

IMPORTANT NOTICE

National Securities Clearing Corporation



A#: 7175
P&S#: 6745
Date: March 7, 2011
To: ALL PARTICIPANTS
Attention: MANAGER MUTUAL FUNDS OPERATIONS,
MANAGER DATA PROCESSING, MANAGER CASHIERS, MANAGER
P&S DEPARTMENT
From: WEALTH MANAGEMENT SERVICES – MUTUAL FUNDS
Subject: MUTUAL FUNDS NETWORKING AND FUND/SERV ENHANCEMENTS
TO PROVIDE FURTHER TRANSPARENCY FOR COST BASIS AND
SHARE AGING

Effective June 13, 2011, National Securities Clearing Corporation (NSCC) will implement enhancements to Networking and Fund/SERV to provide additional fields and data elements to assist firms and funds in their efforts to further automate the delivery and processing of Cost Basis and Share Aging information.

- The following records will be enhanced to provide greater transparency with regard to Cost Basis information when establishing, maintaining or transferring an account:
 - ACATS - Fund/SERV Transfer Record
 - Fund/SERV Full Registration Record
 - Networking Activity Files
 - Networking Account Conversion/Update Records
 - Networking Transfer Detail/Fund Acknowledgement Records
- Share Aging enhancements to assist firms and funds in their reconciliation of sharelot data will be made and will impact the following records:
 - Networking Activity Files
 - Networking Share Aging Records

Testing

Participants can begin testing the aforementioned changes in the Participant Services Environment (PSE) test region starting May 16, 2011. **Participants are encouraged to test and must contact their Relationship Manager no later than May 13, 2011 to ensure proper setup for the PSE region.**

DTCC, on behalf of its subsidiaries, is now offering enhanced access to all important notices via a new, Web-based subscription service. The new notification system leverages RSS News feeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit http://www.dtcc.com/subscription_form.php.

Record Layouts

Impacted Fund/SERV and Networking Record Layouts will be available on or about March 15, 2011 on DTCC's Wealth Management Services Website at <http://www.dtcc.com>.

A description of the enhancements with additional information is attached to this Important Notice.

Questions and comments regarding this Important Notice should be directed to your Wealth Management Services Relationship Manager or the Mutual Funds Marketing line at (212) 855-8877.

Yana Granovskiy
Director - Product Management
DTCC Wealth Management Services
(212) 855-1684

Networking

1. The existing “Control/Reference Number Indicator” and “Control/Reference Number” fields on the Share Aging Record B/F75 will be modified as follows:

- Change Condition from “Optional/Conditional” to “Required”

This enhancement will result in funds passing the “Control/Reference Number Indicator” and “Control/Reference Number” fields on sharelot transfers, allowing more accurate processing of lot data.

• Rules

- If the value in the “Control/Reference Number Indicator” field is:
 - 1 = Fund/SERV Control Number – NSCC will validate the value supplied in the “Control/Reference Number” field follows the required format for a Fund/SERV Control Number.
- If the value in the “Control/Reference Number Indicator” field is:
 - 2 = Networking Control Number – NSCC will validate the value supplied in the “Control/Reference Number” field follows the required format for a Networking Control Number.
- If the value in the “Control/Reference Number Indicator” field is:
 - 3 = Manual Reference Number – NSCC will not perform any validation.
- If the value in the “Control/Reference Number” field is invalid, the F75 record will be rejected with the following error code:
 - “59 – NSCC Control/Reference Number missing/invalid”
- If the value in the “Control/Reference Number Indicator” field is invalid, the F75 record will be rejected with the following error code:
 - “M9 – Control/Reference Number Indicator is missing/invalid”

2. The existing “Money Market Commissionable Share Indicator” field on the Share Aging Record B/F76 will be modified as follows:

- Rename Field to “Commissionable Share Indicator”
- Change Condition from “Optional” to “Required”

This enhancement will allow this field to be used for all shares and will allow firms to be notified if the shares were commissionable or not.

3. A new “Original Control Number Indicator” field will be added to the Activity Reporting Record F55.

- Add a new Optional/Conditional Field “Original Control Number Indicator” with the following values:
 - 1 = Fund/SERV Control Number
 - 2 = Networking Control Number
 - 3 = Manual Reference Number

This enhancement will allow funds to generate a control number for direct transactions and indicate the control number that will be included in the “Original Control Number” field on direct transactions. This field will also be available on additional NSCC files, allowing the funds to communicate to the firms the “Original Control Number Indicator” in direct transactions.

Rules

- A value will be Required if the “Original Control Number” field is populated.
- If the value in this field is invalid, the F55 record will be rejected with the following error code:
 - “M8 – Original Control Number Indicator missing/invalid”

4. The existing “Original Control Number” field on the Activity Reporting Record F55 will be modified as follows:

- Change Condition from “Optional” to “Optional/Conditional”

This enhancement will allow funds to generate and communicate a control number for direct transfers.

Rules

- A value will be Required if the “Transaction Type” field is equal to:
 - “13- Direct Transfer”
- If the value in the “Original Control Number Indicator” field is:
 - 1 = Fund/SERV Control Number – NSCC will validate the value supplied in the “Original Control Number” field follows the required format for a Fund/SERV Control Number.
- If the value in the “Original Control Number Indicator” field is:
 - 2 = Networking Control Number – NSCC will validate the value supplied in the “Original Control Number” field follows the required format for a Networking Control Number.
- If the value in the “Original Control Number Indicator” field is:
 - 3 = Manual Reference Number – NSCC will not perform validation.

