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Standardized Data Reporting User Guide

Best Practices

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Table of Contents

I.	Background and Objectives	4
II.	Overview	4
III.	Scope	4
IV.	Naming Conventions and Terminology	5
	SDR	5
	Intermediary	5
	First-Tier Intermediary	6
	Underlying Intermediary	6
	Participant/Shareholder	6
	Omnibus Account	6
	Plan	7
	Investor Omnibus Account	7
	Super Omnibus Account	7
	Adhoc Requests	7
V.	Working Assumptions	7
	Category 1 Transactions	8
	Summary Data	8
	Detail Data	8
	Account Identifiers	8
	Shareholder Recordkeeping	9
VI.	Processing Flows	10
	Business Processing	10
	Systems Processing	12
VII.	Best Practices	14
	Category 1 and Category 2 Transactions	14
	Category 1 Transactions	15
	Category 2 Transactions	16
	Date Range Requests	20
	Historical Data Requests	20
	SDR Acknowledgment	21
	SDR Reject Record	21
	Response Time for Data Requests	21
	Summary Data	22
	Social Code	23
	Super Omnibus Accounts	24
	Omnibus Accounts	28
	Chain of Intermediary Relationships	29
	SDR Control Number	30
	SDR Response Number	31
	Correction Indicator	31
	Recurring Requests	31
	Foreign Accounts	31
VIII.	Open Issues/Questions	31
IX.	Closed Issues History	31

I. Background and Objectives

Frequent trading in mutual funds may have harmful effects on the management company, its portfolio, and its long-term investors. Frequent trading may dilute the value of the fund shares, disrupt the management of a fund's portfolio, raise fund transaction costs, affect the fund's liquidity, and result in unwanted taxable capital gains for the remaining shareholders. Funds employ various strategies to detect and deter frequent trading including assessing a fee on redemptions made a short time after the purchase of the shares has occurred and surveillance to ensure compliance with funds market timing policies.

Mutual funds shares that are purchased by investors through broker-dealers, banks, insurance companies, and retirement plan administrators (“intermediaries”) may be combined with other investors' fund shares and registered in the name of the intermediary in a single omnibus account. In order for the funds to monitor the shareholder account for frequent trading, and appropriately evaluate and potentially assess any applicable redemption fees, the funds must be able to identify the investors and their respective trading activity within the omnibus account.

On May 23, 2005, SEC Rule 22c-2 went into effect with a compliance date of October 16, 2006. Rule 22c-2 requires funds to enter into written agreements with their intermediaries, under which the intermediaries must, upon request, provide funds with certain shareholder identity and trading information for those positions representing the omnibus account assets. This requirement will enable funds to ensure that their market-timing policies are being followed, monitor the frequency of trading, and determine whether redemption fees are being properly assessed, if applicable.

II. Overview

The Investment Company Institute’s Standardized Data Reporting Working group has created the design for a standard, automated facility for funds to request and receive shareholder trading information from intermediaries through DTCC. This solution will be referenced as SDR throughout this document. SDR is designed to provide the funds with a robust mechanism to request data from intermediaries as their compliance and monitoring programs warrant. The mechanism allows for varying functionality such as data requests at a summary level (plan/omnibus account level data) or detail level (participant/shareholder level data), data requests for a specific date or a period of time, and for data requests submitted on a regular or periodic basis.

This User Guide provides best practices for using SDR and corresponds to the processing flow and record layouts outlined in Important Release A #6213, P&S #5783, dated March 8, 2006 and the Technical Overview document. This User Guide also offers examples for a sampling of processing scenarios. Future changes to the record layouts may invalidate the specific examples provided in this User Guide, but the concepts and the primary data illustrated in the examples would likely still apply.

Many of the best practices and examples may also apply to other processing mechanisms used outside of the DTCC. Firms utilizing the PC Web Direct alternative solution via DTCC may also use this document as a guideline.

III. Scope

This document describes the standard usage of SDR as developed by the Best Practices Taskforce of the Investment Company Institute’s Standardized Data Reporting Working Group. The Best Practices Taskforce has cross industry representation from funds, bank/trusts, recordkeepers, and industry groups (ICI and DTCC).

