

DTCC

ASSET SERVICES

CLAIMCONNECT™ SERVICE GUIDE

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ABOUT THE CLAIMCONNECT™ SERVICE

Introduction

Overview

This guide describes DTC's claims processing service – ClaimConnect – a Corporate Actions product. Claim processing referred to in this guide is available on the ClaimConnect web application, via the MyDTCC portal, and for machine-to-machine processing via the ClaimConnect Application Programming Interfaces (“APIs”).

Notes:

- ClaimConnect users (“Users”) are responsible for ensuring that their ClaimConnect activities are accounted for within the service, and that all activities are managed and reconciled properly.
- Users are responsible for the accurate reporting and withholding of taxes on transactions using the service.
- ClaimConnect APIs provide callable endpoints for creating and deleting data resources as well as reading and updating data resource values. Information including specifications related to ClaimConnect APIs can be found using <https://developer.dtcc.com> or by navigating through the MyDTCC portal menu on www.dtcc.com.
- ClaimConnect training is available on the DTCC Learning Center.
- Note: DTC, as it deems appropriate, may extend any deadline, timeframe, or cutoff established by DTC, including, without limitation, to (i) address operational or other delays that could reasonably affect the ability of DTC, a Participant or other stakeholder from meeting the deadline, timeframe, or cutoff; or (ii) allow DTC time operationally to exercise its existing rights under the Rules and Procedures. In addition, times applicable to DTC are standards and not deadlines; actual processing times may vary, based upon the circumstances. Any action taken by DTC in connection with this paragraph shall not establish a precedent for any situation that may occur in the future (or otherwise bind DTC in any manner). DTC disclaims all liability for any losses and/or expenses incurred by a Participant, stakeholder or any third-party resulting from, relating to, or arising from (i) any action taken by DTC in connection with this paragraph, (ii) the determination of DTC to decline to take action pursuant to this paragraph, and/or (iii) the failure of a Participant, stakeholder or any third-party to meet any deadline, timeframe, cutoff or requirement established by a party other than DTC.

Participants can contact their Relationship Manager for more information.

Note:

It is the sole responsibility of Participants to perform a daily reconciliation of their activity and positions with the information, reports and statements provided by DTC. Participants must immediately report to DTC any discrepancy between their activity and positions with the information, reports and statements provided by DTC or other issues relating to the accuracy of the information, reports and statements provided by DTC. Such reports must be made to DTC by (i) calling the Client Support hotline at 1-888-382-2721 (and selecting Option 1, Option 1) to speak with a DTC representative and (ii) providing a written detailed description of the discrepancy to the DTC representative, or as otherwise directed by DTC in writing. DTC shall not be liable for any loss resulting or arising directly or indirectly from mistakes, errors, or omissions related to the information, reports or statements provided by DTC, other than those caused directly by gross negligence or willful misconduct on the part of DTC.

About ClaimConnect

ClaimConnect is an optional service available to all Participants. The service enables Participants to bilaterally match and settle claim transactions in one centralized location.

A claim or claim transaction in ClaimConnect is a request for cash (i.e., an entitlement) from one Participant to another Participant. Typically, claims arise as a result of trading exceptions from a Corporate Action event,

where an entitlement needs to be delivered from one holder to another. Trading exceptions include, but are not limited to, trades outside of the market’s agreed upon settlement cycle, lack of due bill fail tracking, stock loan or repo transaction discrepancy, or tax treaty differences.

As described below, ClaimConnect offers various claim processing functions, including end-of-day settlement of cash claims through systematic Securities Payment Orders (“SPOs”) generated and submitted by ClaimConnect at set times intraday (“settlement time”) on a settlement date.

Note:

ClaimConnect functionality available via ClaimConnect APIs is more limited than the full suite of functionality available via the web application through the MyDTCC portal, as described below.

