

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54163; File No. SR-NSCC-2006-06]

### Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Enhancements to ACATS-Fund/SERV Processing Capabilities

July 17, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on May 30, 2006, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by NSCC. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>2</sup> and Rule 19b-4(f)(4) thereunder<sup>3</sup> so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change would modify NSCC's Rules to enhance the Automated Customer Account Transfer Service ("ACATS") processing capabilities for NSCC members that outsource some or all of their mutual fund processing services.

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

In its filing with the Commission, NSCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>4</sup>

#### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The proposed rule change would modify NSCC's Rules to enhance the ACATS processing capabilities for NSCC members that outsource some or all of their mutual fund processing services.

ACATS enables members of NSCC to effect automated transfers of customer accounts among themselves.<sup>5</sup> In operation since 1985, ACATS was designed to facilitate compliance with New York Stock Exchange ("NYSE") and National Association of Securities Dealers ("NASD") rules that require NYSE and NASD members to use clearing agency automated customer account transfer services and to effect customer account transfers within specified time frames.<sup>6</sup> In 1989, ACATS was enhanced to permit the automated transfer of book share mutual fund assets for mutual funds associated with NSCC fund members and mutual fund processors ("ACATS-Fund/SERV"). In an account transfer containing eligible book share mutual fund assets, account reregistration information is routed from the NSCC member through ACATS to fund members through ACATS-Fund/SERV.

#### The Current Process

In a standard ACATS transfer, the member receiving the customer account initiates the account transfer by electronically submitting data from the Transfer Initiation Form to NSCC. The account status then moves to "request" status, during which time the member delivering the customer account may validate the transfer by submitting to NSCC a detailed listing of the account assets or may reject the transfer. By submitting the asset listing, the delivering member acknowledges the transfer, and the status changes from "request" to "review."

During the review status, the receiving member examines the account/assets for creditworthiness, etc., while the delivering member reviews the account to ensure the assets are properly listed. If mutual fund assets are listed, the receiving member submits a fund registration input record through ACATS. The purpose of this record is to request that the delivering member reregister the mutual fund assets in the name of the receiving member. During this process, the account status then progresses to "sett prep."

At the beginning of sett prep, the fund registration input record is sent through ACATS-Fund/SERV to the delivering member which must either reject or acknowledge the reregistration request in accordance with the provisions of NSCC's Rules. During the sett prep stage, the account is frozen in ACATS (i.e., no adjustments or rejects are permitted) and the following business day the transfer status moves to "settle close," and the account transfer settles. At this time, NSCC moves continuous net settlement ("CNS")-eligible securities into CNS, and for all non-CNS-eligible positions (such as mutual fund assets) and cash balances, the asset value is debited to the delivering member and credited to the receiving member.

#### Proposed Modification

NSCC understands that a number of its members outsource or are seeking to outsource some or all of their mutual fund processing using the services of some third party such as another broker-dealer or a bank or trust company. NSCC believes that the outsourcing has or will cause processing issues with regard to mutual fund assets that are part of an ACATS transfer because it is the third party processing entity and not the NSCC receiving member that has or will have the direct contractual relationship with the delivering member. Currently, the NSCC receiving member (and not its third party processing entity) is identified on account transfer/registration instructions. Therefore, if the receiving member uses a third party processing entity, the delivering member will reject such request/instructions. In these instances, all transfers of customer positions in eligible mutual funds would need to be processed manually and affected members would be unable to benefit from the efficiency of automated transfers through ACATS.

To accommodate these members, NSCC proposes modifying Section 16 of Rule 52 (Mutual Fund Services) to permit one NSCC member to appoint another NSCC member or a Mutual Fund/Insurance Services Member as its ACATS-Fund/SERV Agent with regard to the reregistration of eligible mutual fund assets.

There will be no change to the ACATS process or to the requirements and obligations of ACATS receiving members and delivering members. An ACATS-Fund/SERV Agent must be another NSCC member or Mutual Fund/Insurance Services Member. An ACATS-Fund/SERV Agent may act on behalf of multiple NSCC members, but

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

<sup>2</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>3</sup> 17 CFR 240.19b-4(f)(4).

<sup>4</sup> The Commission has modified the text of the summaries prepared by NSCC.

<sup>5</sup> NSCC Rule 50.

<sup>6</sup> NYSE Rule 412 and NASD Uniform Practice Code Section 11870.

each member may designate only one ACATS-Fund/SERV Agent.

A member must notify NSCC of its designation of an ACATS-Fund/SERV Agent in such form and within such timeframe as is acceptable to NSCC, and the ACATS-Fund/SERV Agent must acknowledge to NSCC its consent to this designation. The receiving member must acknowledge to NSCC that the receiving member shall at all times continue to be responsible for all provisions of NSCC's Rules, specifically with regard to ACATS and ACATS-Fund/SERV transactions, including any and all actions taken by its ACATS-Fund/SERV Agent.

NSCC will maintain a relationship table of those members that designate an ACATS-Fund/SERV Agent. In instances where an ACATS-Fund/SERV Agent has been appointed, NSCC will substitute the receiving member's clearing number and member name on registration/transfer instructions transmitted to the delivering member with those of the ACATS-Fund/SERV Agent. Conversely, on acknowledgements/instructions from the delivering member, NSCC will replace the ACATS-Fund/SERV Agent's clearing number and member name with those of the receiving member. No additional ACATS or ACATS-Fund/SERV fees will be incurred in connection with this process.

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>7</sup> and the rules thereunder because it will further automate and facilitate the customer account transfer process, which can be expected to reduce processing errors and delays that are typically associated with manual processes. These changes would foster cooperation and coordination with persons engaged in account transfers and furthers the protection of investors and the public interest.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

NSCC does not believe that the proposed rule change would impose any burden on competition.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

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

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>8</sup> and Rule 19b-4(f)(4)<sup>9</sup> thereunder because the proposed rule effects a change in an existing service of NSCC 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. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**IV. Solicitation of Comments**

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

*Electronic Comments*

- 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-2006-06 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NSCC-2006-06. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the

Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 100 F Street, NE., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of NSCC and on NSCC's Web site at <http://www.nsc.com>.

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-2006-06 and should be submitted on or before August 14, 2006.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

Nancy M. Morris,  
Secretary.

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-54158; File No. SR-Phlx-2006-17]

**Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change and Amendment Nos. 1 and 2 Thereto Relating to Listing Standards for Broad-Based Index Options**

July 17, 2006.

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 March 1, 2006, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Phlx. On April 12, 2006, the Phlx filed Amendment No. 1 to the proposed rule change.<sup>3</sup> On July 14, 2006, the Phlx filed Amendment No. 2 to the proposed rule change.<sup>4</sup> The

<sup>10</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> Amendment No. 1 replaced and superseded the original filing in its entirety.

<sup>4</sup> In Amendment No. 2, the Phlx made technical and clarifying changes to the proposal.

<sup>7</sup> 15 U.S.C. 78q-1.

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>9</sup> 17 CFR 240.19b-4(f)(1).