



Automated Customer Account Transfer Service

ACATS FOR BANKS »

THE AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE (ACATS)

is a central processing system that provides for the timely transfer of customer accounts among participant financial institutions, including banks and broker/dealers. The system lets these institutions submit, review, and settle account transfers in an efficient, automated environment that standardizes transfer procedures, reduces operating costs, and speeds the entire account transfer process.

Originally started in 1985 in response to the brokerage community's need for an automated transfer system, ACATS was quickly mandated for use by the New York Stock Exchange and National Association of Securities Dealers, Inc. for their member firms who are participants of a registered clearing agency such as NSCC. These two organizations establish requirements for their member firms for the quick and efficient transfer of customer accounts.

ACATS is currently used by all self-clearing brokers with retail customer accounts, as well as a growing number of banks. Since its inception in 1985, ACATS has transferred over 25 million accounts representing assets with a market value in excess of \$1 trillion. Volume through ACATS currently averages in excess of 17,000 account transfers daily, with an additional 16,000 residual credit transfers processed each day, or more than 100,000 assets processed daily worth more than \$2 billion. Assets that can be transferred through ACATS include (but are not limited to): equities, corporate bonds, municipal bonds, government securities, mutual funds and cash.

The process itself is simple, and generally takes place as follows: A customer who wishes to transfer an account completes a transfer initiation request form at the institution where he wants his new account to be located. That information is then sent electronically through ACATS to the clearing corporation, which reviews and sends the request to the appropriate broker or bank where the customer's account is held currently. That broker or bank responds to the request, either by rejecting it or accepting the request and providing a list of assets held in the account. The new institution has one day to review the list of assets. The next day the list of assets is staged for transfer, and the day after that, eligible, available assets are automatically transferred to the new institution. ▶▶



The New Environment

With the deregulation of the financial services industry, more and more institutions that had been limited to a single area of the financial world are broadening their activities.

Once confined to a very limited and well-defined area of financial services, banks are now playing a more direct role in trading and holding securities and other assets for customers, and broker/dealers are increasingly offering services once the sole province of banks. As these organizations become more like each other, customers have increasingly begun to move their assets to different institutions and to maintain assets at several different financial organizations.

Providing the ability to move customer assets quickly and easily has become a key measure of customer service. In addition, the costs involved with manually transferring customer assets are growing and will continue to do so, as customers seek to increase their financial assets and wealth.

Recognizing the need for an automated system to manage the entire process of customer transfers between banks and broker/dealers, NSCC, a subsidiary of DTCC, opened its Automated Customer Accounts Transfer Service (ACATS) to banks in 1999.



BENEFITS FOR BANKS

ACATS provides numerous benefits to the banking community, but its main objective is to provide safe, quick, asset transfers in a less costly way than the manual process used by most banks today. In today's banking environment, most banks have not centralized the account transfer process, which has resulted in several departments within the bank scheduling, monitoring and reconciling a client's transfer of assets, typically by product line. Most requests for transfers are processed manually, through phone, fax and hard copy deliveries, and most fail to get quick results from the institution that holds the customer's assets.

ACATS will provide your organization with the solution to handle this process. Here's how ACATS can help your bank:

- ▶ ACATS reduces your costs by significantly reducing re-work, phone calls, e-mails, and faxes to other institutions designed to get assets transferred.
- ▶ Typically, a bank's Administration staff or Relationship Management plays an integral role with the client and is therefore the point person in addressing issues of concern for the client. Any problems or delays in the account transfer process not only impacts the client, but the bank may also incur additional processing costs and potentially more liability as manual intervention is required.
- ▶ ACATS, if employed in your organization over multiple product lines, will also facilitate and improve internal communication among various areas. In today's environment, even where a client may be transferring from the brokerage arm of the organization to the banking or trust arm, ACATS can facilitate the account transfer effectively and efficiently, making the transition transparent to the client.



"ACATS HAS GENERATED SIGNIFICANT SAVINGS FOR US. IN THE FIRST YEAR OF OPERATION ALONE, FIRST UNION REALIZED AN ACTUAL SAVINGS OF \$90,000 USING ACATS."