The best practices detailed within this document provide a framework in which the SDR functionality should be utilized. These best practices have been drafted to address 22c-2 data requests, acknowledgements, and responses for common scenarios and business relationships currently in existence between funds and intermediaries. As such, the best practices detailed within this User Guide do not address all scenarios or business relationships that may exist or arise between funds and intermediaries.

Where situations arise that differ and are not addressed herein, funds and intermediaries are encouraged to discuss these scenarios and relationships in detail in order to reach an understanding as to the data requests that can be supported by the intermediary or its designee, and the timeframes in which the data can be provided.

SDR and the corresponding best practices may not be applicable to gathering information for plan level unitization, fund of funds, Section 529 plans, and common collective trusts, which are considered to be out of the scope of scenarios addressed by the Standardized Data Reporting Working Group. Funds may still request data for these purposes on a manual basis.

IV. Naming Conventions and Terminology

To assist in understanding terminology and the various entities referenced in this User Guide, the following list of definitions is provided. Please note that these descriptions serve as functional definitions and should not be construed as the legal or technical definitions of the terms below.

SDR

Standard Data Reporting (SDR) is an industry reference to the automated facility for funds to request and receive shareholder trading information from intermediaries through DTCC. SDR provides both file formats and an NSCC-facilitated reporting mechanism between funds and intermediaries of trade transactions for a specific date(s). Aggregate transaction detail for a period of time, as a whole, is not supported by SDR e.g., rolled up transaction totals for a period of time.

Intermediary

The intermediary is the company or entity from which the fund is requesting data. On a retirement account, the intermediary is typically the recordkeeper. The intermediary may also be a broker/dealer, trust company, clearing firm, insurance company, third party administrator, or service provider.

As suggested by the terminology, intermediaries may have different business models. However, it is commonly agreed that intermediaries may provide:

- Custodial and or trustee services that offer plan level accounting and safekeeping of assets
- Trading services for underlying intermediaries whereby the intermediary acts as a conduit to the fund for an underlying firm
- Sub-Transfer agency or participant level recordkeeping services
- Shareholder services

These services may be provided as a bundled service offering or as separate services.

“Intermediary” is a data field in the NSCC SDR record layouts. The entity provided in the Intermediary field may be a first-tier or Underlying Intermediary, described below. From an NSCC perspective, the Intermediary will be the NSCC participant to which the request will go directly.

First-Tier Intermediary

A first-tier intermediary is defined as an intermediary that has an existing contractual relationship with the fund to act as a conduit for executing transactions, regardless of whether the first-tier intermediary provides plan or participant-level recordkeeping services or has the underlying shareholder's transaction level detail.

The first-tier intermediary is **not a data field in the NSCC SDR record layouts**. This term is used in this Guide to clarify the roles and relationships among the "chain of intermediaries" (see Section VII, "Chain of Intermediary Relationship") that may exist in transactions that are executed with the fund.

Underlying Intermediary

An Underlying Intermediary is defined as a related entity that transacts with the funds through services provided by a first-tier intermediary.

The underlying intermediary is a data field in the NSCC SDR record layouts. When this field is used, it implies that:

1. The "Intermediary" field in the record layouts will contain the first-tier intermediary and the "Underlying intermediary" field will contain the Underlying intermediary, or
2. The "Intermediary" field in the record layouts will contain the service provider that the first-tier or underlying intermediary is using to support the SDR functionality. The underlying intermediary, in this case, may be the first-tier or Underlying Intermediary.

Participant/Shareholder

These are the individual investors, which are also known as participants in a retirement account or shareholders in an omnibus or individual retail account. These terms are used interchangeably throughout this paper. Participants/Shareholders may be identified using an SSN or TIN.

The term "shareholder" is defined in the final Rule 22c-2 as "includes a beneficial owner of securities held in nominee name, a participant in a participant directed employee benefit plan, and a holder of interests in a master-feeder fund or an insurance company separate account organized as a unit investment trust. The term does not include a fund that relies on section 12(d)(1)(G) of the Act to invest in other funds in the same fund group. These funds often are used as conduits, allowing a shareholder to invest in multiple funds in the complex through a single fund. Although shareholders in the conduit fund may engage in abusive trading strategies, a conduit fund itself would appear to have little incentive to engage in such strategies because they may adversely affect another fund in the same complex. The definition of "shareholder" also excludes a section 529 account or the holder of an interest in such an account. The loss of tax benefits that a holder would incur as a result of changing investments more than once a year makes it unlikely that the holder would use a section 529 account for short-term trading."¹

Omnibus Account

An Omnibus Account held at the fund represents assets for multiple investors. The assets are often registered in the name of the intermediary or in the name of the trustee or custodian for the benefit of the plan at the fund. Examples would include one retirement plan, one trust, or multiple retail shareholder account assets held in one account at the fund. An omnibus account may be identified using a fund account number or intermediary identification number (BIN), both of which are cross-referenced to each other in the internal systems of the fund or its transfer agent, and the firm (e.g., trust, broker/dealer, recordkeeper, etc.)

