

IMPORTANT NOTICE

National Securities Clearing Corporation



A#6295

P&S #5865

DATE: August 29, 2006
TO: ALL PARTICIPANTS

ATTENTION: MANAGER MUTUAL FUNDS OPERATIONS,
MANAGER DATA PROCESSING, MANAGER
CASHIERS, MANAGER P&S DEPARTMENT
FROM: DISTRIBUTION SERVICES - MUTUAL FUNDS
SUBJECT: ENHANCEMENTS TO NSCC MUTUAL FUND
SERVICES - REVISED

*Please note that certain information previously announced in NSCC Important Notice A#6272 (P&S#5842) dated July 17, 2006, has been modified as detailed below. Modified information appears on the attached revised NSCC Important Notice as **red text**.*

Testing in the Participant Services Environment (PSE) region on mainframe and PC Web Direct has been moved to **Monday, November 6, 2006**. Implementation was originally scheduled for PSE on November 13, 2006. Migration to production remains **Monday, November 20, 2006**.

Fund/SERV and Networking Enhancements

The two new values for the **Fund Account Indicator** did not include the word "**Account**" in the field name. The correct values are:

- 4 = New Account – US Tax Resident Living Abroad**
- 5 = Existing Account – US Tax Resident Living Abroad**

The current values were listed incorrectly. Below are the correct values.

Current values are:

- 0 = New Account - Domestic**
- 1 = New Account - Foreign**
- 2 = Existing Account – Domestic**
- 3 = Existing Account – Foreign**

The editing rules have also been corrected for the two new Fund Account Indicators.

Value 4 will be processed like value 0 (New Account – Domestic)

Value 5 will be processed like value 2 (Existing Account –Domestic)

PCWeb Direct – Fund/SERV Redemption Orders

The original notice incorrectly listed when PCWeb Direct would issue a warning message to prevent a participant from fully liquidating a mutual fund account or position. The list includes:

- full redemption order
- entire sell (on the “**FROM**” side) of an Exchange
- correction (either Pre or Post Settlement)

IMPORTANT NOTICE

National Securities Clearing Corporation



A#6272
P&S #5842
DATE:
TO:

REVISED

JULY 17, 2006
ALL PARTICIPANTS

ATTENTION: MANAGER MUTUAL FUNDS OPERATIONS,
MANAGER DATA PROCESSING, MANAGER
CASHIERS, MANAGER P&S DEPARTMENT
FROM: DISTRIBUTION SERVICES - MUTUAL FUNDS
SUBJECT: ENHANCEMENTS TO NSCC MUTUAL FUND
SERVICES

Effective Monday, November 20, 2006, National Securities Clearing Corporation (NSCC) will be implementing changes to several of its mutual fund systems. Please note that some of these enhancements are required, while others are optional. Below are the modifications, along with the application and records that are impacted.

I. Direct Networking Modifications

NSCC introduced Direct Networking in March of 2005 as part of Client Data Share, to assist broker/dealers with their books and records requirements. To refine the application based on usage related issues, modifications are outlined below.

1. The **NSCC Clearing Fund Member Number** (NSCC participant number) will be added to the Fund Conversion record (Record Type F51) in Networking.

Adding the fund number to the F51 record will allow executing firms to recognize the fund family without a CUSIP cross-reference table.

Affected will be the mainframe input and output Networking record layouts. The NSCC Clearing Fund Member Number will be optional on input for the funds. Networking will automatically populate the field on the output records going to the firms. The standard 4-digit numeric field will occupy available filler space on the first sequence record of the fixed record layouts.

2. Three (3) existing optional fields on the Networking Fund Conversion records (Record Type F51) will now be **REQUIRED**. The fields are:

- Social Code
 - EIN/SS Number
 - EIN/SS Number Indicator
3. The name of the existing **Executing Broker** field on the Networking Firm and Fund Conversion records (Record Types B/T/50, B/T/F51) will be changed to **Agent for Firm**. The characteristics of the field will be unchanged. It will remain an optional four digit alphanumeric field on the ninth sequence record of the fixed record layouts.
 4. The **Agent for Firm** field will be added on four (4) Networking records using available filler space.

