| A#: | 8667 |
|---|---|
| **P&S:** | 8242 |
| **Date:** | **January 18, 2019 –** 1<sup>st</sup> Revision **March 14, 2019** |
| **To:** | **ALL AIP MEMBERS** |
| **From:** | **WEALTH MANAGEMENT SERVICES – ALTERNATIVE INVESTMENT PRODUCT SERVICES** |
| **Attention:** | **ALTERNATIVE INVESTMENT RELATIONS**<br>**ALTERNATIVE INVESTMENT OPERATIONS**<br>**ALTERNATIVE INVESTMENT CUSTODY** |
| **Subject:** | **AIP TO SUPPORT THE TRANSMISSION OF MULTIPLE FUND ACKNOWLEDGEMENTS FOR REDEMPTION PROCESSING & TENDER OFFER ENHANCEMENTS** |

Effective **Friday, April 5, 2019** National Securities Clearing Corporation (NSCC) will implement enhancements to the Alternative Investment Product Services ("AIP") into Production. AIP is scheduled to migrate the new coding and field(s) into Production on Thursday, April 4, 2019 **after** the 7:00pm (ET) End of Day Processing Cycle.

AIP will enhance the service to provide funds with the ability to transmit **multiple** Fund Acknowledgement records on a Firm Initiated Redemption Order. This new functionality will allow the funds to push out the settlement date on the 005 – Fund Acknowledgement of Firm Order, when there is no price to calculate the shares. A new field will be added to the 005 – Fund Acknowledgement of Firm Order record called 'Re-acknowledgement Indicator', which will allow both parties to identify the additional version(s) of the Fund Acknowledgement records. The Fund will still be required to transmit a 007 – Fund Confirmation record to finalize the Redemption Order via the AIP Service, before SD-1 in the last AIP cycle (98). Please note that the new functionality does <u>not</u> apply to purchase or capital call Orders.

In addition, AIP has relaxed the validation rules on the <u>Tender Offer Subject to Holdback Indicator</u> and <u>Tender Offer Oversold Indicator</u> on the 007 – Fund Confirmation record. These two (2) fields were previously required if the Transaction Code is a Partial Redemption, however there are several securities that do not offer 'holdbacks. As a result, DTCC will modify these fields from 'required' to 'optional' on the 007 – Fund Confirmation record.

<sup>1</sup>Please see the AIP Multiple Fund Acknowledgement & Tender Offer Enhancement Document that is posted to the web at www.dtcc.com/aip for futher details.

DTCC Public (White)

Below is a comprehensive description of this enhancement.  In addition, we have provided a link to the new Data Dictionary 16.1 that identifies the impacted record(s), fields and values as part of this release.  The updated Data Dictionary will be posted to the AIP website on or about February 22, 2019.

# AIP Enhancement Summary
(Mainframe, Web and Portal Users)

## 1.  005 – Fund Acknowledgement of Firm Order Enhancement

- o  **Remove Filler field and add new field name, value, description, condition, validation rule and reject code**
  - ▪ **Add New Field Name:  Re-acknowledgement Indicator**
  - ▪ **Add New Field length:  1 byte**
  - ▪ **Add New Condition:  Optional Conditional**
  - ▪ **Add New Type:  A/N – Alpha/Numeric**
  - ▪ **Add New NSCC Reject Code/Message – 0236 = Re-acknowledgement Indicator missing/invalid**
  - ▪ **Add New Value and Description:**
    - o **Space = First Acknowledgement**
    - o **C-Z = Re-acknowledgement Indicator Values**
    - o **For the first Re-acknowledgement, the Indicator must begin with "C" and for each subsequent Re-acknowledgement the indicator must be greater than the previous Re-acknowledgement Indicator in sequential order**

| Field Name | Start | End | Length | Type | Opt/Req | Values |
|---|---|---|---|---|---|---|
| **Current Order Acknowledgement-Reject-Exit Record (003, 004, 005, 006, 009, 010, 036, 037, 038)** | | | | | | |
| Filler | 85 | 85 | 1 | A/N | R | |
| **New Order Acknowledgement-Reject-Exit Record (003, 004, 005, 006, 009, 010, 036, 037, 038)** | | | | | | |
| Re-acknowledgement Indicator | 85 | 85 | 1 | A/N | OC | Required for record type (005=Fund Acknowledgement of Firm Order) if the Transaction Code is:<br>• 03 – Partial Redemption Request<br>• 04 – Full Redemption Request<br><br>(Otherwise this field is not allowed to be populated)<br><br>Space = First Fund Acknowledgement of Firm Order<br>C-Z = Re-acknowledgement Values<br><br>For the first Re-acknowledgement, the Indicator must begin with "C" and for each subsequent Re-acknowledgement the indicator must be greater than the previous Re-acknowledgement Indicator in sequential order |

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# Fund Acknowledgement of Firm Order additional functionality

- The new Re-acknowledgement Indicator is <u>not</u> allowed to be populated for any other record type except the 005 – Fund Acknowledgement of Firm Order

- After the first Acknowledgment, the fund is allowed to send <u>multiple</u> acknowledgement records to push out the settlement date

