sup> 15 U.S.C 78s(b)(3)(A).

<sup>40</sup> 17 CFR 240.19b-4(f)(2).

changes that 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 NSCC Members.<sup>41</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 Notice Filed Pursuant to Section 806(e) of the Payment, Clearing, and Settlement Supervision Act of 2010**

Not applicable.

**11. Exhibits**

Exhibit 1 – Not applicable.

Exhibit 1A – Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – Not applicable.

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

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Rules.

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<sup>41</sup> 17 CFR 240.19b-4(f)(4).

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_]; File No. SR-NSCC-2021-017)

[DATE]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Add Fees for NSCC's MF Info Xchange Ser2021vice, Modify Fees for NSCC's Alternative Investment Product Service and Make Certain Other Clarification Changes to Addendum A of the NSCC Rules

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 December \_\_, 2021, 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)<sup>3</sup> of the Act and subparagraphs (f)(2) and (f)(4)<sup>4</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

(a) The proposed rule change of National Securities Clearing Corporation ("NSCC") is annexed hereto as Exhibit 5 and consists of modifications to Addendum A

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

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

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

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

(Fee Structure) (“Addendum A”) of NSCC’s Rules & Procedures (“Rules”) in order to (i) add fees for NSCC’s MF Info Xchange service, (ii) make certain adjustments in the fees for NSCC’s Alternative Investment Product service (“AIP”) and (iii) make certain other clarification changes to Addendum A, as described below.<sup>5</sup>

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

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of this proposed rule change is to (i) add fees for MF Info Xchange, (ii) make certain adjustments in the fees for AIP and (iii) make certain clarifications to Addendum A, as described below. The fee changes are being made to better align fees with the costs of services provided by NSCC by adjusting the fees so that the revenue received by NSCC would be closer to the costs of building and providing the services consistent with NSCC’s cost-based plus markup fee model.<sup>6</sup> In general, fee levels for

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<sup>5</sup> Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Rules, available at [http://dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

<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



NSCC are set by NSCC after periodic reviews of a number of factors, including revenues, operating costs and potential service enhancements. NSCC also continuously engages in discussions with NSCC Members regarding proposed fee changes and potential impacts.

**(i) MF Info Xchange Fees**

MF Info Xchange facilitates and centralizes the delivery and receipt of time-critical notifications, including corporate actions, service disruptions, large trade notifications and other critical alerts. The service was launched on November 30, 2018 with 3 event types.<sup>7</sup> Given the limited number of event types available for event notifications upon the launch of MF Info Xchange, NSCC did not charge fees initially for the use of the service.<sup>8</sup> NSCC indicated that it would file with the Commission an appropriate rule change proposal to implement any fees for MF Info Xchange if NSCC added fees for the service.<sup>9</sup> Fund Members are typically funds or asset managers of funds and use MF Info Xchange to send notifications regarding the funds to their distribution partners. NSCC Members that are not Fund Members are typically broker/dealers or other distributors that use MF Info Xchange to receive and track such

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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 120.

<sup>7</sup> See Securities Exchange Act Release No. 84611 (November 16, 2018), 83 FR 59427 (November 23, 2018) (SR-NSCC-2018-010). The initial 3 event types were Fund Merger, Fund Closure – Hard Close and Fund Closure – Soft Close.

<sup>8</sup> Id.

<sup>9</sup> Id.

notifications sent by the Fund Members as well as send notifications to Fund Members about their funds.

Since the launch, MF Info Xchange has been enhanced with an additional 25 event types and additional user interface capabilities. NSCC believes that it is appropriate to begin charging fees for the service given the added capabilities and in order to offset the costs of building and maintaining the service.

