

ALTERNATIVE INVESTMENT PRODUCTS
BEST PRACTICE GUIDE

AIP Best Practice Guide

DTCC

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1. Best Practice Document Introduction

This guide is intended to document best practices that have been agreed upon by subcommittees and/or the AIP Roundtable committee. It is not intended to provide mandatory system requirements or explain how transactions work – the AIP Data Dictionary and Transactions Flows, respectively, provide detailed information on each.

This guide documents common, agreed upon and/or expected client usage of AIP transactions that are not system requirements. The information contained here should be taken into account when transactions and records are being implemented.

AIP documentation, including this guide, the Data Dictionary and the Transactions Flows can be found on www.dtcc.com/aip.

2. Security General Profile

2.1 Best Practice for the Share Class Usage on the Security General Profile

The Fund 'Share Class' will be populated in the Share Class field on the Security General Profile

- For Example, the Share Class Field will only display the value 'A'
- The word 'Class' will not be included in the Share Class field
- The Share Class should be included in both the Security Issue Name and the Share Class field

2.2 Best Practice for the Set-up of the Dummy CUSIP Number

1. Unregistered - When the fund is 'unregistered', it does not have a valid CUSIP, therefore the Security Identifier should be established with the value (4 = Custom)
 - This is to identify the fund has an unregistered dummy number
 - A new NSCC Security Issue Number will be assigned for the unregistered fund
2. Registered CUSIP - When the fund is 'registered' and has a valid CUSIP number, the Security Identifier should be changed to (3 = CUSIP)
 - This is to identify that the fund has a valid registered CUSIP
 - A new NSCC Security Issue Number will be assigned for the registered CUSIP

3. Security Announcement

3.1 Hedge Fund Purchases

1. Individual vs. Recurring Announcements – Rather than try to build complex and varying logic for recurring Security Announcements dates into the record, functionality will be included in the AIP Web Platform to set-up future announcements and be used by Funds and Fund Administrators
2. Trade Date/Dealing Dates – There are two types of Trade Dates/Dealing Dates to accommodate existing convention and support system limitations
 - The Trade Date/Dealing Date – (Business Date) must be a valid settlement date and is generally used by the Firm to process trades.

Examples

- If the 1st of the month falls on a (Saturday, Sunday or Holiday), the user will populate the Trade Date/Dealing Date – (Business Date) with the next available business date
- If the 1st of the month falls on a normal business date (Monday thru Friday), the user will populate the Trade Date/Dealing Date - (Business Date) with the 1st of the month.

- The Trade Date/Dealing Date – (Calendar Date) is always the date specified in the fund documentation and can fall on a Saturday, Sunday or holiday. It is generally used by the Fund or Fund Administrators to process trades.

Examples

- If the 1st of the month falls on a normal business date (Monday thru Friday), the user will populate the Trade Date/Dealing Date (Business Date) with the same date as the Trade Date/Dealing Date (Calendar Date).
- If the 1st of the month falls on a (Saturday, Sunday or Holiday), the user will populate the Trade Date/Dealing Date (Business Date) with the next available business date. The Trade Date/Dealing Date (Calendar Date) should be populated with the 1st of the month.

- To avoid reporting and tax issues, the Trade Date/Dealing Date (Business Date) and Trade Date/Dealing Date (Calendar Date) should occur in the same month

4. Security Contact

The following fields must be provided on the Contact record, even though the fields are 'optional':

- Contact Name/Address Line 1 of Record 1 thru 5
 - Should only reflect the Contact Name
- Address Line 1,2,3 of Record 1 thru 5
 - Should only reflect the Street Address
- Contact City of Record 1 thru 5
 - Should reflect the City
- Contact Zip/Postal Code of Record 1 thru 5
 - Should reflect the Zip Code
- Contact Telephone Number of Record 1 thru 5
 - Should reflect the Telephone Number (no dashes i.e. 8134445555)
- Contact Email address of record 1 thru 5
 - Should reflect the Email address, if applicable

5. Activity & Distribution

5.1 Important Fields

Fund/Firm Account Number Field

- Firm Account number should always be populated
- Firms will accept and store Fund Account numbers if included in the record; both should be populated if available

Effective Date (Business Date) Field *(short term solution)*

- **Preferred Methods:**
 - Populate with the Trade Date
 - Populate with the processing date, in which Trade Date will be listed in the “Original Trade Date/Payable Date for Adjustments” field

Example #1: A dividend adjustment should contain:

Payable Date field: 01/30/2017 (Date the adjustment is eligible to be paid)

Effective Date field: 01/30/2017 (New Trade Date)

Original Trade Date/Payable Date for Adjustment field: 12/30/2016 (Date of the original trade/distribution)

Example #2: A dividend adjustment should contain:

Payable Date field: 12/30/2017 (Date the adjustment is eligible to be paid)

Effective Date field: 12/30/2017 (Process Date)

Original Trade Date/Payable Date For Adjustment field: 12/30/2017 (Trade Date)

Payable Date Field:

- This field is determined by the Fund

Share Quantity Field:

- Share Quantity should be populated for Capital Balance funds and should report as \$1 per share

Example: Capital Balance Fund submitting Transaction Type = 01 Direct Purchase of 10000.00:

Share Quantity field: 10000.00

Money Amount field: 10000.00

Price per Share field: 1.00

Money Amount Field

- MRO Users must be aware of adding the additional 00 after the implied decimal

Sales Charge Rate Field

- DTCC looking into relaxing this requirement for Transaction Type 01 = Direct Purchases

Price per Share

- Should be populated for Direct Purchases
- Capital Balance Funds should be populated as \$1 per share

Example: Capital Balance Fund submitting Transaction Type = 01 Direct Purchase of 10000.00:

Share Quantity field: 10000.00

Money Amount field: 10000.00

Price per Share field: 1.00

Estimated or Actual Value Indicator

- Funds should send actual values vs. estimated values for transactions
 - If an estimated value is sent, should be populated with “1 = Estimated”
 - Records sent with this value blank will be assumed as “Actual”

Account Registration Name – Extended Field

- If this field is used, the account registration must start from the beginning (full account registration name) and entered in its entirety

Account Registration Name formatting is usually driven by what is sent by the firm

Related Control Number Field

- When available this field should be populated for a Cancellations, and distribution adjustments/reversals, if available

SSN/EIN/TIN Number Field

- Although not required the investor SSN, TIN, or EIN should be populated as best practice

Record Date Field

- Should be populated for distributions of funds with record dates

Adjustment Indicator Field

- Related control number should be provided if available
- Adjustment Indicator field option “1 = Adjustment” should be populated for AIP distribution adjustments
- Adjustment Indicator field option “2 = Reversal” should be populated for distribution cancellations

Dividend Reporting

- Use Transaction Type “59 = Dividend Cash” for cash dividend distributions and 60 = Stock Dividend for dividends paid in shares

5.2 (Share & Money) Debit/Credit Indicators

The Activity & Distribution is used by Funds and Fund Administrators to report periodic reconciliation of the investors share and account balance to the Firms. This will ensure that both the Fund and Firms books are reflecting the most recent information for the investor’s statements.

Step 1: The Fund is responsible to send an Activity & Distribution record to report any financial or non-financial transactions at the investor level.

Step 2: The Fund will send the appropriate Activity Transaction Type to report a Distribution, Adjustment, Activity or Withholdings for the investor.

Step 3: The Fund will provide the appropriate Share Debit/Credit and/or Money Debit/Credit Indicator to reflect which party will be debited or credited for the transaction.

Note: The Activity & Distribution transaction can be settling, which means monies will be debited and credited via AIP. If the transaction is 'non-settling', the monies will be settled outside of the AIP application.

Step 4: If the Fund is 'Unitized' the Share Debit/Credit Indicator will be populated

Share Debit/Credit Indicator

- 1 = Debit Firm/Credit Fund – Decrease SHARE to FIRM
(Redemption, Reversals, Adjustments, Purchase Cancellation)
- 2 = Debit Fund/Credit Firm – Increase SHARE to FIRM
(Purchase, Adjustments, Redemption Cancellation, Dividend Reinvestments)

Step 5: If the Fund is 'Capital Balance' the Money Debit/Credit Indicator will be populated

Money Debit/Credit Indicator

- 1 = Debit Firm/Credit Fund – Decrease MONEY to FIRM
(Purchase, Reversals, Adjustments, Redemption Cancellation)
- 2 = Debit Fund/Credit Firm – Increase MONEY to FIRM
(Redemption, Adjustments, Purchase Cancellation, Cash Dividends)

Note: For Reinvested Distributions, both the Share Debit/Credit and Money Debit/Credit Indicator will be populated.

Step 6: Below is a list of various AIP Transaction Types and their descriptions which outlines what the Funds will populate for the Share Debit/Credit and/or Money Debit/Credit Indicator, when transmitting the Activity & Distribution record to the Firms.

Distributions			
Transaction Description	AIP Transaction Types	Share Debit/Credit Indicator	Money Debit/Credit Indicator
Reinvest Dividend	29	2	2
Cash Dividend	59	spaces	2
LT Cap Gain Reinvest	55	2	2
LT Cap Gain Cash	56	spaces	2
ST Cap Gain Reinvest	57	2	2
ST Cap Gain Cash	58	spaces	2
Stock Dividend	60	2	spaces
Cancel Stock Div (Purchase Cancel)	24	1	spaces

Adjustments			
Transaction Description	AIP Transaction Types	Share Debit/Credit Indicator	Money Debit/Credit Indicator
Increase Div Reinvest	29	2	2
Decrease Div Reinvest	29	1	1
Increase Div Cash	59	spaces	2
Decrease Div Cash	59	spaces	1
Increase LTG Reinvest	55	2	2
Decrease LTG Reinvest	55	1	1
Increase LTG Cash	56	spaces	2
Decrease LTG Cash	56	spaces	1
Increase STG Reinvest	57	2	2
Decrease STG Reinvest	57	1	1
Increase STG Cash	58	spaces	2
Decrease STG Cash	58	spaces	1
Increase Stock Div	60	2	spaces
Decrease Stock Div	60	1	spaces