- After the first Acknowledgement, the fund CANNOT send a reject

- Exits, Corrections and Confirmations will follow the current logic

- After receiving a Correction or Confirmation, AIP will <u>not</u> allow a Fund Acknowledgement of a firm order to be transmitted

- The multiple acknowledgement functionality for record type 005 – Fund Acknowledgement of a firm Order will only be allowed for the following 'transaction types'
  03 – Partial Redemption Request
  04 – Full Redemption Request

- If a 'Re-acknowledgement' is sent on any of the 'transaction types' below, it will be rejected
  01 = Initial purchase
  02 = Subsequent purchase
  05 = Capital Call

- The new Re-acknowledgement Indicator is <u>not</u> allowed to be populated on the following record types:
  003 = Firm Acknowledgement of Fund Order
  004 = Firm Reject of Fund Order
  006 = Fund Reject of Firm Order
  009 = Firm Exit of Order
  010 = Fund Exit of Order
  036 - Fund Acknowledgement of Prepaid Order
  037 - Fund Reject of Prepaid Order
  038 - Firm Exit of Prepaid Order

- The Excel Macro will be modified to allow the fund to transmit multiple Acknowledgements for record type 005 – Fund Acknowledgement of Firm Order

- The Excel Macro will be modified to support the new Re-acknowledgement Indicator on the 005 – Fund Acknowledgement of Firm Order

- The Data Dictionary will be modified to support the new Re-acknowledgement Indicator on the 005 – Fund Acknowledgement of Firm Order

Remove validation for Tender Offer Subject to Holdback Indicator and Tender Offer Oversold Indicator

## 2. 007 – Order Correction-Confirmation Enhancement

- o **Impacted Records:**
    - o **007 – Confirmation**
    - o **008 – Correction**
    - o **040 – Prepaid Confirmation**
    - o **041 – Prepaid Correction**
    - o **042 – Contract Note**

- o **Remove condition and validation rule for Tender Offer Subject to Holdback Indicator**
    - ▪ **Change Condition:  Optional**
    - ▪ **Change Values and Descriptions:**
        - o **0 = No**
        - o **1 = Yes**
    - ▪ **Core, Data Dictionary, Excel Macro**

| Field Name | Start | End | Length | Type | Opt/Req | Values |
|---|---|---|---|---|---|---|
| **Current Order Correction-Confirmation Record (007, 008, 040, 041, 042)** | | | | | | |
| Tender Offer Subject to Holdback Indicator | 821 | 821 | 1 | A/N | OC | Required on Confirmation records when Transaction Code = 3<br>0 = No<br>1 = Yes |
| **New Order Correction-Confirmation Record (007, 008, 040, 041, 042)** | | | | | | |
| **Tender Offer Subject to Holdback Indicator** | **821** | **821** | **1** | **A/N** | **O** | **0 = No**<br>**1 = Yes** |

- o **Remove condition and validation rule for Tender Offer Oversold Indicator**
    - ▪ **Change Condition:  Optional**
    - ▪ **Change Values and Descriptions:**
        - o **0 = No**
        - o **1 = Yes**
    - ▪ **Core, Data Dictionary, Excel Macro**

| Field Name | Start | End | Length | Type | Opt/Req | Values |
|---|---|---|---|---|---|---|
| **Current Order Correction-Confirmation Record (007, 008, 040, 041, 042)** | | | | | | |
| Tender Offer Oversold Indicator | 863 | 863 | 1 | A/N | OC | Required if Transaction Code = 3<br>0 = No<br>1 = Yes |
| **New Order Correction-Confirmation Record (007, 008, 040, 041, 042)** | | | | | | |
| **Tender Offer Oversold Indicator** | **863** | **863** | **1** | **A/N** | **O** | **0 = No**<br>**1 = Yes** |

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## 3. NSCC Reject Codes/Descriptions

One New Reject Code will be added to the NSCC Reject Reason Code list in Data Dictionary 16.1.

| NSCC Reject Reason Codes | |
|---|---|
| **NSCC Reject Code** | **New Description** |
| **0236** | **Re-acknowledgement Indicator missing/invalid** |

**Testing**

Effective **Friday, March 8, 2019** participants can begin testing these AIP Enhancements in the first AIP cycle of the day at 9:00am (ET).

**Participants are encouraged to test and must contact AIP Product Management before testing begins for proper setup in the PSE region. AIP Product Management should be contacted at least three (3) days prior to testing.**

**Documentation**

The updated AIP Industry Document & Data Dictionary 16.1 (Record Layouts) will be available on or about February 22, 2019 on DTCC's Wealth Management Services website located under the PSE Enhancements Section of the AIP website http://www.dtcc.com/aip . In addition, all impacted records, fields and values will be highlighted in 'red' in Data Dictionary 16.1 for your review.

The record and field format information provided within this Important Notice is for informational purposes only and does not constitute the final Record Layouts. NSCC reserves the right to make additional changes to the Record Layouts prior to implementation.

Questions and comments regarding this Important Notice may be directed to Michelle McLean at 212-855-2443.

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