

# IMPORTANT NOTICE

National Securities Clearing Corporation



**A#:** 6819  
**P&S#** 6389  
**Date:** May 8, 2009  
**To:** ALL PARTICIPANTS  
**Attention:** MANAGER MUTUAL FUNDS OPERATIONS,  
MANAGER DATA PROCESSING, MANAGER CASHIERS,  
MANAGER P&S DEPARTMENT  
**From:** WEALTH MANAGEMENT SERVICES – MUTUAL FUNDS  
**Subject:** ENHANCEMENTS TO FUND/SERV<sup>®</sup>, ToRA and ACATS-  
FUND/SERV

**Effective Monday October 5, 2009**, National Securities Clearing Corporation (NSCC) will be implementing the following enhancements to three of its Mutual Fund Services: Fund/SERV, Transfer of Retirement Assets (ToRA) and ACATS-Fund/SERV. **Firms and Funds are required to program for these modifications.**

## **I. Fund/SERV: Additional As-Of Reason Code Values**

Modifications to **As-Of Reason Code** values on Fund/SERV<sup>®</sup> records will provide additional information regarding why a trade is being processed as-of a certain prior date. This will help funds determine whether to accept or reject the transaction. Certain current values, “Not Applicable (00),” “Other (06)” and “Price Revision (08)” are being eliminated. Any transaction including these values will be rejected. In addition, the **As-Of Reason Code** will now be *required* on all As-Of Orders, Firm Exits and Corrections.

Currently the required field on the As-Of order is called **Extended Correction Reason Code**. To better reflect the intended use, the field will be renamed **As-Of Reason Code**. On the Correction, (Record Type 003) this field will be renamed **Correction Reason Code** and the modifications to the values will apply.

Non-Confidential

DTCC is now offering enhanced access to all important notices via a new, Web-based subscription service. The new notification system leverages RSS News feeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit [http://www.dtcc.com/subscription\\_form.php](http://www.dtcc.com/subscription_form.php).

The modifications to the values are as follows:

Value	Current definition	New definition	Comment
<b>00</b>	<b>Not Applicable</b>		<b>Eliminated</b>
01	Incorrect Account Number	Incorrect Firm/Fund Account Number	Field Renamed
02	Incorrect Share Quantity	Incorrect Share Quantity/Dollar Quantity	Field Renamed
03	Incorrect Security Issue ID	Incorrect Security Issue ID	No change
04	Customer renege	Customer renege	No change
05	Incorrect sales charge	Incorrect Sales Charge Breakpoint	Field Renamed
<b>06</b>	<b>Other</b>		<b>Eliminated</b>
07	Blue sky violation	Blue sky violation	No change
<b>08</b>	<b>Price revision</b>		<b>Eliminated</b>
09		Delay in Firm Trade Transmission	New value
10		With Fund's Permission	New value
11		Resubmitted Fund/SERV Reject	New value
12		DCC&S (see Asset Type Indicator)	New value
13		Distribution Reversal	New value
14		Prospectus Violation	New value

**Appendix A** describes the impact to Fund/SERV record layouts. **Appendix B** further defines the values. The most current version of the record layouts can be found in the Wealth Management Services section of the DTCC Web site at [www.dtcc.com](http://www.dtcc.com).

## **II. ToRA: Share Class Field Added to Daily and Weekly Master Files**

In an effort to reduce the number of Transfer of Retirement Assets (ToRA) transactions that are rejected by funds, an optional 20 position **Share Class** field will be added to the Fund/SERV Daily Security Master File (02110802) and the Fund/SERV Weekly Security Master File (02110335). This field will be used to better identify the fund that is being transferred. The **Share Class** field can be found in position 102 for a length of 20 ending in position 121. Please note the CUSIP®\* Add/Modify form will be modified to include the share class field.

### **Additional ToRA Reject Codes**

Specific reject codes for ToRA processing are being added, which will reduce the inconsistent interpretation of ToRA rejects. Please refer to **Appendix C** for ToRA reject best practices as determined by the Investment Company Institute (ICI) ToRA Task Force.

