IMPORTANT NOTICE

National Securities Clearing Corporation

DTCC.
The Depository Trust &
Clearing Corporation

A#:	7244
P&S#	6814
Date:	July 13, 2011
To:	ALL PARTICIPANTS
Attention:	MANAGING PARTNER/OFFICER
	OPERATIONS PARTNER/OFFICER
	MANAGER P&S DEPARTMENT
	MANAGER DATA PROCESSING DEPARTMENT
From:	Product Management
Subject:	ACATS Modifications regarding Non-CNS ACATS Mutual Fund Transactions
	(ACATS Settlement Location 10 – Fund/SERV)

In Important Notice #A7213, P&S# 6783 dated May 19, 2011 (Revised June 8, 2011), National Securities Clearing Corporation ("NSCC") outlined modifications to the Automated Customer Account Transfer Service ("ACATS") system regarding the processing of mutual fund transactions that settle through NSCC's ACATS-Fund/SERV interface. Listed below is further information about these modifications and testing details.

I. Addition of Settle-Prep
Subject to approval from the U.S. Securities and Exchange Commission ("SEC"), NSCC will be including Settle-Prep Status 300 to any non-standard transfer that contains a mutual fund asset with a Settlement Location 10 – Fund/SERV (i.e., a Fund/SERV eligible Fund asset). This modification will affect the Partial Transfer Deliverer (PTD), Partial Transfer Receiver (PTR) and Residual Credit (RCR) **non-standard** transfer types and impacts both **Broker and Bank Members.** To support this modification, NSCC will make available testing in Participant Services Environment (PSE) beginning on August 1, 2011. Members can use their own scripts to test any of the following ways:

- By submitting transactions to accounts 0122 or 0123
- By locating another partner
- By submitting transactions to themselves

II. Settlement Category Code 007
On broker to broker transfers, NSCC will be changing the Settlement Category to which original incentive charges are applied for mutual fund assets with a Settlement Location 10 – Fund/SERV. These incentive charges will no longer be applied to Settlement Category Code 006 or 008 on the **NSCC Participant Account Statement** and will be changed to Settlement Category Code 007. This

modification will impact the **ACATS Settlement Print Image Report Autoroute #02090712.** Attached at the end of this important notice (Page 5 - Exhibit A) is a sample of this updated report. Specifically, there will be a new section at the end of this report that displays **"Totals Not Included in Net Cash 007"** and **"Totals Included in Net Cash 007"** which will now include the Fund/SERV Settlement Location only.

Please Note: Members are advised the ACATS Settlement Report <u>will not include</u> the acknowledgement reversal charges of mutual fund transactions. These will continue to be reported the same way they currently are today, which is on the ACATS Fund/SERV Statistic Report/File. There is no change to this reporting process.

III. New Failure to Settle Settlement Category Code

In a Member "failure to settle" event, a new settlement category code will be used on the NSCC Participant Account Statement when NSCC processes reversals for uncompleted mutual fund transactions of the defaulting Member. This settlement category code, which will include the reversed incentive charges of these uncompleted mutual fund transactions, is **code <u>034.</u>**

IV. Two New Mutual Fund Reversal Files

NSCC will make available two new ACATS Mutual Fund Machine Readable Output (MRO) Reversal Files specifically for mutual fund transaction reversals resulting from a Member default event. Once implemented, mutual fund transaction reversals (assets in ACATS Settlement Location 10 – Fund/SERV) will no longer be included on the existing ACATS MRO Reversal Files and **only** be reported on these two new ACATS Mutual Fund Reversal Files. Members can request to have *either or both MRO files* made available to them via their output destination identification number or through DTCC WebDirect. Once the files are implemented into production, if ACATS reversals are processed due to a future Member failure event, NSCC will not distribute details of those reversals on hard copy reports via fax or email. **Therefore, it is strongly advised to receive either or both of these MRO reversal files in case such an event occurs.**

Details about ACATS Mutual Fund MRO Reversal File

- The new production file will be Autoroute# 02091076 and the new "canned" test file will be Autoroute# 02981076. In a Member default event, only reversals of uncompleted mutual fund transactions will appear on this file
- The production file will be similar to the existing ACATS MRO Reversal File Autoroute# 02091008 (see NSCC Important Notice A# 6976, P&S# 6546 dated April 1, 2010). In a Member default event, reversals of uncompleted mutual fund transactions will no longer be processed in Autoroute# 02091008. However, the Autoroute# 02091008 file will continue to be used for CNS and other Non-CNS ACATS reversal transactions
- The file will display reversed transactions only. These transactions will appear the opposite way they were reported on the original ACATS Settlement File
- The file will be distributed at least once daily in Variable Length Format Only. In a Member default event, it can be distributed anytime after the ACATS Fund/SERV Statistic File is processed, which is currently around 11:30 a.m. eastern time daily. Additionally, it is possible NSCC could process reversals for multiple Members on a given day. A separate file may be generated for each reversal event. If no event occurs, an empty file will be distributed at end-of-day

- On the day of reversals of a defaulting Member, this file will only include the uncompleted mutual fund transactions in transfers that are ACATS Settle-Close Status 310. Mutual Fund transactions in transfers that are in ACATS Settle Prep Status 300 on the day of the reversals will not be included on that day's reversal file. NSCC will wait until the next business day, when the transfers are in ACATS Settle-Close Status 310 (and after the ACATS Fund/SERV Statistic File has been distributed), to include the uncompleted mutual fund transactions in the reversal file
- The new file format can be obtained by clicking on **"Record Layouts"** under the **Customer Resources section** on the ACATS page of DTCC's corporate website. Once in the section, it is under the tab "**Variable Record Lengths – Output Data File Formats"**. The website link to the ACATS page is http://www.dtcc.com/products/cs/equities_clearance/acats.php.