Activity (non-distribution)			
Transaction Description	AIP Transaction Types	Share Debit/Credit Indicator	Money Debit/Credit Indicator
Redemption	02	1	2
Cancel Redemption	25	2	1
Purchase	01	2	1
Cancel Purchase	24	1	2

Exchange In	01	2	1
Exchange Out	02	1	2
Cancel Exchange In	24	1	2
Cancel Exchange Out	25	2	1
Non-Taxable Exchange Purchase	23	2	1
Non-Taxable Exchange Redeem	02	1	2
Cancel Non-Taxable Exchange Purch	24	1	2
Cancel Non-Taxable Exch Redeem	25	2	1

Withholding			
Transaction Description	AIP Trans Type	Share D/C	Money D/C
Increase Dividend w/h	59, 60	2	2
Decrease Dividend w/h	29, 55, 57	1	1

5.3 Withholding Reporting

The Best Practices below are for firm withholding only

Reinvested Dividend or Capital Gain w/withholding *(Same if transaction is non-settling)*

- **Required fields:**
 - Transaction Type 29 = Dividend Reinvestment/55 = LTG Reinvest/57 = STG Reinvest
 - Money Amount will include the settling withholding amount
 - Share Amount will include the reinvested amount in shares
 - Settlement Indicator 1 = Settling
 - Withholding Amount field *(field depends on withholding type)* will include the withholding amount
 - Total Distribution field will include the total taxable amount (total amount of transaction)

Reinvested Dividend or Capital Gain /no withholding

- **Required fields:**
 - Transaction Type 29 = Dividend Reinvestment/55 = LTG Reinvest/57 = STG Reinvest
 - Settlement Indicator 2 = Non-Settling
 - Money Amount 0 or blank
 - Share Amount will include the reinvested share amount
 - Withholding Amount field *(field depends on withholding type)* 0 or blank
 - Total Distribution field will include the share amount in dollars

Cash Dividend or Capital Gain w/withholding *(Same if transaction is non-settling)*

- **Required fields:**
 - Transaction Type 59 = Cash Dividend/56 = LTG Cash/58 = STG Cash
 - Settlement Indicator 1 = Settling
 - Money Amount Total Settling Amount of the transaction
 - Share Amount will be 0 or spaces
 - Withholding Amount field *(field depends on withholding type)* will include the withholding amount

- Total Distribution field will include the total taxable amount (total amount of transaction)

Cash Dividend or Capital Gain /no withholding *(Same if transaction is non-settling)*

- **Required fields:**
 - Transaction Type 59 = Cash Dividend/56 = LTG Cash/58 = STG Cash
 - Settlement Indicator 1 = Settling
 - Money Amount Total Settling Amount of the transaction
 - Share Amount will be 0 or spaces
 - Withholding Amount field *(field depends on withholding type)* will be 0 or spaces
 - Total Distribution field will include the total taxable amount (total amount of transaction)

6. Position

DOL Enhancement Fields – The following fields are optional but should be provided information if available:

- Account Open Date
- Account Type
- Account Representative/Advisor Number
- Account Representative/Advisor Name
- Branch ID Number

NAV Effective

- Should be populated if not utilizing the valuation record with last reported NAV Date

NAV Field

- Should be populated if not utilizing the valuation record with last reported NAV

Fund/Firm Account Number Field

- Firm Account number should always be populated
- Firms will accept and store Fund Account numbers if included in the record; both should be populated if available

Closing Share Balance Field

- Should be populated for Capital Balance funds as \$1 per share

Invested Value Field

- If populated, should be populated with the total contribution amount

Account Registration Name – Extended Field

- When populated should started from the beginning

SSN/TIN/EIN Number Field

- Although not required the investor SSN, TIN, or EIN should be populated as best practice

7. Orders

7.1 Order with Registration for Hedge Fund Purchases

1. Order Acknowledgement
 - The Order and Account Registration should be Fund Acknowledged within 24 hours to either 'accept' or 'reject' the trade.
2. Load Types
 - If the Load Type Indicator is populated to 9 = Placement Fee, either the Commission Amount or Commission Percentage should be populated but the Commission Amount is preferred
 - If the Load Type Indicator is populated to 3 = Front End Load, the following fields are used to populate the amount in conjunction with specifying the breakpoints on the Security General Profile:
 - Breakpoint Limit Number
 - Dealer Concession Percentage & Dealer Concession Amount
3. Registration Fields
 - The 'Address Type of Record 1' should be populated to (01 = Primary). The 'Address of Record 1 Line' should reflect the shareholder's physical address used for state reporting.
 - The following fields should be populated to assist in establishing the shareholder's registration.
 - SSN/TIN/EIN Indicator
 - SSN/TIN/EIN Number
 - Owner Date of Birth

7.2 Contract Note for Hedge Fund Purchases

1. For hedge fund purchases, the Contract Note record will not be used