This added value will allow clearing firms to accept and identify files for their correspondent firms. The Record Types are:

- Activity Detail Record (F55)
 - Position Header Record (F57)
 - Dividend Header Record (F61)
 - Capital Gain Header Record (F62)
5. A new indicator, **Returned from Post Office (RPO)** will be added to the first sequence record of the Networking Fund and Firm Conversion records (Record Types B/T/50/B/T/F/51) using available filler space.

The addition of this indicator to the F51 record will identify an account with a possible bad address on the records of the fund family.

The RPO Indicator will be an optional one digit alphanumeric field with the following values:

0 = N/A

1 = Returned from Post Office

PCWeb Direct screens and reports and mainframe input and output record layouts will reflect this new indicator.

II. Networking Transfers and Mass Broker to Broker Conversions

The NSCC Control Number format on the Broker Transfer and Fund Acknowledgement records (Record Types B52/F53 respectively) will change from NYJJJnnnnnn to JJJnnnnnnnn.

This will allow up to 99,999,999 transactions to be processed in a day as opposed to the current 999,999 transactions.

JJJ = Three digit Julian Date

n = NSCC assigned unique number

For further information regarding the Control Number algorithm, refer to the Networking Technical Manual on the Mutual Fund Service website at <http://funds.dtcc.com>

III. Fund/SERV and Networking Enhancements

Two new values (in **BOLD** type) for **Fund Account Indicator** will be added to the current four values:

- 4 = New Account – US Tax Resident Living Abroad**
- 5 = Existing Account – US Tax Resident Living Abroad**

Current values are:

- 0 = New Account - Domestic**
- 1 = New Account - Foreign**
- 2 = Existing Account – Domestic**
- 3 = Existing Account – Foreign**

The addition of these values will allow a fund to reliably distinguish between Domestic, Foreign, and Tax Resident Living Abroad, and whether an account is new or existing.

The editing rules for the Fund Account Indicator's two new values are:

- Value 4 will be processed like value 0 (New **Account** – Domestic)
- Value 5 will be processed like value **2** (Existing **Account** – Domestic)

Fund/SERV Record Types affected are:

- Regular Order (001)
- As-Of Order (004)
- Confirmation (005)
- Re-Confirmation (006)
- Fund-Originated Order (007)
- Fund-Originated As-Of Order (009)
- Post Settlement Cancellation by Fund (140)
- Full Registration (401)
- ACATS – Fund/SERV (018)
- Corrections (003)
- Correction Confirmations (025)
- Post Settlement Correction by Fund (026)

Networking Record Types affected are:

Firm and Fund Conversions (B/T/50/B/T/F/51)

PCWeb Direct screens and reports and mainframe input and output fixed, variable and MQ records will reflect these new values.

Please note: Currently the Networking Conversion record layouts describe the Fund Account Indicator as an optional field for “Fund/SERV” purposes only. With this change, the field will now become required on Record Types B/T/50. It will also become required on the B/T/F51 when the Country of Origin, State of Sale or Withholding Indicator is populated.

IV. Fund/SERV - Redemption Fee Waiver Indicator

Two new values (in **BOLD** type) for the **Redemption Fee Waiver Indicator** field have been added to the current values on Fund/SERV and Defined Contribution Clearance & Settlement (DCC&S) records:

G = Divorce / QDRO

H = Plan fees

Current values are:

1 = STR waiver due to correction

2 = Death

3 = Disability

4 = Mandatory distribution

5 = Systematic withdrawal

6 = Defined contribution

7 = Hardship

8 = Auto Rebalance

9 = DC – Termination Distribution

A = DC – Involuntary Distribution

B = DC – Forfeitures

C = DC – Loans

D = DC – Excess Contributions

E = Wrap Program

F = Fund of Funds

Fund/SERV Record Types affected are:

Regular Order (001)
As-Of Order (004)
Confirmation (005)
Re-Confirmation (006)
Fund-Originated Order (007)
Fund-Originated As-Of Order (009)
Post Settlement Cancellation by Fund (140)
Corrections (003)
Correction Confirmations (025)
Post Settlement Correction by Fund (026)
Exchange Orders (015)
Exchange Confirmations (016)
Exchange Re-Confirmations (017)
Post Settlement Exchange Cancellation (021)

PCWeb Direct screens and reports and Fund/SERV mainframe fixed, variable and MQ input and output record formats will reflect the new values.

