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DATE:	MARCH 9, 2017
TO:	ALL PARTICIPANTS
ATTENTION:	MANAGING PARTNER/OFFICER; OPERATIONS PARTNER/OFFICER; MANAGER P&S DEPARTMENT; MANAGER DATA PROCESSING;CASHIER
FROM:	PRODUCT MANAGEMENT, EQUITIES CLEARANCE
SUBJECT:	ETF NEAR REAL-TIME CREATE & REDEEM ENHANCEMENTS AND CONTROLS

Since 2014, NSCC has engaged with business and technology representatives from ETF Index Receipt Agents (Agents) and Authorized Participants (AP's) in several forums, including DTCC's trade capture working groups, to solicit feedback and develop requirements to mitigate existing operational, technology, and financial risks associated with ETF clearing. As published in the December 2015 edition of the DTCC Development Agenda and subject to regulatory approval, NSCC now intends to introduce expanded functionality and automated controls to support its existing ETF primary market clearing process.

This suite of enhancements will provide additional flexibility to ETF Agents through expanded trade acceptance and guaranteed settlement for as/of and reversing transactions – including Near Real-Time submission and output of clearing records on an intraday basis. Upon implementation, NSCC will maintain its current deadline of 8:00 PM Eastern for primary cycle submission of the Enhanced ETF Create and Redeem Instruction Data Input File (DATATRAK 11300) on Trade Date. Two additional cycles will be introduced to allow submission of as/of and reversing transactions.

As part of this release, NSCC will also introduce an automated reasonability check edit that will apply to all creation or redemption submissions on clearing-eligible ETF's. The validation process will perform reasonability checks using the most recently available closing price from the primary listing marketplace versus the per-share value for every individual creation or redemption order accepted. Per-share values that exceed established thresholds versus the closing price of the ETF for the specified trade date will be pended awaiting verification for reinstatement with the submitting ETF Agent.

Functional changes to the ETF DATATRAK Input and AutoRoute Output files will be necessary in-connection with this effort. All ETF Index Receipt Agents and ETF Authorized Participants should reference the Customer Business Requirements document in the Equities Clearance section of the DTCC Learning Center. This document contains an inventory of functional changes and updated file specifications. **Client testing is scheduled in the ETF PSE region in August of 2017 with implementation, subject to regulatory approval, in the 4th quarter of 2017.**

For questions, please contact your DTCC Relationship Manager or the undersigned at kkilroy@dtcc.com.
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