

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68159; File No. SR-NSCC-2012-08)

November 5, 2012

Self-Regulatory Organizations; The National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify Rule 52 (Mutual Fund Services) and Addendum A (NSCC's Fee Structure)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 22, 2012, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I and II below, which Items have been prepared primarily by NSCC. NSCC filed the proposal pursuant to Section 19(b)(3)(A)(iii)² of the Act, Rule 19b-4(f)(2),³ and Rule 19b-4(f)(4)(i)⁴ 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 modifies Rule 52 (Mutual Fund Services) and Addendum A (NSCC's Fee Structure) of NSCC's Rules.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(A)(iii).

³ 17 CFR 240.19b-4(f)(2).

⁴ 17 CFR 240.19b-4(f)(4)(i).

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.⁵

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

Pursuant to the rule change proposal, NSCC will (i) rename the “Mutual Fund Commission Settlement” service under Rule 52 (the “Service”) as the “DTCC Payment aXis” service in order to better align the name of the Service with the various commission and other fee data transmission and payment settlement functionalities available through the Service (i.e., not solely commission settlement), (ii) make clear that the Service permits for the transmission of commission and other fee related data, and the settlement of such payments, among users of the Service without regard to whether the flow of funds is from the fund company (“Fund”) to the retail broker-dealer (“Distributor”), from the Distributor to the Fund, from a Distributor to another Distributor, or otherwise, (iii) specify that commission and other fee data transmission, and the settlement of such payments, with regard to investor accounts held on an omnibus account basis at the Fund (“Omnibus”) may be made through the Service, (iv) specify the

⁵ The Commission has modified the text of the summaries prepared by NSCC.

process for the payment of 12b-1 fees⁶ with regard to investor accounts held in Omnibus, and (v) establish the fees that NSCC will charge users of the Service with regard to investor accounts held in Omnibus.

Background. The Service was initially approved by the Commission on December 9, 1992 (“1992 Rule Filing”).⁷ In the 1992 Rule Filing, NSCC described that the new service would provide for the automation of payments of commissions owed in respect of mutual fund transactions, explaining that under the new service, Funds would be able to transmit commission debit data to NSCC on a daily basis. NSCC’s role in this new commission service would be to transmit data between the Funds (i.e., the payers of commission payments) and the Distributors (i.e., the receivers of commission payments). In 2005 (“2005 Rule Filing”),⁸ NSCC expanded the scope of the Service to permit Distributors to submit fee data through NSCC to other Distributors and to settle the fee payments in respect thereof through NSCC, expanding the Service to allow for more than the exchange of commission-related information from the Funds to Distributors.

The Proposed Rule Changes. There has been a growing trend in the mutual fund industry toward omnibus processing, a practice pursuant to which Distributors maintain a single account at a Fund, which account represents multiple investor positions of that Distributor in that Fund’s securities. Where multiple investor positions are held in Omnibus, the Distributor maintains the

⁶ This is a category of fees paid out by the Fund out of Fund assets to cover distribution expenses and sometimes shareholder service expenses.

⁷ Securities Exchange Act Release No. 34-31579 (December 9, 1992), 57 FR 60018 (December 17, 1992).

⁸ Securities Exchange Act Release No. 34-52458 (September 16, 2005), 70 FR 56200 (September 26, 2005).

individual investor account records on the Distributor's books and records. The trend toward omnibus processing is anticipated to continue growing into the foreseeable future; however, invoicing for the fees related to these investor accounts is not standardized. The current state of fee invoicing with regard to such investor accounts is manually intensive, involving the exchange of reports and spreadsheets via fax, email, and regular mail, and the settlement of payments thereof generally occurs by check or wire. Due to the lack of standardization and automation, the industry has sought NSCC's assistance to create a standardized file for omnibus invoicing. As a result, NSCC has enhanced the Service's functionality to permit for fee data transmission and settlement of payments with regard to investor accounts held in Omnibus. By this proposed rule change, NSCC seeks to do the following:

a. Rename Service: The Service will be renamed "DTCC Payment aXis" to better represent the broadened functionality of fee data exchange and settlement capabilities offered by the Service today, as opposed to its capabilities at initial implementation in 1992.