NSCC is proposing to implement a two-tiered billing structure for MF Info Xchange based on the anticipated amount of use of the service by NSCC Members.<sup>10</sup> Based on a review of the usage by NSCC Members, NSCC believes that NSCC Members that are not Fund Members and larger Fund Members use the service more than smaller Fund Members. NSCC believes that the number of Security Issue IDs that a Fund Member maintains on Fund/SERV<sup>®</sup> is a good indication of the size of the Fund Member and the level of usage of MF Info Xchange by such Fund Member. Most notifications in MF Info Xchange relate to a specific security issuance and each Security Issue ID represents a security issuance. Therefore, Fund Members that maintain more Security Issue IDs, will have a greater number of security issuances for which notifications will need to be sent. NSCC Members that are not Fund Members typically receive notifications from multiple Fund Members and often benefit from receiving notifications for a large number of security issuances.

Fund/SERV is an NSCC service providing for the processing and settling of

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<sup>10</sup> For purposes of this filing, NSCC Members refers to Members and Limited Members.

Fund/SERV Eligible Funds.<sup>11</sup> Each Fund/SERV Eligible Fund that is processed through Fund/SERV is required to be assigned a Security Issue ID, such as a CUSIP.<sup>12</sup> NSCC is proposing to charge NSCC Members that are not Fund Members that use MF Info Xchange and Fund Members that maintain more than 25 Security Issue IDs on Fund/SERV that use MF Info Xchange, \$1,500 per month (“Tier 1”). NSCC is proposing to charge Fund Members that maintain 25 or fewer Security Issue IDs on Fund/SERV that use MF Info Xchange \$250 per month (“Tier 2”).

NSCC believes that the tiered structure will align the fees with the costs of services provided by NSCC by setting the fees so that the revenue received by NSCC would be sufficient to recover the costs of building and maintaining the service. The tiered billing structure is similar to NSCC’s billing structure for its Mutual Fund Profile Service (“MFPS”). Users of MFPS that use Phases I & II<sup>13</sup> that have greater than 25 Security Issue IDs in MFPS pay \$1,250.00 per month whereas users that have 25 or

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<sup>11</sup> Fund/SERV Eligible Fund means a fund or other pooled investment entity which are subject of orders processed through Mutual Fund Services. See definition of “Fund/SERV Eligible Fund, Rule 1, supra note 5 and Section 1(c) of Rule 3, supra note 5.

<sup>12</sup> See Section 1(c) of Rule 3, supra note 5, which requires that unless otherwise required by NSCC, each Fund/SERV Eligible Fund be assigned a CUSIP number. CUSIP is a registered trademark of the American Bankers Association.

<sup>13</sup> Phases I & II are also known as MFPS I (Daily Price and Rate File) and MFPS II (Security Issue Database and Distribution Database). The terms Phase I and Phase II are used in the Rules because MFPS I and MFPS II were implemented in phases with MFPS I implemented first in 1996 and MFPS II implemented in 1999. See Securities Exchange Act Release No. 37171 (May 8, 1996), 61 FR 24344 (May 14, 1996) (SR-NSCC-96-04) (order approving MFPS I implementation) and Securities Exchange Act Release No. 40614 (October 28, 1998), 63 FR 59615 (November 4, 1998) (SR-NSCC-98-09) (notice of filing of rule change implementing MFPS II).

fewer Security Issue IDs registered in MFPS that use Phases I & II pay \$250.00 per month.<sup>14</sup> Based on its experience with MFPS<sup>15</sup> and discussions with Fund Members, NSCC believes that the threshold of greater than 25 Security Issue IDs has been a good estimation of the size of the Fund Member and the amount of use of the service by each Fund Member. Also based on pricing levels and usage in MFPS and discussions with NSCC Members, NSCC believes that the \$1,500 and \$250 pricing levels are sufficient to recover the costs of building and maintaining the service without being so excessive as to materially disincentivize use of MF Info Xchange.