Defined Terms

Following is a table of key ClaimConnect terms used throughout this guide:

Term	Definition
Affirm	Describes the act of accepting a claim. Also known as “Affirmation.” Once Affirmed, the claim is moved to a Matched state. Users can only Affirm through the ClaimConnect web application in the MyDTCC portal, not via an API.
Approval	A feature to help Users manage the cash debits that would leave their account to satisfy claims by requiring preapproval of such claims or certain actions on those claims when a predetermined dollar threshold is met.
Auto-match	The process by which ClaimConnect™ automatically matches two like claims, based upon certain matching data elements, submitted by both parties to the claim, either through the ClaimConnect web application in the MyDTCC portal or a ClaimConnect™ API.
Cancelled	Describes a claim that is later deleted by the User that submitted it, removing it from the system. Only the User that submitted the claim can cancel it and only before it is acted upon by the receiving counterparty or after the counterparty DKs the claim.
Claim ID	A unique claim identification number that is assigned to a claim after all required data elements are entered and the claim is submitted.
Claim Settlement Date	The date on which a claim will settle, as agreed upon by the claim parties. It is a data element in the claim submission process.
Claim Upload	A claim-submission option, through the ClaimConnect web application in the MyDTCC portal, for Users to submit and affirm multiple claims at one time by uploading a type of file specified in the ClaimConnect web application.
Closed	Describes a Matched claim that settles or fails to settle, as part of DTC’s end-of-day settlement process, by the close of the scheduled settlement day.
DK	Short for “Don’t Know.” A User can DK a claim that it does not recognize or does not agree with. Once DK’d, the claim will be moved to a DK-uncompared state.
DK-uncompared	The state of a claim that has been DK’d.
Exact Match	A requirement that certain data elements on two individual claims be identical for the claim to match.

Term	Definition
Matched	Describes a claim that has been Affirmed or two like claims that have been Auto-matched. Once Matched, the claim will settle on the Claim Settlement Date or Settle After Match, as agreed by the parties to the claim.
Settle After Match	A settlement option where a Matched claim will settle at the next scheduled settlement time, as compared to a future settlement date. Both parties to the claim must select the Settle After Match option.
Security Payment Order (SPO)	Used by Participants to collect option contract premiums, mark-to-market open contracts such as stock loans, and to settle claim transactions via ClaimConnect.
Uncompared	The state of a submitted claim that has not been Affirmed, Auto-matched, or DK'd.
Un-DK	The act of reversing or “undoing” a DK, which returns the claim to an Uncompared state.
Validate	The process of confirming data elements of a claim, either by a User Affirming a claim or systematically via Auto-match.

Note:

When using ClaimConnect, Users will notice that the system uses the terms “advisory” and “comparison.” An advisory describes a claim from the perspective of the claim receiver (i.e., a claim receiver receives an “advisory”). A comparison describes a claim from the perspective of the claim submitter (i.e., a claim submitter submits a “comparison”).

Preparing to Use ClaimConnect

To use ClaimConnect, a Participant need only request to be a Claim Participant by contacting its Relationship Manager. DTC Account Administration will then update the Participant’s account information in the DTC Entity Masterfile, indicating that the Participant is now a member of the service (i.e., a User).

Once permissioned, a User can engage ClaimConnect in two ways:

- the ClaimConnect web application via the MyDTCC portal; and
- the ClaimConnect APIs.

ClaimConnect via the MyDTCC Portal

When using ClaimConnect through the web application on the MyDTCC portal, Users have access to all ClaimConnect functionality, including:

- submitting new claims manually, either individually or in bulk via Claim Upload;
- modifying claims submitted by the User;
- attaching documents to claims;
- Canceling claims submitted by the User;
- DKing and Un-DKing claims;
- Affirming claims;

- utilizing the ClaimConnect Auto-match feature;
- establishing Approvals; and
- searching all claims submitted or received by the User.

Additionally, the ClaimConnect dashboard, available via the MyDTCC portal, offers a comprehensive overview of the User's claim activity, as well as daily and weekly email alerts on the status of claims, and the ability to pull reports and export data for manipulation and analysis.

ClaimConnect via the APIs

The ClaimConnect family of APIs enables Users to automate the claim process. Although ClaimConnect™ functionality is more limited through the APIs (i.e., APIs cannot Affirm claims, attach documents to claims, access the ClaimConnect™ dashboard or establish an Approval), Users can still:

- submit new claims;
- modify claims that it submitted;
- Cancel claims that it submitted;
- utilize the ClaimConnect Auto-match feature;
- DK and Un-DK claims; and
- search all claims that it submitted or received.

