

IMPORTANT NOTICE

National Securities Clearing Corporation



A# 6658

P&S# 6228

DATE: July 11, 2008

TO: ALL PARTICIPANTS

ATTENTION: MANAGER MUTUAL FUNDS OPERATIONS, MANAGER DATA PROCESSING, MANAGER CASHIERS, MANAGER P&S DEPARTMENT

FROM: WEALTH MANAGEMENT SERVICES – MUTUAL FUNDS

SUBJECT: MUTUAL FUNDS INVESTMENT MANAGER/AGENT MEMBER

On **June 24, 2008**, National Securities Clearing Corporation ("NSCC") filed a proposed rule change with the Securities and Exchange Commission pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934. The proposed rule change amends NSCC's rules to allow an investment manager in a managed account or similar program or its agent to become a non-settling member of NSCC (called an "Investment Manager/Agent Member" or "IMA Member"), for the purpose of accessing NSCC's mutual fund services without money settlement. The proposed rule change is effective upon filing.

Effective **Monday, October 20, 2008**, National Securities Clearing Corporation (NSCC) will be implementing new functionality to be used by an Investment Manager/Agent Member. With this release, an Investment Manager/Agent member can submit Fund/SERV® and Networking transactions on behalf of another firm. The agent will not be responsible for money settlement. The firm or fund will be responsible for the settlement obligation as part of their daily NSCC Net settlement.

To facilitate this, a new membership type ("A") has been added to the current list of TPA, Firm, or Fund ("T", "B", or "F", respectively). An IMA Member can initiate transactions with the new membership type of "A" to identify it as a tri-party transaction and to process as such. These changes will be available via the mainframe and DTCC WebDirect. Included in the new functionality, settlement reports will be made available to the IMA members as information only. Further details are outlined below.

The changes for this release are optional. Participants of Fund/SERV and Networking are not required to make development changes if they will not engage in this service. Firms and Funds interested in processing IMA transactions will be required to make these enhancements.

Membership Requirements

Prior to using this new functionality, an investment manager or its service provider who wishes to act as an investment manager/agent member will be required to execute a new membership agreement. A new participant number will be given regardless of any other numbers it may have for other services. The

investment manager/agent will also need to provide a list of the firms (Rule 2 Members or Rule 2 MF/IPS Members) that will settle their transactions, and the two parties (investment manager/agent member and Rule 2 settling member) will be required to enter into a standard form tri-party agreement acknowledging the settlement responsibility of the Rule 2 settling member, to NSCC (analogous to the application paperwork currently used in the TPA member context). A relationship table will be updated with this list to authorize these transactions otherwise a NSCC reject will occur. It is required for the settling member to have a NSCC Settling bank to participate in this service.

Fund/SERV

In Fund/SERV, the originator type will have a new value of "A" (Agent). The TPA number field will be changed to TPA/Investment Agent Number and will be required for a "T" (TPA) or an "A". When providing a participant number in the TPA/Investment Agent number field for an originator type of "A", the number must be a valid IMA participant number. The settling participant firm number will be required in the firm number field and must have a valid relationship with the IMA member. As an example below, these fields are depicted in the layout of an order (001):

Field Name	Start	End	Len	Type	Description	Opt/Req	Reject Code
Originator Type	5	5	1	A/N	B = Firm T = TPA S = Service Provider for B = Firm P = Service Provider for T = TPA A = Investment Agent	R	187
TPA/Investment Agent Number	85	88	4	A/N	Required if: Originator Type = T or P or A or Membership Identifier = 02. If Originator Type = T or P, then Asset Type Indicator must be F through O (indicating DCC&S)	OC	188

The following are the Fund/SERV layouts affected:

- 001 Order
- 004 As of Order
- 005 Confirmation
- 006 Reconfirmation
- 007 Fund Originated order
- 009 Fund originated as-of-order
- 140 Post settlement cancellation by Fund
- 200 Extended Correction Transfer
- 201 Extended Correction Transfer Acknowledgement
- 101 Order acknowledgment for Money Market Purchase
- 102 Firm Delete
- 109 Release to Settlement
- 112 Registration Acknowledgment

113 Delete Pending Registration
 214 Receiving Fund Exit from ToRA
 015 Exchange Order
 003 Correction
 025 Correction Confirmation
 026 Post Settlement Correction by Fund
 011 Cash Adjustment
 016 Exchange Confirmation
 017 Exchange Reconfirmation
 021 Post Settlement Exchange Cancellation
 401 Full Registration

Networking

The following are the Networking components affected by this change:

Position
 Dividend
 Daily Activity
 Broker Conversion
 Fund Conversion

Networking Position

1. The “TPA Number” field on each record type below is renamed “TPA/Investment Agent Number”

Position Header (F57)

Field Name	Start	End	Len	Type	Description	Opt/Req
TPA/Investment Agent Number	31	34	4	A/N		O

Position Trailer (F59)

Field Name	Start	End	Len	Type	Description	Opt/Req
TPA/Investment Agent Number	53	56	4	A/N	Required if it exists on the Header Record	OC

Networking Dividend

1. The “TPA Number” field on each record type below is renamed “TPA/Investment Agent Number”

Dividend Header (F61, 62)

Field Name	Start	End	Len	Type	Description	Opt/Req
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Field Name	Start	End	Len	Type	Description	Opt/Req
TPA/Investment Agent Number	92	95	4	A/N		O