¹ See SEC Rule Filing on *Mutual Fund Redemption Fees*, 17 CFR Part 270 [Release No. IC-26782; File N. S7-11-04], RIN 3235-AJ17.

Plan

A plan is a retirement plan, including 401(k), 403(b), etc. or defined benefit plan, and contains multiple plan participants. A plan may be identified using a Plan ID. A plan may also be identified using a fund account number or a BIN, when a fund account corresponds to a single plan. For some intermediaries, the Plan ID may be the same as the BIN.

There are two types of Plans, those with participant investment direction and those without participant direction. In a plan with participant direction (such as 401(a) or 403(b)), the underlying participant will be the shareholder or client for purposes of this paper. In a plan without participant direction (such as a Pension Plan or Defined Benefit Plan), the plan will be equivalent to the “shareholder” or “client” since the plan or its agent has the investment discretion.

Investor Omnibus Account

Investor omnibus accounts may contain retail accounts, Networking matrix Level 3 accounts, IRAs, and other tax-deferred accounts, all of which are contained within a single account and represent multiple shareholders. The investor omnibus account may be identified using the investor omnibus account number, or the fund account number/BIN, when a fund account corresponds to a single investor omnibus account. For some intermediaries, the investor omnibus account number may be the same as the BIN.

Super Omnibus Account

A super omnibus account is an account that is held at the fund and may contain assets of more than one omnibus account, several intermediary omnibus accounts and potentially assets of individual shareholder accounts held by the intermediary. The intermediary accounts within the super omnibus account may include a plan level retirement account containing multiple participants, or an omnibus retail/trust/institutional account containing multiple shareholders. A super omnibus account may be identified using a fund account number or intermediary identification number (BIN), both of which are cross-referenced to each other.

Transaction Type – Buys

Buys under the SDR Transaction Type field are purchase transactions communicated by intermediaries to funds. Intermediaries that provide record keeping services may, and often do, aggregate initial purchase, subsequent purchase, inter fund buy side exchanges, or intra fund buy side transfers and communicate the aggregate purchase amount as a Buy to the fund.

Transaction Type – Sells

Sells under the SDR Transaction Type field are redemption transactions communicated by intermediaries to funds. Intermediaries that provide record keeping services may, and often do, aggregate redemptions, inter fund sell side exchanges, or intra fund sell side transfers and communicate the aggregate redemption a Sell to the fund.

Transfers

In-kind transfer of shares between accounts communicated to funds via manual instruction or automated transactions via ACATS, or Networking B52 records.

Adhoc Requests

Adhoc requests are un-scheduled, intermittent requests of various purposes submitted by the funds to the intermediaries.

V. Working Assumptions

These working assumptions are the initial set of best practices, which are the basis for the design of SDR. Subsequent processing flows and record layouts were developed based on these working assumptions. Adherence to these working assumptions is critical to achieving standard utilization of SDR.

Category 1 Transactions

Transactions provided through SDR are assumed to be Category 1 Transactions (as defined later in this document) unless otherwise specified. See Section VII of this User Guide for definitions and examples of Category 1 and Category 2 transactions.

Summary Data

Summary data is the high-level information regarding the plans, trusts, and/or investor omnibus accounts that are combined into a super omnibus account. It is assumed that only summary data will first be passed for super omnibus accounts. This summary data will provide sufficient information to help the funds identify specific plans where trading is occurring frequently. The fund would then be able to request data at a plan/trust level and obtain detailed information about the underlying participants. The same will apply to the trusts, investor omnibus accounts, and the underlying shareholders.

The process of first providing Summary data is necessary because a request against a super omnibus account may produce a prohibitive amount of response data at a shareholder level. To avoid having to process this large amount of data for super omnibus accounts, Summary data will instead be provided.