Each ClaimConnect function is described in greater detail below.

Note:

The ClaimConnect APIs can be used separately for machine-to-machine processing of claims or in combination with the ClaimConnect web application through the MyDTCC portal. For detailed specifications and usage guidelines regarding the ClaimConnect APIs, please refer to <https://developer.dtcc.com>.

Note:

Unless otherwise noted, the functions described in this guide apply to both the ClaimConnect service via the web application and the APIs.

CLAIM LIFECYCLE

About

ClaimConnect monitors claim activity throughout the processing day. Certain activities will change the status of a claim. This section describes the lifecycle of a claim, its states, and how validation and matching occurs.

Submitting a Claim

If overpaid or underpaid a cash entitlement, a User can create a claim against a claim counterparty through ClaimConnect. To create a claim, the ClaimConnect system will require certain data elements to be included, such as:

- Claim Cross Reference ("Xref");
- CUSIP;
- Event Type;
- Credit / Debit;
- Cash Claim Amount (USD);
- Counterparty (or Contra Party); and
- Claim Settlement Date.

In addition to the required data elements, Users have the option to input additional data elements. Optional data elements can help Users differentiate similar claims. Such optional data elements include:

- Corporate Action Identifier;
- Ex-Dividend Date;
- Record Date;
- Payable Date;
- Effective Date;
- Amount Per Share;
- Settle After Match;
- Original Trade – Trade Date;
- Original Trade – Contractual Settlement Date;
- Original Trade – Actual Settlement Date;
- Original Trade – Share Quantity;

- Original Trade – Cash Amount;
- Xref; and
- Participant Notes.

To help expedite the claim settlement process, Users can attach a document to a claim, through the ClaimConnect web application in the MyDTCC portal, that provides further details about the claim.

Users also can submit and affirm multiple claims at once via Claim Upload.

Once all required data elements are entered and the claim is submitted, the claim is assigned a Claim ID.

Note:

A complete list of data elements and whether the data elements are required or optional can be found on the ClaimConnect DTCC Learning Center page. Additional details on Claim Upload can be found on the ClaimConnect DTCC Learning Center page.

Note:

To more easily identify claims and expedite the settlement process, claim submitters should work with claim counterparties during the submission process.

Claim States

Once submitted, claims can undergo several different states depending upon the actions taken by the parties to the claim. Claims can exist in the following states:

- Matched;
- Uncompared;
- DK-uncompared;
- Cancelled; or
- Closed.

A claim is Matched when:

- it has been Auto-matched by the ClaimConnect system, or
- it has been Affirmed by the counterparty to the claim.

A claim is Uncompared when it is awaiting action by the counterparty. This occurs when:

- a claim is initially submitted, without any further action taken on the claim;
- a claim is modified by the submitting party before the counterparty has acted on it;
- a claim is modified by the submitting party after it has been DK'd by the counterparty; or
- a claim is Un-DK'd, without any further action taken on the claim.

A claim is DK-uncompared when it has been DK'd by the receiving counterparty, and the submitting party has not yet acted on the counterparty's DK. The DK-uncompared state is synonymous with an Uncompared status but is distinguished in this guide to better depict the workflow.

A claim is Cancelled when the submitting party determines that the claim is no longer needed. This occurs when:

- the submitting party Cancels the claim before it has been acted on by the counterparty, or
- the submitting party Cancels a claim that has been DK'd by the counterparty.

A claim is Closed when a Matched claim settles or fails to settle, as part of DTC's end-of-day settlement process, by the close of the scheduled settlement day, as described below.

Note:

Once a claim is either Matched or Closed, it can no longer be modified, DK'd, or moved into an Uncompared state. If a correction needs to be made to a Matched or Closed claim, a new claim will need to be submitted.

Note:

As a short form for Matched, the ClaimConnect system denotes the Matched state as "Open" or "OPEN."

