

ACATS Industry Best Practices

Registration Indicator

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This Best Practice document outlines suggested usage for using the Registration Indicator field on the ACATS-Fund/SERV Statistics file and report beginning on May 19, 2017. See Important Notice a8340.

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Background and Problem Statement:

The industry has identified Default Registrations as an opportunity for improvement in the area of mutual fund transfers. A default registration is sent to a fund company when the receiving firm of a transfer does not send its own Fund Registration (FR) record (or does not send it in a timely manner). The creation of this functionality was intended to help eliminate mutual fund fails; however, the process introduced a new set of challenges that need addressing. Fund companies have pointed to default registrations as the potential cause of the large population of inactive (or abandoned) accounts they are seeing on their books. In addition, firms struggle with the reconciliation that is needed when a default registration is used. One of the struggles stems from certain firm's not knowing quick enough that a transfer was made using default registration information.

The indication of a default registration is currently provided using the Registration Indicator. This is a field currently included on the ACATS Multi-cycle and End of Day output file and reports. The registration indicator tells firms whether a fund registration was created by the participant or from a default registration. This indicator is not currently included on the Fund/SERV Statistical File and Report, which is used by mutual fund departments at firms to perform mutual fund transfer reconciliations.

Enhancement:

The Registration Indicator will be added to the ACATS Fund/SERV statistics file and report starting in May 2017 to assist mutual fund departments with reconciliation issues that arise when a default registration is used and the mutual fund area may not be looking at the multi-cycle or end of day. Adding this to the Fund/SERV statistics file provides a more complete report to the area or firm that would take action on the information

Suggested Usage:

Firms may benefit from this enhancement by reading this new data in the Fund/SERV stat file. The combination of knowing the transaction became Fund/SERV acknowledged, knowing it was from a default registration, and being provided the receiving fund account number all in one file can provide greater proactivity in addressing potential default registration issues. It will allow firms to more efficiently track down shares that were not delivered into the expected account at the fund. Firms can then take the required action to move the shares from the "default" fund account into the correct account at the fund. This can be done by submitting a re-registration letter to the fund or by submitting a B52 request.

Benefits:

- Firms will be able to identify transaction details for a transfer that went into Default registration without having to utilize multiple ACATS files. This is an issue that stems from the fact that:
 - Currently the registration indicator is only available in the nightly ACATS Position file: whereas the Receiving Fund account number is only available in the Fund/SERV statistics file.

- Clearing Firms do not receive the multi cycle or end of day ACAT reports; so having one source file for all pertinent data is crucial.
- Reduce manual labor and phone calls to the fund companies in an attempt to track down shares as Firms will now know that a default registration was used and will have the account number the shares were transferred into.
- Allow for a proactive, rather than reactive, approach in reconciling the ACAT transfers that have acknowledged using a default registration.
- Offer Firms the ability to more seamlessly track transfers confirmed with default registration in order to identify trends and work towards potential resolutions.
- Reduction of risk due to timely identification of level 0 accounts that otherwise could have been abandoned or made inactive.
- Prevents risks associated with a Firm's inability to perform certain obligations of an IRA custodian when applicable.