

IMPORTANT NOTICE

National Securities Clearing Corporation



A#6291

P&S #5861

DATE: August 21, 2006

TO: ALL PARTICIPANTS

ATTENTION: MANAGING PARTNER/OFFICER, OPERATIONS PARTNER/OFFICER, DIRECTOR OF OPERATIONS, MANAGER CUSTOMER ACCOUNT TRANSFER DEPARTMENT, MANAGER MARGIN DEPARTMENT, DATA PROCESSING MANAGER,

FROM: Bill J. Kapogiannis

SUBJECT: ACATS Enhancements – Q4 2006

I. ACATS Enhancements

National Securities Clearing Corporation (NSCC) in its continuing effort to bring greater efficiency to the Automated Customer Account Transfer Service (ACATS) announces changes to the existing ACATS functionality scheduled for production implementation on **December 11, 2006**. Participants are expected to make the necessary changes to support these modifications. The enhancements are as follows:

- Add new account type codes and modify existing code description
- Add new gift/donation indicator for PTD transactions
- Add new values for settling location '45' (memo)

Account Type Modifications

Adding the following account types will help support system driven tax reporting for clients. It will also ensure that the correct account transfer occurs based on the account type indicator submitted in ACATS. The following are the changes to the customer account type data field:

New codes to be added:

- BR = Beneficiary Roth IRA
- BI = Beneficiary
- 4B = 403B
- 7B = 457 Plan
- HS = Health Savings Account
- 5P = 529 Plan

Change description on existing code:

- EI = Coverdell IRA (Name change from educational IRA account)

Input Modifications:

- ACATS Transfer Input – Variable Record Length, Datatrak #36667
- ACATS Transfer Input – Fixed Record Length, Datatrak #32667

Output Modifications:

- Multi-Cycle Transaction MRO, AutoRoute 02090716 & End-of-Day Transaction MRO, AutoRoute 02090717 (Variable Record Length)
- Multi-Cycle Transaction MRO, AutoRoute 02090722 & End-of-Day Transaction MRO, AutoRoute 02090723 (Fixed Record Length)
- ACATS Position MRO, AutoRoute 02090718 (Variable Record Length)
- ACATS Position MRO, AutoRoute 02090724 (Fixed Record Length)
- ACATS Settlement MRO, AutoRoute 02090719 (Variable Length)
- ACATS Settlement MRO, AutoRoute 02090725 (Fixed Record Length)
- ACATS Interface Rejects MRO, AutoRoute 02090721 (Variable)
- ACATS Interface Rejects MRO, AutoRoute 02090727 (Fixed)
- ACATS Fund/SERV Statistics MRO, AutoRoute 02090720 (Variable)
- ACATS Fund/SERV Statistics MRO, AutoRoute 02090726 (Fixed)
- ACATS Insurance Statistics MRO, AutoRoute 02091489 (Variable)
- ACATS Insurance Statistics MRO, AutoRoute 02091499 (Fixed)

New Gift Donation Indicator for PTD's

Partial Transfer Deliverer (PTD's) is often used for gifts or donations of securities/cash. Currently when the receiving firm receives a PTD from the deliverer there is no way to tell if this security movement was intended to be "alike to like" account transfer or if the request was intentionally moved to a third party receiver. In many cases the receiver will reject the transfer request for account type mismatch because the receiver did not understand the intention of the delivering firm. The creation of a new indicator for gifting/donation purposes will help the contra party identify these types of transfers.

Required Changes:

A new field will be added to TI input record for transfer type PTD. The description of this field will be Gift/Donation Indicator. The values will be as follows:

- 0 = No, transfer is not a gift/donation
- 1 = Yes, transfer is a gift/donation

Input Modifications:

ACATS Transfer Input – Fixed Record Length, Datatrak #32667

- Use filler field record 3, byte 18
- Bytes 19-20 will remain a filler

ACATS Transfer Input – Variable Record Length, Datatrak #36667

- Use filler field byte 153
- Bytes 154-155 will remain a filler

Output Modifications

- Multi-Cycle Transaction MRO, AutoRoute 02090716 & End-of-Day Transaction MRO, AutoRoute 02090717 (Variable Record Length) – *Status (byte 101), T-Output (byte 278)*

