

Securities and Exchange Commission
Washington, D.C. 20549

Form 19b-4

Proposed Rule Change

By

NATIONAL SECURITIES CLEARING CORPORATION

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

December 5, 2002

1. Text of Proposed Rule Change.

(a) The text of the proposed rule change adds additional services that Data Services Only Members of the National Securities Clearing Corporation (“NSCC”) will be permitted to access. The text of the proposed rule change is set forth on Exhibit A.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) Not applicable.

(b) Contact regarding questions and comments:

Jeffrey T. Waddle (212) 855-3260

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

(a) The proposed rule change adds additional NSCC services that Data Services Only Members will be permitted to access.¹ Pursuant to the present filing, Data Services Only Members will be permitted to access all features of NSCC’s Insurance Processing Services, provided that Data Services Only Members will not be able to settle transactions through the Corporation’s facilities. NSCC’s current fee schedule will be applied to Data Services Only Members’ use of such services.

(b) This rule change will increase automation of data transmission and reception and permit greater access to such information, thus facilitating the prompt and accurate clearance and settlement of securities transactions. The proposed rule change is therefore consistent with the requirements of the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder.

¹ For additional information about the category of Data Services Only Members, please see NSCC’s filings on Form 19b-4, File No. SR-NSCC-2001-14 and File No. SR-NSCC-2001-18.

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

NSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

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

No written comments relating to the proposed rule change have been solicited or received. NSCC will notify the Securities and Exchange Commission (the "Commission") of any written comments it receives.

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 change is to take effect pursuant to paragraph (A) of Section 19(b)(3) of the Act and subparagraph (f) of Securities Exchange Act Rule 19b-4.

(b) Since the proposed rule change will allow entities to transmit and receive information on an automated basis instead of the current manual basis and does not involve the settling of funds through NSCC, it makes a change to NSCC's services without adversely affecting the safeguarding of securities or funds in the custody or control of NSCC or for which it is responsible, and does not significantly affect the respective rights or obligations of NSCC or its Members.

(c) Not applicable.

(d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory

Organization or of the Commission.

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

9. Exhibits.

Exhibit A

Text of the proposed change to NSCC's Rules.

Exhibit B

Notice of the proposed rule change for publication in the Federal Register.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the self-regulatory organization has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL SECURITIES CLEARING CORPORATION

BY: /s/ Karen L. Saperstein
Karen L. Saperstein
General Counsel, Secretary
and Managing Director

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EXHIBIT A

Underlined, bold face text indicates additions.
~~Bracketed, strikeout~~ text indicates deletions.

INSURANCE PROCESSING SERVICE

Rule 57. SEC. 1. The Corporation may provide a service to enable (i) Members ~~[and]~~, Insurance Carrier Members **and Data Services Only Members** to ~~[(i)]~~ transmit such data and information as the Corporation may determine from time to time (the "IPS Data"), including, but not limited to, information related to insurance applications and initial premium payments ("Application Information"),¹ subsequent premium payments ("Subsequent Premium Information"), and events and/or transactions occurring in respect of existing insurance contracts ("Financial Activity Information"); and (ii) Members and Insurance Carrier Members to settle payments relating to insurance products between themselves. Such services shall be known as the Insurance Processing Service ("IPS") and will be accomplished in accordance with the provisions of this Rule.

SEC. 2.(a) Each Member, ~~[and]~~ Insurance Carrier Member **and Data Services Only Member** that desires access to IPS must complete and deliver to the Corporation such agreements as the Corporation may from time to time require.

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

(c) The Corporation will review IPS Data received from Insurance Carrier Members, ~~[and]~~ Members **and Data Services Only Members** for such information as the Corporation determines from time to time to be necessary. If the IPS Data does not contain the information required by the Corporation, the Corporation will reject the IPS Data and will advise the appropriate Insurance Carrier Member, ~~[or]~~ Member **or Data Services Only Member** in such form and by such time as established by the Corporation from time to time.