- If the value in the “Original Control Number” field is invalid (based on the above rules) the F55 record will be rejected with the following error code:
 - “D3 – Original Control Number missing/invalid”

5. Change Requirement of the Activity Reporting Record F55, Sequence #4 as follows:

- Record F55, Sequence #4 will be enhanced with a condition which will require Sequence #4 to be submitted for Transaction Type 13.

- Rules

- The record will become Required if Transaction Type is equal to 13 in Record F55 Sequence #1.

6. The existing “Cost Basis Option” field will be updated on the Account Conversion/Update Record A/B/T50, A/B/T/F51 as follows:

- Add values of:
 - “Average Cost”
 - “Select Lot”
- Rename the following fields:
 - “First In” to FIFO (First In First Out),
 - “Last In” to LIFO (Last In First Out),
 - “Highest” to High Cost, and
 - “Lowest” to Low Cost.
- The value of “Owner” will be deleted.
- The values will be renumbered to be consistent with the values reflected in the NSCC Cost Basis Reporting System (CBRS).

7. An “Underlying Customer Account Number” field will be added to the Activity Reporting Record F55.

- Add an Optional “Underlying Customer Account Number” field.

This new field will facilitate greater transparency in an Omnibus environment, allowing funds to pass the sub-account number (if received on instructions for manual activity for a house/omnibus account) which will be communicated to the firms for direct transfers via the F55 Record.

8. New “Credit Sub-Account Number” and “Debit Sub-Account Number” fields will be added to the Transfer Detail/Fund Acknowledgement Record A/B/T52, F53.

- Add an Optional “Credit Sub-Account Number” Field

- Add an Optional “Debit Sub-Account Number” Field

Similar to enhancement number 7, the addition of these fields will allow participants to communicate the underlying sub-account number for direct transfers.

9. Reject Code “I8 – Money Market Commissionable Share Indicator” will be modified as follows:

- Change the description to “I8 – Commissionable Share Indicator missing/invalid”

10. Reject Codes: M8 and M9 will be created

- Add reject code “M8 – Original Control Number Indicator is missing/invalid”
- Add reject code “M9 – Control/Reference Number Indicator is missing/invalid”

These error codes will indicate when incorrect values in the “Original Control Number Indicator” and “Control/Reference Number Indicator” fields are received by NSCC.

11. The Networking PC Web Direct “Activity” Report will be modified as follows:

- Add “Original Control Number Indicator” field
- Add “Underlying Customer Account Number” field

Fund/SERV / ACATS – Fund/SERV

12. The existing “Cost Basis Option” field will be updated on the Full Registration Record 401 as follows:

- Add additional values of:
 - “Average Cost”
 - “Select Lot”
- Rename the following fields:
 - “First In” to FIFO (First In First Out),
 - “Last In” to LIFO (Last In First Out),
 - “Highest” to High Cost, and
 - “Lowest” to Low Cost
- The value of “Owner” will be deleted
- The values will be renumbered to be consistent with the values reflected in the NSCC Cost Basis Reporting System (CBRS).

13. The existing “Cost Basis Option” field on the ACATS - Fund/SERV Transfer Record 018 will be modified as follows:

- Add additional values of:
 - “Average Cost”
 - “Select Lot”
- Rename the following fields:
 - “First In” to FIFO (First In First Out),
 - “Last In” to LIFO (Last In First Out),
 - “Highest” to High Cost, and
 - “Lowest” to Low Cost
- The value of “Owner” will be deleted
- The values will be renumbered to be consistent with the values reflected in CBRS.

14. New “Originating Receiver Firm Number” and “Originating Delivering Firm Number” fields will be added to the ACATS - Fund/SERV Transfer Record 018

- Add “Originating Receiver Firm Number” Field
- Add “Originating Delivering Firm Number” Field

The addition of these fields will assist the fund in a PTF scenario where the firm uses an MF Agent for processing ACAT transfers. This information will specify the Originating parties and allow the fund further transparency with regard to the originating parties of the transaction.

• Rules

- NSCC will populate the “Originating Receiver Firm Number” field with the value supplied in the “Original Receiver Number” field on ACATS Record TI.
- NSCC will populate the “Originating Delivering Firm Number” field with the value supplied in the “Original Deliverer Number” field on ACATS Record TI.
- These fields will only be updated on an ACATS PTF transfer whereby the firm has indicated their processing via a third party agent.
- The “Originating Receiver Firm Number” field will be populated when the following occurs:
 - The ACATS Transfer Type = PTF
 - The firm, as receiver, has indicated a third party agent on the ACATS FR Record

- The “Originating Deliverer Firm Number” field will only be populated when the following occurs:
 - The ACATS Transfer Type = PTF; and
 - The firm, as deliverer, has indicated a third party agent on the ACATS AT Record.

15. A new “Originating Receiver Customer Account Number at Firm” field will be added to the ACATS - Fund/SERV Transfer Record 018

- Add “Originating Receiver Customer Account Number at Firm” Field

The addition of this field will allow funds, in the case of a PTF scenario, to identify the customer account number that is being transferred via the ACATS. This field will allow for further transparency of the underlying account information.

Rules

- NSCC will populate the “Originating Receiver Customer Account Number at Firm” with the value from the “Original Receiver Customer Account Number” field on ACATS TI Record
- This field will only be updated on an ACATS PTF transfer when the firm is the Receiver.

All Applicable Systems

1. Create a New Social Code

- Add a new Social Code value “63 – S Corporation”