Detail Data

On super omnibus accounts that contain individual shareholder accounts along with multiple plans and investor omnibus accounts, the intermediary will provide detail information for the individual shareholders. In this situation, the response for the super omnibus account will contain both summary and detail data. Also, data requests at a plan or investor omnibus account level will always result in detail data. Lastly, when specific shareholder level information (e.g., SSN) is provided by the fund on an inquiry request, the intermediaries will provide detailed trading information to the fund for that particular shareholder.

Account Identifiers

Depending on the account setup, there may be several levels of data that can be retrieved, e.g., data at a super omnibus level, plan or investor omnibus account level, and individual shareholder level. The account identifiers tell the intermediary how to find the account and shareholder in question, and will determine the level of data that can be returned to the fund.

The identifiers include the fund account number, intermediary account number, plan ID, investor omnibus account number, and SSN/TIN. The identifiers will be used in the following manner:

- Super omnibus accounts will be identified only by fund/intermediary account number.
- Plan accounts will be identified only by fund/intermediary account number or by plan ID.
- Investor omnibus accounts will be identified only by fund/intermediary account number or by investor omnibus account number.
- Participants or shareholders will be identified only by SSN/TIN.

At a minimum, the intermediary or fund account number is required on a data request, but all account identifiers may be provided. When multiple fields are provided, the intermediary will identify the lowest level identifier and provide only that particular level's data.

For example, if a fund account number is provided and represents a super omnibus account number, and a Plan ID is also provided, then the Plan ID will be used. Only the participant level transactions for that particular Plan ID will be provided.

Another example is if a fund account number is provided and represents a Plan, and an SSN representing a participant is also provided, then the SSN will be used. Only the activity for that single participant will be provided.

Shareholder Recordkeeping

Intermediaries that provide shareholder level recordkeeping services often maintain and categorize participant level data based on the source of money (e.g., employee contribution, exchanges, loans, etc.). Transactions will be identified on the recordkeeping system according to the fund and source of money. For example, in a defined contribution plan where a shareholder, who has an outstanding loan, receives a company match, and makes contributions on a periodic basis via payroll deduction, the intermediary will record the following transactions per fund per contribution:

Credit – employee contribution, fund 1 -	\$xx.00
Credit – employer match, fund 1 -	\$xx.00
Credit – loan repayment – principal, fund 1 -	\$xx.00
Credit – loan repayment – interest, fund 1 -	\$xx.00
Debit – loan repayment – loan fund -	\$xx.00

If these were the only shareholder transactions in the fund on a given day, the fund would see a trade for the aggregate of employee contribution, employer match and loan repayment (principal and interest). Where intermediaries net all trades (buy/sell, adjustments, etc.) from all participants into an omnibus account (which is commonly the case), aggregating the transaction types into a meaningful transaction to the fund will be performed based on the above noted definitions of the transaction types.

When requesting detailed data at a participant/shareholder level, it is also important to note the following about shareholder recording systems in the retirement arena:

- Most recordkeeping systems are built to offer an open investment platform and therefore do not differentiate between fund families. An exchange within a fund family will be recorded in the same manner as an exchange between to un-related fund families.
- Transaction types can be both positive and negative. For example an employee contribution, which is commonly a credit to a participant, may also be processed as a negative, as in a situation where a prior period contribution was posted for an incorrect amount. The error is often corrected by posting a negative contribution to offset the prior contribution, thereby bringing the shareholder's account in balance.
- Adjustment transactions generally are difficult to classify as either category 1 or category 2 transactions since the transactions are usually the result of an error at various levels (plan, intermediary or a combination of the two). Adjustment transactions generally have a unique transaction type that can be a debit or credit transaction.
- Recordkeeping systems do not generally differentiate if a transaction is initiated at the direction of an advisor.

- Transactions involving an automatic rebalancing of the account directed by an advisor or a systematic model will generally appear as a Category 1 transaction.
- Exchanges can be from one to many funds, and are often transmitted to the funds as a buy and a sell as opposed to an exchange.

VI. Processing Flows

Business Processing

The business process and interaction between the funds and intermediaries will vary based on the situation. Funds are expected to provide all the necessary information for the intermediaries to retrieve the underlying shareholder's information. This will result in detailed data being returned by the intermediary to the fund.

