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DATE:	JULY 17, 2014
TO:	ALL PARTICIPANTS
FROM:	PRODUCT MANAGEMENT
SUBJECT:	PARTICIPANT TESTING OF THE REVERSAL OF ACATS OBLIGATIONS

In response to events relating to a close-out in 2008, National Securities Clearing Corporation (“NSCC”) and The Depository Trust Company (“DTC”) have been engaged with the industry in a series of initiatives designed to improve the efficiency and reduce risks associated with transactions processed through NSCC’s Automated Customer Accounts Transfer Service (“ACATS”). In June 2014, DTC and NSCC implemented the Continuous Net Settlement (CNS) ACATS and DTC Settling Assets Project, and NSCC can now track the settlement of ACATS obligations eligible for processing through CNS, DTC, and Fund/SERV, and will be able to reverse only uncompleted obligations in the event that one or more broker defaults.

With these enhancements in place, NSCC will support participant testing of the ACATS reversals process beginning in September 2014. This Important Notice publishes details about the testing process, and the schedule of when the testing will occur.

Testing Schedule

ACATS reversal testing will follow this schedule.

One broker defaults, during the settlement cycle	September 16, 2014 – October 23, 2014
One broker defaults, after the settlement cycle*	October 28, 2014 – December 11, 2014**
Two brokers default, during the settlement cycle*	January 13, 2015 – February 19, 2015
Two brokers default, after the settlement cycle*	February 24, 2015 – April 2, 2015

*Please note that future testing dates may change as testing proceeds. NSCC will give participants notice if dates change.

**There will be no testing the week of Thanksgiving, November 27, 2014.

Testing Cases and Instructions

NSCC has written a number of test cases, and accompanying instructions, to guide participants through the weekly testing cycle. The testing cycle consists of a series of Partial Transfer Deliverer (PTD)

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ACATS transfers. These transfers do not require a response from the receiver, so participants do not need to have a partner to conduct this testing.

The testing will run on a weekly schedule starting on Tuesdays with an ACATS settlement date of that Thursday. The testing will repeat every week throughout the testing period.

During the testing, NSCC will automatically load positions into participants' DTC accounts in order to simulate the settlement of ACATS obligations. The cases specify which obligations should settle and which should fail. The cases include the transfer of both long and short positions.

The cases and instructions are posted to the Clearance Services Learning Center website. Instructions on how to access this site are listed below.

Test CUSIPS

NSCC has created test CUSIPs for this testing. These CUSIPs are listed in the cases.

Accessing test cases and instructions on the Clearance Services Learning Center website

The test cases, a detailed version of the test scripts, and a list of the test CUSIPs associated with this project will be located in the ACATS 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>.

If you have any questions regarding these enhancements, please contact your DTCC Relationship Manager.