**(ii) AIP Fee Changes**

AIP is a standardized, trading and reporting platform that links the alternative investments industry to securely and efficiently exchange data and money relating to alternative investment products, including hedge funds, funds of funds, private equity, non-traded real estate investment trusts, managed futures and limited partnerships. NSCC has undertaken a strategic review of its pricing structure for AIP, and developed a revenue and pricing strategy with the goal of aligning the pricing of AIP with costs of providing the service. As a result of the review, NSCC has determined that certain fees in AIP have, over time, become misaligned with the costs of service as a result of

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<sup>14</sup> Section IV.J.b. of Addendum A and accompanying footnote 5 in Addendum A, supra note 5. See also Securities Exchange Act Release No. 61413 (January 25, 2010), 75 FR 4894 (January 29, 2010) (SR-NSCC-2009-12) (NSCC introduced the credit for MFPS for smaller fund families that had 25 or fewer funds in their fund family) and Securities Exchange Act Release No. 84771 (December 10, 2018), 83 FR 64393 (December 14, 2018) (SR-NSCC-2018-012) (NSCC reduced the fees in MFPS to current levels) (“2018 Filing”).

<sup>15</sup> After NSCC lowered its fees in 2019 for funds with 25 or fewer Security IDs on MFPS from \$850 to \$250, the number of such funds using MFPS has doubled. See 2018 Filing, Id.

increased technology run costs relating to the service. NSCC would also like to lower certain fees relating to capital calls and lower volume transfers<sup>16</sup> to incentivize greater use of those products. In connection with the realignment, NSCC is proposing to eliminate a cap of \$250,000 currently in place for AIP Distributors. Currently, there are certain products for which a \$250,000 fee cap applies for AIP Distributors.<sup>17</sup> Once an AIP Distributor has been charged \$250,000 for transactions relating to such products in a calendar year, it will not pay with respect to transactions in those products for the remainder of the calendar year.<sup>18</sup> The fee cap was put in place to incentivize greater use of AIP with respect to certain products for AIP Distributors.<sup>19</sup>

NSCC believes that the fee cap has been successful in incentivizing AIP Distributors to use AIP and to require more of their fund counterparties (i.e., AIP Manufacturers) to use AIP.<sup>20</sup> Given the growth of AIP and to readjust the overall

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<sup>16</sup> AIP has a tiered billing system based on whether services are being used for higher volume products or lower volume products. See Section L.O.3 of Addendum A, supra note 5, which indicates which products are considered higher volume and which are considered lower volume. Fees are lower with respect to higher volume products

<sup>17</sup> See Section IV.O.3. of Addendum A and accompanying footnote 12 of Addendum A, supra note 5.

<sup>18</sup> Id.

<sup>19</sup> See Securities Exchange Act Release No. 63634 (January 3, 2011), 76 FR 1475 (January 10, 2011) (SR-NSCC-2010-19) (stating that the fee cap was implemented to “encourage broker-dealers to use the service and expand coverage of these products and increase the value of the overall market”)

<sup>20</sup> For instance, since the fee cap was put in place in 2010, the number of Eligible AIP Products on the AIP platform has grown from under 500 to over 7000.

revenues, NSCC no longer believes that the fee cap is necessary as an incentive or appropriate given AIP's operating margin.

NSCC is also proposing to increase lower volume record transaction fees for AIP Manufacturers from \$1 to \$2 (AIP Distributors will continue to pay \$1) in order to better align revenues of AIP with the costs of providing the services.

NSCC is proposing to lower fees relating to capital calls to incentivize use of AIP with respect to capital calls. Capital calls are considered "Trades" in the Rules and higher volume Trades are currently priced at a range from \$5 per trade to \$4 per trade depending on the number of trades in each calendar year<sup>21</sup> and lower volume Trades are \$10 per trade.<sup>22</sup> In addition to capital calls, Trades include initial purchases, subsequent purchases, partial redemption requests, full redemption requests and commitments.

NSCC has received feedback from AIP Members indicating that capital calls are performed more frequently than other types of Trades and as a result, AIP Members have not been using AIP for capital calls because the AIP Members believe the price is currently too high for both higher volume products and lower volume products with respect to capital calls. As a result, NSCC is proposing to reduce the price for all capital calls to \$2 to incentivize use of AIP for capital calls. This reduction would apply to capital calls with respect to higher volume products and lower volume products.