V. Fund/SERV Transactions

Two new codes for Fund/SERV and DCC&S will allow fund companies to communicate why an order was processed at NAV rather than at the requested breakpoint.

1. A new value (in **BOLD** type) for the **NAV Reason Code** field has been added to the current values on Fund/SERV:

D = De minimis Amount Processed at NAV.

Current values are:

0 = Other
1 = Net asset value transfer
2 = Repurchase
3 = Employee
4 = Error correction
5 = Wrap fee account
6 = NAV commissionable
7 = Commissionable defined contribution plan
8 = Non-commissionable defined contribution plan
9 = Section 529 Account - Qualified State Tuition Program
A = Dividend reinvestment trade
B = Trust Company NAV per Agreement
C = Refer to Asset Type Indicator

Fund/SERV Record Types affected by NAV Reason Code are:

Regular Order (001)
As-Of Order (004)
Confirmation (005)
Re-Confirmation (006)
Fund-Originated Order (007)
Fund-Originated As-Of Order (009)
Post Settlement Cancellation by Fund (140)
Corrections (003)
Correction Confirmations (025)
Post Settlement Correction by Fund (026)
Exchange Order (015)
Exchange Confirmations (016)
Exchange Re-Confirmations (017)
Post Settlement Exchange Cancellation (021)

2. A new value (in **BOLD** type) to the **Breakpoint Change Reason Code** field has been added to the current values on Fund/SERV:

7 = Amount Processed at NAV

Current values are:

1 = ROA value at fund
2 = LOI at fund
3 = The higher of cost or market value at fund
4 = Jumbo Pricing
5 = Wrap Account
6 = NAV Account

Fund/SERV Record Types affected by the Breakpoint Change Reason Code are:

As-Of Order (004)
Confirmation (005)
Re-Confirmation (006)
Fund-Originated Order (007)
Fund-Originated As-Of Order (009)
Post Settlement Cancellation by Fund (140)
Corrections (003)
Correction Confirmations (025)
Post Settlement Correction by Fund (026)
Exchange Confirmations (016)
Exchange Re-Confirmations (017)
Post Settlement Exchange Cancellation (021)

PCWeb Direct screens and reports and Fund/SERV mainframe fixed, variable and MQ input and output record formats will reflect the new values.

VI. PCWeb Direct – Fund/SERV Redemption Orders

NSCC has placed a new edit on some of its PCWeb Direct Fund/SERV screens.

The web application will now warn clients when they are about to fully liquidate a mutual fund account or position. A warning message will appear on the screen when the participant enters either a

- full redemption order
- entire sell (on the **“FROM”** side) of an Exchange
- correction (either Pre or Post Settlement)

VII. Profile - Distribution (Record Type 045):

Year-End Tax Reporting on PC Web Direct (within the Profile application) will be disabled; the mainframe Datatrak SYSID for this function was disabled earlier in the year.

Record Layouts

The revised Networking and Fund/SERV record layouts are available on the Mutual Fund Service website at <http://funds.dtcc.com>.

Testing

Testing of the new functionality is strongly recommended and will be accommodated in the Participant Services Environment (PSE) region on the mainframe and on PCWeb Direct beginning **Monday, November 6, 2006**. 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. It is requested that ESC be given at least three days prior notice to ensure proper set up in the PSE region.

Any questions regarding this notice should be addressed to the undersigned, your relationship manager or Mutual Fund Services at 212-855-8877.

Randy W. Solomon
Director
Distribution Services
212-855-5674