



Securing Today. Shaping Tomorrow.®

AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE (ACATS)

ACATS INDUSTRY BEST PRACTICES – ACATS SHORTENED CYCLE

VERSION 1.0
JUNE 25, 2018

Contributors: SIFMA CAT Division
ACATS Shortened Cycle Best Practices Working Group

This best practice document outlines suggested usage in conjunction with the ACATS Shortened Cycle initiative. See the important notices: [ACATS Registration Indicator Enhancement \(February 27, 2017 - #A8340\)](#) and [ACATS Modernization - Shortened Cycle Enhancements \(April 16, 2018 - #A8542\)](#).

Copyright © 2018 by The Depository Trust & Clearing Corporation (“DTCC”).

All rights reserved. This work (including, without limitation, all text, images, logos, compilation and design) is proprietary and protected by copyright, and is for the exclusive use of users authorized by DTCC. If this work is received from DTCC in any electronic medium, authorized users of this work are granted a limited, non-exclusive, non-transferable, non-sublicensable and freely revocable license to make reproductions and transmissions necessary for downloading and storage of this work on the users' computers and to print one or more paper copies from the electronic version for their own use. Other than to this limited extent, no part of this work (including any paper copies thereof or print versions thereof) may be printed, copied, altered, modified, posted, reproduced, displayed, published, sold, licensed, used or distributed (including by transmission) in any form or by any means, or stored in any information storage and retrieval system, without DTCC's prior written permission.

All product or service names are the property of their respective owners.

Disclaimer:

This Best Practice document is a collaborative effort of the industry firms and participants listed in this document. The best practices suggested are the views and opinions of the contributors and not necessarily DTCC. This Best Practice document is not a legal document and the statements contained herein do not set forth any legal obligations of DTCC, National Securities Clearing Corporation (“NSCC”) or any other DTCC subsidiary, nor do any statements contained herein set forth any legal rights of any NSCC user. All such legal rights and obligations are set forth in NSCC’s Rules & Procedures and each user’s Membership Agreement with NSCC (together, the “Legal Documents”). The user is referred to the Legal Documents for a statement of all legal obligations. In general, unless the context clearly indicates otherwise, terms used in this Best Practice document have the same meanings as in the Legal Documents.

Doc Info: June 25, 2018

Publication Code: AC190

Service: Automated Customer Account Transfer Service (ACATS)

Title: ACATS Industry Best Practices – ACATS Shortened Cycle

TABLE OF CONTENTS

Contributing Firms	4
Cycle Time and Input Deadline Best Practices	5
Acceleration Best Practices	6
Impacted Departments Best Practices Guide	7
Mutual Fund Best Practices	13
Appendix: PTF Reject Code Best Practices	14

CONTRIBUTING FIRMS

The following firms contributed to one or more sections to this ACATS Shortened Cycle Best Practices document:

Firm	Firm
BETA	Oppenheimer Funds
Boston Financial	Pershing
Broadridge	Raymond James
BNY Mellon	RBC
Capital Group	Robert Baird
Capital One	PGIM
Cetera	Putnam
Charles Schwab	SEI
Delta Data	Stifel
DST	T Rowe Price
DTCC	Talisys
Edward Jones	TD Ameritrade
E*TRADE	UBS
First Clearing	Vanguard
FIS Global	
Fidelity	
Franklin Templeton	
Goldman Sachs	
ICI	
ICBKFS	
Interactive Brokers	
JP Morgan	
LPL	
Merrill Lynch	
Mid-Atlantic	
Morgan Stanley	
OFI Global	

CYCLE TIME AND INPUT DEADLINE BEST PRACTICES

The following table outlines the best practices for cycle times and input deadlines:

Action	Best Practice
TI Adds	Submit TI adds on every available cycle (1-10)
Asset Input	<ul style="list-style-type: none"> • Deliverer submits the assets as soon as possible (same day) for accounts that do not have management fees or trading activity. • If accounts need to go through the overnight batch process, load assets on the first available cycle. • If no adjustments are needed by the delivering firm, Day 1 validation should occur. • If adjustments are needed on Day 2, validate by cycle 4 for a buffer of cutoff. Validate sooner, if possible. • Delivering firm needs to review the transfer request as soon as it is received to reject, if needed. • Load AT records on the first available cycle for that particular account's scenario, such as cash only, management fees, etc..
Acceleration	<ul style="list-style-type: none"> • Upon receiving the AT records, the receiver should accelerate during the next available cycle. • Submit FR records during the same acceleration cycle.
Day 1 AT Record	If the delivering firm submits an AT record on Day 1, the receiving firm should accelerate the transfer and submit FR records on Day 1 by cycle 11.
Rejects/Adjustments	After the AT record is received, the receiving firm takes actions to reject or adjust during the next possible cycle.
FR Records	Send FR records on every cycle and accelerate so that 018 records can be transmitted earlier in the day.
General	Avoid holding all the work for a particular cycle to spread the work evenly throughout the cycles with less impact on either side.

ACCELERATION BEST PRACTICES

Receiver Actions:

- Accelerate all cases possible and send the Fund Registration (FR) in the same acceleration cycle as the acceleration is executed. This not only settles the transfer sooner, but it helps reduce fails and clean ups.
- Accelerate as soon as possible on Review Day 1. It is the best effort by the receiver to attempt to settle the transfer sooner.
- If Day 1 acceleration is not possible, accelerate on Day 2 if there are mutual funds in the transfer. In this case, the acceleration does not remove a review day, but it sends FR records to the fund companies earlier in the day.
- For reclaims, give advisors until the end of the day (before cutoff) to reject the claim with a valid reason. If no reject is received, validate and accelerate by the end of Day 1 cutoff (4 P.M. Eastern Time).

Deliverer Actions:

- Before posting the asset list, make sure all adjustments were made. Try not to post the asset list until the account is correct and post on Request Day 1, when possible. If it is not possible to post assets for all the accounts on Day 1, attempt to post accounts that can be validated.
- Limit the amount of adjustments you need to make to avoid looping the transfer and delaying the client. Firms need to do this because of the increased restrictions due to the new receiver acceleration rules.
- Posting assets Request Day 1 means disallowing rescinds. Firms should attempt to promote a new incoming transfer if clients change their mind.
- Charge management fees up front opposed to charging when client's leave. Give rebates opposed to claim.

IMPACTED DEPARTMENTS BEST PRACTICES GUIDE

This document is designed to be a helpful guide for determining which departments might be impacted by the changes that will be implemented as part of the ACATS Shortened Cycle Initiative. The description of task and impact in this document is a general barometer of tasks and can vary by firm. Each firm needs to do their own self-assessment regarding the impact these changes have in other areas within their organization.

Departments Impacted	Description of the Task	Enhancement Impact			
		General Impact	Increased from 5 to 11 Multicycles	Input Deadline Changes	Acceleration Changes
Margin	Reviews the asset detail list of incoming transfers that are marginable and concentration to minimize risk. They are often responsible for rejecting the ACATS transfer if the risk is beyond the firm's threshold.	Potential impact from a delinking perspective when the assets are validated and the account is being terminated.	Additional reports to review. The last review time may need to be extended based on the firm's internal deadlines.	The cutoff time to reject ACATS transfers is the same, but it is encouraged to reject as soon as possible to promote real time interactions between firms, whenever possible.	Further evaluation is needed. One main concern is if a mutual fund is deleted, the transfer is accelerated and locked down prior to the margin area being able to review or reject the transfer, when necessary.
Settlement	Domestic Clearance may handle process for FRV and MFC transactions.	N/A	Additional reports to review. The last review time needs to be extended.	The cutoff times to initiate or reject FRVs and MFCs are the same, but it is encouraged to reject as soon as possible to promote real time interactions between firms, whenever possible.	N/A
Service Center	Branch Services/ Client Services (Call Centers) respond to general inquiries and provide problem resolution to branch associates/ clients. Serve as advocates	ACATS transfer can settle sooner than it does today- Reclaims will have one day less in the process; therefore, the timeframe for	N/A	Incoming ACATS initiation for same day processing will be extended (3 P.M. Eastern Time).	N/A

Departments Impacted		Enhancement Impact			
	between the Home Office and branch offices.	<p>approving or denying a claim is shortened.</p> <p>Outgoing ACATS validation and rejection cutoff is earlier.</p> <p>Any fees calculated by branches will need to be calculated and provided to Account Transfers earlier.</p> <p>The rescind time frame might be impacted.</p>			
Corporate Actions	Receives reports of accounts closed due to an outgoing ACATS transfer and have DRV programs established. This dept. must manually turn off the DRV.	Automated DRV for some firms and fractional shares liquidated. These might need to be reviewed as a real-time process versus overnight.	Additional reports to review. The last review time needs to be extended.	N/A	N/A
Options	Receives reports of options that need to be manually booked into or out of the client's account. On outgoing transfers, they notify ACATS to delete the option that has been assigned (and the underlying security) or the option is within seven days from expiration.	N/A	N/A	The cutoff to make asset adjustments will change to an earlier cutoff.	N/A
Anti-Money Laundering	Reviews reports of accounts transferring in that contain high-risk assets.	N/A	Will have additional reports to review. The last review time needs to be extended.	The cutoff time to reject ACATS transfers is the same, but it is encouraged to reject as soon as possible to promote real time interactions between firms,	One main concern is if a mutual fund is deleted, the transfer is accelerated and locked down prior to AML being able to review or reject the transfer, when

