

with the protection of investors and the public interest.

In its guidance on the proposed rules of Self-Regulatory Organizations ("SROs"),<sup>9</sup> the Commission concluded that filings based on the rules of another SRO already approved by the Commission are eligible for immediate effectiveness under Rule 19b-4(f)(6).<sup>10</sup> The Commission noted that "a proposed rule change appropriately may be filed as an immediately effective rule so long as it is based on and similar to another SRO's rule and each policy issue raised by the proposed rule (i) has been considered previously by the Commission when the Commission approved another exchange's rule (that was subject to notice and comment), and (ii) the rule change resolves such policy issue in a manner consistent with such prior approval."<sup>11</sup> The Exchange notes that the change is identical to a change by FINRA approved by the Commission.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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-BX-2010-020 on the subject line.

##### *Paper Comments*

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

All submissions should refer to File Number SR-BX-2010-020. 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 Web site 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. 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-BX-2010-020 and should be submitted on or before April 21, 2010.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Florence E. Harmon,**  
Deputy Secretary.

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-61783; File No. SR-NSCC-2010-03]

#### Self-Regulatory Organizations; The National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Expand the Eligibility of Securities Processed Through the ID Net Service

March 25, 2010.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on March 5, 2010, 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 proposal pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>2</sup> and Rule 19b-4(f)(4)<sup>3</sup> thereunder so that the proposal was effective upon filing with the Commission. The Commission is

publishing this notice to solicit comments on the 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 amends NSCC's rules regarding the eligibility of securities processed through the ID Net Service ("ID Net").

#### 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

On June 2, 2008, the Commission approved a rule change that provided for the settlement of institutional transactions through a joint service of NSCC and The Depository Trust Company ("DTC") called ID Net. ID Net enables subscribers to the service to net all eligible affirmed institutional transactions at DTC against Continuous Net Settlement ("CNS") transactions<sup>5</sup> at NSCC. ID Net accepts affirmed institutional transactions that are eligible for ID Net from clearing agencies,<sup>6</sup> entities exempt from clearing agency registration with the Commission, and "qualified vendors"<sup>7</sup> and nets the broker-dealer's affirmed institutional transactions side of such transaction with the broker-dealer's CNS obligations.

Participation in ID Net is voluntary. Eligibility for ID Net requires that a

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

<sup>5</sup> NSCC's Continuous Net Settlement System (CNS) is an automated accounting and securities settlement system that centralizes and nets the settlement of compared and recorded security transactions and maintains an orderly flow of security and money balances. CNS provides clearance for equities, corporate bonds, unit investment trusts, and municipal bonds that are eligible for book-entry transfer at DTC.

<sup>6</sup> The clearing agency must be registered pursuant to Section 17A of the Act or obtain an exemption.

<sup>7</sup> The term "qualified vendor" is defined in the rules of the New York Stock Exchange, the National Association of Securities Dealers, and other self-regulatory organizations.

<sup>9</sup> Securities Exchange Act Release No. 58092 (July 3, 2008), 73 FR 40144 (July 11, 2008).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

<sup>11</sup> See supra note 9 at 40149.

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

<sup>15</sup> 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).

broker-dealer be a DTC participant and an NSCC member eligible for CNS processing. The custodian bank must be a DTC participant. In addition, eligibility for ID Net processing is based on the underlying security being processed, the type of transaction submitted for processing, and the timing of affirmation. Most equity securities that are eligible for CNS are eligible for ID Net processing. However, the following securities were initially excluded from ID Net eligibility: (1) Corporate and municipal bonds and unit investment trust issues; (2) new issue securities; (3) securities that are IPO tracked (because the use of omnibus accounts will bypass the tracking system); (4) trades in issues that are currently undergoing a mandatory or voluntary reorganization; (5) trades in CUSIPs with a CNS buy-in; and (6) trades in securities appearing on the SEC's Regulation SHO list. At its inception, NSCC noted that because ID Net was a new service, it was excluding certain securities that could potentially have a relatively high rate of delivery failure or disrupt normal processing of transactions in ID Net in order to ensure that the system ran smoothly. NSCC also noted that as its experience with ID Net grew, it would reevaluate the exclusion of certain issues.

Since the implementation of ID Net, the service has operated with minimal disruption, thus allaying the concerns regarding the addition of certain securities previously excluded from the service. In order to enhance processing efficiency and at the request of its members, NSCC is expanding ID Net to allow NSCC at its discretion from time to time to make eligible for ID Net any security that is eligible for CNS processing.

NSCC will announce by "Important Notice" particular securities or classes of securities are made eligible for processing through ID Net.

The proposed rule change is consistent with Section 17A of the Act,<sup>8</sup> as amended, and the rules and regulations thereunder applicable to NSCC. The proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions by leveraging the capabilities of the NSCC system to provide for more streamlined securities deliveries and to extend netting benefits and efficiencies to more ID Net transactions.

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

NSCC does not believe that the proposed rule change will have any impact or 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 were not and are not intended to be 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 proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>9</sup> and Rule 19b-4(f)(4)<sup>10</sup> thereunder because the proposed rule change 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 NSCC or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of NSCC or persons using the service. At any time within sixty days of the filing of the proposed 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-2010-03 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission,

100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NSCC-2010-03. 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 Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filings also will be available for inspection and copying at the principal office of NSCC and on NSCC's Web site at [http://www.dtcc.com/downloads/legal/rule\\_filings/2010/nscc/2010-03.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2010/nscc/2010-03.pdf). 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-2010-03 and should be submitted on or before April 21, 2010.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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<sup>8</sup> 15 U.S.C. 78q-1.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>10</sup> 17 CFR 240.19b-4(f)(4).

<sup>11</sup> 17 CFR 200.30-3(a)(12).