NSCC is also proposing to lower fees relating to lower volume transfers to incentivize use of AIP with respect to lower volume transfers. NSCC has received feedback from AIP Members that lower volume transfers are also priced too high and as

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<sup>21</sup> Section IV.O.1.ii of Addendum A, supra note 5.

<sup>22</sup> Section IV.O.2.ii of Addendum A, supra note 5.

a result AIP Members have not been using AIP for lower volume transfers. NSCC is proposing to reduce lower volume transfers from \$5 to \$2 in order to incentivize use of AIP for lower volume transfers.

**(iii) Clarification changes**

NSCC is also proposing to add a heading for Mutual Fund Services in Addendum A and renumber the headings in Addendum A to reflect that a number of services listed in Addendum A fall within Mutual Fund Services. NSCC would also renumber other sections of Addendum A to reflect the renumbering for Mutual Fund Services.

**(iv) Proposed Rule Changes**

A. MF Info Xchange Fees

NSCC is proposing to add the fees to MF Info Xchange in new proposed section IV.G.5 of Addendum A.

B. AIP Fee Changes.

NSCC is proposing to state that all capital calls are \$2 per trade in new proposed Section IV.L.1.c (for higher volume capital calls) and new proposed Section IV.L.2.c (for lower volume capital calls) of Addendum A. NSCC would add “(other than capital calls)” in proposed sections IV.L.1.b. and IV.L.2.b. of Addendum A to reflect that capital calls would be separately covered in other sections. NSCC is proposing to increase the lower volume record transactions fees for AIP Manufacturers in new proposed section IV.L.2.a. of Addendum A from \$1 dollar per trade to \$2 dollar per trade. NSCC is also proposing to reduce lower volume transfers from \$5 to \$2 in new proposed Section IV.L.2.d.. of Addendum A. NSCC is proposing to remove the

\$250,000 fee cap for AIP Distributors in new proposed Section IV.L.3. and to remove the accompanying footnote 12 of Addendum A.

Based on feedback from NSCC Members and a review of other pricing levels, NSCC believes that:

- reducing fees to \$2 for all capital calls and reducing lower volume transfers to \$2 would incentivize NSCC Members to begin using AIP with respect to capital calls and with respect to lower volume transfers
- increasing the lower volume record transaction fees from \$1 to \$2 and removing the fee cap for AIP Distributors would raise revenue to an appropriate level to help ensure that AIP operates with a positive operating margin without being so excessive as to materially disincentivize the use of AIP for lower volume record transactions or the use of AIP by AIP Distributors

### C. Clarification Changes

NSCC is proposing to add a heading “Mutual Fund Services” in Section IV.G. of Addendum A and proposing to renumber Mutual Fund Services under that heading to reflect the services that fall within Mutual Fund Services. NSCC is also proposing to renumber sections following Section IV.G. to reflect the renumbering within Section IV.G. of Addendum A.

#### **(iii) Expected Member/NSCC Impact**

##### A. MF Info Xchange Fees

The fee changes for MF Info Xchange would impact all users of the service. Based on a review of users in the first quarter of 2021, it is anticipated that initially



approximately 67% of the users will fall within Tier 1 and be charged \$1,500 per month and approximately 33% of the users will fall within Tier 2 and be charged \$250 per month. Of the users in Tier 1, approximately 67% are expected to be Fund Members that maintain more than 25 Security Issue IDs and approximately 33% are expected to be NSCC Members that are not Fund Members.

The fees are intended to cover the costs of developing and maintaining MF Info Xchange in accordance with NSCC's cost-based plus markup fee model.<sup>23</sup> Following the implementation of fees, assuming revenues and expenses remain constant,<sup>24</sup> NSCC anticipates recouping the costs of building MF Info Xchange within approximately three years of implementing the fees and expects to have a positive operating margin thereafter.

