

IMPORTANT NOTICE

National Securities Clearing Corporation



A#: 7079
P&S# 6650
Date: October 18, 2010
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 TO SUPPORT MULTICURRENCY SETTLEMENT (EURO & POUND STERLING)
- ENHANCEMENTS TO FUND/SERV TO SUPPORT A NEW MEMBERSHIP TYPE – THE THIRD PARTY PROVIDER (“TPP”)

Effective January 18, 2011, National Securities Clearing Corporation (“NSCC”) will implement enhancements to its Fund/SERV[®] platform providing participants with the ability to settle transactions in Euro and Pound Sterling denominated offshore funds.

In addition, enhancements to Fund/SERV[®] will accommodate a new membership type – the Third Party Provider (“TPP”). The TPP is a non-settling member that will transact on behalf of its clients. These transactions will be settled by a full service NSCC member designated by the TPP.

Testing

Participant testing is scheduled to begin December 6, 2010. In an effort to minimize the programming requirements, all of the enhancements described in this notice are **optional**. Only participants interested in Euro or Pound Sterling settlement; the TPP member; its designated “settling member”; and the respective counterparties are required to complete the necessary programming.

Documentation

The revised Fund/SERV[®] record layouts and technical manual will be available shortly on the Wealth Management Services website at <http://www.dtcc.com>. The record layouts include the following enhancements:

1. Enhancements to Fund/SERV[®] to allow settlement of transactions in Euro (EUR) and Pound Sterling (GBP) at DTCC Solutions Worldwide Ltd.
2. Enhancements to Fund/SERV[®] to support a new membership type – the Third Party Provider (TPP)

Questions and comments regarding this Important Notice may be directed to your Wealth Management Services Relationship Manager.

Annemarie Gilly
Vice President Product Management
Head of Global Mutual Funds
DTCC Wealth Management Services
(212) 855-2745

I. Multi-Currency Settlement

Overview

Multi-Currency Settlement functionality for EUR and GBP will be launched on January 18, 2011. A new FSA (Financial Services Authority) authorized subsidiary, DTCC Solutions Worldwide Ltd (“DSW”),¹ has been established for the processing of non-USD settlement for offshore mutual funds. Participants will be required to complete a brief application for membership in DSW. Please contact your Relationship Manager to initiate the application process or call Mutual Fund Product Support at (212) 855-8877.

Upon launch, Fund/SERV[®] transactions settling in EUR or GBP will be routed to a new Multi-Currency Settlement platform. A combination of Fund/SERV[®] Security Issue Type “63”, the “Currency Indicator” and the “Settlement Override Reason Code” will route a transaction onto the new Multi-Currency Settlement platform. Bank of America has been appointed DSW’s settlement bank.

New settlement files have been developed, aggregating trades by participant and by currency. Participants will be notified of their aggregated debit obligations as well as their aggregated credits, by 8:00 pm New York time the evening prior to settlement. On each settlement day, participants will forward their debit obligation to DSW prior to 11:00 am London time. Participant counterparties will be credited when all funds are received, but no later than 1:00 pm London time.

In the event a participant is unable to deliver funds for its debit obligation, all settlements will be reversed. Credits due from counterparties will be adjusted.

The DSW “Settlement Operations Team” will be based in London, with back up support in New York. These teams will be available to assist participants with settlement.

The following sections provide details of the enhancements to Fund/SERV[®] to accommodate Multi-Currency Settlement.

1. Processing Rules and Guidelines

Multi-Currency settling transactions will be routed to a new Multi-Currency Settlement platform. In order to route GBP and EUR settling transactions to the new platform, ALL of the following fields and values in Fund/SERV[®] will be required:

- Security Issue Type – The value must be set at “63 = non USD enhanced”
- Settlement Override Reason Code – The value must be spaces (i.e.: left blank)
- Currency Indicator – The value must be either “EUR” or “GBP”
- Anticipated Settlement Date – A date is required to be entered by the Participant

The rules for the aforementioned fields and values are as follows:

- 1) The values of the fields cannot be modified from the original values submitted on the initial transaction.

¹ DTCC Solutions Worldwide Ltd was approved by the FSA to be an Authorized Payment Institution on June 22, 2010.

- 2) Based on the current functionality, Fund/SERV® will reject the EUR and GBP settling transactions with a trade date less than the current processing date, except for As-Of-Orders or Fund Originated As-Of-Orders.
 - **New Reject Code:**
 - 272 – EUR/GBP Settling Trade Date is less than the current Processing Date
- 3) Participants settling in EUR and/or GBP must become members of DSW. If the counterparties to the transaction are not DSW members, the settling transaction will be rejected.
 - **New Reject Codes:**
 - 273 – Non USD Settlement Submitting Participant Number missing/invalid
 - 274 – Non USD Settlement Contra Participant Number missing/invalid
- 4) Participants settling in EUR or GBP must provide both wiring instructions and SWIFT BIC codes; otherwise the transaction will be rejected.