In cases where a super omnibus account is involved, Summary data will first be provided by the intermediary to the fund. The fund will be provided with high-level data regarding the plans or investor omnibus accounts that are combined into the super omnibus account. The fund will then be able to use the additional data from the Summary to send a more specific inquiry request (e.g., using a plan ID to limit the inquiry to the shareholders in that particular plan.)

Certainly, if the fund already has the specific data that can be provided and linked to the individual shareholders, then the "Summary" request and response process is not needed. An initial request that contains enough detailed information (i.e. Security ID, NAV Date(s), Plan ID and SSN) will always be answered by the intermediary with a response containing shareholder trading information, even on a super omnibus account.

Inquiry Request Data

Data on the shareholder's trading activity may be sent by the intermediary to the fund on an ad-hoc or daily scheduled basis. Regularly scheduled files (e.g., ongoing daily files) should be requested manually by the fund from the intermediary. The response files from the intermediary, whether they are as a result of a request done manually or through NSCC, may be sent through SDR.

SDR also allows the funds to make data requests from the intermediary. Various types of requests will be used through DTCC including:

Data Request Types

Fund Account Level
 Plan Level
 Investor Omnibus Account Level
 Fund/SERV Control Number Request
 Rep Level
 Stop Recurring

The format for the fund request input file/message will be the same for all request types, but different data will be necessary based on the requests. Each request type will indicate the additional data field used to refine the queries for the intermediary to extract data, accordingly. Additional search criteria may also be included to refine requests, such as threshold amount, Security ID, and transaction type.

Other data fields will provide additional instructions that will customize the request and the resulting response data. For example, since Category 1 Transaction information is the assumed default search parameter, funds may use the "Includes Category 2 Transactions" field to indicate that it is requesting

both Category 1 and Category 2 Transactions. Other fields that modify the search parameters include from/to dates, transaction types, and threshold amounts.

The data that is actually provided on the request will be the ultimate driver of the type or level of the request. For example, a fund account level request that also contains SSN info will result in shareholder level information rather than fund account level information.

Acknowledgment Data

The initial response from the intermediary to the fund will be an Acknowledgment record. The Acknowledgment will be a proactive indication from the intermediary that it has received the request from the fund.

NSCC Reject Data

NSCC will be running preliminary validations of SDR requests received from funds and of SDR responses provided by intermediaries. Files or records that do not pass the NSCC validation will be returned to the submitter with the appropriate reject code.

Note that a set of response records may be partially rejected. For example, a response may contain ten detail records and one of those records may not pass validation. NSCC will reject the single record, and return it to the intermediary along with an NSCC-generated header and trailer to complement the rejected record.

Intermediary Reject Data

Intermediaries may also reject the fund's data request but will use the Reject record to do so. An appropriate reject code must be provided. Situations may arise where Intermediaries acknowledge a SDR request, and later learn that the request cannot be fulfilled, in this instance Intermediaries should submit a Reject record with the appropriate reason code for the previously acknowledged SDR request. A full listing of reject codes will be on NSCC's website, <http://funds.dtcc.com>.

Response Data

There are various levels of information in super omnibus accounts. For example, a super omnibus account, identified by a fund account number or BIN (fund account level), may contain assets from multiple retirement plans (plan level), and in turn, each plan contains multiple participants or underlying shareholders (participant level).

Due to this complexity, the activity and corresponding data related to these accounts is significant. In order to control the volume of data that could potentially be extracted and sent to the fund for these super omnibus accounts, it will be important to retrieve data at a summary level.

When a request is submitted against a super omnibus account, it is expected that summary data will be returned by the intermediary to the fund for plans or investor omnibus accounts that are contained within the super omnibus account. Detailed information may also be sent for individual shareholder accounts that are a part of the super omnibus account.

The summary data will provide sufficient information to help the funds identify specific plans or investor omnibus accounts where trading is occurring frequently. The fund would then be able to request data at a plan level or investor omnibus account level, and obtain detailed information about the underlying participants/shareholders.

Detail response data are expected to be provided on shareholders when a request is made against specific plans, investor omnibus accounts, or individuals specified by the SSN.

NSCC Reminders

NSCC Reminders are records that will notify the fund, the intermediary, and possibly other related parties that an appropriate response has not been made to an SDR Request. NSCC will send a Reminder record for Requests with SDR Control Numbers that have not been acted upon with an Acknowledgment record or a Reject record. Only Acknowledgment or Reject records can turn off Reminders. Detail or Summary records will not turn off Reminders.