B. AIP Fee Changes

In general, NSCC anticipates that, as result of the proposed changes to remove the \$250,000 fee cap, four AIP Distributors will see a fee increase for use of the affected products. Based on a review of client invoices in June 2021, which NSCC believes is representative of typical AIP usage, NSCC anticipates that as a result of all of the fee changes approximately 59% of AIP users comprised of mainly AIP Manufacturers engaging in lower volume activity will see a fee increase, approximately 40% of AIP

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<sup>23</sup> See note 6, supra.

<sup>24</sup> It is not certain that revenues and expenses will remain constant. Costs of providing the service may change, for instance, if NSCC Members request service enhancements or NSCC's technology costs change. In addition, revenues may change depending on the number of users of the service. NSCC regularly reviews pricing levels against costs of operation. As with its other services, if NSCC determines that its operating margin is too high or too low, NSCC would change pricing levels accordingly. See 2018 Filing, supra note 14.

users comprised of mainly AIP users engaging in higher volume activity will see no fee impact and less than 1% of AIP users will see a fee decrease.

The fee changes are intended to realign AIPs revenue with its costs. AIP had a negative operating margin in 2020 and it is anticipated to have a negative operating margin in 2021. Following the fee changes, AIP anticipates that it will have a positive operating margin in 2022 and going forward, consistent with NSCC's cost-based plus markup fee model.<sup>25</sup>

**(iv) Implementation timeline**

NSCC expects to implement the proposed rule changes on January 1, 2022. As proposed, a legend would be added to Addendum A stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legend also would include January 1, 2022, as the date on which such changes would be implemented and the file number of this proposal, and state that, once this proposal is implemented, the legend would automatically be removed from Addendum A.

**2. Statutory Basis**

NSCC believes this proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, NSCC believes this proposal is consistent with Sections 17A(b)(3)(D)<sup>26</sup> and 17A(b)(3)(F)<sup>27</sup> of the Act and Rule 17Ad-22(e)(23)(ii),<sup>28</sup> as promulgated under the Act,

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<sup>25</sup> Id.

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

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

<sup>28</sup> 17 CFR 240.17Ad-22(e)(23)(ii).

for the reasons described below.

Section 17A(b)(3)(D) of the Act<sup>29</sup> requires, in part, that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. The proposed fee changes set forth above are consistent with 17A(b)(3)(D) of the Act<sup>30</sup> because the proposed fees would be allocated equitably among the NSCC Members that subscribe for those services based on each NSCC Member's use of such services. In addition, NSCC believes that the proposed fee changes are reasonable because they would enable NSCC to better align its revenue with the costs and expenses required for NSCC to provide the services to NSCC Members consistent with NSCC's cost-based plus markup fee model.<sup>31</sup> Specifically, NSCC has determined that assuming revenue and expenses remain constant,<sup>32</sup> adding the fee for MF Info Xchange would allow NSCC to recoup the investments it has made in building the service within approximately three years and allow it to operate with a positive operating margin going forward. Based on the current usage and projected revenue for AIP, the realignment of fees would result in overall revenue that would be closer to the costs of providing the service and at the same time provide incentives for users to use AIP for capital calls and lower volume transfers. Therefore, by establishing fees that align with the costs of delivery of these products and services and allocating those fees equitably among the subscribing NSCC Members, the proposed fee changes are consistent with the requirements of Section 17A(b)(3)(D) of the

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<sup>29</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>30</sup> Id.

<sup>31</sup> See note 6, supra.

<sup>32</sup> See note 24, supra.