<b>Reject Code Number</b>	<b>Description</b>
701	SSN does not match
702	Account number mismatch
703	Account specified not invested in this Security Issue ID
704	Plan Type mismatch
705	Name mismatch
706	Shares held in Escrow
707	Uncollected Shares
708	Amount Requested not Available
709	Stop Code on Account
710	Minimum purchase amount not met
711	Maximum purchase amount exceeded

**III. ACATS-Fund/SERV: Provide an Additional Day to the ACATS-Fund/SERV Reminder Process for Specific Trading-But-NonSettling Days**

Currently, an ACATS-Fund/SERV transfer is closed two business days after transmission to the fund, if the fund has not sent an ACATS Transfer Acknowledgment/Rejection (record type 019),

To provide sufficient time for a fund to respond to an ACATS Transfer request (record type 018), the ACATS Fund/SERV processing timeframe will be modified for those situations where there is a business day for trading but not for settlement (i.e., when exchanges are open but banks are closed). Applicable dates in 2009 are Monday, October 12, 2009 (Columbus Day) and Wednesday, November 11, 2009 (Veterans Day).

Fund/SERV will be enhanced as follows:

When the second day is a business day for trading but not for settlement, the system will allow an additional day for the fund to respond with an ACATS Acknowledgment/Rejection (record type 019). Funds are encouraged to respond to the transfer request as soon as possible. Following are examples of ACATS-Fund/SERV scenarios:

Example 1:

<b>Day #</b>	<b>Day</b>	<b>Time</b>	<b>Action</b>
0	Thursday	7 pm	Fund/SERV sends to funds ACATS Transfer (018)
1	Friday	8 pm	Fund did NOT submit an ACATS Acknowledgment /Rejection (019)
1	Friday	9 pm	Fund/SERV sends to funds Reminder (080) with Age = 1
2	Monday	11 am	Fund did NOT submit an ACATS Acknowledgment /Rejection (019)
2	Monday	11 am	Fund/SERV closes ACATS Transfer
2	Monday	9 pm	Fund/SERV send to funds Reminder (080) with Age = 9999, indicating ACATS Transfer is closed

Example 2:

Day #	Day	Time	Action
0	Thursday	7 pm	Fund/SERV sends to funds ACATS Transfer (018)
1	Friday	8 pm	Fund did NOT submit an ACATS Acknowledgment /Rejection (019)
1	Friday	9 pm	Fund/SERV send to funds Reminder (080) with Age = 1
2	Monday (Columbus Day)	8 pm	Fund did NOT submit an ACATS Acknowledgment /Rejection (019)
2	Monday (Columbus Day)	9 pm	Fund/SERV send to funds Reminder (080) with Age = 2
3	Tuesday	11 am	Fund did NOT submit an ACATS Acknowledgment /Rejection (019)
3	Tuesday	11 am	Fund/SERV closes ACATS Transfer
3	Tuesday	9 pm	Fund/SERV send to funds, Reminder (080) with Age = 9999 indicating ACATS Transfer is closed

### Testing

**Because these changes will affect system processing, we strongly advise participants to test these modifications. Effective August 31, 2009,** participants can begin testing the new record layouts and DTCCWeb Direct screen functionality in the Participant Services Environment (PSE) region. Prior to testing, participants must contact the Enterprise Service Center (ESC) on the NSCC Production Support Hotline at 212-855-1144, option 1, option 4. To ensure proper setup for the PSE region, we recommend that you send the ESC a notice at least three days prior to testing.

### Documentation

Modified record layouts and technical manuals will be available shortly on the Wealth Management Services Web site [www.dtcc.com](http://www.dtcc.com). Questions and comments about this Important Notice may be directed to Wealth Management Services at 212-855-8877. You may also call your Relationship Manager or the undersigned at 212-855-5658.

\*CUSIP® is a registered trademark of the American Bankers Association.

Barbara Simon  
 Vice President  
 DTCC Wealth Management Services  
 Mutual Fund Product Management

## Appendix A

Please note the location of the fields detailed in Appendix A apply to the Fixed Length layouts only. The field locations of the Variable Length layouts can be found in the record layout section of the Wealth Management Services website. The most recent version of both Fixed and Variable Length layouts can always be found on the website.

