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DATE:	FEBRUARY 15, 2012
TO:	ALL PARTICIPANTS
ATTENTION:	MANAGING PARTNER/OFFICER, OPERATIONS PARTNER/OFFICER MANAGER P&S DEPARTMENT, MANAGER DATA PROCESSING DEPARTMENT
FROM:	LOUIS LEPORE - PRODUCT MANAGEMENT
SUBJECT:	ELIMINATION OF ACATS DEFAULT PRICING

Subject to approval of a rule filing by the U.S. Securities and Exchange Commission (the “SEC”), the National Securities Clearing Corporation (“NSCC”) will be making a change to the Automated Customer Account Transfer Service (ACATS) whereby it will eliminate the use of the existing default pricing table to calculate the value of a security transferred through the system. **This change is scheduled for production implementation on June 22, 2012.**

Background

When a security is transferred through ACATS on a broker to broker transfer, NSCC values the security from a price obtained from its pricing sources. The value is applied as a debit to the deliverer of the security and a credit to the receiver on ACATS settlement date in NSCC money settlement, thus providing incentive to the deliverer to make actual delivery of the security in a timely manner. Pursuant to NSCC’s current Rule 50, when NSCC cannot find a price for a security from its pricing sources, the ACATS system uses the greater of either the “submitter’s value” or the value determined by ACATS’ default pricing table, based upon the asset-pricing category chosen by the submitter. In the event the calculated value is used from the default pricing table, the calculation has sometimes caused the ACATS system to overvalue the security. In some cases, this has led to NSCC applying a market value settlement charge which is larger than the actual value of the security input by the submitter.

Modification

With the proposed new process, the submitter will continue to use the asset-pricing category to define the type of security being transferred through the system. However, NSCC will no longer use the default pricing table to calculate the market value of the security. **In lieu of the default pricing table, when NSCC cannot find a price for a security from its pricing sources the system will always use “submitter’s value”.** This modification was approved by the Securities Industry Financial Markets Association (SIFMA) Customer Account Transfer (CAT) Society and it supports broker-dealers compliance with FINRA Rule 11870, regarding submission of assets in a customer account transfer.

Participant Services Environment (PSE)

NSCC will make its Participant Service Environment (PSE) available for any needed testing of this modification on March 12, 2012. Testing will continue to be available in NSCC's participant test region after production implementation.

Additional Information

A copy of this Important Notice can be obtained from the web site of NSCC's parent corporation, The Depository Trust & Clearing Corporation, at <http://www.dtcc.com>. If you have any questions regarding these enhancements, please contact your DTCC Relationship Manager or the Enterprise Service Center at (888) 382-2721, Option 6, then 7, then 2.