Beginning on settlement date May 30, 2014, subject to Securities and Exchange Commission (SEC) approval, the National Securities Clearing Corporation (NSCC) and the Depository Trust Company (DTC) plan to implement the Continuous Net Settlement (CNS) Automated Customer Account Transfer Service (ACATS) and DTC Settling Assets Project as outlined in NSCC Important Notice A7556 P&S 7126 and DTC Important Notice B1988-12, both dated December 21, 2012.

This notice outlines several changes/options regarding the settlement of these transactions.

The New Process:
The revised process will remove all non-fail ACATS obligations from CNS and create a new process for ACATS transactions for both CNS-eligible securities and non-CNS DTC-eligible assets. In this new design, ACATS will send obligations in CNS-eligible assets and non-CNS DTC-eligible assets obligations into a new non-guaranteed ACATS process on ACATS settlement date. Under the new process, such ACATS transactions will be aggregated into one net long position and one net short position per security per participant. Processing timelines and settlement edits will generally mirror that of CNS settlement, i.e., all cutoff times and processing windows will remain consistent with today’s CNS processing and all transactions processed through DTC’s settlement system will be subject to DTC’s existing risk management controls. A key distinction between the two processes is that all non-fail ACATS obligations will be processed through the newly established 8902 account.

For end of day transactions that fail to complete, NSCC will continue to apply a debit to the delivering broker and a credit to the receiving broker. However, with the new process, the money amount will be 100% of the CNS market value of the fail for each CNS-eligible item and 100% of the ACATS market value for each non-CNS DTC-eligible item. Once the NSCC Member pays final money settlement, failed ACATS obligations that are eligible for this new process will take one of two paths;

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1 Since NSCC does not guaranty ACATS transfers, the removal of CNS-eligible ACATS items from CNS processing will not have an impact on NSCC’s guaranty of settlement for other CNS transactions.

2 Two new CNS sub-accounts (“S” and “R”) will be created to support these transaction types. The “S” account denotes the aggregated short quantity each client owes and the “R” account denotes the aggregated long quantity each client may expect.

DTCC offers enhanced access to all important notices via a Web-based subscription service. The notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit http://www.dtcc.com/subscription_form.php.
For Fails in CNS-eligible ACATS obligations: A failed ACATS obligation in a CNS-eligible security will enter the CNS net. Because the Member has paid final settlement, NSCC has collected the incentive charge for the failed ACATS obligation. Because the Member has paid NSCC for the obligation, NSCC can guarantee the position and included it in the net with other CNS processing.

For Fails in non-CNS DTC ACATS obligations: ACATS provides instructions for failed non-CNS DTC-eligible ACATS obligations to both the receiver and deliverer to settle the failed obligation directly with each other. A failed non-CNS DTC-eligible ACATS obligation will also be automatically entered into NSCC’s Obligation Warehouse system, when eligible.

Clients should refer to the aforementioned NSCC and DTC important notices, published December 21, 2012 for additional information about the overall impact of this phase, including a detailed list of requirements and testing information.

What follows is a list of key changes that DTC has made to its settlement systems in support of the new ACATS obligation settlement process.

**DTC Fee:**

Clients will be charged a DTC fee of $0.06 per delivery to or from the new ACATs omnibus account.

**Long Broker Allocations:**

Long allocations (deliveries) from the 8902 account will update a client’s non-lien position at DTC. DTC will route all receives from the 8902 account to each client’s Minimum Amount (MA) classification. The receipt of these long allocations will have no collateral impact for the receiver, i.e., DTC will not consider these securities as client collateral for risk management purposes.

**New and Optional Memo Segregation (MSEG) profile indicator for CNS ACATS transactions**

An optional MSEG profile indicator has been created for CNS ACATS transactions. This indicator, when active, will automatically increase a client’s memo segregation counter for the quantity of shares received from the 8902 account long allocations.

Clients interested in activating this optional indicator should submit the form in appendix A of this document to their Relationship Manager or Client Account Representative.