▶▶ John Cusumano, First Union National Bank

Benefits *for* Specific Banking *Functions*

If you work in Administration/Relationship Management, Settlement, Reconciliation, Mutual Funds, Income Collection & Redemption or the Corporate Actions departments, ACATS can bring greater efficiencies to your processing stream.

ADMINISTRATION / RELATIONSHIP MANAGEMENT

The Administration department of the bank is responsible for providing many important service tasks for the client and the organization, and controlling client assets is one of its primary functions. One of the most common and

disturbing issues is when an Account Administrator receives a call inquiring about an individual's assets and the client states, "I thought my account had been transferred," or "Where are my securities?"

Today's sophisticated investor maintains accounts with a number of financial service institutions. Investors demand top-notch service and require that assets move in a timely manner so their trading capabilities are not impacted or limited.

One of the key elements of ACATS is the ability to facilitate the transfer of customer



assets in a timely and orderly manner. The entire process usually takes no more than six business days from the time the customer requests that his assets be transferred until they are available in his new account, instead of the 30, 60 or even 90 days the current manual process typically takes.

The service also bridges the gap across the various departments within the bank that are impacted by account transfers. In short, ACATS facilitates the transfer of a customer's assets and enables the account administrator to monitor the transfer process.

SETTLEMENT

ACATS minimizes the amount of manual processing the bank's Settlement staff must do when processing a typical client account transfer. ACATS can electronically process a wide range of the securities, thus streamlining the account reconciliation process. You can monitor the status of the transfer at any point in the process. When a bank is a party to an account transfer, the clearing corporation automatically creates a file of deliver order instructions to the depository, indicating that these are ACATS free deliveries. If assets are not depository eligible, NSCC creates a file of standardized receive and delivery instructions. Transfers of cash balances settle at the depository in your DTC account.



"I HAVE SIX PEOPLE WHO DO 85% OF MY TOTAL ACCOUNT TRANSFER VOLUME THROUGH ACATS, AND AN ADDITIONAL SIX PEOPLE DO THE REMAINING 15% OF TRANSFERS MANUALLY AS NON-ACATS. THAT'S WHY I WANT TO DO ALL TRANSFERS THROUGH ACATS."

▶ Steve Callan, Bear Stearns Securities Corp.



"SINCE ITS INCEPTION IN 1985, ACATS HAS TRANSFERRED OVER 25 MILLION ACCOUNTS REPRESENTING ASSETS WITH A MARKET VALUE IN EXCESS OF \$1 TRILLION."

