

<b>A#:</b>	9038
<b>P&amp;S:</b>	8611
<b>Date:</b>	AUGUST 11, 2021
<b>To:</b>	ALL ACATS AND AIP PARTICIPANTS
<b>From:</b>	ACATS PRODUCT MANAGEMENT, DTCC EQUITIES CLEARING
<b>Attention:</b>	DIRECTOR OF OPERATIONS, ACCOUNT TRANSFERS DEPARTMENT, MUTUAL FUND OPERATIONS, P&S DEPARTMENT, ALTERNATIVE INVESTMENT RELATIONS ALTERNATIVE INVESTMENT OPERATIONS ALTERNATIVE INVESTMENT CUSTODY
<b>Subject:</b>	ACATS ALTERNATIVE INVESTMENT RECEIVER DELETE ENHANCEMENT

This notice serves as a first announcement of an ACATS change that will expand the receiver delete functionality to allow for removal of alternative investments when applicable. Alternative investments are generally investments that do not fit into one of the conventional asset categories, including hedge funds, fund of funds, private equity, non-traded REITs, and business development companies.

This enhancement, which was approved by the SIFMA Customer Account Transfer (CAT) Forum Leadership Committee and the AIP Roundtable (responsible for driving AIP initiatives), will enable the receiving firm to delete any asset that is identified as ALT in the asset category field. Per industry analysis, alternative investments are considered third party assets and should have the same asset delete capability that currently exists for mutual funds and annuities. This change is under regulatory review to determine if any potential rule changes must occur prior to implementation. Any rule change may impact the final implementation date.

The primary reason for this change is to address the manual process that often follows the inclusion of alternative investments via ACATS. As communicated by the industry, alternative investment (AI) assets included in an ACATS transfer generate a Receive and Deliver (R&D) ticket instructing firms to complete the AI component(s) of the transfer outside of the ACATS process. The next step is generally for the delivering firm to generate physical transfer paperwork and send it to the receiving firm (often via the Envelope Settlement Service) to deliver the asset. Some of these assets end up getting rejected by the receiving firm because there is not a contract in place with the issuer or because the asset is otherwise ineligible to be held in the receiving account. Depending on firm operational structure, the reject process to return paperwork back to the delivering firm can have multiple touchpoints and paperwork handoffs, resulting in processing delays. In addition to the manual paperwork inefficiencies, ACATS assesses an incentive charge as a result of an R&D ticket that then must be cleaned up post ACATS. The ability to receiver delete these assets in the ACATS system will reduce the cases in which transfer paperwork is mailed unnecessarily and enable the account owner a more immediate status of their alternative investments.

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**Industry Requested Enhancement (pending regulatory approval):**

1. Change receiver delete validation to make existing asset category code ALT a valid asset category for receiver asset delete.
  - a. ALT will be an accepted value for asset delete by receiver on file transmissions.
  - b. ALT will be available on the asset category drop down in the transaction input screen for asset delete.
2. Follows the same rules as the current asset delete categories for mutual funds and annuities (MFNM, MFMM, ANNU).
  - a. Available for transfer types: FUL, PTR, PTD and RCR.
  - b. When ALT is deleted, the transfer will progress to 240–Review Adjust Receiver Accelerate status. At the end of the business day, the status changes to the 300–Settle Prep status for full transfers (FUL) or 300–Settle Prep and/or 310–Settle Close for non-standard transfers (PTR,PTD,RCR).
  - c. If the receiver submits an asset delete instruction in the same cycle as a deliverer submitted an asset add or change instruction for a different asset, the transfer moves to 210–Review Adjust Deliverer status to give the receiver time to review the change.
  - d. If the receiver and deliverer submit a change for the same asset in the same cycle, ACATS accepts the receiver’s input and moves the transfer to the 240–Review Adjust Receiver Accelerate status. This rule is in place because it does not matter whether the deliverer adjusts or deletes this asset, the receiver cannot accept it.
  - e. The cutoff time for a receiver change or delete is 4:00 P.M. Eastern Time (cycle 11).

**Schedule (targeted):**

PSE/Test – May 2022 Production – June 2022

**Documentation:**

All documentation related to ACATS can be found at [dtcclearing.com](http://dtcclearing.com)

<https://dtcclearing.com/products-and-services/equities-clearing/automated-customer-account-transfer-service-acats.html>

Website registration is required for access to this documentation.

**Additional Information:**

A copy of this Important Notice can be obtained from the website of NSCC’s parent corporation, The Depository Trust & Clearing Corporation, at <http://www.dtcc.com>. If you have any questions regarding this notice, please contact your DTCC Relationship Manager.

Craig Gurien,  
Product Manager, ACATS