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P&S#	7682
Date:	October 27, 2015
To:	ALL MEMBERS AND LIMITED MEMBERS
From:	WEALTH MANAGEMENT SERVICES – MUTUAL FUNDS
Attention:	MANAGER MUTUAL FUNDS OPERATIONS, MANAGER DATA PROCESSING, MANAGER CASHIERS, MANAGER P&S DEPARTMENT
Subject:	Mutual Fund Profile II Distribution Declaration, Networking and ACATS-Fund/SERV® Enhancements

Effective, **February 29, 2016**, National Securities Clearing Corporation (NSCC) will implement enhancements to the following services:

- ➤ **Mutual Fund Profile Service II (MFPS II) – Distribution Declaration**
- ➤ **Networking**
- ➤ **ACATS-Fund/SERV®**

Below is a summary of the enhancements included in this release. Details illustrating the specific enhancements are included in the attached Appendix. The Appendix is segregated by service (MFPS II, Networking and ACATS-Fund/SERV) and organized by record number. *The Appendix is for informational purposes and may not represent the final record layouts. NSCC reserves the right to make additional changes prior to implementation.*

As part of this release, NSCC will:

- ➤ **Modify the following MFPS II Distribution Declaration** records to **require the Ex-Date** field:

    - ▪ Distribution Declaration Capital Gains record 041
    - ▪ Distribution Declaration Dividend record 042 if Dividend Type = 2 (Equity)

    Firms require the ex-date to process distributions. These modifications will reduce manual email and fax communications and promote a standardized method of providing ex-date information to firms.

➢ **Completion of Alpha Code Elimination (Phase II)**
Prior to July 28, 2014, funds and firms that subscribed to Networking services were issued an Alpha Code.   The number of available unassigned Networking Alpha Codes diminished over time, and the decision was made to discontinue issuing Alpha Codes (see Important Notice A7687).

As a result, on July 28, 2014, all "Firm Alpha Code" and "Fund Alpha Code" fields were modified to filler space. In addition, the Networking Reference Number algorithm AAJJJ999999 was modified to JJJYXXXXXXX on the Networking Account Conversion/Update & Transfer/Acknowledgement (A/B/T50, A/B/T/F51 A/B/T52 and F53) records.

In order to allow sufficient time for clients to update their systems, a twelve month grace period was granted during which NSCC would not validate the Reference Number format. **The grace period has expired, and effective February 29, 2016 NSCC will begin to enforce the revised Reference Number format (JJJYXXXXXXX)**.

➢ **Eliminate 080 Reminder records sent to funds on T2**
ACATS-Fund/SERV purges a transfer request on T2 if the fund does not respond with a 019 Acknowledgment/Reject record by 11:00 a.m. ET (Fund/SERV cycle 14). Currently, a 080 Reminder record with an age of 9999 is sent to the fund between 8-9 p.m. on T2 to inform them the transfer request has been purged. The T2 080 Reminder is being eliminated since the fund does not receive the Reminder until after the transfer request was purged.

➢ **Create new ACATS-Fund/SERV reject codes** to allow the fund to explicitly identify the reason an ACATS-Fund/SERV transfer is being rejected. This will reduce the need for firms to contact funds directly to determine the reason a transfer is rejected.

<u>**TESTING**</u>
Effective, **Monday, February 1, 2016,** members can begin testing in the Participant Services Environment (PSE) region.

Members are encouraged to test and must contact their Relationship Manager before testing begins for proper setup in the PSE region. Relationship Managers should be contacted at least three (3) days prior to testing.

DOCUMENTATION

Updated documentation will be available on DTCC's website as follows:

Record layouts and Fund/SERV Reject code list will be available on or about **November, 9, 2015** and can be found at: http://www.dtcc.com/investment-product-services/wealth-management-services/mutual-funds-client-documentation/product-client-center/gated-documents.aspx?gated=wms-section.

Applicable User Guide and Best Practices updates will be available on or about **February 29, 2016** and can be found at: http://www.dtcc.com/investment-product-services/wealth-management-services/mutual-funds-client-documentation/product-client-center/gated-documents.aspx?gated=wms-section.

An email notification will be sent when revised documentation has been posted to our website.

Questions and comments regarding this Important Notice may be directed to Wealth Management Services at **212-855-8877**.

Therese Leahy
Product Manager

Product Management
DTCC Wealth Management Services

Appendix

Both fixed and variable record layouts will be modified for MFPS II records. However, for the purpose of illustration, the fixed record layouts are used below.

MFPS II Distribution Declaration Enhancements
(Mainframe & WebDirect Screens)

Ex-Date field to be required for capital gain and equity dividend distributions for the following records:

- **041 – Distribution Declaration Capital Gains, 2 of 2 (Part 4)**

1. Modify Capital Gain Ex-Date field to be required

Field Name	Start	End	Type	Current Description	Current Opt/ Req	New Opt/Req
Capital Gain Ex Date	17	24	A/N	ccyymmdd	O	**R**

- **042 – Distribution Declaration Dividend, 2 of 3 (Part 4)**

2. Modify Dividend Ex-Date field to be required when Dividend Type = 2 (Equity)

Field Name	Start	End	Type	Current Description	New Description	Current Opt/ Req	New Opt/Req
Dividend Ex Date	17	24	A/N	ccyymmdd	ccyymmdd **Required if Dividend Type = 2 (Equity)**	O	**OC**

