

Proposed Rule Change 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 checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input 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)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

The filing consists of modifications to NSCCs Rules and Procedures with regard to the collection of commission payments (Rule 16 - Settlement of Commissions).

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 proposed rule change.

First Name	<input type="text" value="Merrie Faye"/>	Last Name	<input type="text" value="Witkin"/>
Title	<input type="text" value="Vice President"/>		
E-mail	<input type="text" value="mwitkin@dtcc.com"/>		
Telephone	<input type="text" value="(212) 855-3208"/>	Fax	<input type="text" value="(212) 855-3215"/>

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date	<input type="text" value="12/29/2005"/>
By	<input type="text" value="Merrie Faye Witkin"/>
	(Name)
	<input type="text" value="Vice President & Senior Counsel"/>
	(Title)

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

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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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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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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Exhibit Sent As Paper Document

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 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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 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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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 Proposed Rule Change.

(a) The proposed rule change consists of modifications to the Rules & Procedures (the “Rules”) of National Securities Clearing Corporation (“NSCC” or the “Corporation”) with regard to the collection of commission payments pursuant to Rule 16 (Settlement of Commissions), and is annexed hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change does not require the approval of NSCC’s Board of Directors.

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

(a) As part of ongoing efforts to increase processing efficiencies, NSCC has determined to modify its Rules to further standardize and automate the processing of commission bill payments under Rule 16 (Settlement of Commissions).

In 2001, NSCC modified Rule 16 to require the use of Automated Clearing House (“ACH”) wire transfers when making payments (i.e. ACH credits) to Non-Clearing Members utilizing the Commission Bill service, and all Non-Clearing Members were required to execute appropriate ACH documentation in order to receive their credit payments¹. While NSCC automated the payment of funds from NSCC to Non-Clearing Members, the converse (collection of monies owed to NSCC by Non-Clearing Members) was not. Non-Clearing Members continued to pay commission bill settlement funds to NSCC via checks.

NSCC proposes to further modify Rule 16 to require the use of ACH pre-authorized payments (i.e. “ACH debits”) to collect funds from those Non-Clearing Members that are indebted to the Corporation as a result of utilizing the service. Accordingly, within the timeframe determined by the Corporation (currently, commission bill settlement takes place on the 15th day of each month or, if not a business day, on the preceding business day) NSCC will debit the bank account designated by each Non-Clearing Member an amount equal to the debit owed to the Non-Clearing Member by NSCC. All Non-Clearing Members will be required to execute appropriate ACH documentation.

¹ See SR-NSCC-2001-08, and Securities Exchange Act Release No. 34-44550, FR Vol. 66

In addition to the above change, NSCC will also make a technical correction to Rule 16(3) to conform the Rule to practice. NSCC will eliminate text that provides that Non-Clearing Members deliver information to the Corporation on the 10th day of each month, as this practice has been discontinued.

Implementation

NSCC will work with NYSE and AMEX staff to obtain new ACH documentation from all Non-Clearing Members that currently utilize the Commission Bill service. By March 15, 2006 (or within two weeks of the SEC's approval of this rule filing, whichever is later) NSCC will begin implementing the ACH debit process on a rolling-basis. NSCC anticipates that collection of funds via check from Non-Clearing Members to NSCC will be discontinued in its entirety by the end of the second quarter of 2006.

(b) The proposed rule change will facilitate the prompt and accurate payment of commission bill 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.

4. 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.

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

The Corporation has worked with and received the support of the New York Stock Exchange and the American Stock Exchange in respect of these proposed changes. No written comments relating to the proposed rule change have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC. NSCC will notify the Commission of any written comments received by NSCC.

6. Extension of Time Period for Commission Action.

NSCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

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

- (a) Not applicable.
- (b) Not applicable.

(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 the rules of either another self-regulatory organization or of the Commission.

9. Exhibits

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

Exhibit 5 - Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-NSCC-2005-17)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Securities Clearing Corporation (“NSCC”) relating to Rule 16 (Settlement of Commissions).

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 _____, 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 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 is attached hereto as Exhibit 5.

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.

i) As part of ongoing efforts to increase processing efficiencies, NSCC has determined to modify its Rules to further standardize and automate the processing of commission bill payments under Rule 16 (Settlement of Commissions).

In 2001, NSCC modified Rule 16 to require the use of Automated Clearing House (“ACH”) wire transfers when making payments (i.e. ACH credits) to Non-Clearing Members utilizing the Commission Bill service, and all Non-Clearing Members were required to execute appropriate ACH documentation in order to receive their credit

payments¹. While NSCC automated the payment of funds from NSCC to Non-Clearing Members, the converse (collection of monies owed to NSCC by Non-Clearing Members) was not. Non-Clearing Members continued to pay commission bill settlement funds to NSCC via checks.