Act.<sup>33</sup>

Section 17A(b)(3)(F) of the Act<sup>34</sup> requires, in part, that the Rules promote the prompt and accurate clearance and settlement of securities transactions. NSCC believes that the proposed clarifications adding the Mutual Fund Services heading in Addendum A and renumbering Addendum A as forth above would enhance NSCC Members' ability to understand the fees associated with Mutual Fund Services. Specifically, the proposed clarifications would clarify which services fall within Mutual Fund Services, similar to the structure for Insurance & Retirement Services and AIP in Addendum A. As such, the proposed clarifications would allow NSCC Members to have a better understanding of the Rules in relation to their activities and thereby assist in promoting the requirements of Section 17A(b)(3)(F) of the Act.<sup>35</sup>

Rule 17Ad-22(e)(23)(ii) under the Act<sup>36</sup> requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency. The proposed clarifications adding the Mutual Fund Services heading in Addendum A and renumbering Addendum A as set forth above would help ensure that the fees set forth in Addendum A are clear and transparent to NSCC Members. Having a clear and transparent Addendum A would help NSCC Members to better understand NSCC's fees

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<sup>33</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>34</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>35</sup> Id.

<sup>36</sup> 17 CFR 240.17Ad-22(e)(23)(ii).

and help provide NSCC Members with increased predictability and certainty regarding the fees they incur in participating in NSCC. As such, by improving the clarity and transparency of the Rules, NSCC believes the proposed clarifications are consistent with Rule 17Ad-22(e)(23)(ii) under the Act.<sup>37</sup>

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

NSCC believes the proposed rule changes to add fees for MF Info Xchange and increase certain fees for AIP, may have an impact on competition. NSCC believes these proposed rule changes could burden competition by negatively affecting such NSCC Members' operating costs. While these NSCC Members may experience increases in their fees when compared to their fees under the current fee structure, NSCC does not believe such change in fees would in and of itself mean that the burden on competition is significant. This is because even though the amount of the fee increase may seem significant in some instances to certain NSCC Members (e.g., charging \$1,500/mo for MF Info Xchange when it is free now and removing the AIP \$250,000 fee cap), NSCC believes the increase in fees would similarly affect all NSCC Members that utilize the services, and therefore the burden on competition would not be significant.

Regardless of whether the burden on competition is deemed significant, NSCC believes any burden on competition that is created by these proposed rule changes would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>38</sup>

The proposed rule changes to add fees for MF Info Xchange and increase certain

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<sup>37</sup> Id.

<sup>38</sup> 15 U.S.C. 78q-1(b)(3)(I).

fees for AIP would be necessary in furtherance of the purposes of the Act because the Rules must provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.<sup>39</sup> As described above, NSCC believes that the proposed rule changes would result in fees that are equitably allocated (by applying uniformly to all NSCC Members that use the applicable services) and would result in reasonable fees (by allowing NSCC to recoup its expenses in building MF Info Xchange and allow both MF Info Xchange and AIP to operate with a positive operating margin). As such, NSCC believes these proposed rule changes would be necessary in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>40</sup>

NSCC also believes that the fees are appropriate in furtherance of the purposes of the Act because the fees are set so that the revenue received by NSCC would be closer to the costs of building and providing the services consistent with NSCC's cost-based plus markup fee model and are being equitably allocated among NSCC Members.<sup>41</sup> Moreover, NSCC believes that the fees will enable NSCC to pay for building and continue to operate MF Info Xchange. NSCC believes MF Info Xchange has a positive effect on competition among users because the service allows data providers to more effectively communicate event notifications relating to funds and other pooled investment entities ("Funds"). The service provides data providers with a more efficient method of distributing event notifications to parties that need to see such information in order to

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<sup>39</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>40</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>41</sup> See note 6, supra.

facilitate the trading and processing of Fund securities. NSCC believes this enhances competition among Funds and Fund participants by allowing parties to distribute such information more quickly and in a more streamlined manner. Based on experiences with the similar billing structure used in MFPS and discussions with NSCC Members, NSCC does not believe that the addition of the proposed fees for MF Info Xchange would materially disincentivize use of MF Info Xchange. As such, NSCC believes these proposed rule changes would be appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>42</sup>

NSCC does not believe that any proposed fee reductions would have a burden on competition and may promote competition because the proposed fee reductions would allow NSCC Members to engage in a greater number of transactions with lower costs than the prices they would incur today for the same transactions.

NSCC does not believe that the proposed clarifications to add the Mutual Fund Services heading to Addendum A and to renumber Addendum A would have any impact on competition because such changes are clarifications of the Rules that would not affect the rights or obligations of NSCC Members.

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

NSCC has conducted ongoing outreach to NSCC Members in order to provide them with notice of the proposed changes to the affected fees.

NSCC has not received or solicited any written comments relating to this proposal. If any written comments are received by NSCC, they will be publicly filed as

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<sup>42</sup> 15 U.S.C. 78q-1(b)(3)(I).

an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

NSCC reserves the right not to respond to any comments received.

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)<sup>43</sup> of the Act and paragraph (f)<sup>44</sup> of Rule 19b-4 thereunder. 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

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<sup>43</sup> 15 U.S.C 78s(b)(3)(A).

<sup>44</sup> 17 CFR 240.19b-4(f).



appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NSCC-2021-017 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-2021-017. 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 (<https://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSCC-2021-017 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>45</sup>

Secretary

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<sup>45</sup> 17 CFR 200.30-3(a)(12).

**CONFIDENTIAL SUPPORTING INFORMATION FOR**  
**PROPOSED RULE CHANGE SR-NSCC-2021-017**

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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.

ADDENDUM A

**[Changes to this Addendum A, as amended by File No. SR-NSCC-2021-017, are available at dtcc.com/~media/Files/Downloads/legal/rule-filings/2021/NSCC/SR-NSCC-2021-017.pdf. These changes became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. On January 1, 2022, these changes will be implemented and this legend will automatically be removed from this Addendum A.]**

NATIONAL SECURITIES CLEARING CORPORATION

FEE STRUCTURE

\* \* \*

IV. OTHER SERVICE FEES

\* \* \*

G. **Mutual Fund Services**

**1.**      Fund/SERV®

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

H. **2.** Networking<sup>7</sup>

- |           |  |  |
|-----------|--|--|
| <b>1.</b> | <b>a.</b> <u>    </u> Membership Fee:<br>for each participating Member, Mutual Fund/Insurance Services Member and Fund Member regardless of activity level | \$200.00 per month   |
| <b>2.</b> | <b>b.</b> <u>    </u> Activity Fee (all types except for Networking Omnibus Activity Position Files (Omni/SERV))   | \$0.001 per record   |
| <b>3.</b> | <b>c.</b> <u>    </u> Networking Omnibus Activity/Position Files (Omni/SERV)   | \$1,500.00 monthly file fee for omnibus file transmissions |



I. **3.** DTCC Payment aXis<sup>7</sup>

4. **a.** Commission & Fee Settlement

- a. **(i)** Membership Fee \$50.00 per month
- b. **(ii)** Transaction Fees
  - i. **A.** For the first 500,000 records submitted each month \$0.30 per hundred records, \$50 minimum
  - ii. **B.** For each record in excess of 500,000, but not exceeding 1,000,000 submitted each month \$0.20 per hundred records
  - iii. **C.** For each record in excess of 1,000,000 submitted each month \$0.10 per hundred records

2. **b.** Invoicing & Fee Settlement

- a. **(i)** Membership Fee \$500.00 per month
- b. **(ii)** Transaction Fees (excluding Detail Records):
  - i. **A.** For the first 500,000 records submitted each month \$0.10 per record
  - ii. **B.** For each record in excess of 500,000, but not exceeding 1,000,000 submitted each month \$0.08 per record
  - iii. **C.** For each record in excess of 1,000,000 submitted each month \$0.06 per record



\* \* \*

**I.L.** Global Clearance Network Service

\* \* \*

**J.M.** International Link Service -Transaction Fees Per Agreement with Link Service Participant

**K.N.** Account Information Transmission Service for each Member participating in the service \$200.00 per month

**L.O.** Alternative Investment Products

1. Higher Volume<sup>4</sup> Eligible AIP Product Fees

**a.i.** Records

**(i)A.** The first 2,999,999 records per calendar year \$0.10 per record

**(ii)B.** The next 1,000,000 records per calendar year<sup>5</sup> \$0.09 per record

**(iii)C.** The next 1,000,000 records per calendar year<sup>6</sup> \$0.08 per record

**(iv)D.** All additional records<sup>7</sup> \$0.07 per record

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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.