b. Clarify Scope of Commission and other Fee Data Transmission and Flow of Funds: Although the Service, as described in Rule 52, does not specify from whom and to whom the transmission of commission and fee related data, and settlement of such payments, may be made, the previous rule filing descriptions do identify a specific flow. In the 1992 Rule Filing, the type of fee payment and the flow of data and payments were specified to be commission data and settlements by the Fund to the Distributors. The 2005 Rule Filing expanded the scope to permit the transmission of other fee payment data and settlement thereof by one Distributor to another Distributor. In the current rule filing, NSCC seeks to make clear that the Service permits for the transmission of commission and other fee related data, and the settlement of such payments, among users of the Service without regard to whether the flow of funds is from the

Fund to the Distributor, from the Distributor to the Fund, from a Distributor to another Distributor, or otherwise.

c. Specify Omnibus Invoicing within the Service: NSCC proposes to specify in Rule 52 that the transmission of commission and other fee data with regard to investor accounts held in Omnibus, and the settlement of payments thereof, shall be included within the suite of functionalities offered by the Service. In all events, the Fund or Distributor being debited will either be the initiator of the commission or other fee payment transaction, or will otherwise confirm the debit that will be charged against its account.

d. Specify 12b-1 Fee Payment Process with regard to Omnibus Invoicing: NSCC will specify in Rule 52 the process for 12b-1 fee payments with regard to investor accounts held in Omnibus. Unlike the process applicable to all other commission and other fee payments within the Service, 12b-1 fee payment instructions with regard to investor accounts held in Omnibus in all events must be initiated by the Distributor. When NSCC receives the 12b-1 fee payment instruction with regard to these accounts, NSCC will transmit such instruction to the contra-side Fund. The contra-side Fund will then either (i) confirm or reject the payment instruction, or (ii) release settlement (either with or without a confirmation). If NSCC receives a confirmation or rejection instruction, NSCC will transmit such confirmation or rejection to the initiating Distributor.

e. Establish Fees to be charged by NSCC: NSCC proposes to update Addendum A of its Rules and Procedures to incorporate the fees associated with omnibus invoicing. The NSCC fees for omnibus invoicing will be as follows:

a. From 1 to 500,000 records	\$0.10 per 1 record
b. From 500,001 to 1,000,000 records	\$0.08 per 1 record
c. More than 1,000,000 records	\$0.06 per 1 record
d. Monthly Fee	\$500

As with all of NSCC's Mutual Fund Services, the Service is a non-guaranteed service of NSCC and shall remain so after the effectiveness of this proposed rule change.

The proposed rule change is consistent with the requirements of the Act and the rules and regulations issued thereunder applicable to NSCC because it will promote processing efficiencies between Funds and Distributors, thereby facilitating the prompt and accurate processing of commission and other fee related payment data transmissions and settlement with respect to such payments.

(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 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 proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii)⁹ of the Act, Rule 19b-4(f)(2),¹⁰ and Rule 19b-4(f)(4)(i)¹¹ thereunder because it effects changes in an existing service of NSCC that do not adversely affect the safeguarding of securities or funds in the custody or control of NSCC or for which NSCC is responsible and do not significantly affect the respective rights or obligations of NSCC or persons using the service. NSCC's Mutual Fund Services are non-guaranteed services, and therefore, the funds in NSCC's control are not adversely affected by the proposed rule change. Further, the proposed rule change does not provide any greater or lesser rights to or obligations on either NSCC or the users of the Service in comparison to the current rights and obligations of the respective parties with regard to the Service as it is currently offered. In addition, the proposed rule change establishes fees charged by NSCC applicable only to members. The implementation date for the proposals in this proposed rule change filing other than the change in the Service's name will be December 1, 2012.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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.

⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁰ 17 CFR 240.19b-4(f)(2).

¹¹ 17 CFR 240.19b-4(f)(4)(i).

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-2012-08 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-2012-08. 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 a.m. and 3:00 p.m. Copies of such filings also will be available for inspection and copying at the

principal office of NSCC and on NSCC's website at

http://www.dtcc.com/downloads/legal/rule_filings/2012/nsc/SR-NSCC-2012-08.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-2012-08 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.¹²

Kevin M. O'Neill
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).