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The newly renamed As-Of Reason Code values can be found in Record 3 of 7 in Position 85- 86 in the fixed length records of the following records:

- As-Of Order (Record Type 004)
- Confirmation (Record Type 005)
- Reconfirmation (Record Type 006),
- Fund Originated Order (Record Type 007)
- Fund As-Of Order (Record type 009)
- Post Settlement Cancellation by Fund Record Types (Record Type 140)

The newly renamed **Correction Reason Code** values can be found in Record 3 of 7 in Position 85- 86 in the fixed length records of the following records:

- Correction (Record Type 003)
- Correction Confirmation (Record Type 025)
- Post-Settlement Correction by Fund (026)

The new values also impact Record 1 of 3 in Position 58-59 on the fixed length records of the following:

- Extended Correction Transfer (Record Type 200)
- Extended Correction Transfer Acknowledgment Record (201)

The As-Of Reason Code will be **added** as an optional conditional field on record 3 of 5, starting in position 79, ending in position 80 in the fixed length records of the following:

- Exchange Order (Record Type 015)  
The field is optional if the As-Of Indicator = 0 and required if the As-Of Indicator = 1.

The As-Of Reason Code will be **added** as an optional conditional field on record 3 of 12, starting in position 79, ending in position 80 in the fixed length records of the following:

- Exchange Confirmation (Record Type 016)
- Exchange Re-Confirmation (Record Type 017)
- Post Settlement Exchange Cancellation ( Record type 021)  
The field is optional if the As-Of Indicator = 0 and required if the As-Of Indicator = 1.

The As-Of Reason Code will be **added as a required field** on the following record:

- Firm Exit (Record Type 139)

It can be found on record 3 of 3 starting in position 79 for a length of 2 ending in position 80.

Following is a summary of the modifications:

## 1. NEW FIELDS

Layout	New Name	Location	Required/Optional Conditional
Exchange Order (015)	As-Of-Reason Code	record 3, start 79, end 80 length 2	<b>Optional Conditional</b>
Exchange Confirmation (016)...	As-Of-Reason Code	record 3, start 79, end 80 length 2	<b>Optional Conditional</b>
Firm Exit (139)	As-Of-Reason Code	record 2, start 78, end 79 length 2	<b>Required</b>

## 2. RENAMED FIELDS

Layout	New Name	Old Name	Location
As-Of Order (004)...	As-Of Indicator	Extended Correction Indicator	record 3, start 84 end 84 length 1
As-Of Order (004)...	As-Of Reason Code	Extended Correction As-Of Reason Code	record 3, start 85, end 86, length 2
Correction (003)...	Correction Type Indicator	Extended Correction Indicator	record 3, start 84 end 84 length 1
Correction (003)...	Correction Reason Code	Extended Correction Reason Code	record 3, start 85, end 86, length 2
Correction (003)...	Original Correction Type Indicator	Original Extended Correction Indicator	record 10, start 80, end 80, length 1
Correction (003)...	Original Correction Reason Code	Original Extended Correction As-Of Reason Code	record 10, start 81, end 82, length 2

## 3. VALUES ADDED TO OR DELETED FROM EXISTING FIELDS

Layout	Field Name	Location	Added or Deleted Values or Comments
As-Of Order (004)...	As-Of Reason Code	Record 3, start 85, end 86, length 2	<b>01 = Incorrect Firm/Fund Account Number</b> <b>02 = Incorrect Share Quantity/Dollar Quantity</b> <b>05 = Incorrect Sales Charge Breakpoint</b> <b>09 = Delay in Firm Trade Transmission</b> <b>10 = With Fund's Permission</b>

