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Date:	OCTOBER 26, 2016
To:	ALL ACATS PARTICIPANTS
From:	ACATS PRODUCT MANAGEMENT, DTCC EQUITIES CLEARANCE
Attention:	DIRECTOR OF OPERATIONS, ACCOUNT TRANSFERS DEPARTMENT, MUTUAL FUND OPERATIONS, P&S DEPARTMENT
Subject:	ACATS SHORTENED CYCLE ENHANCEMENTS

NSCC's Automated Customer Account Transfer Service (ACATS) is planning for the launch, subject to any required regulatory approval, a series of enhancements over the next several years that will provide an improved framework to shorten the time it takes to process an account transfer. Currently, it takes up to five business days for a standard (Full) ACATS transfer to settle. During this 5-day period, an investor's assets will remain invested in the market but trading may be restricted. The inability to trade may expose the investor to additional risks. The goal of this initiative is to begin a multi-phase path to reduce these risks and improve efficiency to the overall ACATS transfer process.

Earlier this year, two concept papers, "[ACATS Shortened Settlement Cycle](#)" and "[ACATS Shortened Settlement Cycle-Changes to the Processing of Mutual Funds](#)", were introduced to the industry. These papers, spearheaded by the SIFMA Customer Account Transfer (CAT) Division, represent a collaborative industry effort spanning over several years comprising of multiple working groups. The papers detailed the importance of addressing the length of time it takes to process account transfers. This notice summarizes the changes that the industry has collectively agreed to implement in the next phase.

This release includes an initial set of enhancements that will focus on creating more flexibility around cycle times, adjusting input deadlines and implementing new controls on current actions that can potentially delay a transfer. The next phase (not included in this release) will include the removal of Settle Prep from the ACATS settlement cycle, which will effectively reduce the cycle time by one business day. The timing for the next phase of enhancements is still being determined.

This is the first of many communications over the course of the next year to prepare firms for this release, which will include testing plans, technical documentation and regulatory filing updates, if any.

The enhancements in this release include:

1. Increasing the number of multi-cycles throughout the day from five to eleven.
2. Changing the “Days in Status” field to more accurately reflect the status by business day of the transfer.
3. Adjusting the input deadlines for certain transaction types.
4. Adding new features and controls when transfers are accelerated.
5. Providing the ability to send mutual fund registrations (Fund/SERV 018 records) to fund companies earlier in the day.
6. Streamlining the Position Transfer Fund (PTF) functionality by changing fund registration submission process.

See Appendix for detailed specifications on each enhancement.

Targeted Schedule (pending regulatory approval):

The enhancements detailed in this important notice are targeted for Friday, March 16, 2018 production implementation, with the test period targeted to begin on Friday, November 17, 2017. Any rule changes would need to be approved and effective prior to the production release of these enhancements. Dates are subject to change.

Documentation:

Applicable Record layouts and User Guides are in the process of being updated on DTCC’s website: <https://dtcclearning.com/learning/clearance/topics/acats/acats-record-layouts.html>.

A second important notice will be sent when updated documentation is posted.

Additional Information:

A copy of this Important Notice can be obtained from the website 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.

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Appendix – Enhancement Specifications

1. ACATS Hourly Input/Output Cycles

Description:

ACATS, in its current state, provides up to five input and output intra-day cycles per day. The current input times are 8am, 10am, 12pm, 2pm and 4pm ET. To provide additional flexibility in responding to transactions intra-day, ACATS will increase from five cycles to eleven cycles throughout the day. Adding cycles to the ACATS process will allow for greater flexibility and quicker turnaround time of transactions.

