

Fund/SERV®

FUND/SERV IS THE U.S. INDUSTRY STANDARD FOR PROCESSING AND SETTLING MUTUAL FUND, BANK COLLECTIVE FUND AND OTHER POOLED INVESTMENT PRODUCT TRANSACTIONS BETWEEN FUND COMPANIES AND DISTRIBUTORS.

OVERVIEW

The introduction of Fund/SERV revolutionized the mutual fund industry. Mutual funds captured the attention of the public in the 1980's and '90's, with investments hitting record highs. Surging growth in the market threatened to swamp the industry with an unrelenting number of telephone calls, faxes and wire order transmissions, which were the common trading tools available to support transaction processing at that time. This primarily manual environment gave rise to significant challenges, many of which were costly, such as transaction and account detail errors, significant delays in processing and reconciliation challenges – all of which impeded industry growth. The industry was in need of a mechanism to provide standardization and centralized processing to enable firms to fully realize the potential of this market.

Fund/SERV, the solution to this widely recognized industry problem was introduced to automate critical back office operations. Launched by DTCC's National Securities Clearing Corporation (NSCC) subsidiary in 1986 in collaboration with an industry consortium, Fund/SERV provides the industry processing capacity and flexibility to facilitate the growth of fund companies and their industry partners, including broker/dealers, banks, insurance carriers and other financial intermediaries. Its ability to streamline and speed processing time while greatly reducing cost and operational risk triggered exponential growth of the market.

When first introduced, Fund/SERV had six clients processing 15 orders a day. Today, Fund/SERV has more than 940 fund users and 350 firm users around the world conducting an average of over 1.1 million orders a day.

Over the years DTCC's Wealth Management Services has enhanced Fund/SERV to continue to meet the needs of the market. DCC&S (Defined Contribution Clearance & Settlement), a key feature of Fund/SERV, economically leveraged NSCC's existing technology and infrastructure to allow the defined contribution market to automate and simplify the processing of 401(k) orders. Other enhancements have brought the benefits of Automated Customer Account Transfer (ACATS-Fund/SERV) processing to mutual funds as well as automating 529 state college savings plans, stable value funds, bank collective investment trusts and many other types of investments.

WHO CAN USE THIS SERVICE

Any interested financial organization that meets NSCC qualifications can use the service. This includes non-U.S. domiciled entities, which have the option of applying for direct membership or using the service through a U.S. affiliate or other organization that is a member.

BENEFITS

Enhances operations and reduces cost:

- Virtually eliminates paperwork from the trade processing lifecycle by providing automated and standardized procedures
- Brings efficiency and cost effectiveness to the processing lifecycle
- Streamlines money settlement to only one payment - debit or credit. This daily net settlement of total mutual fund activity (in USD) mitigates the risks, resources and costs associated with multiple settlement venues
- Generates economies of scale, as increased trade volumes processed translates to drastically lower service and operational costs. Industry-wide platform accommodates volume growth
- Allows flexible order entry, with a 22-hour operating day via the web and electronic file transmission