2. New Output files

Two new Autoroute files have been created to contain EUR and GBP settling transactions. Participants must contact their Relationship Managers for access to the new Autoroute files.

1) Autoroute File #1794 – Settlement Output file

Autoroute file #1794 will be created for EUR and GBP settling transactions. It will contain Next Day settling transactions for EUR and GBP. This file will be sent to the participants at approximately 8:00 PM EST on Settlement Day minus one (“S-1”). The following record types will be included in the 1794 file. Records will be sorted by Currency.

- **Settling Trade Detail (070) and Settling Trade Trailer Record (071)**
 - These Record Types will now include EUR and GBP settling data to participants.
- **Settling Trade Detail for TPA/Investment Agent/TPP (074) and Settling Trade Trailer for TPA/Investment Agent/TPP (075)**
 - These Record Types will now include EUR and GBP settling data to TPA/Investment Agent/TPP.

2) Autoroute #1795 – Transaction Data Output file

Autoroute #1795 will be created to contain EUR and GBP Transaction Data only and will run in all 29 cycles. This file will only contain data for EUR and GBP transactions that are settling at DTCC.

3. Enhancement to Record Types

The following Record Types will be rejected for Security Issue Type 63 settling transactions:

- 1) Post Settlement Cancellation by Fund (140)
- 2) Exchange Order (015)
- 3) Exchange Confirmation (016)
 - Exchange Reconfirmation (017)
 - Post Settlement Exchange Cancellation (021)
- 4) Post Settlement Correction by Fund (026)

New reject code for the Record Types listed above:

275 = Record Type not allowed for EUR and GBP settling transaction

4. Enhanced fields

A. Security Issue Type

- **Summary Of Changes:**

- 1) Changes impact rules only. No new values to be added.

- **Rules:**

- 1) If the transaction is settling in EUR or GBP, the following value MUST be selected:

- a) 63 = non USD enhanced

B. Settlement Override Reason Code

- **Summary Of Changes:**

- 1) Changes impact rules only. No new values to be added.

- **Rules:**

- 1) If Security Type 63 is selected and the transaction is settling, the value MUST be spaces.

C. Currency Indicator

- **Summary Of Changes:**

- 1) Changes impact rules only. No new values to be added.

- **Rules:**

- 1) If Security Issue Type 63 is selected and the firm does not populate the Currency Indicator, Fund/SERV[®] will populate the field with the currency referenced in the Security Master.

- 2) If Security Issue Type 63 is selected and the Settlement Override Reason Code is space, allow non-USD settling currencies only (currently GBP or EUR).

D. Anticipated Settlement Date

- **Summary of Changes:**

- 1) Changes impact rules only. No new values to be added.

- **Rules:**

- 1) The participant is required to enter a date for this field.

- 2) Fund/SERV[®] will reject the transaction if the Anticipated Settlement Date falls on a weekend or is less than the current date.

- 3) If the Anticipated Settlement Date falls on a US holiday (Fund/SERV[®] is closed) or a Bank of England (for GBP settlement) or European Central Bank (for EUR settlement) holiday, Fund/SERV[®] will advance the settlement date to the next valid settlement date for that currency.

E. Original Correction Indicator

o Summary of Changes:

1) Changes impact rules only. No new values to be added.

o Rules:

1) If Security Issue Type 63 is selected and the transaction is settling, the following value is not permitted:

a) P = Post Settlement Correction/Cancellation

F. Correction Indicator

o Summary of Changes:

1) Changes impact rules only. No new values to be added.

o Rules:

1) If Security Issue Type 63 is selected and the transaction is settling, the following value is not permitted:

a) P = Post Settlement Cancellation

G. Transaction Code

o Summary of Changes:

1) Changes impact rules only. No new values to be added.

o Rules:

1) If Security Issue Type 63 is selected and the transaction is settling, the following values are not permitted:

a) 07 = Post Settlement Cancellation Purchase

b) 08 = Post Settlement Cancellation Liquidation

OR

a) 07 = Post Settle Correct/Cancel Purchase

b) 08 = Post Settle Correct/Cancel Liquidation

H. Correction / Exchange Indicator

o Summary of Changes:

1) Changes impact rules only. No new values to be added.

o Rules:

1) If Security Issue Type 63 is selected and the transaction is settling, the following values are not permitted:

a) P = Post settlement correction / cancellation

b) Y = Post settlement cancellation Exchange From (debit firm, credit fund)

c) Z = Post settlement cancellation Exchange To (credit firm, debit fund)

I. Currency Indicator – Debit & Currency Indicator – Credit

○ **Summary of Changes:**

- 1) Record Types 071 and 075 will contain two new settling currencies:
 - a) EUR and GBP

J. Fund Account Indicator

○ **Summary of Changes:**

- 1) Rename description / value from “domestic” to “U.S.”
- 2) Rename description / value from “foreign” to “non-U.S.”

