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Date:	AUGUST 23, 2018
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 MODERNIZATION/SHORTENED CYCLE INITIATIVE – SCOPE AND SCHEDULE CHANGE

This important notice is a follow-up to Important Notice [A8542](#) (published 04/16/18). Click [here](#) for all associated ACATS Important Notices.

As described in previous NSCC Important Notices, the Automated Customer Account Transfer Service (ACATS) is undergoing a significant re-platforming effort that will modernize the technology and position ACATS for the future needs of the industry.

Recently, DTCC published a [concept paper](#), “The Future of ACATS, A Visionary Look.” In this paper, DTCC, in collaboration with the industry, describes a future vision of ACATS that would include real-time messaging, next day settlement and even a path to same day settlement. The ACATS Modernization initiative has already begun work to upgrade the existing technology framework, as well as implement industry requested changes to help shorten the ACATS transfer cycle.

- The current technology upgrade, except for some minor changes described in previous important notices is, for this release, primarily an internal DTCC infrastructure upgrade.
- Firms will continue to interface with ACATS as they do today via either batch FTP/NDM transmissions or web upload/downloads.
- ACATS Modernization includes enhancements identified by the industry, and approved by the SIMFA Customer Account Transfer (CAT) Section, to add functionality designed to position firms for a shorter ACATS cycle.

DTCC's IT Strategy

The ACATS Modernization project is part of a much larger DTCC re-platforming initiative that will modernize DTCC applications, enterprise-wide (click [here](#) for more information on DTCC's IT Strategy). ACATS was selected as one of the first critical NSCC applications to undergo re-platforming. Being one of the first re-platforming initiatives, ACATS will be one of the first to benefit from upgrades that will serve the product well into the future. Conversely, the initiative has taken on some of the natural consequences of being a first mover causing some in flight adjustments that have affected the timeline of the project.

Due to the sensitivity and criticality of the ACATS system to the industry, it is imperative that all necessary steps are taken to ensure a seamless migration of this new system into production. **As a result, and after very careful consideration, a decision was made to shift the production date of this initiative to 1st Quarter 2020. As a result, coordinated testing of the initiative will shift to a date in 3rd/4th Quarter 2019.** Exact dates within these quarters will be communicated in a subsequent important notice.

Additional Functionality

With this expanded project timeline, the initiative will include additional functionality, previously slated as part of a phase two initiative, effectively combining the two efforts.

In addition to the changes already communicated in previous important notices, this initiative will add the following enhancements:

1. Settle Prep Removal

The most significant change added is the removal of Settle Prep, which removes a full day from the transfer cycle, and shortens the window to process an account transfer. Since ACATS will now be following the implementation of the [Settlement Optimization Night Cycle Reengineering project](#) (September 2019), there is opportunity to take advantage of the benefits this provides to ACATS.

The night cycle re-engineering change, which changes the night cycle time from 8:30pm ET to 3am ET, eliminates the major obstacle preventing the removal of Settle Prep. With the implementation of Settlement Optimization, firms will have enough time, without Settle Prep, to perform their procession and control activities before settling assets. The removal of Settle Prep will reduce all full transfers by one day, from five to four days, and accelerated full transfers from four to three days. Adding this new functionality will add consistency in how assets are processed and bring the full transfer request in line with the timing for most non-standard requests.

2. Receiver Delete Expansion

In addition to Settle Prep, the industry has sought to expand the current Receiver Delete functionality for all asset types except cash. Currently, the receiver delete function is only available for mutual funds and annuities. According to industry feedback, in today's environment for assets that are not eligible for receiver delete, courtesy positions are often reversed through the fail reversal process with varying timelines and often without sufficient client communication. This results in confusion and uncertainty

concerning transfer status. Expanding the scope of receiver delete would allow firms to utilize the same communication processes in place today for mutual fund deletes. With the change of project date, the opportunity arose to include this enhancement. This request, led by the SIFMA CAT Section, has been vetted within SIFMA and is currently in discussions with the regulatory authorities.

In summary, although this decision results in a further extension of the delivery date, it will ensure the soundness of the system while simultaneously delivering a single offering of valuable functionality. It also spreads out the implementation time between other scheduled DTCC initiatives and moves ACATS closer to the vision sought in the Future of ACATS concept paper and the original [Shortened ACATS concept paper](#).

Additional enhancements currently under review and anticipated for this release include:

3. Foreign Extension Mandatory Usage

Required usage of the foreign extension section (settling location 55) of the asset transfer record for foreign securities. This will include new fields to support clearer settlement instructions.

4. Fund Acknowledgement

Removal of the pend day for mutual acknowledgements to ensure all fund acknowledgements occur next day after the receipt of the fund registration by the fund company.

A second important notice will be sent out with detailed specifications on these potential changes. Additional information on all these enhancements are currently available in the shortened ACATS concept paper.

The new target dates (pending regulatory approval) are as follows:

- **PSE Testing – 3/4Q19 – All firms should be ready to test all changes by during this time. This will require re-accessing the PSE U Region. Testing setup information will be provided closer to the test period.**
- **Production – 1Q20**

A copy of this Important Notice can be obtained from <http://www.dtcc.com>. If you have any questions regarding this notice, please contact your DTCC Relationship Manager.

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