Departments Impacted		Enhancement Impact			
				whenever possible.	necessary. Firms will need to review this.
Managed Accounts	Reviews reports of managed accounts transferring out and manually calculate the fee amount. They notify ACATS dept. to adjust the fee amount.	Shortened Cycle allows managed accounts to begin trading sooner after transfer. Intraday pending trades versus ACATS request must be defined.	Will have additional reports to review. The last review time needs to be extended. Open questions for firms: How often will managed accounts be reviewed for trades and do accounts need to be reviewed more often?	Fee calculations. The cutoff to make asset adjustments will change to an earlier cutoff. The team's reviewing managed accounts will have more time on Day 1 and less time on Day 2.	N/A
Banking Services	Reviews reports of accounts with check writing, debit card, and credit card access that are transferring out. They notify ACATS dept. to adjust credit amount due to check charges.	Turnaround time for terminating banking services will be shortened. Must be able to identify any outstanding transactions.	N/A	The cutoff to make cash and asset adjustments will change to an earlier cutoff.	N/A
Pledged/Loan Accounts	Approves an incoming transfer of a margin account. They also approve pledged/ loan accounts transferring out.	Turnaround time for termination of banking services will be shortened. Must be able to identify any outstanding transaction.	N/A	The cutoff time to reject incoming ACATS transfers is the same, but it is encouraged to reject as soon as possible to promote real time interactions between firms, whenever possible. The cutoff to reject outgoing ACATS transfers will	N/A

Departments Impacted		Enhancement Impact			
				change to an earlier cutoff.	
Custody Area	Receives notification of safekeeping items that are transferring out and must pull the item and make it ready for delivery.	N/A	Will have additional notifications to review throughout the day. The last review time needs to be extended	Review will need to change based on new cutoff times.	Evaluate when acceleration would be done based on departmental review.
Fixed Income	Receives reports of CUSIPs (bonds) transferring into firm that do not currently exist in the security master file.	N/A	Will have additional notifications to review throughout the day. The last review time needs to be extended.	N/A	N/A
Mutual Fund Operations / Trading	Receives reports of mutual fund transfers in process when the outgoing transfer was received.	N/A	Additional checks are needed if the MF position and coverage may be an issue. As there will be additional notifications to review throughout the day. The last review time needs to be extended.	The cutoff to make cash/asset adjustments will change to an earlier cutoff.	If you are unable to hold a mutual fund, you will need to indicate this on the record as a receiver delete item. Otherwise, the record will be sent to the fund company on acceleration.
Training /Education	They do some basic training regarding the ACATS process and will need to update their training documentation.	Needs high-level overview of changes. Will need to update cutoff times.	N/A	N/A	N/A
Audit - balancing	Reviews reports of DTCC Seg 100 items.	N/A	Will have additional notifications to review throughout the day. The last review time	N/A	N/A

Departments Impacted		Enhancement Impact			
			needs to be extended		
Retirement Plan Services	Responsible for proper transfer and rollover reporting and IRA fees.	Needs a high-level overview of changes. Transactions are done systematically.	N/A	N/A	N/A
Transitions Dept.	Assists new FA/ branches transitioning from another firm to RJ.	Teams need a high-level overview of changes. ACATS transfer may settle sooner than it does today. Incoming reclaims will have one day less in the process; therefore, the timeframe for a branch to approval or deny a claim has been shortened. Outgoing ACATS validation/rejection cutoff is an hour earlier. Any fees calculated by branches will need to be calculated and provided to Account Transfers an hour earlier.	N/A	ACATS initiation for same day processing will be extended (3 P.M. Eastern Time).	N/A
P&S (Purchasing & Sales)	Receives reports of CUSIPs (equities) transferring into firm that do not currently exist in the security master file.	N/A	Will have additional reports to review. The last review time needs to be extended.	N/A	N/A
Corporate Communications	Oversees communications at a firm level (internal internet site) as well as specific branch communications (monthly calls, newsletters, etc.)	Needs high level overview of changes	N/A	N/A	N/A

