

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72344; File No. SR-NSCC-2014-07)

June 6, 2014

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change to Implement a New Scorecard Feature to the Mutual Fund Profile Service

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that May 30, 2014, National Securities Clearing Corporation (“NSCC”) 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 clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to the Rules & Procedures (“Rules”) of NSCC to implement a new scorecard feature to its Mutual Fund Profile Service, as more fully described below.

II. Clearing Agency’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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

In 1996, NSCC launched its Mutual Fund Profile Service (“MFPS”),³ providing participating members with an automated method of transmitting and receiving information pertaining to funds and other pooled investment vehicles through a centralized and standard facility. Such funds and other pooled investment vehicles are collectively referred to herein as “Funds”.

In 1998, NSCC implemented three new databases as part of MFPS, (i) the participant profile database, (ii) the security issue profile database and (iii) the distribution declaration information profile database.⁴ Through these three databases, MFPS offers the Funds industry a centralized repository for prospectus and operational information relating to Fund securities, Fund distributions and Fund processing capabilities.

The “security issue profile database” contains Fund information, including, but not limited to, security ID number, security name, fee structure, investment objectives, breakpoint schedule data and blue sky eligibility (collectively, “Security Issue Data”).⁵ Participating members using the security issue profile database are either data providers or data receivers. Data providers populate the security issue profile database with their

³ See, Release No. 34-37171 (May 8, 1996), 61 FR 24343 (May 14, 1996) (SR-NSCC-1996-04).

⁴ See, Release No. 34-40614 (October 28, 1998), 63 FR 59615 (November 4, 1998) (SR-NSCC-1998-09).

⁵ See, Release No. 34-59321 (January 30, 2009), 74 FR 6933 (February 11, 2009) (SR-NSCC-2008-08).

applicable Security Issue Data and are generally the Funds themselves, their principal underwriters or, otherwise, entities authorized to process transactions on behalf of the Funds (collectively, “Data Providers”). Data receivers retrieve such populated Security Issue Data for use and are generally the distribution partners to the Funds (collectively, “Data Receivers”).

Over the last several months, some Data Receivers have noted that Security Issue Data, on occasion, does not match the associated information set forth in the applicable Data Provider’s public filings. Such variances and other noted potential discrepancies (collectively, “Discrepancies”) have caused certain Data Receivers to express concerns about Security Issue Data reliability. As a result, Data Receivers have requested NSCC’s assistance in creating a mechanism for encouraging more reliable Security Issue Data within the security issue profile database.

To address these concerns, NSCC proposes to amend Rule 52.D of its Rules & Procedures to implement a new feature in the security issue profile database — a scorecard — that would be distributed to MFPS members on a regularly scheduled basis, as determined by the Corporation. The scorecards will set forth (i) the numerical score issued to each applicable Data Provider and (ii) the combined average numerical score of all Data Providers. The various types of Discrepancy categories and number of identified Discrepancies within each category will form the basis from which the individual Data Provider’s score and the combined average scores of all Data Providers will be calculated.

Each Data Provider’s scorecard will contain (i) the individual, numerical score issued to it, (ii) the number of identified Discrepancies within each category attributable

to such Data Provider and (iii) the combined average numerical score of all Data Providers. Data Providers will not see the individual, numerical scores issued to other Data Providers nor the identified Discrepancies of other Data Providers. A Data Provider that has no identified Discrepancies with respect to its Security Issue Data, or that otherwise addresses all of its identified Discrepancies, will be issued a perfect score as reflected on its scorecard, while a Data Provider that fails to take action with respect to its identified Discrepancies will have its individual score reduced. As new Discrepancies are identified to the Data Provider or the Data Provider reviews and addresses identified Discrepancies, its individual score will be recalculated on a regularly scheduled basis. The industry average score will recalculate according to the same schedule as well.

Scorecards distributed to Data Receivers will contain (i) the individual, numerical score issued to each Data Provider participant, (ii) the number of identified Discrepancies within each category attributable to each such Data Provider and (iii) the combined average numerical score of all Data Providers. The Data Receivers' scorecards will recalculate according to the same schedule as the Data Providers' scorecards.

Because the scores are based solely on action or inaction of Data Providers, the rule, as amended, will provide that the Corporation makes no representation or warranty with respect to the value or usefulness of any score or scorecard, nor will the Corporation be subject to any damages or liabilities whatsoever with respect to any person's use of or reliance upon any score or scorecard. In addition, because the scorecards are intended solely for members' use and are not intended to be made public, the rule, as amended, will state that all information contained in the scorecards is copyrighted and any form of copying, other than for each NSCC member's personal reference, without the express

written permission of the Corporation, is prohibited, and further distribution or redistribution of the scorecard or any information contained therein by any means or in any manner is strictly prohibited.

2. Statutory Basis

NSCC believes that the proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the “Act”), specifically Section 17A(b)(3)(F),⁶ and the rules and regulations thereunder applicable to NSCC. The proposed new feature encourages accuracy and consistency of communications with respect to information about securities. Accordingly, NSCC believes that the proposed rule change fosters cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.

(B) Clearing Agency’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. As stated above, the proposed change adds a scorecard feature to facilitate accurate securities information exchange, which will benefit all participating members equally and should have no effect on competition within or without NSCC.

(C) Clearing Agency’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.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate 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 or disapprove 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:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSCC-2014-07 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-NSCC-2014-07. 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 website (<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 website 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 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on NSCC's website (<http://www.dtcc.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-2014-07 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷

Kevin M. O'Neill
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).