Enhancements:

1. ACATS will add 6 new input cycles at 6am, 7am, 9am, 11am, 1pm and 3pm to create an hourly multi-cycle process from 6am to 4pm ET. The corresponding output cycles are listed in the Table 1 below.
2. ACATS AutoRoute (A/R) Cycle #s will be updated to reflect the new output cycles (see Table 1). The cycle number is included on the AutoRoute header (Field Name: Multi-Cycle Transmission Counter) for firms that receive file transmissions. Firms must be prepared to accept these additional cycles via file transmissions or download data files via the DTCC Web Portal. For firms that receive file transmissions, modification to file names in AutoRoute header record may be required depending on how your file names are configured.
3. Output times for Positions, Settlement, End of Day, Fund/SERV Statistics and Insurance Statistics files and reports will not change.

Table 1 - Input / Output Times (ET)

Input*	Output*	Current A/R Cycle #	New A/R Cycle #
6:00 AM	7:00 AM	N/A	01
7:00 AM	8:00 AM	N/A	02
8:00 AM	9:00 AM	01	03
9:00 AM	10:00 AM	N/A	04
10:00 AM	11:00 AM	02	05
11:00 AM	12:00 PM	N/A	06
12:00 PM	1:00 PM	03	07
1:00 PM	2:00 PM	N/A	08
2:00 PM	3:00 PM	04	09
3:00 PM	4:00 PM	N/A	10
4:00 PM	5:00 PM	05	11

Bold Type represents current input and output times.

*Input represents the cut off time for the submission of a file in order for the file to be included in that cycle’s output process.

**Output represents the latest time that a file, corresponding to the input time, would be dispatched to firms before being considered as late. Output files can and are generally sent earlier than the output time indicated.

2. Change to Days in Status Field

Description:

Days in Status field is a value provided by ACATS on the Multi-Cycle and End of Day output reports to indicate how long a transfer has been in any particular status. Today, when the status changes intraday, the Days in Status field displays 1 (representing Day 1). Unless a subsequent action or input changes the status again, a transfer remains in a particular status for a minimum of 24 hours. At the end of the day, ACATS ages the status and adds an additional day if the transfer has been in the current status for a minimum of 24 hours. If it is in the current status for less than 24 hours, then the Days in Status will remain in Day 1. Therefore a status may reflect as Day 1 even though the status may actually already be in its second day. Today, the most common scenario in which Days in Status value is greater than 1 is during Bank Holidays which can add a day to the process. For this release, firms have requested that Days in Status reflects the actual business day of the status rather than the passage of time in the status.

This enhancement will help firms display the correct day count for the specific status the transfer is in each day. It will also provide clarification as to the cutoff times for allowable input by firms and enable firms to better differentiate between records that came in same day vs. next day.

Current Process Scenario 1 – Request Status (100)

TI record is sent and ACAT status is set to Request 01 (100). The delivering firm presents the AT record on day 2. The firm does not have an internal clock that changes the day count.

- Day 1 – Firm Displays the status as Request 01
- Day 2 – Firm continues to display the status as Request 01
 - This does not reflect that it is actually the second day of request status.

Current Process Scenario 2 – Review Status (200)

AT record is sent and ACAT status is set to Review 01 (200). The receiving firm does not accelerate the transfer on day 1. The firm does not have an internal clock that changes the day count.

- Day 1 – Firm Displays the status as Review 01
- Day 2 – Firm continues to display the status as Review 01
 - This does not reflect that it is actually the second day of review status

Enhancement:

1. ACATS will change Days in Status field to reflect the actual business day of the status. The change in Days in Status field will impact the following output files/reports:

- ACATS Multi-Cycle Transaction
- ACATS End of Day Position

For example:

	<i>Monday intraday</i>	<i>Monday EOD</i>		<i>Tuesday intraday</i>	<i>Tuesday EOD</i>		<i>Wednesday intraday</i>	<i>Wednesday EOD</i>		<i>Thursday intraday</i>	<i>Thursday EOD</i>		<i>Friday intraday</i>	<i>Friday EOD</i>
<i>Current</i>	<i>TI Add</i>			<i>No input</i>			<i>AT Add</i>			<i>Dlvr AT Change</i>				
	<i>Status: Request 100</i>	<i>Status: Request 100</i>		<i>Status: Request 100</i>	<i>Status: Request Past 130</i>		<i>Status: Review 200</i>	<i>Status: Review 200</i>		<i>Status: Rev Adj 210</i>	<i>Status: Rev Adj 210</i>		<i>Status: Rev Adj 210</i>	<i>Status: Sett Prep 300</i>
	<i>Days in Status: 1</i>	<i>Days in Status: 1</i>		<i>Days in Status: 1</i>	<i>Days in Status: 1</i>		<i>Days in Status 1</i>	<i>Days in Status: 1</i>		<i>Days in Status: 1</i>	<i>Days in Status: 1</i>		<i>Days in Status: 1</i>	<i>Days in Status: 1</i>
<i>Future</i>	<i>TI Add</i>			<i>No input</i>			<i>AT Add</i>			<i>Dlvr AT Chg</i>				
	<i>Status: Request 100</i>	<i>Status: Request 100</i>		<i>Status: Request 100</i>	<i>Status: Request Past 130</i>		<i>Status: Review 200</i>	<i>Status: Review 200</i>		<i>Status: Rev Adj 210</i>	<i>Status: Rev Adj 210</i>		<i>Status: Rev Adj 210</i>	<i>Status: Sett Prep 300</i>
	<i>Days in Status: 1</i>	<i>Days in Status: 2</i>		<i>Days in Status: 2</i>	<i>Days in Status: 1</i>		<i>Days in Status 1</i>	<i>Days in Status: 2</i>		<i>Days in Status:1</i>	<i>Days in Status: 2</i>		<i>Days in Status: 2</i>	<i>Days in Status: 1</i>

Under the new process, the first day of status will be Days in Status = 1. If the status remains the same for the remainder of the day, the EOD files will update the Days in Status to 2, which will then be reported on the next day’s intra day output files until the status of transfer changes again.

3. New Input Deadlines for Record Types.

Description:

To enable additional throughput of ACATS transactions on the first day of the request and review and quicker turnaround time on the second day of request and review status, several of the input deadlines will be modified. **All times listed are ET.**

Enhancements:

1. Transfer Input Record Changes

- TI Add – for FUL, PTF and PTR – deadline is extended from 12pm to 3pm for the initial transmission. This will enable firms to get more transfers into ACATS the first day rather than queuing up for next day. All other non-standard deadlines will remain at 12pm.
- TI Reject (for Deliverer) – for FUL and PTR- deadline is extended from 2pm to 4pm on the first day to accommodate the TI Add extension to 3pm. The deadline is moved from 2pm to 11am on the second day of Request Status.
- TI Reject (for Receiver) – Deadline times remain the same as current process. However, for Reclaims (RCL), there will be one less day to reject a Reclaim in review status. The transfer will move to ‘310 Settle Close’ at EOD of Review Day 3. Currently, it moves to ‘310 Settle Close’ at the end of Review Day 4.
- TI Adjustment (for Deliverer and Receiver) – Deadline time remains the same as current process. However, Deliverer will no longer be able to make adjustments if a transfer is in accelerate status

“230” or “240”. See Acceleration enhancements (section 4) for more details on acceleration changes.

- TI Accelerate (for Receiver) – Deadline time remains the same as current process. However, acceleration can now be submitted for PTR, PTD and RCR due to new acceleration rules detailed in section 4.

2. Asset Input Record Changes:

- Asset Input (for Deliverer) – For FUL and PTR, deadline on the first day of the request status has been extended from 2pm to 4pm. The deadline on the second day of request status has been moved from 2pm to 11am.
- Asset Adjustments (for Deliverer) – For FUL, deadline on the first day of the request status has been extended from 2pm to 4pm. The deadline on the second day of request status has been moved from 2pm to 11am. Deliverer adjustments will not be allowed if transfer is accelerated even if deadlines are not reached. See new acceleration rules detailed in section 4.
- Asset Adjustments (for Receiver) – Deadline times remain the same as current process. For PTR, asset adjustments will be permitted up until 4pm on the 2nd day of review. Currently, only one day is allowed for asset adjustments. This change is made to accommodate receiver delete functionality for mutual funds implemented in November 2016. PTRs will stay in review status for an extra day and move to settlement on Review Day 2; the next business day after the deliverer sends assets, unless receiver accelerates the PTR on Review Day 1.