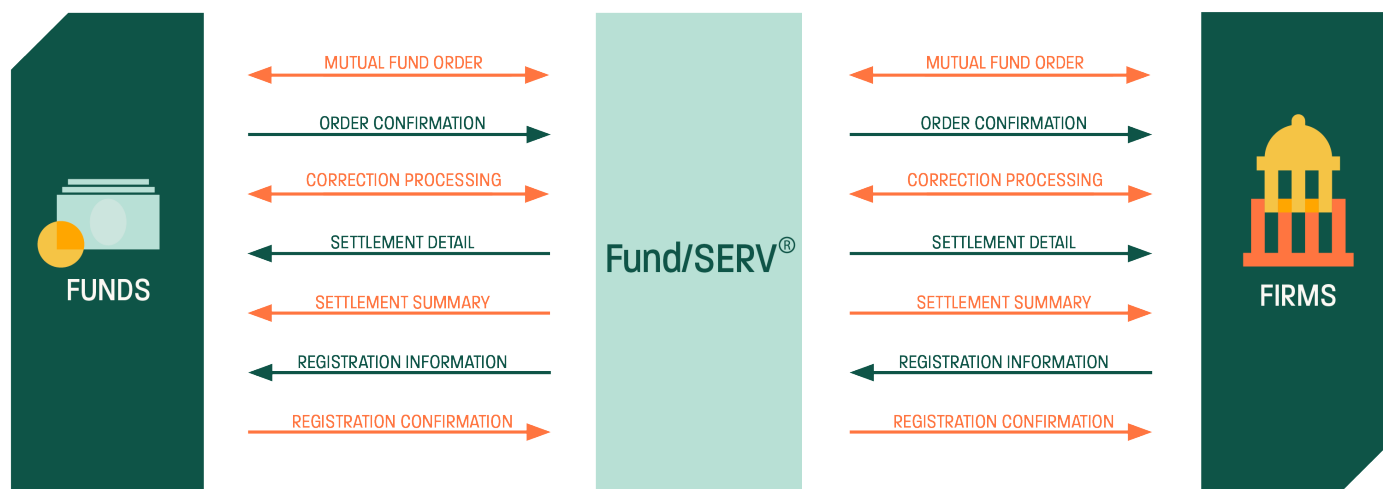
Reduces risk:

- Standardized orders are captured in an automated processing environment that reduces operational and compliance risk
- Standardized formats reduce errors associated with manual order entry

Supports multiple product types and investment plans, such as:

- 1940 Act Funds: loads, no-loads, open-ended and money market funds
- Wrap programs and Defined Contribution Plans such as 401(K) Plans
- Other pooled investment products and nontraditional market segments
 - Non U.S. domiciled funds
 - Bank Collective Funds
 - Unit Investment Trusts
 - Section 529 Qualified State Tuition Programs

Fund/SERV Order System Flow



HOW THE SERVICE WORKS

Fund/SERV is accessible via mainframe over DTCC's SMART connection, through DTCC's MQ interface, remotely via AT&T's ANIRA network, and also securely through MyDTCC Web Portal that gives DTCC clients direct access over the Internet to services provided by DTCC's subsidiaries.

- **Order Processing:** Order processing occurs from 2:00 a.m. Eastern Time (ET) until midnight, Monday through Friday.
- **Fund Account Registration:** Firms may transmit registration files any time from 2:00 a.m. ET until midnight. Money market fund registrations must be submitted with orders.
- **Order Confirmation:** Funds may confirm orders and firms may retrieve confirmations from 2:00 a.m. ET until midnight. Money market purchase orders may be confirmed after settlement.
- **Settlement:** Flexible settlement features support various investment product requirements, such as "Same Day" (T) and "Next Day" (T+1) settlement cycles, and any settlement cycle up to ten days. All obligations are settled in Fed funds at NSCC.
- **Settlement Override:** Firms can establish a settlement date for particular orders between one and seven days from the day the order is placed. This facilitates the processing of transactions requiring a settlement cycle different from traditional retail orders and accommodates the variety of global market holidays and differing firm cut-off times.

- **Alternate Settlement:** Funds can establish for certain firms a settlement date for particular securities.
- **Exception Processing:** Fund/SERV allows for pre- and post-settlement corrections, as well as reconfirmation, firm exits, firm and fund deletes, and cash adjustments.
- **Cash Adjustments:** Funds and firms can make claims for dividends, capital gains, commission billing and adjustment, and systematic withdrawal payments. Funds may also update contingent deferred sales charges and long and short-term capital gains using this feature.
- **ACATS - Fund/SERV:** The Automated Customer Account Transfer Service (ACATS) links to Fund/SERV and allows mutual funds to electronically update account registrations when a customer account is transferred from one brokerage firm or bank to another, from a fund to a brokerage firm, or from a brokerage firm to a fund.
- **Re-Registrations:** Fund/SERV allows mutual funds and distribution firms to electronically update account registrations when a customer account is transferred from a fund to a firm or from a firm to a fund.

FOR MORE INFORMATION

Please contact Wealth Management Services by emailing WMSConnect@dtcc.com.

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