(d) Subject to subsection (e) below, if the IPS Data appears to contain the information required by the Corporation, subject to any rights the Corporation may have as provided in the Rules generally, the Corporation will transmit the IPS Data to the appropriate Insurance Carrier Member, ~~[or]~~ Member **or Member Data Services Only** in such form and by such time as established by the Corporation from time to time. On a daily basis, Members, ~~[and]~~ Insurance Carriers Members **and Members Data Services Only** must compare the IPS Data against their records and any discrepancies must be immediately reported to

¹ The Corporation does not currently offer members the ability to submit Application Information, or settle premium payments with respect to, life insurance products.

the Corporation. To the extent necessary or appropriate, the Corporation may cause an adjustment to be made to the IPS Data within such time as the Corporation determines to be necessary.

(e) If Application Information submitted by a Member appears to contain the information required by the Corporation, but does not appear to contain the information required by the appropriate Insurance Carrier Member, the Corporation will nevertheless transmit the Application Information to the appropriate Insurance Carrier Member in such form and by such time as established by the Corporation from time to time, unless the submitted information contains four or more errors (in which case the Corporation will reject the Application Information). Such transmission shall indicate that it does not contain all the required information. The Corporation will also notify the submitting Member in such form and by such time as established by the Corporation from time to time, that data submitted by such Member does not contain all the carrier required information. The submitting Member and receiving Insurance Carrier Member must resolve any such deficiency between themselves and not through the facilities of the Corporation.

(f) The Corporation will notify, in such form and at such times as established by the Corporation from time to time, an Insurance Carrier Member, ~~[ø]~~ Member **or Data Services Only Member**, in respect of IPS Data which requires a response, if no such response has been received by the Corporation.

(g) Pursuant to the policies established by the Corporation from time to time, a submitter of IPS Data can withdraw certain IPS Data submitted by submitting an instruction to the Corporation in such form and by such time as established by the Corporation from time to time. Upon receipt of a withdrawal instruction, the Corporation will (i) delete from IPS the IPS Data withdrawn and (ii) notify the appropriate party of the withdrawn IPS Data in such form and by such time as established by the Corporation from time to time.

(h) Notwithstanding the foregoing, nothing prohibits an Insurance Carrier Member, ~~[ø]~~ Member **or Data Services Only Member** from requiring data or information in addition to any IPS Data that has been transmitted through the Corporation.

COMMISSIONS AND CHARGE BACKS

SEC. 3.(a) An Insurance Carrier Member may initiate a commission or charge back transaction by submitting to the Corporation a payment instruction, in such form and by such time as established by the Corporation from time to time.

(b) On any Business Day prior to settlement of a commission or charge back payment, an Insurance Carrier Member or a Member can (i) submit a cancel instruction to the Corporation in such form and by such time as established by the Corporation from time to time, in the event that such Member does not recognize

the transaction to which it relates, or (ii) submit an exit instruction to the Corporation in such form and by such time as established by the Corporation from time to time, in the event that such Member recognizes the transaction to which it relates, but requires that such transaction be processed outside of IPS.

A properly submitted exit or cancellation will cause the commission or charge back payment transaction to which it relates to be deleted from IPS.

(c) A transaction which has been the subject of an instruction properly submitted to the Corporation and requiring a response will be deleted from IPS five business days after the submission date of the instruction which required such a response, if no such response is submitted to the Corporation.

(d) All commission and charge back payments will settle in the settlement cycle occurring immediately following the completion of the processing of data relating to such payment, unless (i) the Insurance Carrier Member's initiation instruction indicated that such transaction will settle on an extended basis, or (ii) prior to the settlement of a transaction, both parties agreed that a transaction will settle on an extended basis, by submitting to the Corporation such information in such form and by such time as established by the Corporation from time to time, and in the case of (i) or (ii), such payment will settle on the date indicated; provided, however, that no transaction shall settle more than five business days after the day on which the last instruction pertaining to such transaction was submitted to the Corporation.

(e) An Insurance Carrier Member or Member who desires to resubmit a commission or charge back payment transaction that has been deleted, exited or canceled, must resubmit such transaction or data as if it had never been submitted.

(f) Settlement of money payments between the Insurance Carrier Members and Members arising out of commission and charge back transactions shall be made in accordance with Rule 12 and other provisions of these rules.

(g) At any time, the Corporation may prohibit any commission or charge back payment from settling through IPS if the Corporation, in its discretion, determines that such action is necessary for the protection of the Corporation, Members, Insurance Carrier Members, creditors or investors.

