

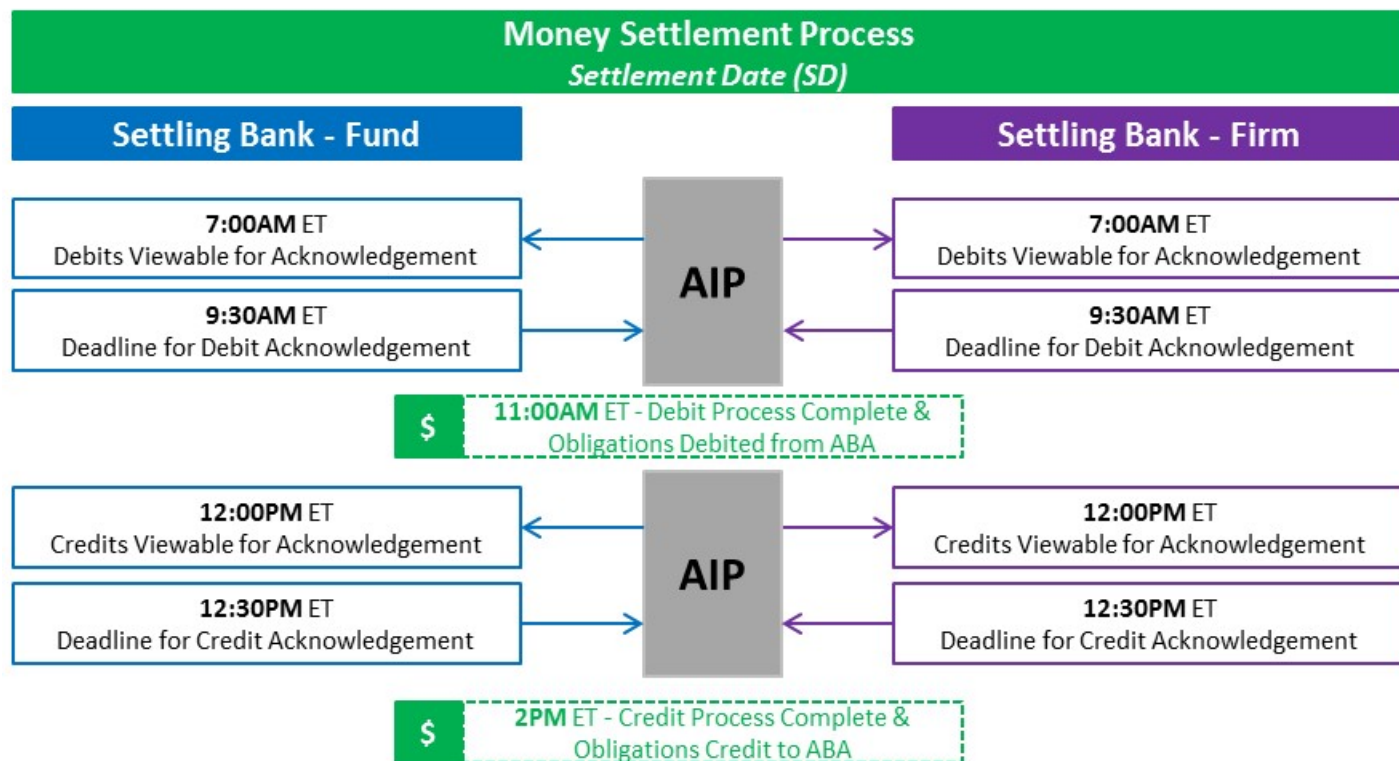
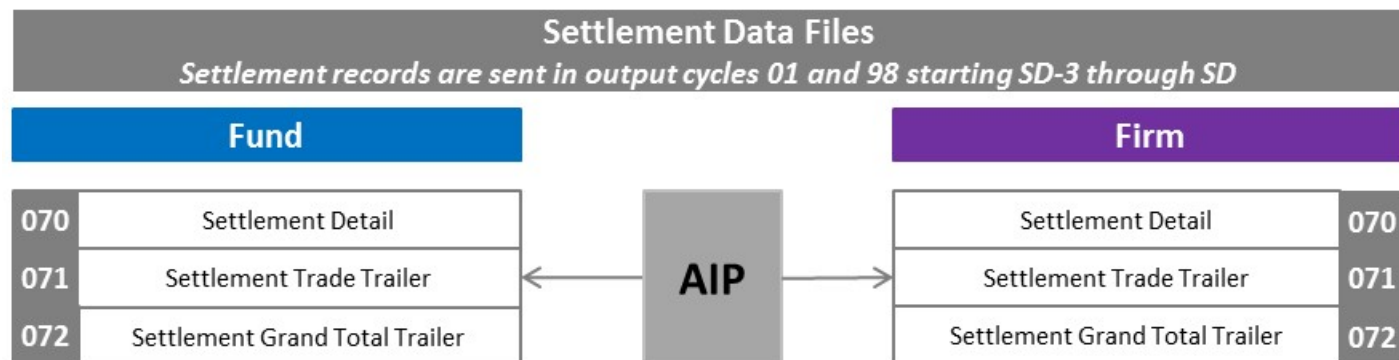
ALTERNATIVE INVESTMENT PRODUCTS