			<p><b>11 = Resubmitted Fund/SERV Reject</b></p> <p><b>12 = DCC&amp;S (see Asset Type Indicator)</b></p> <p><b>13 = Distribution Reversal</b></p> <p><b>14 = Prospectus Violation</b></p> <p><b>Note: The values '00', '06' and '08' have been removed.</b></p>
Extended Correction Transfer (200) ...	Extended Correction Reason Code	Record 1, start 58, end 59, length 2	<p><b>01 = Incorrect Firm/Fund Account Number</b></p> <p><b>02 = Incorrect Share Quantity/Dollar Quantity</b></p> <p><b>05 = Incorrect Sales Charge Breakpoint</b></p> <p><b>09 = Delay in Firm Trade Transmission</b></p> <p><b>10 = With Fund's Permission</b></p> <p><b>11 = Resubmitted Fund/SERV Reject</b></p> <p><b>12 = DCC&amp;S (see Asset Type Indicator)</b></p> <p><b>13 = Distribution Reversal</b></p> <p><b>14 = Prospectus Violation</b></p> <p><b>Note: The values '06' and '08' have been removed.</b></p>
Correction (003)...	Correction Reason Code  Original Correction Reason Code	Record 3, start 85, end 86, length 2  Record 10, start 81, end 82, length 2	<p><b>01 = Incorrect Firm/Fund Account Number</b></p> <p><b>02 = Incorrect Share Quantity/Dollar Quantity</b></p> <p><b>05 = Incorrect Sales Charge Breakpoint</b></p> <p><b>09 = Delay in Firm Trade Transmission</b></p> <p><b>10 = With Fund's Permission</b></p> <p><b>11 = Resubmitted Fund/SERV Reject</b></p> <p><b>12 = DCC&amp;S (see Asset Type Indicator)</b></p> <p><b>13 = Distribution Reversal</b></p> <p><b>14 = Prospectus Violation</b></p> <p><b>Note: The values '00' '06' and '08' have been removed.</b></p>

Please review the wealth management website for the current versions of the fixed and variable record layouts.

## **Appendix B: As-Of Reason Code Usage Definitions**

01 = Incorrect Firm/Fund Account Number – Firm submitted a transaction with an incorrect account number and the trade is being reprocessed or cancelled.

02 = Incorrect Share/Dollar Quantity – Firm submitted transaction for an incorrect share or dollar quantity.

03 = Incorrect Security Issue ID – Firm submitted transaction for an incorrect security issue id (i.e. CUSIP)

04 = Customer Renege – Firm was required to cancel transaction due to lack of funding by investor. Code may also be used for an IRA revocation by the investor.

05 = Incorrect Sales Charge Breakpoint – Firm submitted transaction for an incorrect sales charge. Due to rights of accumulation or a letter of intent, the investor was eligible for a reduced sales charge.

07 = Blue Sky Violation – Firm submitted transaction in an unregistered state of sale for the fund.

09 = Delay In Firm Trade Transmission – Trade placed with firm by market close was not transmitted to fund by that day's deadline.

10 = With Fund's Permission – Transaction submitted (or resubmitted) with the sole permission of the fund.

11 = Resubmitted Fund/SERV Reject – Transaction is being reprocessed due to a Fund/SERV reject by the fund or NSCC. If a code exists that provides further details of why the transaction rejected, it should be used (i.e. incorrect firm/fund account number).

12 = DCC&S (see asset type indicators) – Indicates trade is eligible for defined contribution settlement date override processing by the fund.

13 = Distribution Reversal – Distribution option was incorrectly coded by firm during account establishment or maintenance. Code could also be used by omnibus firms when processing dividend sell-offs or buy-backs outside of DCC&S.

14 = Prospectus Violation – Intended to be used when canceling transactions that violate fund prospectus guidelines. Code would accompany a firm exist or post settlement cancellation of the transaction that caused the violation.

## Appendix C: ToRA Reject Codes Best Practices

### ToRA Reject Code Standardization

Part of the drive towards industry standardization revolves around the issuance of Reject Codes. Currently, there is little guidance surrounding the proper use of these codes; because of this, Delivering Funds use the existing DTCC Reject Codes differently from Fund to Fund. These inconsistencies can make it difficult to interpret the reason for a rejected trade, driving up the need for clarifying telephone calls between companies. To reduce the need for these time-consuming calls, the ICI ToRA Task Force developed a set of ToRA-specific codes and suggested best practices described below.

### Critical Data Elements

Each Fund Company should focus their account verification efforts on a set of Critical Data Elements within each trade. These Elements can be used to correctly identify the correct shareholder, investment position, and account, allowing each organization to verify that assets are not being moved through fraud. Critical Data Elements include

- Shareholder Tax ID (SSN)
- Shareholder Account at Delivering Firm
- Shareholder Security Issue ID (CUSIP) at Delivering Firm
- Shareholder Account Type

### Reject Codes

#### *701 - SSN does not match*

Business Reason: The shareholder's SSN at the Delivering Fund should match the SSN submitted by the Receiving Fund. This is required as a means of verifying the shareholder's identity and as a means to secure the account.

Example: Radar O'Neil's account at Fund A lists his SSN as 111-11-1111. His account at Fund B lists his SSN as 111-11-1112 due to a typo when the account was being established. A ToRA transaction will not be possible for this shareholder until the SSN is corrected at Fund B.

Suggested Best Practice: The Receiving Fund should verify shareholder identity in compliance with the PATRIOT Act, including verification of the Social Security Number. Shareholders may also be required to present their Social Security card to open new Mutual Fund accounts to help prevent incorrect submission of SSNs on accounts. If the SSNs on the Delivering account and Receiving account do not match, the Delivering Fund should pend the trade for review by a processor. If all other Critical Data Elements are correct, the trade should be processed.

#### *702 -Account number mismatch*

Business Reason: The account number at the Delivering Fund and account number submitted by the Receiving Fund must match. This is required as a means of verifying the shareholder's identity as to secure the account. This is one of the Critical Data Elements.

Example: Fund A requests funds through ToRA from Fund B. The shareholder did not provide a statement to Fund A. When Fund A submitted the trade, the account number was one digit off.

Suggested Best Practice: The Receiving Fund should verify account numbers and other information on the shareholder's current statement prior to submitting trades through ToRA. This will help prevent entry of incorrect information. If an incorrect account number is entered, the Delivering Fund should pend the trade for review by a processor. If all other Critical Data Elements are correct, the trade should be processed.

### ***703 –Account specified not invested in this Security Issue ID***

**Business Reason:** The account does not match the Security Issue ID; this account is not invested in the security requested. This is one of the Critical Data Elements

**Example:** Fund A requests a ToRA trade from Fund B. The record submitted by Fund A to the DTCC lists a security that is not available for this account.

**Suggested Best Practice:** Receiving Funds should review the most recent shareholder statement and utilize the daily 802 file to obtain valid account and security information prior to submitting ToRA trades. This will reduce the number of trades rejected due to invalid security/account combinations, and will reduce the number of calls needed to obtain security numbers. Delivering Funds should pend these trades for review by a processor. If the account and investment position can be determined, the trade should be processed. If the lack of a correct security prevents definitive account identification, the trade should be rejected.

### ***704 –Plan Type mismatch***

**Business Reason:** Retirement account types are only eligible to transfer into certain other types of retirement accounts. ToRA will only allow trades between eligible plan types. This is one of the Critical Data Elements.

**Example:** Fund A requests a ToRA transaction for their Roth IRA from Fund B's 403(b) account.

**Suggested Best Practice:** Only trades between compatible plan types should be submitted. In the event the Receiving Fund submits a trade for incompatible plan types, the Delivering Fund should automate a Rejection process to accommodate the return of the correct plan type to the Receiving Fund. This will reduce the number of calls needed to resolve ToRA items. Please note that although Plan Type is one of the Critical Data Elements, trades between ineligible plan types cannot be allowed due to tax requirements, even if all other information on the trade is correct.

### ***705 Name mismatch***

**Business Reason:** The shareholder's name does not match on the Delivering and Receiving Funds' systems. Verification of name is a means to ensure the shareholder's identity and to secure the account.

**Example 1:** Fund A requests a ToRA transfer from Fund B. Fund A has the shareholder's name formatted as John Q. Public. Fund B has the shareholder's name formatted as Johnny Public.

**Suggested Best Practice:** Name should not be used as a point of verification due to differences in formatting between various systems. However, should a Fund determine that the name field must be reviewed, every effort should be made to pass the trade. Formatting differences (such as O'CONNEL versus OCONNEL) should not cause a rejected trade. For true name mismatches, this code may be returned to give the Receiving Fund a clear idea of what action is needed to complete subsequent trades for the shareholder.

### ***706 –Shares held in Escrow***

**Business Reason:** Shares in the account are held in Escrow, and there are not enough non-Escrow shares to complete the trade. Trades cannot be performed against Escrowed shares.