(h) Upon the withdrawal of a Member or Insurance Carrier Member from participation in IPS, the Corporation may delete from IPS any in completed IPS items, but not earlier than five business days following notification to Members and Insurance Carrier Members of such party's intention to withdraw from IPS, where such party continues as a Member or is merged into or acquired by another Member which is not a participant in IPS.

INITIAL AND SUBSEQUENT PREMIUMS AND MISCELLANEOUS IPS DATA

SEC. 4. (a) A Member or Insurance Carrier Member who has submitted (i) licensing and appointment and other IPS Data not otherwise covered by this Rule, (ii) Application Information, or (iii) Subsequent Premium Information to the Corporation may include information in respect of payments relating to such data.

(b) If (i) a Member submits an instruction to the Corporation to withdraw Application Information in accordance with subparagraph (f) of Section 2 of this Rule and (ii) initial premium payment information has also been submitted, such withdrawal shall cause the payment to be deleted from IPS.

(c) If (i) a Member or Insurance Carrier Member submits incomplete data to the Corporation, and (ii) has also submitted a payment in connection therewith, the Corporation will not settle such payment through the Corporation.

(d) All payments other than those covered by Section 3 of this Rule will settle in the settlement cycle occurring immediately following the completion of the processing of data relating to such payments.

(e) Settlement of money payments between the Members and Insurance Carrier Members arising out of payments other than those covered by Section 3 of this Rule shall be made in accordance with Rule 12 and other provisions of these rules.

(f) A Member who desires to resubmit an initial premium payment that has been deleted or canceled must resubmit both the initial premium payment information and the associated Application Information as if they had never been submitted to the Corporation.

(g) At any time, the Corporation may prohibit any payment from settling through IPS if the Corporation, in its discretion, determines that such action is necessary for the protection of the Corporation, Members, Insurance Carrier Members, creditors or investors. In such event, the Corporation will not transmit the data associated with such payment.

SEC. 5. Submission of IPS Data to, or alteration or withdrawal of IPS Data from, the Corporation shall not relinquish, extinguish or affect any legal or regulatory right or obligation of the Member, ~~or~~ Insurance Carrier Member **or Data Services Only Member**.

SEC. 6. The Corporation will not be responsible for the completeness or accuracy of the IPS Data received from or transmitted to an Insurance Carrier Member, ~~or~~ Member **or Data Services Only Member** through IPS nor for any errors, omissions or delays which may occur in the absence of gross negligence on the Corporation's part, in the transmission of such IPS Data to or from an Insurance Carrier Member, ~~or~~ Member **or Data Services Only**.

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NSCC-2002-13)

Proposed rule change by NATIONAL SECURITIES CLEARING CORPORATION
("NSCC")

Comments requested within days after the date of this publication.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on , National Securities Clearing Corporation ("NSCC" or the "Corporation") 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 NSCC. 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 text of the proposed rule change adds additional services that Data Services Only Members of NSCC will be permitted to access.

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.

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

(a) The proposed rule change adds additional NSCC services that Data Services Only Members will be permitted to access.² Pursuant to the present filing, Data Services Only Members will be permitted to access all features of NSCC's Insurance Processing Services, provided that Data Services Only Members will not be able to settle transactions through the Corporation's facilities. NSCC's current fee schedule will be applied to Data Services Only Members' use of such services.

(b) This rule change will increase automation of data transmission and reception and permit greater access to such information, thus facilitating the prompt and accurate clearance and settlement of securities transactions. The proposed rule change is therefore consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder.

² For additional information about the category of Data Services Only Members, please see NSCC's filings on Form 19b-4, File No. SR-NSCC-2001-14 and File No. SR-NSCC-2001-18.

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

NSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

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

No written comments relating to the proposed rule change have been solicited or received. NSCC will notify the Securities and Exchange Commission (the "Commission") of any written comments it receives.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (f) of Securities Exchange Act Rule 19b-4. 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the rule filing that are filed with the Commission, and all written communications relating to the rule filing between the Commission and any person, other than those that may be withheld from the public in accordance with provisions of 5 U.S.C. 552, will be available for inspection

and copying in the Commission's Public Reference Room in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted within days after the date of this publication.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.

Jonathan G. Katz

Secretary

Dated: