



## RULES & PROCEDURES

TEXT OF PROPOSED RULE CHANGE

**Bold and underlined text** indicates proposed added language.

**~~Bold and strikethrough text~~** indicates proposed deleted language.

RULE 50. AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE

**Changes to this Rule 50, as amended by File No. SR-NSCC-2020-001, are available at [dtcc.com/~media/Files/Downloads/legal/rule\\_filings/2020/NSCC/SR-NSCC-2020-001.pdf](http://dtcc.com/~media/Files/Downloads/legal/rule_filings/2020/NSCC/SR-NSCC-2020-001.pdf). These changes became effective upon filing with the Securities and Exchange Commission but have not yet been implemented. On February 21, 2020, these changes will be implemented and this legend will automatically be removed from this Rule 50.**

SEC. 1. The Corporation may provide a service to enable Members and Qualified Securities Depositories, on behalf of their participants (hereinafter referred to as the "QSD"), to transfer accounts of their customers between themselves on an automated basis. Such automated transfer of customer accounts will be known as the Automated Customer Account Transfer Service (hereinafter referred to as ~~the~~ "ACATS S Service") and will be processed in accordance with the provisions of this Rule.

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SEC. 5. Within the time frame established by the Corporation or, to the extent applicable, the Delivering Member's Designated Examining Authority ("DEA"), and, to the extent applicable, pursuant to reasons permitted by the Delivering Member's DEA, the Delivering Member must either reject a customer account transfer request by submitting a rejection to the Corporation in such form as determined by the Corporation from time to time, or submit to the Corporation detailed customer account asset data in such format as established by the Corporation from time to time; provided, however, that if Fund/Serv Eligible Fund assets are to be transferred through Mutual Fund Services, the Delivering Member must specify the quantity of each Fund/Serv Eligible Fund asset to be processed and indicate whether each such transfer shall be a full or a partial transfer<sup>1</sup>. A Delivering Member who rejects a transfer request must indicate the reason for the rejection. Any transfer request that is not responded to by a Delivering Member within such time frame as established by the Corporation from time to time will be deleted from ~~the ACATS Service~~ by the Corporation and the Receiving and Delivering Member's will be notified accordingly. A Receiving Member who desires to resubmit a transfer request that is deleted will be required to reinitiate the request as if one had never been previously submitted.

SEC. 6. The Corporation will notify a Receiving Member, in such manner as determined by the Corporation from time to time, of customer account transfer requests that have been rejected by the Delivering Member and the Corporation will cause such requests to be deleted from ~~the ACATS Service~~ unless a correction is submitted by the Receiving Member as set forth below. To the extent the rejection is for enumerated categories, as specified by the Corporation from time to time, within one (1) business day after notification of a Delivering Member's rejection, a Receiving Member may

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<sup>1</sup> A full transfer will cause all Fund/Serv Eligible Fund account assets, whether greater or lesser than the quantity specified, to be transferred. A partial transfer will cause only the Fund/Serv Eligible Fund account asset quantity specified or such lesser amount to be transferred.

adjust a customer account transfer request by submitting corrections to the Corporation in such manner as determined by the Corporation from time to time. A Delivering Member must either reject the adjusted transfer request by submitting a rejection to the Corporation or submit to the Corporation detailed customer account asset data, in such manner and by such time as determined by the Corporation from time to time. If the Delivering Member fails to respond to the adjusted transfer request within such time frame as established by the Corporation from time to time, the Corporation will delete such request from ~~the ACATS Service~~ and the Receiving and Delivering Members will be notified accordingly. A Receiving Member who desires to resubmit a transfer request that is deleted will be required to reinitiate the request as if one had never been previously submitted.

SEC. 7. Upon receipt by the Corporation from the Delivering Member of customer account asset data, the Corporation will use its best efforts to validate the data for edit errors. However, the Corporation will not assume the responsibility for such validation process. If no edit errors or format errors are discovered by the Corporation in the asset data, details of the account will be reported to both the Delivering Member and the Receiving Member in such manner and by such time as established by the Corporation from time to time. If the Corporation discovers that customer account asset data contains one or more edit errors or, format errors, the Corporation will notify the Receiving Member in such manner and by such time as determined by the Corporation from time to time that customer account asset data has been received from the Delivering Member but that it contains edit errors or format errors. The Corporation will notify the Delivering Member in such manner and by such time as determined by the Corporation from time to time of all customer account asset data reported, indicating that which contains errors. The Delivering Member will be required to correct those items that contain edit errors or format errors in order to permit delivery of the customer's account to occur within the time frame as established by the Delivering Member's DEA. If the Delivering Member fails to correct edit errors or format errors within such time frame established by the Corporation, the Corporation will delete the transfer request from ~~the ACATS Service~~. A Receiving Member who desires to resubmit a transfer request that is deleted will be required to reinitiate the request as if one had never been previously submitted.

SEC. 8 . A Receiving Member will have one (1) business day after receipt from the Corporation of the report detailing the customer account asset data to review the account and accept all assets, or, to the extent permitted by the **Receiving** Member's DEA, if applicable, reject one or more assets within a DEA determined asset category, request the Delivering Member to make adjustments to it or, as permitted by the Corporation or, to the extent applicable, the Receiving Member's DEA, reject the account. No action is required by the Receiving Member if it determines to accept all assets in an account. **A Receiving Member may accelerate the transfer of the customer account by either (i) providing an acceleration instruction to the Corporation upon receipt of the customer account asset data list from the Corporation and accepting all assets or (ii) deleting MF/IPS Products (as defined below) and accepting the remaining assets. Once a Receiving Member has**

**accelerated the transfer, the transfer will be in accelerated status.** During the one (1) business day time period, only the Delivering Member will be able to add, delete or change an item, **provided that the Receiving Member did not accelerate the transfer,** by delivering to the Corporation such information in such form and by such time as established by the Corporation from time to time, other than with respect to MF/IPS Products ~~(as defined below)~~, which can also be deleted by the Receiving Member. **Once the Receiving Member accelerates the transfer, the Delivering Member will be prohibited from making any adjustments to the account. If the transfer is not in an accelerated status,** Each business day that a Delivering Member causes an adjustment to be made to an account will give the Receiving Member an additional one (1) business day to review the account. If Fund/Serv Eligible Fund assets and/or IPS Eligible Products ("MF/IPS Products") are to be transferred the Receiving Member shall also, within one (1) business day after receipt from the Corporation of the report detailing the MF/IPS Products data or simultaneous with the submission of an acceleration instruction, submit to the Corporation detailed transfer instructions in such format as established by the Corporation from time to time, which instructions shall be processed through Mutual Fund Services in accordance with Section 16 of Subsection A of Rule 52 or through IPS in accordance with Section 6 of Rule 57, as applicable. If a Receiving Member submits instructions and determines that a modification must be made to such instruction, such modifications must be submitted within the same deadline. **Modifications to an already submitted instruction will not be permitted if the transfer is in accelerated status.** Each business day that the Delivering Member causes an adjustment to be made to an account will give the Receiving Member an additional one (1) business day to submit such transfer information. With respect to Fund/Serv Eligible Fund assets, if the Receiving Member fails to properly submit such transfer information within the required time period, the Corporation shall transmit through Mutual Fund Services such standing transfer information as the Corporation shall determine. Each day the Corporation will produce a report indicating the transfer instructions that have been received by the Corporation, if any, and, with respect to Fund/Serv Eligible Fund assets, if no instructions have been received, the standing instructions which will be submitted to the Mutual Fund Processor or Fund Member. Each day the Corporation will produce a report to the Receiving and Delivering Member, indicating the Fund/Serv Eligible Fund customer account asset transfers which have been confirmed or rejected by the Mutual Fund Processor or Fund Member in accordance with Section 16 of Subsection A of Rule 52. Such report will also indicate those transfers which the Mutual Fund Processor or Fund Member has not confirmed or rejected or which have been deleted. Each day the Corporation will produce a report to the Receiving and Delivering Member, indicating the IPS Eligible Products transfers which have been confirmed or rejected by the Insurance Carrier/Retirement Services Member in accordance with Section 6 of Rule 57, or which have been deleted.

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SEC. 12. The Corporation may also provide services to enable Delivering Members to initiate the transfer of:

(i) residual credit positions, which are received for the benefit of a customer's account by the Delivering Member after the ACAT process is completed or which, due to a restriction, were not included in the original asset transfer (hereinafter collectively referred to as "Residual Credits");

(ii) a partial account held by a Delivering Member (in the form of cash or securities), (hereinafter collectively referred to as "Partial Accounts");

(iii) cash in respect of fail positions for which delivery is unable to be completed, provided, however, that this transfer may only be initiated to the extent that the fail is between a Member and another Member (hereinafter collectively referred to as "Fail Reversals"); and

(iv) cash or securities mistakenly delivered as part of ~~the ACATS Service~~ **hereinafter collectively referred to as "Reclaims"**, other than Fund/Serv Eligible Fund assets and positions eligible for processing at a Registered Clearing Agency with whom the Corporation has entered into an agreement relating to ~~the ACATS Service~~ (hereinafter referred to as an "ACAT RCA"); ~~provided, however, that this transfer may only be initiated to the extent that the delivery is between a Member and another Member (hereinafter collectively referred to as "Reclaims").~~

Such transfers shall be processed as follows:

1. Transfers may be initiated by a Delivering Member by submitting to the Corporation such details as required by the Corporation from time to time within such time frame as established by the Corporation from time to time. The Corporation will reject a transfer if the details contain an edit or format error. The Corporation will notify the Delivering Member if a transfer is rejected and the Delivering Member must reinitiate the transfer as if it had never been previously submitted. If no edit errors or format errors are discovered by the Corporation in the asset data, details of the account will be reported to both the Delivering Member and the Receiving Member in such manner and by such time as established by the Corporation from time to time.