3. Mutual Fund and Insurance Registrations:

- Deadline times remain the same as current process.

The following table illustrates the change to input deadlines based on record type:

Action	Record Type - Transaction Type	Applicable Transfer Types	Current Input Deadline	New Input Deadline	Status - Days in Status	Notes
Transfer Input For non-standard, AT is included.	TI - A (Add)	FUL, PTF, PTR	12:00	3:00 PM	N/A	
		FRV MFC PTD RCL RCR	12:00	12:00 PM	N/A	
Transfer Reject (Deliverer)	TI - R (Reject)	FUL PTR	2:00	4:00 PM	Request Day - 1	
		FUL PTR	2:00	11:00 AM	Request Day - 2	
Transfer Reject (Receiver)	TI - R	FUL PTR	4:00	4:00 PM	Review Day - 1 or 2	
		FRV MFC PTD RCR	4:00	4:00 PM	Review - 1	
		RCL	4:00	4:00 PM	Review Day - 1, 2 or 3	RCL will be one day shorter

						than current process.
Transfer Adjustment (Receiver & Deliverer)	TI – C (Change)	FUL	4:00	4:00 PM	Request Day - 1 or 2 Review Day - 1 or 2	Deliver can change unless in status 230 or 240 under new requirement. See new Acceleration changes (section 4)
Transfer Acceleration (Receiver)	TI – X (Accelerate)	FUL PTR RCL	4:00	4:00 PM	Review Day - 1 or 2	RCL will be one day shorter than current process.
		PTD RCR	4:00	4:00 PM	Review Day - 1	Change is the adding of TI-X

Action	Record Type - Transaction Type	Transfer Type	Current Input Deadline	New Input Deadline	Status + Days in Status	Notes
Asset Input (Deliverer)	AT - A	FUL PTR	2:00- FUL 12:00- PTR	4:00 PM	Request Day - 1	
		FUL PTR	2:00- FUL 12:00- PTR	11:00 AM	Request Day - 2	
Asset Adjustments (Deliverer)	AT - A AT - C AT - D (Delete)	FUL	2:00	4:00 PM	Review Day - 1	Once a transfer has been accelerated (status '230 – Review Accelerate' or '240 – Review Adjust Receiver Accelerate') the deliverer can no longer make any updates within this transfer in the subsequent cycles, even if the deliverer adjustment cutoff has not been reached.
		FUL	2:00	11:00 AM	Review Day - 2	

Asset Adjustments (Receiver)	AT – D	FUL PTD PTR RCR	4:00	4:00 PM	Review Day - 1	AT – D applicable for asset category MFMM or MFNM for FUL, PTD, PTR and RCR AT – D applicable for asset category ANNU for FUL only
		FUL PTR	4:00 NA	4:00 PM 4:00 PM	Review Day - 2	New functionality for PTR – adding a 2nd day of review
Mutual Fund Registration	FR – A	FUL PTR	4:00	4:00 PM	Review Day - 1 Review Day - 2	
		PTD PTF RCR	4:00	4:00 PM	Review Day - 1	New functionality for PTF – FR can be submitted with TI and AT (See #6)
Insurance Registration	IR – A	FUL	4:00	4:00 PM	Review Day - 1 Review Day - 2	
		PTD	4:00	4:00 PM	Review Day - 1	

4. Acceleration Changes

Description:

Acceleration is a current feature in ACATS that allows the receiving firm, when executed on the same day that a delivering firm loads the assets, to reduce the review period by one day, thus reducing the transfer cycle by one day. Currently, after a receiver accelerates the transfer, ACATS still allows delivering firms to make adjustments, which results in the cancellation of the acceleration request. For example, if a delivering firm adjusts assets after acceleration is executed, ACATS will cancel the receiver’s acceleration request, which adds back a review day. To restore the acceleration, the receiver must resubmit the acceleration request on that same day.