**New IMS Transaction Type - CCATS:**

DTC’s IMS (Inventory Management System) system provides clients with multiple pre and post settlement tools to manage their deliver obligations. One of the key ways IMS provides this control is by classifying each transaction by a specific type, e.g., MITS represent Matched Institutional Trades, CNSS represent client NSCC short covers, etc. NSCC ACAT obligations settling via the new process will be assigned a new transaction type in IMS. The new transaction type will be CCAT which stands
for CNS Customer Account Transfer. It is important to note that this transaction type will be supported in the Settlement Web only. DTC will continue to support IMS in PTS and PBS until further notice, but functionality for CCAT transaction types as outlined below will only be available in the Settlement Web.

**IMS Authorization Profiles:**

Similar to other transaction types, DTC clients will be able to set an active or passive authorization setting for their CCAT transactions. The default will be passive meaning that DTC will attempt to settle CCAT transaction types in the night cycle unless otherwise instructed to delay processing or the delivery is exempted at NSCC. Clients wanting to delay processing may delay individual CCAT transactions via transaction level exemptions or withhold all CCAT transactions via a global exemption or by overriding the default setting in favor of an active profile.

The authorization profile functionality in the Settlement Web is located under the “Profiles” tab of the navigation bar.

When selected, properly provisioned clients\(^3\) will be allowed to create an authorization profile for their CCAT transaction types or modify their authorization profiles for other transaction types. Once an asset class is selected, clients may override the passive setting in favor of an active one. Clients may modify authorization profiles for an individual asset class or across all asset classes.

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\(^3\) All functionality described within this important notice follows the original permission levels established for the Settlement Web. Clients are encouraged to refer to important notice 1245-11 for additional information or to consult their access coordinators.
Clients may set standing active/passive setting or create intraday changes via the “Switch To” and “Switch Back” functionality displayed below.
IMS Notification Profile: (ISO ONLY)

The CCAT transaction type will be incorporated into the IMS notification profile. As a reminder, subscription to these CCAT messages will only be available through the Settlement Web.

The authorization profile functionality in the Settlement Web is located under the “Profiles” tab of the navigation bar.

When selected, properly provisioned clients will be allowed to modify their existing notification profile or create a new one for their CCAT transaction types.
ISO clients that want to receive output message for their CCAT transaction types may select “CNS ACATS” from the drop down menu and follow the existing procedures for creating a profile.

IMS Total Recap by Transaction Type:

IMS provides clients with a status summary for each of the transaction types it processes. This summary screen will be extended to CCAT transaction types.
Properly provisioned clients will be able to make updates to these CCAT transaction types by either drilling down on the screen above or accessing the “Transaction Authorization” option directly under the “Activity” section of the navigation bar.

Regardless of access mode, CCAT transaction type update capabilities will mirror those of other transaction types in IMS.
Pre-Authorizations and Pre-Exemptions:
The current CNS pre-authorization and pre-exemption function allows clients to enter a list of CUSIPs on which the client wants to either authorize shares to be delivered to CNS or exempt shares from being delivered to CNS for the following business date. This functionality will be extended to CCAT transaction types and will be accessible under the “Commands” section of the navigation bar.

Properly provisioned clients will be able to select which transaction type, CNS or CNS-ACATS, they want to pre-authorizing or pre-exempt.
Exemption Processing for CCAT Transactions:

Clients will be allowed to submit CCAT specific exemptions. The process will mirror that of the current CNS level 1 exemption process for the CNS “A” sub-account. Clients can submit a daily override instruction to their regular exemption standing instruction for sub-account S using Settlement Web, Upload, or file format input. It should be noted that overrides, similar to CNS overrides, must be instructed via a Deliver Order. The Deliver Order to override a CCAT exemption must always include 8902 as the receiver.

ACATS Projected Settlement Inquiry:

In response to industry requests, DTC has created a balance inquiry tool providing clients with a snapshot of their pending debits and credits. The balance inquiry tool is available in the Settlement Web only and can be found under the “Cash and Balances” section of the navigation bar.
Pending Inquiry Screen:

Clients interested in viewing the details behind the pending totals displayed in their “CNS ACATS Projected Settlement Balance” may isolate their pending CCAT transactions in the “Pending Inquiry Tool” available under the “Activity” section of the navigation bar.
Position Inquiry Screen:
DTC will modify its position inquiry screen to include the position balances in the new CNS sub-accounts. The “position inquiry” screen is available under the “Position” section of the navigation bar.
For more information about the project

All documentation associated with this project is located in the CNS ACATS DTC section of the Clearance Services Learning Center website. This website is password protected. To gain access to the website, please follow these instructions:

1. Go to https://dtcclearning.com/learning/clearance
2. On the right side of the page, click Create an Account
3. Fill out the required fields, and click Register
4. Within one business day, you will receive an email from DTCC approving your registration or requesting additional information.