Claim Validation and Matching

ClaimConnect is a validation and matching engine that continually monitors claims throughout their lifecycle in order to settle and close claims through DTC's settlement process. This continuous processing allows for both the manual matching of claims (i.e., Affirmation) and systematic matching of two like claims (i.e., Auto-matching) based on the alignment of certain data elements.

Validation, the process of confirming claim data elements, can happen in two ways:

- when a claim is Affirmed (i.e., by Affirming a claim, the receiving counterparty is confirming the claim's data elements), or
- when ClaimConnect Auto-matches two claims.

Once Validated, a claim will switch from an Uncompared to a Matched state.

If certain data elements of two different claims do not agree, the claims cannot be Validated and, thus, cannot be Matched. Such claims will remain in an Uncompared state until action is taken upon one or both claims.

Note:

For a complete list of data elements that require Exact Match, please refer to the training materials found on the ClaimConnect DTCC Learning Center page.

Note:

If both parties to a claim submit their respective sides to the claim (i.e., a debit claim and a credit claim), and the two sides of the claim are Auto-matched, then the claim will be identified by the Claim ID associated with the debit side of the claim. The Claim ID of the credit side of the claim will be viewable in the claim's audit history.

Modifying / Canceling a Claim

Claims can be modified or Cancelled as described below.

A claim can be modified if and only if:

- the modifying User is the User that submitted the claim; and
- the claim is Uncompared;
- the claim has not been Cancelled;
- the claim has not been Matched; or
- the claim has not been Closed.

Note:

Not all claim information can be modified after submission. Users should refer to the ClaimConnect user guides and other training materials to determine which fields can be modified.

A claim can be Cancelled if and only if:

- the Canceling User is the User that submitted the claim; and
- the claim is Uncompared;
- the claim has not been Matched; or
- the claim has not been Closed.

Note:

Once a claim is Cancelled, no further action can be made on the claim.

Affirming a Claim

If a counterparty receives a claim and agrees with the details of the claim (i.e., the data elements), then the counterparty can Affirm the claim. Affirming a claim is a confirmation of the claim's data elements and moves the claim into a Matched state. Once Affirmed, the claim will be settled on the Claim Settlement Date or Settle After Match, whichever the parties agree to.

Because of the efficiency of the Auto-match process between two claims, Affirmation usually occurs only when one side of a claim is submitted because it affords the counterparty enough time to Affirm the claim. If both sides of a claim are submitted, and the applicable data elements align, then Auto-match will likely Match the claims before either party has time to make an Affirmation.

Claims can be Affirmed only:

- "manually" via the ClaimConnect web application in the MyDTCC portal (either individually or in bulk via Claim Upload), not through an API;
- by the counterparty that received the claim; and

- when the claim is Uncompared; or
- when the claim is not Cancelled or Closed.

Note:

Once Affirmed, the claim will move to a Matched state and no further action is permitted on the claim.

DKing / Un-DKing a claim

If a counterparty receives a claim that it does not know or does not agree with, then it can DK the claim. DKing a claim will return it to the submitting party and change the state of the claim to DK-uncompared. The submitting party can then modify the claim or Cancel it.

Claims can be DK'd only:

- by the User that received the claim; and
- when the claim is Uncompared; or
- when the claim is not Cancelled or Closed.

Users that DK a claim must provide a reason for the DK, such as:

- bad quantity;
- bad trade date;
- bad settlement date;
- bad amount;
- bad counterparty (or contra party);
- duplicate record;
- invalid security identifier;
- need paperwork;
- need medallion stamp;
- settlement date difference;
- other bad data; or
- wrong event type.

A claim DK'd in error can be Un-DK'd (i.e., reversed) by the party, and only that party, that DK'd the claim. Once Un-DK'd, the claim will be in an Uncompared state. Uncompared claims can be modified or Cancelled by the submitting party, or they can be Affirmed or DK'd by the receiving party.

Querying Claims

ClaimConnect enables Users to query claims throughout the lifecycle of the claim. ClaimConnect has both search and report functions.

There are two types of searches:

- Quick Search to look up a specific claim using either the unique Claim ID or Xref that the User assigned to the claim, and
- Advanced Search to search for a range of claim activity, including claims submitted by the User or by a counterparty.