After this release, acceleration will continue to eliminate a day from the transfer cycle. In addition, once an acceleration request is submitted by the receiver, the request will be deemed as the final approval from the receiver. This approval will result in no additional adjustments being allowed to be made by either deliverer or receiver.

Delivering firms who use the current adjustment cutoffs to add fees, etc. will need to be prepared for this change. Restrictions will be in place if the receiver accelerates.

Enhancements:

1. Currently a TI X (transfers accelerate) can only occur on a FUL Transfer and RCL as the receiving firm. TI X will now be allowed for PTD, PTR and RCR for the purpose of expediting the fund registrations in earlier cycles (see Section 5 below). Receivers submitting a TI X transaction for a PTD/PTR/RCR will move the transfer to status '230-Review Accelerate'.
 - For PTDs and RCRs, this will not accelerate settlement as they stage to settlement on the first day of review (Day of Review 1). For PTRs this will accelerate settlement.
2. Once a transfer has been accelerated (status '230 – Review Accelerate' or '240 – Review Adjust Receiver Accelerate'), the deliverer can no longer make any updates to the transfer in the subsequent cycles, even if the deliverer adjustment cutoff has not passed.
3. If the acceleration request is submitted on Day One of Review, it will remove the second day of review for FUL, PTRs and subsequent days of review for RCL. The second day of review for PTRs was added due to the introduction of receiver deletes for mutual funds implemented in November 2016.
 - Modification: The review period of a RCL can last a maximum of two business days, not including the day when the transfer was initiated (currently it's three business days), so an acceleration request will have to be submitted before transfer is staged to Review 3 (end of second business day of review).
4. Allow acceleration for TI X for FUL and PTR transfers on the second day of review.

5. ACATS-Fund/SERV output

Description:

Currently, fund companies receive 018 records (transfer request) created from ACATS-Fund/SERV once daily at approximately 6:30 pm. In an effort to get 018 records to fund companies earlier in the day, ACATS-Fund/SERV will begin sending 018 records hourly to fund companies under certain conditions (see Enhancement 3 below). Allowing 018 records to be sent earlier in the day allows more time for fund companies to rework not in good order registrations and decrease the chance of fund rejects. This is the first phase of shortening the settlement cycle for mutual funds. A future phase will look to remove the second pend day that fund companies have to acknowledge fund registrations. Setting up a framework to get registrations to fund companies earlier is the first step towards that goal.

Enhancements:

1. Fund companies will begin receiving 018 records in Fund/SERV cycles 14 through 22 (see table below). The table below shows the input deadline that firms have in ACATS for the fund registrations to be included in a particular Fund/SERV cycle.

Firm Deadline to submit Fund Registration (FR) to ACATS (plus firm acceleration)	Fund/SERV will send to Fund Company by*:	Fund/SERV Cycle #
10am	12:00	14
11am	1:00	15
12pm	2:00	16
1pm	3:00	17
2pm	4:00	18
3pm	5:00	19
	6:00	20**
	6:30	21**
4pm (current time)	7:00	22

***The times listed above are the latest times for each cycle that fund companies would receive their transactions. The files are generally sent earlier than the time indicated.**

****Cycles 20 and 21 will generally contain no data. The only scenario in which these cycles may contain data is if the ACATS system is experiencing lateness and misses the previous cycles.**

2. The fund acknowledgement (019 record) process will remain the same. If a fund company sends a 019 acknowledgement on the same day it receives the 018 record, the acknowledgement will be included on the next day's Fund/SERV statistics report to the firm.
 - a. As an example, the fund company receives a 018 record in cycle 14 on Monday. Fund sends 019 record in cycle 16 on Monday. Fund/SERV will pass this 019 record to ACATS on Tuesday to be included in Tuesday's Fund/SERV statistics report to the firm.