2. A Receiving Member may reject the transfer by submitting such information as determined by the Corporation by the time and in the manner specified by the Corporation on the same day as the transfer request is received or, in respect of Reclaim transfers, no later than two business days following the day the Reclaim transfer request is received. No action is required by the Receiving Member if it determines to accept the transfer. A Receiving Member may not submit corrections and a Delivering Member may not make adjustments to such transfer request, **except a Receiving Member may delete Fund/Serv Eligible Fund assets for Partial Accounts and Residual Credits.**

3. Settlement Date for all transfers covered by this section shall be one business day following the day the Corporation receives the transfer request unless:

- (i) the request is Reclaim transfer, in which case Settlement Date shall be one business day following the day the Receiving Member accepts the request or the Corporation deems the request accepted, or
- (ii) the request includes either options assets which are eligible for processing an ACAT RCA, or Fund/~~SERV~~Serv eligible-Eligible Fund assets, whereby the settlement date for all assets included in the transfer shall be two business days following the day the Corporation receives the transfer request.

SEC. 13. A Receiving Member may submit a request to a Delivering Member to initiate the transfer of a partial customer account, in such form as determined by the Corporation from time to time. Such request shall be delivered by the Corporation to the Delivering Member on the same day as received by the Corporation. Each day for a period not to exceed two days, the Corporation will produce a report, in such form as determined by the Corporation from time to time, indicating all such requests received by the Corporation. A Delivering Member must either reject a customer account transfer request by submitting a rejection to the Corporation in such form as determined by the Corporation from time to time, or submit to the Corporation detailed customer account asset data in such format as established by the Corporation from time to time. If a request is rejected, the Delivering Member must indicate the reason for the rejection. If the Delivering Member submits detailed account asset data, and the transfer is not rejected by the Receiving Member, Settlement Date for this transfer request will be one business day after the Delivering Member has submitted the asset account data unless the transfer contains options assets or Fund/~~SERV~~Serv eligible Eligible Fund assets, in which case the settlement date for all assets will be two business days.

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SEC. 17. Each Member or participant of a QSD that requests a transfer through ~~the ACATS Service~~ (the "Requesting Firm") agrees to (i) indemnify and hold harmless the Member or participant of a QSD that accepts such transfer request (the "Accepting Firm") from and against any and all losses, claims, damages or liabilities (or actions in respect thereof) to which the Accepting Firm may become subject, under any provision of law, to the Accepting Firm's customer or to any other person, insofar as such losses, claims, damages or liabilities arise out of or are based upon an unauthorized or allegedly unauthorized transfer request or any inaccurate or allegedly inaccurate documentation or information, in any format, transmitted by the Requesting Firm through NSCC or ~~the ACATS Service~~ and (ii) reimburse the Accepting Firm for any legal or other expenses reasonably incurred by the Accepting Firm in connection with defending any such action or claim as such expenses are incurred. Each Requesting Firm agrees that an Accepting Firm accepting its transfer request through ~~the ACATS Service~~ shall be a third-party beneficiary of the above indemnification and

reimbursement obligations in respect of such request, and that such an Accepting Firm may assert any claim under these indemnification and reimbursement obligations as a third-party beneficiary directly against such Requesting Firm.

SEC. 18. The Corporation does not guaranty completion of ACATS transactions. In the event a Member fails to meet its settlement obligation to the Corporation:

- (1) For any transaction that entered the ACATS Settlement Accounting Operation but was subsequently exited from the ACATS Settlement Accounting Operation on ACATS settlement date, the transaction will be considered uncompleted and will be reversed against the original debit or credit value applied to their settlement account upon exit.<sup>4</sup>

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<sup>4</sup> The ACATS reversal for this transaction would be processed in the same way as a transaction that did not enter the ACATS Settlement Accounting Operation. The exception would be for a Fund/~~SERV~~Serv Eligible Fund asset ~~(as defined in Section 8)~~, as NSCC tracks the completion of this asset on settlement date and would only reverse an uncompleted transaction.