

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-61762; File No. SR-NSCC-2010-02]

### Self-Regulatory Organizations; The National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Aggregate Obligations in Certain Securities Transactions Designated for Settlement on a Trade-for-Trade Basis

March 23, 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 4, 2010, The 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 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 proposed rule change from interested persons.

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

The purpose of the proposed rule change is to allow NSCC to aggregate obligations in certain securities transactions designated for settlement on a trade-for-trade basis.

#### 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 such statements.<sup>4</sup>

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

NSCC may designate some or all transactions in a security to settle on a trade-for-trade basis.<sup>5</sup> In such cases, NSCC marks the transaction as a Special Trade and provides the counterparties with corresponding receive and deliver instructions to settle the transaction between themselves. Independent of action by NSCC, members may also agree to settle a transaction on a trade-for-trade basis and mark it as a Special Trade.

NSCC proposes amending its Rules so that when NSCC is responsible for designating a transaction to settle as a Special Trade it may aggregate the daily receive and deliver obligations in that security between the counterparties. As a result, each counterparty at the end of the day would have only one aggregate receive obligation and one aggregate deliver obligation in the designated security as opposed to individually settling the multiple transactions.<sup>6</sup> The resulting buy order obligation and sell order obligation between the counterparties would not be netted against each other.<sup>7</sup> Receive and deliver orders for transactions designated by Members as Special Trades would continue to be issued on an individual transaction basis.

To facilitate this proposal, NSCC would amend Procedure II of its Rules to provide for aggregated receive and deliver instructions for trade-for-trade items and to clarify that receive and deliver instructions for trade-for-trade items are reported on the Consolidated Trade Summary. The proposed changes to NSCC's Rules can be found in Exhibit 5 to proposed rule change SR-NSCC-2010-02 at [http://www.dtcc.com/downloads/legal/rule\\_filings/2010/nscc/2010-02.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2010/nscc/2010-02.pdf).

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>8</sup>

<sup>5</sup> This practice is addressed by NSCC's Rules and Procedures in the section titled "Procedure II. Trade Comparison and Recording Service."

<sup>6</sup> As is currently the case for trade-for-trade items, NSCC would not guaranty the settlement of transactions aggregated pursuant to this proposal.

<sup>7</sup> For example, if on a given day Broker A has 15 buys against Broker B in Security X, the transactions would be aggregated into one receive obligation for A and one deliver obligation for B. Likewise, if Broker A has 20 sells with Broker B on that same day for the same security, those items would also be aggregated into one deliver obligation for A and one receive obligation for B. In this example, A and B would each have two settlement obligations with the other party for Security X rather than the 35 obligations each would have without aggregation.

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

and the rules and regulations thereunder applicable to NSCC because the proposed rule change promotes efficiencies in the clearance and settlement of securities transactions by modifying NSCC's Rules to reduce the number of settlement obligations for members when NSCC designates a transaction as a Special Trade.

#### (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 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 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 a registered clearing agency that: (i) Does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. 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

- Electronic comments may be submitted by using the Commission's

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

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

<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.

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 No. SR–NSCC–2010–02 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–2010–02. 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 Section, 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/2010-02.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2010/nscc/2010-02.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–2010–02 and should be submitted on or before April 19, 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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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–61757; File No. SR–NASDAQ–2010–036]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Clarify and Modify the Applicability of Nasdaq Rule 5615 To Exchange Traded Funds

March 22, 2010.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup>, and Rule 19b–4 <sup>2</sup> thereunder, notice is hereby given that on March 11, 2010, The NASDAQ Stock Market LLC (“Nasdaq” or “the Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by Nasdaq. Nasdaq has designated the proposed rule change as constituting a non-controversial rule change under Rule 19b–4(f)(6) under the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to clarify and modify the applicability of Nasdaq Rule 5615 to Exchange Traded Funds. The text of the proposed rule change is below. Proposed new language is in *italics*; proposed deletions are in [brackets].<sup>4</sup>

\* \* \* \* \*

#### 5615. Exemptions from Certain Corporate Governance Requirements

This rule provides the exemptions from the corporate governance rules afforded to certain types of Companies, and sets forth the phase-in schedules for initial public offerings, Companies emerging from bankruptcy and Companies transferring from other markets. This rule also describes the applicability of the corporate governance rules to controlled companies and sets forth the phase-in schedule afforded to Companies ceasing to be controlled companies.

#### (a) Exemptions to the Corporate Governance Requirements

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> 17 CFR 240.19b–4(f)(6).

<sup>4</sup> Changes are marked to the rules of The NASDAQ Stock Market LLC found at <http://nasdaq.cchwallstreet.com>.

#### (1) Asset-backed Issuers and Other Passive Issuers

The following are exempt from the requirements relating to Majority Independent Board {Rule 5605(b)}, Audit Committee {Rule 5605(c)}, Independent Director Oversight of Executive Officer Compensation {Rule 5605(d)} and Director Nominations {Rule 5605(e)}, the Controlled Company Exemption {Rule 5615(c)(2)}, and Code of Conduct {Rule 5610}:

(A) No change.

(B) issuers, such as unit investment trusts, *including Portfolio Depository Receipts*, which [that] are organized as trusts or other unincorporated associations that do not have a board of directors or persons acting in a similar capacity and whose activities are limited to passively owning or holding (as well as administering and distributing amounts in respect of) securities, rights, collateral or other assets on behalf of or for the benefit of the holders of the listed securities.

\* \* \* \* \*

(2)–(4) No change.

#### (5) Management Investment Companies

Management investment companies (including business development companies) are subject to all the requirements of the Rule 5600 Series, except that management investment companies registered under the Investment Company Act of 1940 are exempt from the Independent Directors requirement, the Independent Director Oversight of Executive Officer Compensation and Director Nominations requirements, and the Code of Conduct requirement, set forth in Rules 5605(b), (d) and (e) and 5610, respectively. *In addition, management investment companies that are Index Fund Shares and Managed Fund Shares, as defined in Rules 5705(b) and 5735, are exempt from the Audit Committee requirements set forth in Rule 5605(c), except for the applicable requirements of SEC Rule 10A–3.*

#### IM–5615–4. Management Investment Companies

Management investment companies registered under the Investment Company Act of 1940 are already subject to a pervasive system of federal regulation in certain areas of corporate governance covered by 5600. In light of this, Nasdaq exempts from Rules 5605(b), (d), (e) and 5610 management investment companies registered under the Investment Company Act of 1940. Business development companies, which are a type of closed-end management investment company defined in Section 2(a)(48) of the

<sup>11</sup> 17 CFR 200.30–3(a)(12).