Additional Information

A copy of this Important Notice can be obtained from the web site of NSCC’s parent corporation, the Depository Trust & Clearing Corporation, at http://www.dtcc.com.
Appendix A: Memo Segregation Request Form:

MEMO SEGREGATION REQUEST FORM (Effective Date __________)
Please process the following Memo Seg updates for account number(s): ____________________
Participant Name:___________________________________________________________________

Place a check next to the action to be taken for each indicator listed below. Participants may activate all indicators except #4 & #5 which are mutually exclusive (one or the other):

Indicator #1  Activate____ Deactivate____ Leave active____ Leave inactive____
When this indicator is activated, the Participant's Free position and Memo Seg position is automatically increased upon the receipt of:

- DOs (free & valued) with reason code 40 (customer account transfer)
- DOs (free & valued) with reason code 99 (bulk transfer of customer account)
- DOs (free & valued) with reason codes 330 (direct rollover to IRA), 340 (direct rollover to Qualified Plan)
- Reversals of WT instructions
- Position resulting from a voluntary or mandatory reorganization

Indicator #2  Activate____ Deactivate____ Leave active____ Leave inactive____
When this indicator is activated, the Participant's Free position and Memo Seg position is automatically increased upon the receipt of:

- DOs (free & valued) with reason codes 41-48 (account transfer reclaim reason codes)
- DOs (free & valued) with reason codes 331-338 (direct rollover to IRA reclaim reason codes), 341-348 (direct rollover to QP reclaim reason codes)

Indicator #3  Activate____ Deactivate____ Leave active____ Leave inactive____
When this indicator is activated, the Participant's Free position and Memo Seg position is automatically increased upon the receipt of:

- CNS account E long allocations (customer fully-paid-for positions)

Indicator #4  Activate____ Deactivate____ Leave active____ Leave inactive____
When this indicator is activated, positions received with the following types of reason codes can be used for redeliveries (turnarounds) up to the amount of the received position regardless of Memo Seg constraints:

- Position received (free or valued) with reason codes: 10 (stock loan), 30 (delivery versus payment) and 600 (collateral DO)
Indicator #5  **Activate ____ Deactivate ____ Leave active ____ Leave inactive ____**

When this indicator is activated, all positions received from DOs except for those listed below can be turned around regardless of Memo Seg constraints:

- 20 (stock loan return)
- 21-29 (stock loan return reclaims)
- 40 (account transfer)
- 41-48 (account transfer reclaims)
- 99 (bulk account transfer)
- 261-268 (OCC stock loan reclaims)
- 270-278 (OCC stock loan return reclaims)
- 290 (ADR stock loan return)
- 291 (ADR stock loan return reclaim)
- 330 (direct rollover to IRA)
- 331-338 (direct rollover to IRA reclaim reason codes)
- 340 (direct rollover to Qualified Plan)
- 341-348 (direct rollover to QP reclaim reason codes)
- 610-619 (collateral DO return reclaims)
- CNS account E (customer fully-paid-for) long allocations
- CNS account C (stock loan return) long allocations

**NOTE:** The only exception to the above logic is that stock loan returns (reason code 20) are never permitted to use positions normally available to satisfy turnaround deliveries.

Indicator #6  **Activate ____ Deactivate ____ Leave active ____ Leave inactive ____**

When this indicator is activated, the Participant's free position and Memo Seg position is automatically increased upon the receipt of:

- NSCC ACAT long allocations from 8902

Authorized Signature: _______________________________

Officer (VP or Above)

Print Name: ________________________________

Title: ________________________________

Date: __________________________

Telephone Number: ________________________________