Reminders will be sent for a period of 10 processing days (including Saturday) from the original date in which the SDR Control Number is stored on the NSCC database. After this timeframe, the SDR Control Numbers will be deleted from the system.

The first Reminder will be sent on the first business day after the submission date of the SDR Request, and will be sent via the last cycle of the day (M-F, 4pm ET; Sat, 3pm, ET.) Reminders will be sent with the Autoroute Output file within SDR Request record stream. Within this stream, Intermediaries will receive Request records plus Reminders, and Funds will receive NSCC Request Rejects plus Reminders.

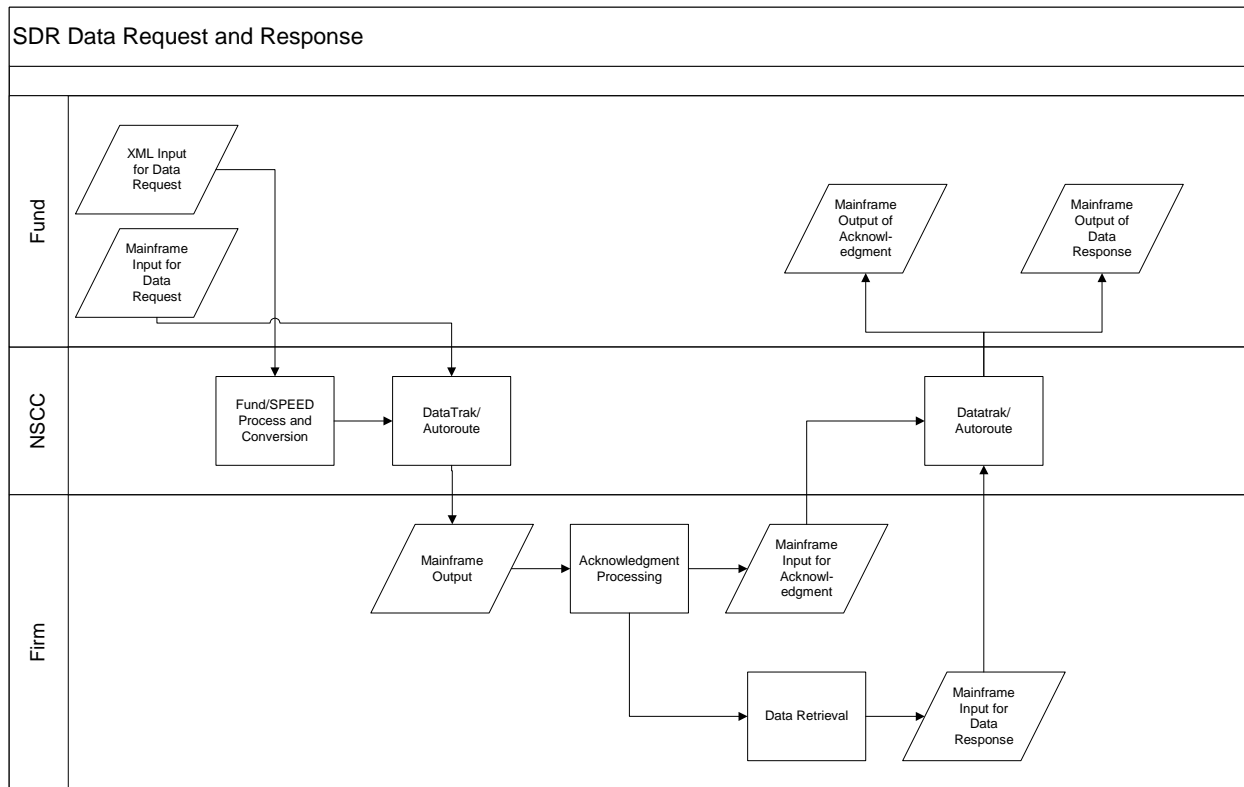
Systems Processing

Two different interfaces will be used to support this enhancement. Http(s) protocols will be used for input of XML messages for fund data requests only, and ftp/ndm will be used for input and output of flat files. Output files (e.g., NSCC-accepted data requests from funds going to intermediaries, shareholder trading data and reject records) will not be provided through the http(s) facility, and will only go out as flat files on mainframe.

