

A#: 8113
P&S# 7688
DATE: NOVEMBER 6, 2015
TO: ALL PARTICIPANTS
ATTENTION: MANAGING PARTNER/OFFICER; P&S MANAGER, CASHIER; OPERATIONS MANAGER; MANAGER, DATA PROCESSING MANAGER, IT MANAGER
FROM: PRODUCT MANAGEMENT
SUBJECT: UTC FORMAT AND PROCESSING CHANGES FOR EXCHANGE-TRADED MANAGED FUNDS, SUCH AS NEXTSHARES

NSCC plans to make the following processing changes to accommodate trading in exchange-traded managed funds, such as NextShares, which facilitate active management for exchange traded funds. NextShares will be the first to be processed under this model and are expected to begin trading in the first half of 2016.

The following changes will impact UTC clearing firm output and submissions for executing markets that trade exchange-traded managed fund securities.

UTC Format Changes

NSCC plans to add new values within current fields, as specified below.

Field	Impact	UTC FIX tag	UTC MRO position	Current Values	Additional Value
Reversal/correction indicator	Input to NSCC only	487	1	0 = New Trade 2 = Replace (correct) 4 = Reverse (cancel)	1 = Report only (to NSCC) <ul style="list-style-type: none"> Transactions do not get sent downstream to settlement or to clearing firms
Security type indicator	Input and Clearing Firm Output	460	30-31	3 = Corporate* 5 = Equity* 11 = Municipal* 12 = Other* 14 = UIT* 15 = Call 16 = Put 17 = Future 18 = Narrow-based Future *Values not eligible for input	19 = Exchange Traded Managed Funds

Processing Flow

The general clearance flow for exchange-traded managed funds will be two-part.

1) A transaction will be entered and accepted by the exchange during the day at an intraday indicative value price. This initial transaction will be submitted to NSCC as report only and will not be distributed with clearing firm output.

2) At the end of the day, a final NAV will be calculated and the transaction details will be finalized. At this point a second transaction, with a separate UTC trade sequence number, will be sent to UTC as a new trade by the submitting exchange. This transaction will be processed as all current UTC transactions, including being subject to appropriate risk management and margin charges.

Each step in the transaction flow is outlined below.

Intraday report only input:

- Reversal/Correction indicator = 1 (report only)
- Security type = 19 (exchange-traded managed funds)

Intraday report only output:

- None

End of day (approximately 6:30 EST) final input

- Reversal/Correction indicator = 0 (new trade)
- Security type = 19 (exchange-traded managed funds)

End of day (approximately 6:30 EST) final output

- Reversal/Correction indicator = 0 (new trade)
- Security type = 19 (exchange-traded managed funds Funds)

Special notes:

- The report only input and final input must contain separate trade sequence numbers (tag 571)
- The report only input and final input will count as two separate items in UTC end of day totals.

Testing

NSCC anticipates a testing period during which NASDAQ will send transactions to NSCC and clearing firm output will be produced. NSCC also plans to create canned test output transactions.

For information about Exchange-Traded Managed Funds

NASDAQ trading of NextShares exchange-traded managed funds

<http://www.nasdaqtrader.com/TraderNews.aspx?id=ETU2015-2>

NextShares

<https://www.nextshares.com/>

Questions

For questions related to this notice please contact your Relationship Manager or the undersigned at tgarrett@dtcc.com.

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