NSCC proposes to further modify Rule 16 to require the use of ACH pre-authorized payments (i.e. “ACH debits”) to collect funds from those Non-Clearing Members that are indebted to the Corporation as a result of utilizing the service. Accordingly, within the timeframe determined by the Corporation (currently, commission bill settlement takes place on the 15th day of each month or, if not a business day, on the preceding business day) NSCC will debit the bank account designated by each Non-Clearing Member an amount equal to the debit owed to the Non-Clearing Member by NSCC. All Non-Clearing Members will be required to execute appropriate ACH documentation.

In addition to the above change, NSCC will also make a technical correction to Rule 16(3) to conform the Rule to practice. NSCC will eliminate text that provides that Non-Clearing Members deliver information to the Corporation on the 10th day of each month, as this practice has been discontinued.

Implementation

NSCC will work with NYSE and AMEX staff to obtain new ACH documentation from all Non-Clearing Members that currently utilize the Commission Bill service. By March 15, 2006 (or within two weeks of the SEC’s approval of this rule filing, whichever is later) NSCC will begin implementing the ACH debit process on a rolling-basis. NSCC anticipates that collection of funds via check from Non-Clearing Members to NSCC will be discontinued in its entirety by the end of the second quarter of 2006.

(ii) The proposed rule change will facilitate the prompt and accurate payment of commission bill 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.

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.

¹ See SR-NSCC-2001-08, and Securities Exchange Act Release No. 34-44550, FR Vol. 66

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

The Corporation has worked with and received the support of the New York Stock Exchange and the American Stock Exchange in respect of these proposed changes. No written comments relating to the proposed rule change have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC. 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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

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 may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or send an e-mail to rule-comment@sec.gov. Please include File No. [XX] on the subject line.
- Paper comments should be sent in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington D.C. 20549-0609

All submissions should refer to File Number [XX]. 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. Copies of such filing also will be available for inspection and copying at the principal office of NSCC. 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 submission should refer to the file number above and should be submitted within _____ days after the date of publication.

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

Jonathan G. Katz

EXHIBIT 5

TEXT OF THE PROPOSED RULE CHANGE

Underlined, boldface text indicates additions.

~~[Bracketed, strikeout boldface]~~ text indicates deletions.

SETTLEMENT OF COMMISSIONS

Rule 16. All payments of commissions due on business when a principal is given up between Members and Non-Clearing Members shall be settled monthly as follows

- (1) Each Payee shall make up bills in the customary form for all commissions due on business when a principal is given up.
- (2) Each Payee shall deliver the customary commission bill to each Payer on or before the 5th day of each month if a business day; otherwise the next succeeding business day.
- (3) Each Payer shall promptly verify such bill, **[and shall not later than 12 noon on the 10th day of each month, if a business day, otherwise on the next succeeding business day or on such other day or by such other time as the Corporation shall determine, deliver to the Corporation such information in such form as the Corporation may prescribe from time to time.]**
- (4) The Corporation shall upon completion of the clearance, debit and credit the respective Payers and Payees with resulting amounts plus or minus the charges for services rendered for which provision is made by the Corporation from time to time.

If, as a result of such clearance of commissions, a Non-Clearing Member shall be indebted to the Corporation, **the Corporation shall collect the amount due to the Corporation from the Non-Clearing Member by ACH preauthorized payment [such Non-Clearing Member shall pay the amount due to the Corporation]** on or before the commission bill settlement date of each month determined by the Corporation. If such Non-Clearing Member shall be entitled to a credit, the Corporation shall pay the same by ACH wire transfer as soon as practicable, provided however, if a Non-Clearing Member indebted to the Corporation does not pay part or all of the amount due to the Corporation, the Corporation shall be entitled to set-off such amount against any commission bill credit to which such Non-Clearing Member is entitled. A Member or

Non-Clearing Member that fails to timely pay part or all of the amount due to the Corporation may be subject to action by the Corporation pursuant to Rule 46 or 48, which includes, but is not limited to, fines, censure or any other sanction as the Corporation deems appropriate pursuant to these Rules.¹

If, as a result of such clearance of commissions, a Member shall be indebted to the Corporation, or entitled to a credit, such debits and credits shall be included in the settlement of the accounts of such Member for such day as the Corporation may determine.

The Corporation shall have power to determine the amounts to be received by it in the settlement of commissions and the persons entitled thereto and any determination so made shall be final and conclusive upon all parties to the settlement.

¹ **The Corporation may from time to time as it deems appropriate or necessary, pay funds to/receive funds from, a Non-Clearing Member under this Rule, via check.**