Networking Enhancements
(Mainframe and WebDirect screens, where applicable)

Completion of Alpha Code Elimination (Phase II)

3. Enforce the JJJYXXXXXXX algorithm for the Reference Number on the following records:

   ▪ **A/B/T50, A/B/T/F51 – Account Conversion/Update, #1**

Field Name	Start	End	Type	Description	Opt/ Req
Reference Number	10	20	A/N	Firm Reference Number Format: **JJJYXXXXXXX,** where: • JJJ- Julian date, • Y – Last digit of the current year, • XXXXXXX – Alphanumeric sequence.	O

WebDirect Changes

NSCC will continue to auto-generate and auto-populate the Reference Number on the Account Conversion/Update **A/B/T50, 51 records**. During the Alpha Code Elimination grace period, clients were allowed to override the auto-generated Reference Number with the old format. Effective, **February 29, 2016**, clients will no longer be able to override this number.

   ▪ **A/B/T/52, F53 – Transfer Detail/Fund Acknowledgment, #1**

Field Name	Start	End	Type	Current Description	Opt/ Req
NSCC Control Number or **Reference Number**	14	24	A/N	For Record Type 52: Must be space on input; NSCC will create control number on output in the format of JJJYXXXXXXX For Record Type 53: Must be either NSCC Control Number when Transaction Type = 1, 2, 4, 5, 8, 9 or Firm Reference Number in the following format: **JJJYXXXXXXX** when Transaction Type = 3, 6 or 7.	R/R
Firm Reference Number	81	91	A/N	By using this field, Firm can link Record Type 52 with Record Type 50 when sending both at the same time Firm Reference Number Format: **JJJYXXXXXXX**, where • JJJ- Julian date, • Y – Last digit of the current year, • XXXXXXX – Alphanumeric sequence.	O/O

In-flight Exceptions for Networking Reference Number fields

NSCC sends out reminders on B52 transfers for 60 processing days (including Saturdays) before the transaction is purged. Therefore it is possible the old algorithm utilized during the grace period would be leveraged to reference transfer acknowledgments or activity beyond the normal 1 day in-flight processing exception. To minimize impact to processing, a 60-processing day in-flight exception period will be invoked for Reference Number fields on the following records:

- F51 Update to Existing Account
- B52/F53 Transfer Detail/Fund Acknowledgment
- F55 Activity
- B/F75 Share Aging

The 60-processing day in-flight exception period will expire on **May 9, 2016**.

Best Practices for Networking Changes

Reference Number

To encourage uniqueness of the Reference Number, participants are advised to use a combination of fields: "Reference Number" + "Participant Number" + "Record Number"

Former Alpha Code fields

The Firm Alpha Code and Fund Alpha Code fields on the following records were modified to filler space as of July 28, 2014. NSCC will not edit against these fields. The best practice for filler space is to **not** populate data in these fields.

- F72 - Account Maintenance Reconciliation, bytes 75-78, Seq 1
- F63 – Dividend/Capital Gain For Cash Accounts Not Subject to Withholding, bytes 65-68, Seq 1
- F64 - Dividend/Capital Gain For Cash Accounts Subject to Withholding, bytes 84-87, Seq 1
- F65 - Dividend/Capital Gain For Reinvest Accounts Not Subject to Withholding, bytes 92-95, Seq 1
- F66 - Dividend/Capital Gain For Reinvest Accounts Subject to Withholding, bytes 104-105 and 109-110, Seq 1
- F67 - Dividend/Capital Gain For Reinvest Accounts Supplemental Record, bytes 32-35
- F58 – Position Detail, bytes 54-57, Seq 1

ACATS-Fund/SERV Enhancements
(Mainframe)

Eliminate T2 Reminder Records for ACATS-Fund/SERV Transfers

- **080 – Reminders**

4. 080 Reminder Records for ACATS-Fund/SERV Transfers sent on T2 will no longer be generated to funds.

> **NOTE:** It is important for clients to review their systems to address any dependencies for 080 Reminder Records with a "Reminder Age" of 9999, and to make any necessary adjustments.

Create New Reject Codes

5. New Reject Codes to be used by funds on ACATS-Fund/SERV 019 Transfer Acknowledgement/Reject record for ACATS-Fund/SERV transfers

> **NOTE:** Firms may receive the new reject codes via the 'ACATS Output Fund/SERV Statistics' MRO file. It is important that firms review their systems to make sure they can accept the new reject codes.

New Reject Code	Description	Best Practice for populating this reject code
712	Zero Balance Account	To be used when an account has $0 balance
713	Requested amount exceeds shares available	The account balance is greater than $0; but, there are not enough shares in the account to satisfy the request
714	Not PTF (Position Transfer Fund) Eligible	To be used when an account type or fund is not able to transfer through a PTF. Example: retirement account, etc. Paperwork is needed.
715	Simple IRA under 2 years	To be used when a Simple IRA account has not satisfied the 2-year holding period.
716	Account not found	Account cannot be found. Possible reason for reject is incorrect account number, etc.
717	Duplicate Request	To be used when a duplicate request is submitted.

6. New Reject Code to be used by NSCC on an ACATS-Fund/SERV 019 Transfer Acknowledgement/Reject record to inform funds of a purged ACATS-Fund/SERV transfer

281	Purged ACATS-Fund/SERV transfer	NSCC generated reject code for purged transfers not acknowledged by funds (019 Record) within the allotted timeframe.