<sup>4</sup> Higher volume Eligible AIP Products are identified in subsection 3.

<sup>5</sup> i.e., the 3,000,000<sup>th</sup> to 3,999,999<sup>th</sup> records submitted in a calendar year.

<sup>6</sup> i.e., the 4,000,000<sup>th</sup> to 4,999,999<sup>th</sup> records submitted in a calendar year.

<sup>7</sup> i.e., the 5,000,000<sup>th</sup> and higher records submitted in a calendar year.

<b><u>b.ii.</u></b>	<b>Trades <u>(other than capital calls)</u></b>	
<b><u>(i)A.</u></b>	The first 10,000 trades per calendar year	\$5.00 per trade
<b><u>(ii)B.</u></b>	The next 10,000 trades per calendar year <sup>8</sup>	\$4.75 per trade
<b><u>(iii)C.</u></b>	The next 10,000 trades per calendar year <sup>9</sup>	\$4.50 per trade
<b><u>(iv)D.</u></b>	All additional trades <sup>10</sup>	\$4.00 per trade
<b><u>c.</u></b>	<b><u>Capital calls</u></b>	<b><u>\$2.00 per trade</u></b>
<b><u>d.iii.</u></b>	Transfers	\$0.50 per transfer
2. Lower Volume <sup>11</sup> Eligible AIP Product Fees		
<b><u>a.i.</u></b>	Records	<del>\$1.00 per record</del>
<b><u>(i)</u></b>	<b><u>AIP Manufacturers</u></b>	<b><u>\$2.00 per record</u></b>
<b><u>(ii)</u></b>	<b><u>AIP Distributors</u></b>	<b><u>\$1.00 per record</u></b>
<b><u>b.ii.</u></b>	<b>Trades <u>(other than capital calls)</u></b>	\$10.00 per trade
<b><u>c.</u></b>	<b><u>Capital calls</u></b>	<b><u>\$2.00 per trade</u></b>
<b><u>d.iii.</u></b>	Transfers	<del>\$52.00</del> per transfer

<sup>8</sup> i.e., the 10,001<sup>st</sup> to 20,000<sup>th</sup> trades submitted in a calendar year.

<sup>9</sup> i.e., the 20,001<sup>st</sup> to 30,000<sup>th</sup> trades submitted in a calendar year.

<sup>10</sup> i.e., the 30,001<sup>st</sup> and higher trades submitted in a calendar year.

<sup>11</sup> Lower volume Eligible AIP Products are identified in subsection 3.

3. Eligible AIP Product	HIGHER VOLUME	LOWER VOLUME	<del>FEE</del> <sup>12</sup> <del>CAP</del>
Hedge Fund		√	
Fund of Funds		√	
Private Equity Fund		√	
Managed Debt Fund		√	
Private Debt Fund		√	
Managed Currency Fund		√	
Commodity Pool Fund		√	
REIT	√		√
Managed Future Fund	√		√
Business Development Corporation (BD)	√		√
Registered Hedge Fund <sup>13</sup>	√		
Oil & Gas Public	√		√
Oil & Gas Private	√		√
Equipment Leasing Public	√		√
Equipment Leasing Private	√		√
Futures Public	√		√
Futures Private	√		√
Notes Public	√		√
Notes Private	√		√

~~<sup>12</sup> If column is checked, the applicable fees apply to all entities processing such products through AIP; however, the maximum charge for AIP Distributors in this regard is a cumulative maximum (for submission of records and trades) of \$250,000 per calendar year.~~

<sup>13</sup> For purposes of the Alternative Investment Products fee structure, "Registered Hedge Fund" shall mean hedge funds that are registered under the Investment Company Act of 1940, as amended.

Real Estate Public	√		√
Real Estate Private	√		√
Closed End Management Investment Company	√		√
All Other		√	

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