Dividend/Capital Gain First Trailer By Firm (F68)

Field Name	Start	End	Len	Type	Description	Opt/Req
TPA/Investment Agent Number	104	107	4	A/N	Required only if it exist in Header Record	OC

2. The following new fields have been added:

Dividend Settlement Summary - Output Detail (N80)

Field Name	Start	End	Len	Type	Description
TPA/Investment Agent or Firm Number	79	82	4	A/N	Firm Number when MRO Recipient Type = 'T' or 'A'. Otherwise, TPA/Investment Agent Number, or space
MRO Recipient Type	132	132	1	A/N	'A' = Investment Agent 'B' = Firm 'F' = Fund 'T' = TPA

Dividend Settlement Summary - Output Trailer (N81)

Field Name	Start	End	Len	Type	Description
MRO Recipient Type	132	132	1	A/N	'A' = Investment Agent 'B' = Firm 'F' = Fund 'T' = TPA

Networking Daily Activity

1. The "TPA Number" field on each record type below is renamed "TPA/Investment Agent Number"

Year-End Tax Reporting (F45) #1 - Year-To-Date

Field Name	Start	End	Len	Type	Description	Opt/Req
TPA/Investment Agent Number	71	74	4	A/N		O

Activity Detail (F55) #3 – Supplemental Record

Field Name	Start	End	Len	Type	Description	Opt/Req
TPA/Investment Agent Number	66	69	4	A/N		O

2. The following new fields have been added:

Activity Settlement Summary Output Detail (N75)

Field Name	Start	End	Len	Type	Description
TPA/Investment Agent or Firm Number	94	97	4	A/N	Firm Number when MRO Recipient Type = 'T' or 'A'. Otherwise, TPA/Investment Agent Number, or space
MRO Recipient Type	132	132	1	A/N	'A' = Investment Agent 'B' = Firm 'F' = Fund 'T' = TPA

Activity Settlement Summary Output Trailer (N76)

Field Name	Start	End	Len	Type	Description
MRO Recipient Type	132	132	1	A/N	'A' = Investment Agent 'B' = Firm 'F' = Fund 'T' = TPA

Networking Account Conversion

1. A new value of "A" has been added to the "System Code" field on the following layouts:

Account Conversion/Update (A/B/T50, A/B/T/F51) ## 1-12

Field Name	Start	End	Len	Type	Description	Opt/Req 50/51
System Code	1	1	1	A/N	A = Investment Agent B = Firm F = Fund T = TPA	R/R

Transfer Detail/Fund Acknowledgment (A/B/T52) ##1-3

Field Name	Start	End	Len	Type	Description	Opt/Req 52
System Code	1	1	1	A/N	A = Investment Agent B = Firm F = Fund T = TPA	R

Conversion/Update and Transfer/Fund Acknowledgment Trailer (A/B/T/F 54)

Field Name	Start	End	Len	Type	Description	Opt/Req 54
System Code	1	1	1	A/N	A = Investment Agent B = Firm F = Fund T = TPA	R

2. The “TPA Number” field on each record type below is renamed “TPA/Investment Agent Number”

Account Conversion/Update (A/B/T50, A/B/T/F51) #5

Field Name	Start	End	Len	Type	Description	Opt/Req 50/51
TPA/Investment Agent Number	60	63	4	A/N	Required if Membership Identifier = ‘02’ or System Code = ‘T’ or ‘A’.	OC/OC

Transfer Detail/Fund Acknowledgment (A/B/T52, F53) #2

Field Name	Start	End	Len	Type	Description	Opt/Req 52/53
TPA/Investment Agent Number	72	75	4	A/N	Required if Membership Identifier = 2 or System Code = ‘T’ or ‘A’	OC/OC

Pending Transfer Reminder (N49)

Field Name	Start	End	Len	Type	Description
TPA/Investment Agent Number	34	37	4	A/N	

3. Requirement has been changed for “Membership Identifier” field on the following layouts:

Account Conversion/Update (A/B/T50, A/B/T/F51) #5

Field Name	Start	End	Len	Type	Description	Opt/Req 50/51
Membership Identifier	58	59	2	A/N	01 = Trust Member information only 02 = Networking Information Required for TPA/Investment Agent.	O/O

Transfer Detail/Fund Acknowledgment (A/B/T52, F53) #2

Field Name	Start	End	Len	Type	Description	Opt/Req 52/53
Membership Identifier	72	75	4	A/N	01 = Trust Member information only 02 = Networking Information Required for TPA/ Investment Agent .	O/O

Participant Testing

Effective **Wednesday, October 1, 2008** testing of the new record layouts and web screen functionality will be accommodated in the Participant Services Environment (PSE) region.

Participants wishing to test must contact the Enterprise Service Center (ESC) by calling the NSCC Production Support Hotline at 212-855-1144, option 5, option 2. To ensure proper set up for the PSE region, it is requested that at least three days prior notice be provided to ESC.

Documentation

The Fund/SERV and Networking WebDirect User Guides, Technical Manuals, Record Layouts and Best Practice Guides will be updated and made available to participants within the next several weeks on the WMS website at <http://www.dtcc.com/products/wealthmgmt/members>.

Any questions or concerns regarding this Important Notice can be directed to Mutual Fund Marketing at 212-855-8877, your WMS Relationship Manager, or the undersigned.

Linda Yee, 212-855-5612
Director, Product Management-DTCC Wealth Management Services