Departments Impacted	Enhancement Impact				
<p>ACATS Operations</p>	<p>Ops Depts. that need to act on an ACAT must do so by the specified cutoff time during the day.</p>	<p>If the Ops Depts. do not take appropriate action, the ACATS transaction could be rejected/approved in error. Firm system has default logic that may need to be reviewed.</p>		<p>Based on the additional cycles/cut off timeframes changing, firms display the cut off times on system screens where action is required by Ops Dept. personnel. This will eliminate the individuals having to remember cut off times for the various ACATS actions.</p>	

MUTUAL FUND BEST PRACTICES

Technology Change: Funds will begin receiving multicycle delivery of 018 records, rather than one file around 8 P.M. Eastern Time. The benefit of this change will only be realized when firms utilize the new technology to send their fund registration records to the DTCC intra-day, and fund companies respond in kind. Potential benefits include the opportunity for funds to eliminate rejects by working suspended (or soft rejected items – items that move out of the system for further review rather than automatically rejecting) intraday.

Note:

The best practices outlined in the table are directed at fund companies and the opportunities that they now must potentially reduce rejects. These options are predicated on firms following the best practices for sending files and accelerating their transfer requests, as outlined in the Acceleration and Cut-off Times Best Practice documents.

Situation (018 file received by fund company)	Action	Best Practice (for mutual fund companies)
Same NSCC ID to Same NSCC ID (transfer within the same Omnibus fund/account)	Accept request	Do not reject the Fund/SERV ACATS (018) record. These are either transfers between a clearing firm and its underlying clients or between two clearing firm's clients.
New account not created for an ACAT to New	Suspend request	<ul style="list-style-type: none"> • Option 1 - Make outcall to firm and request further information so that the 018 record can be updated and accepted. • Option 2 – Request a B50 from the firm and accept 018 if new account is received and in good order. *Timing consideration: This option is feasible when the 018 ACAT record is received in a cycle prior to the Networking file, and the firm can submit the B50 so that it is delivered to the fund on that evenings networking cycle, which is Day 1 (or same day) that the ACAT 018 record was received. • Option 3 – Without successfully completing Option 1, Option 2, or both options, reject request prior to the cutoff.
Rejected Retail to Broker/PTF ACATS	Reject request – Application of reject codes	Utilize the appropriate reject codes for Position Transfer Fund (PTF) rejects. New PTF reject codes were released that provide a more precise explanation of why the fund is rejecting the 018 record. See Appendix .
Omnibus firm versus Non-Omnibus firm ACAT	Action determined by fund company's internal practices	Review system rules to understand how variances by relationship may be needed and/or could be supported.
Share amount exceeds account balance/ Insufficient Shares	Suspend request – call firm and confirm amount	<p>Scenario is a partial transfer for a specific amount, where the available difference is minimal/fractional shares.</p> <p>Outcall to verify amount/all shares through a telephone call or other verification method.</p> <p>Update and process the 018 record or reject it depending on outcome.</p>

APPENDIX: PTF REJECT CODE BEST PRACTICES

Published February 2016

New reject codes, specific to ACATS-Fund/SERV processing, were implemented on February 29, 2016 (See [Important Notice A8107](#)). The following table shows the reject codes added and the best practices and recommended actions pertaining to these codes:

ACATS Fund/SERV Reject Codes Used by Funds

Reject Code	Description	Best Practice for populating this reject code	Recommended Action for Firm
712	Zero Balance Account	To be used when an account has \$0 balance	Contact client to determine necessary action.
713	Requested amount exceeds shares available	The account balance is greater than \$0; but, there are not enough shares in the account to satisfy the request	Contact client and resubmit for correct amount.
714	Not PTF - (Position Transfer Fund) Eligible	To be used when an account type or fund cannot transfer through a PTF. Example: retirement account, etc. where paperwork is needed.	Manual Transfer Request
715	Simple IRA under 2 years	To be used when a Simple IRA account has not satisfied the two-year holding period.	Review fund policy and contact client.
716	Account not found	Account cannot be found. Possible reason for reject is incorrect account number, etc.	Contact fund or clarify with client.
717	Duplicate Request	To be used when a duplicate request is submitted.	None - do not call fund; do not resubmit
281	Purged ACATS-Fund/SERV transfer	DTCC generated reject code for purged transfers not acknowledged by funds (019 record) within the allotted timeframe.	Contact fund to determine reject reason or submit manually.

FOR MORE INFORMATION

Email DTCC Learning at:

CoreLearning@dtcc.com

or visit us on the web at:

www.dtccllearning.com