AIP SETTLEMENT FLOW

AIP SETTLEMENT

A “Ready to Settle” transaction on Settlement Date minus 3 days (SD-3) or later, will trigger the creation of Settlement Records

Example Below: A “Ready to Settle” Transaction starting on SD-3



AIP SETTLEMENT DETAILS

Overview

AIP Settlement is separate and apart from the traditional NSCC Net Settlement. AIP settles gross, meaning debits and credits are not netted; the debit obligations are collected in the morning and the credit obligations are paid in the afternoon. This process can be used to facilitate the money movement for eligible AIP transactions such as Orders, Activities, Commissions and Monthly Invoice Payments.

The principle requirement to utilize AIP Settlement is that an arrangement with an NSCC-approved Settling Bank must be secured. Please contact a member of the AIP team if you have any questions about who offers the service.

Detail about Settlement Records

- AIP may produce settlement records for both Settling and Non-Settling Transactions:
 - **Settling Transactions** – AIP will transmit settlement records to both parties starting 3 AIP business days prior to the Settlement Date (SD) of a settling transaction and will be included in Cycles 01 and 98 on SD-3, SD-2, SD-1 and SD
 - Only 'ready to settle' transactions will appear in the AIP settlement files
 - Once a transaction becomes 'ready to settle,' you will receive settlement records in the next available settlement file - i.e. if the transaction becomes 'ready to settle' at 6:15AM ET (after Cycle 01) on SD-3, you will receive settlement records starting in Cycle 98 at 7:00PM ET on SD-3, as well as cycles 01 and 98 through the end of Settlement Date
 - **Non-Settling Transactions** – If the Settlement Date is populated, AIP will transmit settlement records to both parties starting 3 AIP business days prior to the Settlement Date (SD) of a non-settling transaction and will be included in cycles 01 and 98 on SD-3, SD-2, SD-1 and SD
 - If there is no Settlement Date populated on a non-settling transaction, no settlement records will be created
- The settlement amounts can change all the way up until C98 on SD-1, when settlement is finalized for the following settlement date
- In the instance where a Fund or Firm Exits a Confirmed Order, the Order is converted to a 'Closed' status and no further action is allowed against the Order transaction
 - Settlement records in the next available settlement file following an Exit will no longer show the Settlement obligations for the exited transaction

Finalizing the Next Day Settlement Obligation

- If transactions are 'ready to settle', the next day's settlement is finalized in Cycle 98 on SD-1
- Please see the appendix for a full definition of 'ready to settle'

AIP Settlement Processing and Holiday Schedule

- Monday through Friday, settlement files show 4 days of settlement records (today, plus the next 3 settlement days)
- On Saturday, settlement files will only show 2 days of settlement records, the upcoming obligations for Monday and Tuesday
- On Settlement Holidays (please refer to the AIP Holiday Calendar at www.dtcc.com/aip), the settlement files will only show the next 3 calendar days of settlement records

AIP Settlement Web Reports for Members

- Members that are setup to receive the 0076 Settlement Files can obtain access to web-based reports through the DTCC Portal (Product: AIW Web Interface) which show the details of the 070, 071 & 072 settlement records
- The Participant Settlement Report within the AIW Web Interface allows members to view the details of the 070, 071 & 072 records in a report format, showing a 4-day (SD-3 through SD) forward-looking view of upcoming settlement obligations, which is the same information that's in the settlement files
 - If an AIP Member already has a web setup for AIW, their Super Access Coordinator can provision users with view-only capability (role: AIP WEB REPORT)
 - If you do not currently have a web setup, please inquire about this with a member of the AIP team