3. In order for the asset to be eligible for an earlier cycle (earlier than last cycle of the day), the FR record must be received and the transfer must be accelerated by the receiving firm.
 - a. A transfer may be accelerated by the receiver as follows:
 - Submit a TI Accelerate transaction (TI X) for transfer types FUL, PTD, PTR and RCR. This will move transfer to status '230 – Review Accelerate'.
 - Submit Asset Delete transaction (AT D) for a mutual fund asset. This will move transfer to status '240 – Review Adjust Receiver Accelerate'.
 - Submit Asset Delete transaction (AT D) for an annuity fund asset for FUL transfer only. This will move transfer to status '240 – Review Adjust Receiver Accelerate'.
 - b. If the transfer is being accelerated, the new process will generate 018 records for all FRs (not previously sent to Fund/SERV) within applicable cycles throughout the day. When

the FR is sent to Fund/SERV, it will be marked as ‘sent’ and any other FRs submitted for that same asset will be rejected.

- c. If the firm does not accelerate their transfer, FRs will go to Fund/SERV in the last batch of the day (current EOD processing).
- d. If the receiver does not submit an FR, the default registration will be created and will go in the last batch of the day (current EOD processing). This will happen regardless of whether the transfer is being accelerated (default registrations will not be sent intraday).

6. Position Transfer Fund (PTF) Changes

Description:

Currently, firms that process PTFs are required to send their FR records in a subsequent batch once an ACATS Control Number and Asset Sequence Number are defined. This change will allow firms to submit their FR record with the TI and AT records. This can reduce processing time by removing the second step of waiting for the multi-cycle file to come back before sending the FR. This is an optional change.

Enhancements:

1. When the submitting firm is a receiver, the FR record may now be submitted at the same time as when TI and AT are submitted. This is an optional change for the receiving firm. They still can process TI and AT first and then send FR in the following cycle.
2. The FR must directly follow the AT it is associated with, otherwise it will be rejected. If the FR directly follows the AT it is associated with, the FR will not require a transfer control and asset sequence numbers to be populated. ACATS will assign the same transfer control and asset sequence number as the asset preceding it.
3. A Transaction Reference ID field will be added to the FR record. This field will link the FR with the associated AT and TI. This new field will be required for firms that want to implement this change.

FIELD NAME	LENGTH	START	END	TYPE	COMMENTS	FIELD NAME
Transaction Reference ID	20	TBD	TBD	A/N	COND	<p><i>Required when Transfer Type is equal to ‘PTF’ and control number and asset sequence number are not populated. The field is case sensitive. Use only uppercase letters. Association between the Transfer Input (TI), the Asset Transfer (AT) and Fund Registration (FR) record(s) is established when the contents of the Transaction Reference ID of the records are equal.</i></p> <p><i>Optional (populated with spaces) for other transfers and for ‘PTFs’ when control number and asset sequence numbers are populated.</i></p>

4. If an FR is submitted within the same cycle as the AT but it does not directly follow the AT it is associated with, it will be rejected by the ACATS system. This is the case in which the FR has a transaction reference ID and no ACATS Control # and Sequence #.
5. Upon successful validation, PTF will be assigned status '200 – Review' and record 018 will be sent to Fund/SERV. For PTF transfers, ACATS will automatically accelerate the request once the transfer reaches Review and FR has been received (and then record 018 can be sent).
6. If the FR is not included in the initial PTF submission, it may be submitted in any subsequent cycle and must have the transfer control and asset sequence numbers populated (same as the current processing). Upon successful validation of the FR, the PTF will keep status '200 - Review' and record 018 will be sent to Fund/SERV.
7. If receiver does not submit an FR in any subsequent cycle, the default registration will be created, as applicable, and the record 018 will go in the last batch of the day (same as the current processing).
8. When submitting firm is the deliverer, a default FR will be created at the EOD (same as the current processing).