The transmission of ftp input files will occur three times every Monday through Friday, at 9 a.m., 12 noon, and 3 p.m. ET. Output will be sent from NSCC by 10 a.m., 1 p.m., and 4 p.m. ET, Monday through Friday for the respective input files. Processing on Saturday will also be available, and will occur at 9/10 a.m., 12/1 p.m., **2/3 p.m.** (input/output).

The http(s) facility's hours of operation is 6 a.m.-5 p.m., Monday-Saturday ET, with provisions for systems maintenance. Submission of data request messages through the http(s) facility will also be subject to the mainframe processing schedule for routing through NSCC. XML messages received after mainframe input deadline will be queued and processed for the next available output cycle. The platform on which the http(s) facility will run may also be available outside of these hours. When available, the XML message will be accepted, and will also be processed in the next available cycle via the mainframe.

The flowchart below shows the process for both http(s) and ftp/ndm.



Process Flow using ftp (batch) on data request input/output and response input/output

1. Fund sends a data request to NSCC during the acceptable input timeframe.
2. NSCC does a preliminary validation, which will result in accepted or rejected records.
3. NSCC stages the records to the appropriate destination and output files.
4. At the appropriate output time, NSCC sends rejects back to the fund and accepted records to the intermediaries. (Other records may also be sent to the intermediaries and funds as part of the output file.)
5. The intermediary will take the data request records and may run some preliminary validation, which will result in accepted or rejected records.
6. If intermediary rejects, then the reject record will be submitted to NSCC during the input timeframe. NSCC will pass back to the fund in the output file.
7. If intermediary accepts, then it will process the request. The first step is for the intermediary to prepare and submit an Acknowledgment to NSCC during the appropriate input timeframe. NSCC will pass to the fund in the output file.
8. The process to retrieve the data may take some time and may result in a reject or a response with data.
9. The intermediary will respond with a data response. Or, if after querying its systems the intermediary identifies an issue with the data request, the intermediary will send reject records with the applicable reject code to NSCC.
10. NSCC does a preliminary validation, which will result in accepted or rejected records.
11. At the appropriate output time, NSCC sends rejects back to the intermediary and accepted data records to the funds. (Other records may also be sent to the intermediaries and funds as part of the output file.)

NSCC will modify the trailer record being sent to the fund to include the number of accepted

and rejected summary/detail records. This will allow the fund to know whether they received a complete set of data for their data request.

12. NSCC will send Reminders when appropriate.

Process Flow using http(s) on data request input, ftp (batch) on data request output, and ftp (batch) on data response input/output

1. Fund sends a data request to NSCC.
2. NSCC does a preliminary validation.
3. To complete http(s) session, NSCC responds with acknowledgment or reject (if the request does not pass validation.)
4. NSCC converts the XML file into a flat file.
5. NSCC sends the file into Datatrak/Autoroute.
6. NSCC stages the records to the appropriate destination and output files.
7. At the appropriate output time, NSCC sends the data request records to the intermediaries. (Data records and intermediary acknowledgement and/or reject records may also be sent to the funds as part of the output file.)
8. The intermediary will take the data request records and may run some preliminary validation, which will result in accepted or rejected records.
9. If intermediary rejects, then the reject record will be submitted to NSCC during the input timeframe. NSCC will pass back to the fund in the output file.
10. If intermediary accepts, then it will process the request. The first step is for the intermediary to prepare and submit an Acknowledgment to NSCC during the appropriate input timeframe. NSCC will pass to the fund in the output file.
11. The process to retrieve the data may take some time and may result in a reject or a response with data.
12. The intermediary will send reject records or data response record to NSCC.
13. NSCC does a preliminary validation, which will result in accepted or rejected records.
14. At the appropriate output time, NSCC sends rejects back to the intermediary and accepted data records to the funds. (Other records may also be sent to the intermediaries and funds as part of the output file.)

NSCC will modify the trailer record being sent to the fund to include the number of accepted and rejected summary/detail records. This will allow the fund to know whether they received a complete set of data for their data request.

15. NSCC will send Reminders when appropriate.

VII. Best Practices

These best practices will not be enforced through NSCC validation, but are expectations that must be followed to enable standard processing.