AIP Settlement Notes for Settling Banks

- During the Monthly Invoice process, Invoice Obligations require Debit Acknowledgment
 - Invoices are distributed to Billing contacts that the AIP Member designates on the 8th business day of the month (Note: If the member has not requested the Settling Bank to be a recipient, they will not receive the Invoice)
 - Debit Acknowledgement of the invoice is required and is settled on the 5th settlement day following the distribution of invoices
- Settling Bank web users can access reports in the AIW Web Interface, showing them upcoming settlement obligation amounts for all AIP clients they are settling on behalf of
 - The Bank Settlement Report within the AIW Web Interface provides Settling Banks with a 4-day (SD-3 through SD) forward-looking view of upcoming obligation totals
 - If the AIP Member that you are settling for already has a web setup, their Super Access Coordinator can provision Settling Bank users with view-only capability (role: AIP WEB REPORT)
- Settlement Balances can be Acknowledged or Refused by the Settlement Bank through two DTCC applications:
 - Participant Browser Services (PBS) – Mainframe settlement system used for completing the settlement cycle
 - Settlement Web – Web-based settlement system, accessed through the DTCC Portal

- Operators must be setup with the entitlement for '24. Affiliated Bank AIP Settlement Inquiry PLUS Approval'

Important Information Regarding Settlement Issues/Refusals for All Users

- AIP Members cannot refuse part of their settlement obligations; if an AIP Member (not Settling Bank) is unable or unwilling to settle any part of that day's debit obligations, their entire debit obligation for that day will be reversed
 - A Settling Bank can Acknowledge/Refuse for each individual Member or at the ABA-level, which will perform the same action for all of the AIP clients for which they are settling in AIP
- If the NSCC does not receive funds from an AIP Member in the full amount of the debit balance on Settlement Date, NSCC will reverse the full debit balance for that Member and reduce the corresponding credit balances of the AIP Members on the contra-side of the transactions
 - It is the responsibility of the Member to notify their contra-parties that because of their refusal to settle, they will not be receiving credit payment for those transactions
- Per the NSCC Rules, the NSCC may establish fees for late payment or nonpayment and may establish a threshold number of instances of late payment or nonpayment which would cause other sanctions, including NSCC's ceasing to act for such an AIP Member

APPENDIX – IMPORTANT AIP SETTLEMENT DEFINITIONS

Invoice – The monthly fees charged for using the AIP service (*please refer to the NSCC Fee Guide for more detail*)

Order – The purchase/subscription/capital call or redemption/tender offer facilitated through AIP where both the non-financial and financial details are processed via AIP

Output Cycles – The published batch schedule of when AIP output files are created; the most up-to-date schedule is available at www.dtcc.com/aip

“Ready to Settle” – A transaction must reach its final state to be considered ‘Ready to Settle’
There are two types of ‘ready to settle’ transactions:

- A transaction requiring Confirmation such as an Order will be ‘ready to settle’ once it has been Acknowledged & Confirmed
- A Pass-through activity such as a Commission will become ‘ready to settle’ upon successfully passing the AIP validation edits; pass-through transactions do not require Acknowledgment or Confirmation

Settlement Date – Indicated on the transaction, the date of which the money associated with the transaction will move between AIP members

Settlement File (0076) – Settlement records are not included in the AIP Records Output with AIP transaction records. Settlement records are populated in a separate file that only includes AIP settlement records. Please refer to www.dtcc.com/aip for details regarding the Product IDs and output schedule

Settlement Obligations – The total amount of money to be settled by an AIP member

Settlement Records – Three different records the contain settlement information

- *070 Record – Settlement Detail (Settling Trade Detail)* – This record shows the details of each individual settling record. The Settlement Detail record will contain the money amount, settlement date, record type, control number, NSCC Security Issue Number and other information so it can be reconciled to the transaction triggering the settlement record. One 070 record is created for each transaction that is settling
- *071 Record – Settling Trade Trailer* – This record provides a summarized view of the 070 records for each settlement date but is separated by debits and credits for the total number of items, total share quantity and total money amount. You will receive a 071 record for each settlement date included in the file
- *072 Record – Settlement Grand Total Trailer* – This record shows the total number of settlement items contained in the file for all days, including both debits and credits. There will only be one Settlement Grand Trailer per file

Settling Bank – An entity, appointed by an AIP Member, that facilitates the exchange of money associated with the Member's transactions