**Example 1:** Fund A requests a ToRA trade from Fund B for "all assets". Parts of the assets held at Fund B are in Escrow.

**Example 2:** Fund A requests a ToRA trade from Fund B for \$100.00. NAV = \$10/share. The balance of the account at Fund B is 11 shares, but 2 of them are held in Escrow.

Suggested Best Practice: The Delivering Fund should remove the Escrow from the account if possible, and then release the remaining requested funds to the Receiving Fund.

### ***707 –Uncollected Shares***

Business Reason: Assets requested have not settled due to a recent trade. Assets must settle (become "collected") prior to transfer.

Example: Fund A requests a ToRA trade from Fund B. The shareholder had an automatic investment from their bank into Fund B's account that occurred yesterday, which will not collect for five days.

Suggested Best Practice: The Delivering Fund should review the trade, and complete the transaction for the collected balance. The return file sent to the Receiving Fund should indicate there are remaining assets as an uncollected balance, which will prompt the Receiving Fund to wait 10 business days, and then re-submit a trade for the remaining assets. This section will be added to the record by the DTCC.

### ***708 –Amount Requested not Available***

Business Reason: The Receiving Fund requested a specific dollar amount. That amount is not available in the account.

Example 1: The shareholder instructs Fund A to transfer 13 shares from Fund B, but does not have a statement available. Fund A requests the trade from Fund B through ToRA, but the actual share balance of the account is only 10 shares.

Example 2: Fund A reviews a statement for the account at Fund B, which shows a balance of \$112. Fund A requests a ToRA trade from Fund B for \$100, but due to market fluctuations, the value of the account is now only \$98.

Suggested Best Practice: The Receiving Fund should review the most recent statement to ensure that specific dollar or share values requested are available, or make the request for "all assets". The Delivering Fund should pend the trade for review by a processor. If the amount requested and the available balance of the account are within a reasonable variance (usually due to market fluctuation between statement production and the date the request is made), the processor should release the amount of shares or dollars available in the account as though the trade requested was for "all assets". If the amount requested and the available account balance are grossly different, the trade should be rejected, and this code should be applied. Please note that this code should not be used to indicate Uncollected Shares in an account.

### ***709 –Stop Code on Account***

Business Reason: The account requested has a "Stop Code" (restriction) on it. Some Funds place a restriction on an account due to required documents that have not been returned by the customer. Some Funds will place a restriction on an account if fraudulent activity is suspected, or if they have received report that the shareholder is deceased or in divorce proceedings. Some Funds will place a restriction on an account, or put it into a "black-out period", when a retirement plan has moved from one Fund to another.

Example: Fund A requests a ToRA trade from Fund B. Fund B shows a Stop Code on the account due to potential fraudulent activity reported by the shareholder two years ago.

Suggested Best Practice: The Receiving Fund should must verify the validity of the shareholder's address due to US PATRIOT Act requirements. Because of this, Stop Code rejects should not be sent for Returned Mail (RPO) or Stop Mail restrictions – the address at the Receiving Fund should be

correct, even if the address at the Delivering Fund is not. For all other Stop Code types, the trade should be Hard Rejected.

***710 –Minimum purchase amount not met at Receiving Fund***

Business Reason: Some Funds have minimum purchase requirements that must be met in order for a transaction to be completed.

Example: Fund A requests "all assets" from Fund B through ToRA. Fund A's minimum purchase amount is \$50, but the account at Fund B holds only \$23.

Suggested Best Practice: Receiving Funds should review the shareholder's most recent statement to determine if fund minimums will be met prior to requesting funds through ToRA. This will reduce the number of Rejected ToRA trades.

***711 –Maximum purchase amount exceeded at Receiving Fund***

Business Reason: Some Funds have maximum purchase limits on back-end loaded funds, which can charge a higher fee and can be less financially beneficial to high-dollar investors.

Example: Fund A requests "all assets" through ToRA from Fund B into their B-Share Index fund, which has a maximum purchase limit of \$50,000. The account at Fund B has \$52,000

Suggested Best Practice: Receiving Funds should review the shareholder's most recent statement to determine if fund maximums will be exceeded, or should ask only for the maximum amount allowed for purchase account. This will reduce the number of Rejected ToRA trades.