Details about ACATS Mutual Funds MRO Reversal Comma Delimited File
- The new production file will be Autoroute# 02091077 and the new test "canned" file will be Autoroute# 02981077. In a Member default event, only reversals of uncompleted mutual fund transactions will appear on this file
- The production file will be similar to the existing ACATS MRO Reversal Comma Delimited File Autoroute# 02091657 (NSCC Important Notice A# 7005, P&S# 6576 dated June 10, 2010). In a Member default event, reversals of uncompleted mutual fund transactions will no longer be processed in Autoroute# 02091657. However, the Autoroute# 02091657 file will continue to be used for CNS and other Non-CNS ACATS reversal transactions
- The file will display reversed transactions only. These transactions will appear the opposite way they were reported on the original ACATS Settlement File
- The file will be an "event driven file" only distributed when ACATS reversals are processed for a defaulting Member. No programming is required to accept and process this file. When received, this file can be saved and opened in another application (i.e. Excel) to create a customized internal report. In a Member default event, it can be distributed anytime after the ACATS Fund/SERV Statistic File is processed, which is currently around 11:30 a.m. eastern time daily. Additionally, it is possible NSCC could process reversals for multiple Members on a given day. A separate file may be generated for each reversal event.
- On the day of reversals of a defaulting Member, this file will only include the uncompleted mutual fund transactions in transfers that are ACATS Settle-Close Status 310. Mutual Fund transactions in transfers that are in ACATS Settle Prep Status 300 on the day of the reversals will not be included on that day's reversal file. NSCC will wait until the next business day, when the transfers are in ACATS Settle-Close Status 310 (and after the ACATS Fund/SERV Statistic File has been distributed), to include the uncompleted mutual fund transactions in the reversal file
- The new ACATS Reversal Comma Delimited MRO file format can be obtained by clicking on **"Record Layouts"** under the **Customer Resources section** on the ACATS page of DTCC's corporate website. Once in the section, it is under the tab "**Fixed Record Lengths – Output Data File Formats"**. It contains a header record followed by the detail record. The website link to the ACATS page is http://www.dtcc.com/products/cs/equities_clearance/acats.php.

Production Set-up
Any questions regarding the file layouts can be directed to the Enterprise Service Center (ESC) at 888-382-2721, option 6, then 7, then 2. Members that want to receive this file in production must contact the DTCC Relationship Services Group by sending an email to rmsupport@dtcc.com.

Testing

Testing for either of the two new reversal files will be made available in PSE beginning August 1, 2011. Members will need to request the appropriate "canned" Autoroute files by sending an email to the DTCC Relationship Services Group at rmsupport@dtcc.com. These "canned" files will include test data so Members may need to "massage" the data so it correlates into internal transactions they have in their system. Again the new "canned" files are as follows:

- ACATS Mutual Fund Reversal MRO File # 02981076
- ACATS Mutual Fund Reversal MRO Comma Delimited Autoroute File # 02981077

Additional Information

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

Exhibit A

Updated Autoroute# 02090712 ACATS Settlement Print Image Report Sample

```
DATE: 07/06/2011                    AUTOMATED CUSTOMER ACCOUNT TRANSFER SYSTEM                           PAGE:      1
TIME: 16:39:34                   SETTLEMENT REPORT FOR PROCESSING DATE 07/06/2011
                                        FOR SETTLEMENT ON: 07/08/2011

PARTICIPANT:  0122   TEST ACCOUNT #1

ASSET_ID        ASSET_DESCRIPTION              REC_QTY           DEL_QTY           DEBIT_AMT          CREDIT_AMT   V/F
CONTROL_NUM     TYPE    SEQ   CONTR_PART   TRADE_DATE

----- CNS -----

US111222333001 TEST CUSIP#1                                        40               584.16                         USD F
               SH BEN INT
2011182-0000001 FUL 000001      0123

----- FUND/SERV -----

US123456789001 TEST CUSIP#2                   6.8780                                                  100.47 USD V
               CL A
2011182-0000001 FUL 000002      0123

US987654321001 TEST CUSIP#3                   9.7650                                                  115.02 USD F
               CL A
2011182-0000002 FUL 000002      9901


----- CASH BALANCE -----

          CREDIT CASH BALANCE                                                     200.00                         USD V
201182-0000001 FUL 000003      0123
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D DATE: 07/06/2011                  AUTOMATED CUSTOMER ACCOUNT TRANSFER SYSTEM                           PAGE:      2
 TIME: 16:39:34                  SETTLEMENT REPORT FOR PROCESSING DATE 07/06/2011
                                        FOR SETTLEMENT ON: 07/08/2011

PARTICIPANT:  0122   TEST ACCOUNT #1

ASSET_ID        ASSET_DESCRIPTION              REC_QTY           DEL_QTY           DEBIT_AMT          CREDIT_AMT
CONTROL_NUM     TYPE    SEQ   CONTR_PART   TRADE_DATE

----- TOTALS NOT INCLUDED IN NET 006 CASH -----

                        CNS                                       40               584.16                         USD

                        SUBTOTAL                                                   584.16

                        NET                                                        584.16

----- TOTALS INCLUDED IN NET 006 CASH -----

                        CASH                                                       200.00                         USD

                        SUBTOTAL                                                   200.00

                        NET                                                        200.00

----- TOTALS NOT INCLUDED IN NET 007 CASH -----

                        FUND/SERV            9.7650                                                   115.02 USD

                        SUBTOTAL                                                                      115.02

                        NET                                                                           115.02

----- TOTALS INCLUDED IN NET 007 CASH -----

                        FUND/SERV            6.8780                                                   100.47 USD

                        SUBTOTAL                                                                      100.47

                        NET                                                                           100.47
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