II. Third Party Provider (TPP)

Overview

On June 11, 2010, National Securities Clearing Corporation (“NSCC”) filed a rule amendment to create a new type of member for access to NSCC’s mutual fund services: the Third Party Provider Member (“TPP Member”).²

The TPP Member will act as a consolidator, linking its customers to NSCC’s Mutual Fund Services. The TPP Member is a non-settling Member with access to Fund/SERV[®] and NSCC’s other mutual fund services. The TPP will designate an NSCC Full Service Member (“settling member”) to settle transactions on their behalf or that of their customers. The transaction record will contain identifiers for the settling member (which is represented as “the firm”), the TPP, and the “Agent for Firm”. The “Agent for Firm” field will identify the underlying customer at the TPP. The TPP and its settling member will receive settlement files; the designated settling member is obligated to complete settlement for all confirmed transactions.

The following section describes the enhancements to Fund/SERV[®] to accommodate the Third Party Provider (TPP) membership type. In general, these enhancements are additional values to existing fields.

1) Enhanced fields

A. Originator Type

- Summary of Changes:

- 1) Add one new value:
 - a) V = TPP (Third Party Provider)

B. Membership Identifier

- Summary of Changes:

- 1) Add one new value:
 - a) 03 = TPP (Third Party Provider)

C. Agent for Firm

- Summary of Changes:

- 1) Change condition from Optional “O” to Optional Conditional “OC”:
 - a) Required if Originator Type = V
- 2) New reject code:
 - a) 271 = Agent For Firm missing/invalid

² See Securities Exchange Act Release No. 62435 (July 1, 2010), 75 FR 39721 (July 12, 2010) (SR-NSCC-2010-06).

D. TPA/Investment Agent Number

o Summary of Changes:

- 1) Rename Field:
 - a) TPA/Investment Agent/**TPP** Number
- 2) Change Condition:
 - a) Required if: Originator Type = (T or P or A or **V**) OR Membership Identifier = 02 **or** 03

E. Firm/TPA/SP/Investment Agent Number

o Summary of Changes:

- 1) Rename Field:
 - a) Firm/TPA/SP/Investment Agent/**TPP** Number

F. Firm or TPA/Investment Agent Number

o Summary of Changes:

- 1) Rename Field:
 - a) Firm or TPA/Investment Agent/**TPP** Number
- 2) Rename Field Name description
 - a) Otherwise, TPA/Investment Agent/**TPP** Number

G. Currency Indicator

o Summary of Changes:

- 1) Change to Record Type 074:
 - a) Record Type will contain USD, USN, **EUR and GBP**
- 2) Change to Record Type 074:
 - a) Rename Record Type to include “TPP” in the description

H. Currency Indicator – Credit & Currency Indicator – Debit

o Summary of Changes:

- 1) Change to Record Type 075:
 - a) Record Type will contain USD, USN, **EUR and GBP**
- 2) Change to Record Type 075:
 - a) Rename Record Type to include “TPP” in the description

I. Branch Identification Number

o Summary of Changes:

- 1) Update Condition:
 - a) Optional if Originator Type = V

J. Record Type (Detail)

o Summary of Changes:

- 1) Rename record type :
 - a) 074 = Settling Trade Detail for TPA/Investment Agent/**TPP**

K. Record Type (Trailer)

o Summary of Changes:

- 1) Rename record type :
 - a) 075 = Settling Trade Trailer for TPA/Investment Agent/**TPP**

L. Recipient Type

o Summary of Changes:

- 1) One new value added:
 - a) V = TPP (Third Party Provider)

III. Error Processing

1. The description of the following reject codes have been changed as part of the TPP enhancements

Reject Code	New Description	Old Description
188	TPA/Investment Agent/ TPP missing/invalid	TPA/Investment Agent missing/invalid
189	TPA/Investment Agent/ TPP not authorized for firm	TPA/Investment Agent not authorized for firm

2. New Fund/SERV[®] Reject Codes list for Multi-Currency Settlement and TPP Processing

Reject Code	Description
271	Agent for Firm missing/invalid
272	EUR/GBP Settling Trade Date is less than the current Processing Date
273	Non USD Settlement Submitting Participant Number missing/invalid
274	Non USD Settlement Contra Participant Number missing/invalid
275	Record Type not allowed for EUR and GBP settling transaction
276	Settling Firm missing/invalid