From the search results, Users can select a claim to view more detailed information.

ClaimConnect also enables Users to view all of their claims as of a given date (either on a current or historic day), which can then be downloaded into a CSV (Comma-Separated Value) file format report.

CLAIM APPROVAL

About

To assist Users with the management of their claims, ClaimConnect offers an Approval feature. The Approval feature requires certain actions on a claim to be approved by a separate User employee, if the claim amount meets a predetermined dollar threshold set by the User, before that action can be completed. This feature is designed to enable Users to better monitor and manage certain cash debits that are leaving their account to satisfy claims.

The Claim Approval Process

Users can activate the Approval feature by updating their ClaimConnect client profile. When doing so, the User also must set the dollar threshold that will trigger the Approval process. For example, if a User wants all debit claims equaling \$100.00 or greater to be Approved, the User would set the Approval threshold to \$100.00.

When the Approval process is activated and a dollar threshold set, Approval by another User employee is required when the dollar threshold is met for claims that are:

- new;
- being Affirmed;
- being modified; or
- being Cancelled after being previously Approved.

If a claim is modified so that the dollar amount of the claim no longer meets or exceeds a previously established approval threshold, then the modification will not need to be Approved. Conversely, if a claim is modified so that the dollar amount of the claim now meets or exceeds a previously established Approval threshold, then the claim will need to be Approved. If a previously Approved claim is modified but the claim amount remains unchanged (i.e., it still meets or exceeds the Approval threshold), then the claim will need to be re-Approved.

New claims that are pending Approval will not have a claim state, and the counterparty to the claim will not see the claim until it is Approved. Once Approved, the claim will be moved to an Uncompared state.

Approval is not required to DK or Un-DK a claim.

In order to modify a new claim that is still pending Approval, the submitting User should reject the claim, make the modification, and resubmit it for Approval. If the claim has already been Approved, a modification may require re-Approval, if the Approval threshold is met.

Claim Approvers must be different than the User employee that created the claim. Approvers can view the details of the claim prior to Approving.

If an Approver rejects a claim, the claim will need to be resubmitted for Approval or Cancelled.

Note:

Because of the manual aspects of the Approval feature, the feature is not available via APIs.

CLAIM SETTLEMENT

About

For ClaimConnect to Close a claim, the paying counterparty (i.e., the payor account) must pay the receiving counterparty (i.e., the payee account). The payment must be settled via an SPO. Once the payee account has been credited and the payor account money owed, the claim will be Closed. This section explains the settlement and claim closure process.

How Claims Settle

Matched claims will generate a ClaimConnect SPO for settlement on either the Claim Settlement Date, the next applicable daily settlement time if the Settle After Match indicator has been agreed to by both parties, or the first settlement time on the next settlement day if the current day is a holiday or non-settlement date. The SPO will credit the payee Participant and debit the payor Participant the claim amount and will then be incorporated into DTC's end-of-day settlement process.

Although the ClaimConnect SPO is similar to and functions like other DTC SPOs, it is unique to ClaimConnect and its settlement process in several ways:

- the reason code for ClaimConnect SPOs is used only for ClaimConnect cash movements;
- the ClaimConnect SPO cannot be instructed manually, as it is an automated process through the ClaimConnect service; and
- the ClaimConnect SPO bypasses DTC's Receiver Authorized Delivery (RAD) function, meaning that there is no additional approval or rejection process for the ClaimConnect SPO.

ClaimConnect will Close the claim once it settles or fails to settle by the close of the settlement day. Closed claims cannot be reopened, modified, or processed again. If an adjustment is needed, a new claim will need to be submitted and processed.

ClaimConnect SPOs are subject to DTC's Risk Controls (i.e., Collateral Monitor and Net Debit Cap) and will "recycle" (i.e., pend) if the SPO cannot satisfy those controls. If a ClaimConnect SPO does not "make" (i.e., settle) by the end of the settlement day, the SPO will be "dropped" (i.e., Closed). Details on the failed claim will be available using the Settlement Web activity inquiry function.

Note:

The intraday settlement times for processing ClaimConnect SPOs can be found on the ClaimConnect DTCC Learning Center page.
