

Networking

Networking is the U.S. industry standard for reconciling accounts and processing dividends and capital gains for mutual funds and other pooled investments. Networking streamlines the reconciliation of account records through efficient transmission of data between funds and intermediaries.

OVERVIEW

Networking is the industry standard for the streamlined exchange of customer account-level information, delivering efficiencies by securely automating a host of activity reporting including creating new accounts, account maintenance and transfers between DTCC clients such as funds and broker/dealers.

A major capability of the service accommodates Networking for Direct Accounts, which involves the exchange of investor account data held directly with a mutual fund, pooled investment or other comparable investment product. Investment offering companies have the ability to establish and maintain shareholder accounts, including when an intermediary is listed on the account. In this way, all those involved can maintain identical customer account data.

The "Networking Levels" feature incorporated in Networking provides operational options to help intermediaries meet their particular business needs. Each Networking level defines a different set of reporting controls for investment companies and intermediaries, prescribing how shareholder servicing will be completed, and by whom.

Networking enhances account management through these additional features:

➤ **Share-Aging File**, for customer accounts that are being transferred from one financial intermediary or distribution firm to another and are migrating to/from an omnibus environment. This feature allows MF clients to pass customer account information needed to determine redemption fees, 12b-1 trail commission fees and whether money market shares are commissionable.

- **Standardized Data Reporting (SDR)** supports SEC Rule 22c-2, which requires intermediary firms to respond to fund company requests for shareholder-level information in omnibus accounts. This feature helps funds monitor accounts for possible market-timing and frequent-trading activities and impose redemption fees, if applicable.
- **Omni/SERV[®]**, a central location for participating intermediaries to transmit Omnibus Activity and Position files to fund companies and other investment products.
- **Retirement Plan Reporting (RPR)**, a centralized and standardized solution for transmitting retirement plan level information among mutual fund industry participants.
- Other Complementary Services: **Fund/SERV[®]**, **Mutual Fund Daily Price and Rate file (Profile I)**, **Profile II (dividend and security issue database)**, **DTCC Payment aXis[®]**, **MF Info Xchange**.

BENEFITS

- Automates and standardizes account reports for uniform record layouts.
- Reduces operating costs and enhances processing efficiencies.
- Mitigates risk associated with error-prone, manual processes.
- Eliminates the need for proprietary communication lines, faxes and phone connections.
- Simplifies the settlement process for dividends and capital gains by calculating a single settlement figure for each client, every day.

- Enhances reporting control with a choice of customer reporting levels to best match a firm's business practices and customer service objectives.
- Optimizes regulatory reporting and compliance regarding breakpoint calculations, frequent trading and short-term redemption fees.
- Increases accuracy, speed and transparency to funds and firms in Omnibus relationships.

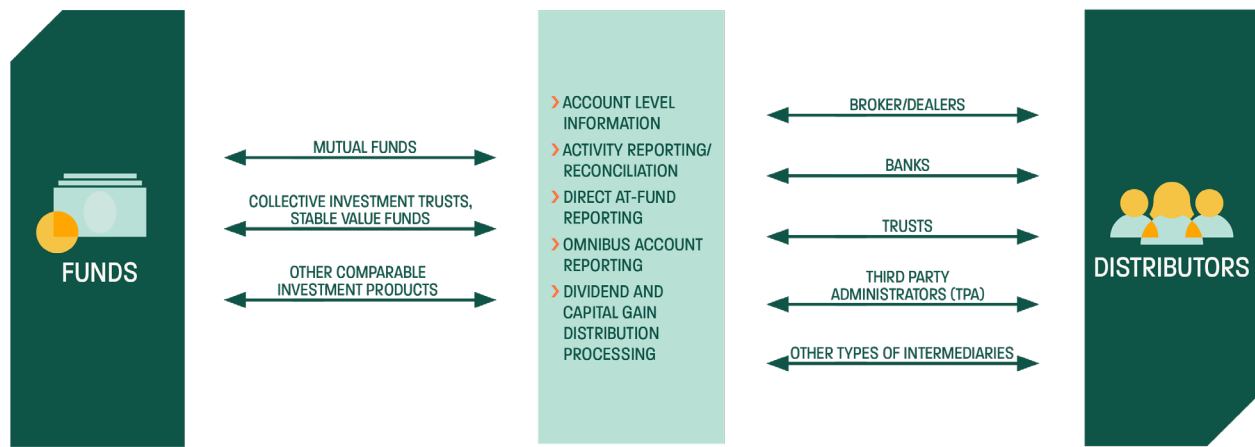
WHO CAN USE THE SERVICE

Any interested financial organization that meets the qualifications of DTCC's National Securities Clearing Corporation (NSCC) subsidiary can use this service.

HOW THE SERVICE WORKS

Networking is conveniently accessible via mainframe over DTCC's SMART connection or through MyDTCC Web Portal that gives MF clients direct access over the Internet to services provided by NSCC and other DTCC subsidiaries.

Network System Flow



Activity Report

- Reports any financial transaction occurring directly at the fund or other comparable investment product that causes a change in an account balance.
- Includes closing share balances for Fund/SERV-initiated activity.
- Reports year-end tax information on reallocated distributions.

Dividend Distribution Reports

- Transmits dividend information, including the dividend rate, posting, record and payable dates, and short and long-term capital gains.
- Reports new share balances for each customer account, whether the customer has opted to have dividends reinvested or be paid in cash.
- Provides an option to use NSCC's net settlement system for members who service accounts that elect cash dividends.

Position Files

- Allows for the file transmission of closing share balances for each sub-account at the fund to broker/dealers and other distribution firms.

Account Maintenance & Reconciliation

- Enables funds to send non-financial, detailed customer account information to participating firms on a particular security.
- Provides a scrub file from funds so broker/dealers and other distribution firms can review how their accounts have been set up at a fund.
- Allows broker/dealers and other distribution firms to request a full set of fund conversion records for a particular Networked account via a Fund Account Response Indicator.
- Offers scheduled, detailed reporting of each account's setup, including withholding information, branch number, account representative number, and distribution option information.

Networking Level Account Control

Firms select the level of reporting controls for each type of account.

- **Level 0:** This level can be used to identify underlying customer accounts that are non-Networked, held directly at a fund company, or are trust accounts shared by a trust company and a brokerage firm. This dual arrangement allows both parties to share information, with the trust maintaining fiduciary responsibility for these accounts.
- **Level 3:** Broker/dealers and other intermediaries maintain full customer account control, handling all orders, customer statements and reporting. Underlying customers have no direct privileges with the fund company.
- **Level 4:** The fund company handles all underlying customer communications. Underlying customers have full shareholder privileges directly with the fund, or can manage transactions directly through a brokerage firm and other distribution firms that process orders and are informed by the fund company of all customer account record changes.

FOR MORE INFORMATION

Please contact Wealth Management Services
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