- Multi-Cycle Transaction MRO, AutoRoute 02090722 & End-of-Day Transaction MRO, AutoRoute 02090723 (Fixed Record Length) – *Status (record 2, byte 30), T-Output (record 5, byte 18)*
- ACATS Position MRO, AutoRoute 02090718 (Variable Record Length) *T-Output (byte 257)*
ACATS Position MRO, AutoRoute 02090724 (Fixed Record Length) - *T-Output (record 5, byte 18)*
- ACATS Settlement MRO, AutoRoute 02090719 (Variable Record Length) - *T-Output (byte 257)*
- ACATS Settlement MRO, AutoRoute 02090725 (Fixed Record Length) - *T-Output (record 5, byte 18)*

Add new values for settling location ‘45’ (memo)

REG T Violations/90-day Restrictions

Currently there is no standard way to pass restriction information within ACATS to the contra party. Most brokers end up passing the details through the comments-field. Unfortunately not having the data in a standard field and format makes the information difficult to obtain by the receiving firm. This enhancement will provide the receiving firm with the ability to gather restrictive information from ACATS and enable them to be in compliance of Rule 431. The following values will be established for these restricted transfers:

Required Changes:

Add the following values for settling location ‘45’ (memo) to the Requested Settling Location Reason Code Data field on the asset (AT) input record.

New Requested Settling Location Reason Codes – for settling location ‘45’ (memo)

REG T Violations

1LIQ = Liquidation # 1 (Create Date Required)

2LIQ = Liquidation # 2 (Create Date Required)

FLIQ = Final Liquidation (Create Date Required)

FEXT = Finalized for extensions by the NYSE (Expiration Date Required)

REGT = REG T Calls (Create Date & Amount Required)

90-Day Restrictions

90DR = 90-day restriction (Expiration Date Required)

90DT = 90-day, Day trade restriction (Expiration Date Required)

Informational (No dates required/Optional)

PDT = Pattern Day Trader

Note: The above values are valid for settling location 45 (memo) only. Submitter must also provide date (CCYYMMDD) in the asset comments field when the above Requested Settling Location Reason Codes are used. ACATS will edit the first 8 digits of the asset comments field (must be valid calendar date). If date is invalid, a “Hard” reject will be processed for the memo entry.

Output Modifications:

- Multi-Cycle Transaction MRO, AutoRoute 02090716 & End-of-Day Transaction MRO, AutoRoute 02090717 (Variable Record Length)
- Multi-Cycle Transaction MRO, AutoRoute 02090722 & End-of-Day Transaction MRO, AutoRoute 02090723 (Fixed Record Length)
- ACATS Position MRO, AutoRoute 02090718 (Variable Record Length)
- ACATS Position MRO, AutoRoute 02090724 (Fixed Record Length)
- ACATS Settlement MRO, AutoRoute 02090719 (Variable Length)
- ACATS Settlement MRO, AutoRoute 02090725 (Fixed Record Length)

II. Participant Testing

Beginning November 13, 2006, testing for these enhancements will be accommodated in the Participant Services Environment (PSE) region. Participants wishing to test must contact the Enterprise Service Center (ESC) by calling the NSCC Production Support Hotline at 212-855-1144, option 5, option 2. To ensure proper set up for the PSE region, it is requested that at least three days prior notice be provided to ESC.

III. PC Web Direct Changes

Changes supporting the outlined modifications will also be made on PC Web Direct. Firms will have the updated values and fields available on the Full Transfer, Partial Transfer Deliverer (PTD) and Asset input screens.

IV. Additional Information

Complete versions of all ACATS file formats can be obtained from the ACATS web site <http://acats.nsc.com> and from the NSCC's file formats web site <http://formats.nsc.com> in the appropriate ACATS section. ACATS Important Notices can be obtained from NSCC's ACATS web site <http://acats.nsc.com> in the Important Notice section. If you have any questions regarding these ACATS modifications, please contact your DTCC Relationship Manager, or the undersigned at (212) 855-5667.

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