▶▶ 2000 DTCC Annual Report

RECONCILIATION

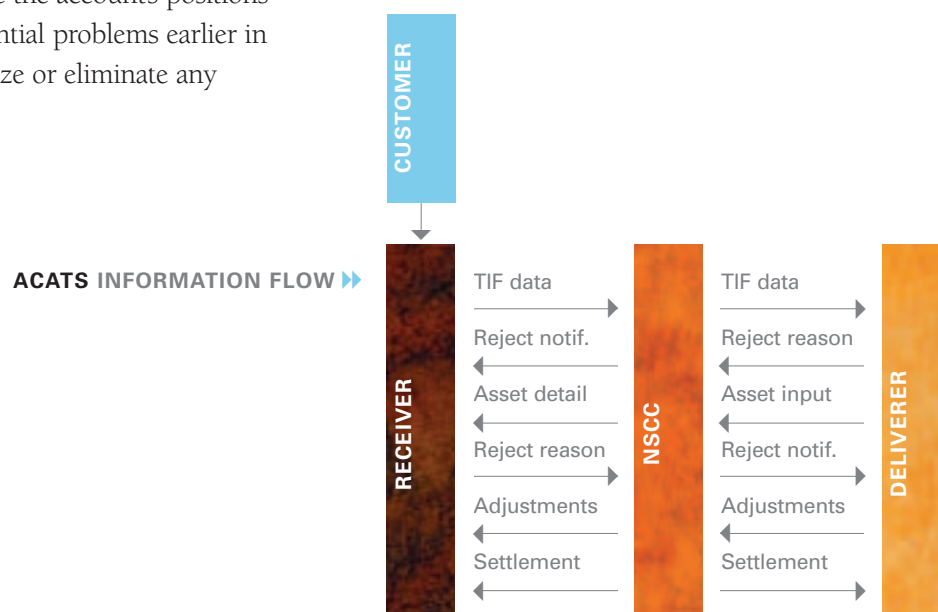
ACATS enhances the role and function of the Reconciliation department within the bank by permitting a review of the client's assets early on in the account transfer process, thereby allowing department personnel to identify any discrepancies between your bank and the other organization involved in the transfer. After the receiving organization initiates a transfer, the delivering firm submits a list of that individual client's assets. ACATS then generates an Asset Transaction Report that identifies those assets that have been submitted by the delivering firm for transfer. After the receiving firm reviews the assets to ensure that the account meets its credit policy, eligible assets should be available for transfer in two business days. Although the standard transfer cycle is six days, the service does offer the capability of accelerating the account transfer to as little as three days. This process not only facilitates a quick and efficient account transfer, but also provides the Reconciliation department with the ability to reconcile the account's positions and identify any potential problems earlier in the process to minimize or eliminate any potential delays.

MUTUAL FUNDS

ACATS provides the receiving banks with a vehicle to accommodate effectively the re-registration of the transferring account with mutual funds via the clearing corporation's ACATS Fund/SERV Link. The clearing corporation has established links with more than 225 mutual fund families, encompassing more than 15,000 CUSIPs, and that number is growing daily. Additionally, the system accommodates standing default registration instructions to provide the ability for an automated tracking monitor of re-registrations. This eliminates much of the manual, paper-intensive processing that occurs today, including the need to write letters to the individual funds and the mandatory follow-up and cross checking that generally follows.

INCOME COLLECTION, REDEMPTIONS AND CORPORATE ACTIONS

ACATS provides a facility to transfer credits automatically to customers' accounts even after the account has been transferred. Cash and stock dividends, redemption payments, and other credits to customers' accounts can be automatically transferred to the receiving bank or broker.



ACATS Key Features

- ▶ A highly automated process that has evolved as the industry standard for account transfers
- ▶ Easy access via NSCC's Internet PCWeb Direct interface; no system programming required. With system programming, direct CPU-to-CPU transfers can occur.
- ▶ Enables the transfer of all assets in a customer's account
- ▶ Functionality includes the ability to process partial account transfers
- ▶ Facilitates accelerated account transfers
- ▶ Allows for the electronic transfer of most customer asset types
- ▶ Automated input/output of data reporting at five separate intervals throughout the day (multi-batch/multi-cycle)
- ▶ Facilitates mutual fund re-registrations with an automated tracking system
- ▶ Established links with more than 215 mutual fund families encompassing over 15,000 CUSIPs

EDUCATION & TRAINING

Once a bank notifies DTCC of its decision to join ACATS, a DTCC relationship manager and a trainer will schedule a service-training seminar tailored to your specific business requirements. Following account activation, DTCC can provide your firm with additional support via an ACATS hotline, as well as a wealth of information available on our ACATS Web site for customers.

COMMUNICATION INTERFACES

Participants can interface with the ACATS Service using several data communication options, including:

- ▶ CPU – CPU
- ▶ Participants Terminal System (PTS)
- ▶ PCWeb Direct (a PC-based secure connection using the Internet and a standard browser)

DTCC WEB SITES

Additional ACATS information is available on the following Web sites:

- ▶ www.dtcc.com
- ▶ acats.nsc.com (members only)

FOR MORE INFORMATION:

DTCC's Relationship Management staff can supply you with further information regarding this service and how it can benefit your internal processing.

Please contact DTCC's relationship management hotline at: (212) 855-4155 or write:

- ▶ DTCC Relationship Management
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