Category 1 and Category 2 Transactions

Rule 22c-2 requires that intermediaries enter into agreements with funds to provide certain shareholder identity and trading information. Funds will require this information to monitor the frequency of short-term trading and to enforce their market timing policies. As market timing policies will vary by fund, so too will the funds' data requirements, as established by their surveillance programs.

Transactions provided through SDR are assumed to be Category 1 transactions, unless otherwise specified. Funds will need to determine whether Category 1 Transactions, as defined below, provide the appropriate level of detail to meet its market timing and redemption fee monitoring criteria.

Where Category 1 Transactions are sufficient for the fund to run its surveillance programs, funds should request only Category 1 Transactions via the SDR Request record. Where Category 1 Transactions are not sufficient for the fund to run its surveillance programs, funds should request both Category 1 and Category 2 Transactions. Intermediaries are then required to provide all transactions.

It is important to note that the current SDR functionality does not provide funds the ability to filter out individual transaction codes. The current option is to receive Category 1 transactions or all transactions.

Category 1 Transactions

Category 1 transactions will include transactions that are commonly considered to be activity directed by either the shareholder, financial advisor, or an investment fiduciary, and other transaction types where investors may have sufficient control to perform market timing activities.

Category 1 transactions with regards to participant directed retirement plans where the “underlying participant” or “beneficiary” in the plan makes the investment decisions from a menu of investment options in plans such as 401(a) (i.e., Money pension and profit sharing plan), 401(k), 403(b), and 457.

All trades resulting from a participant electively trading to sell one investment option in the plan to purchase another investment option will be considered Category 1 transactions. This would include an exchange or transfer within a fund family or between unaffiliated fund families.

Example – Participant initiates sale of fund A to buy fund B

Example – An investment advisor initiates sale of fund A to buy fund B on behalf of the participant

Balance re-allocations directed by either the participant, plan sponsor or financial advisor would also be considered Category 1 Transactions.

Example – a plan offers an auto rebalance feature as a plan service. The participant subscribes to the services and elects a model (e.g., 60% stocks, 30% bonds, 10% cash) as a macro tool to meet the investment objectives. This service is scheduled to occur on a regular basis or by request.

Example – an investment advisor offers an asset allocation feature as a plan service to individual participants. The participant subscribes to the services and elects a model (e.g., 60% stocks, 30% bonds, 10% cash) as a macro tool to meet the investment objectives. This service is scheduled to occur on a regular basis or by request.

Example – a plan is operated with a pre-set investment allocation model (e.g., 60% stock, 20% bond, 20% cash) and initiates trades to reset the plan to the model on a scheduled basis.

Category 1 includes transactions for non-participant directed retirement plans where:

- The “participant” receives the benefit but does not provide investment direction, and
- The trustee, investment advisor, plan sponsor or other entity makes the investment decisions for the “plans” such as Pension Plans, SERPS, Non-Qualified Deferred Compensation Plans (where participant is entitled to a benefit but has no investment discretion), 403(b), and Defined Benefit Plans.

Category 1 transactions will include all trades placed by the plan or its designated agent electively to sell one investment option in the plan and purchase another investment option.

Example – plan or its designated agent initiates sales of fund A to buy fund B

Example – an investment advisor initiates the sale of fund A to buy fund B on behalf of the plan.

Category 1 transactions within a Broker Dealer environment will include:

1. Purchase (initial & subsequent)
2. Exchange (same fund family) buy side
3. Sell/Redemption (partial or full liquidation)
4. Transfer of shares in
5. Transfer of shares out

Category 2 Transactions

Category 2 Transactions will include transactions that are commonly considered to be systematic or non-directed where the shareholder, financial advisor, or an investment fiduciary does not exercise direct control over the investment decisions that would result in market timing or excessive trading.

Category 2 Transactions occur where the shareholder, financial advisor or an investment fiduciary is one step removed from the transactions and where those transactions generally occur via systematic or automated investment elections.

Category 2 transactions as they relate to participant directed retirement plans where the “underlying participant” or “beneficiary” in the plan makes the investment decisions from a menu of investment options in plans such as (401(a) (i.e. Money pension and profit sharing plan), 401(k), 403(b), 457) will include, but not limited to the following list of transaction.

1. Contributions
 - Employee Contributions
 - Matching employer Contributions
2. Earnings
3. Intermediary Administration
 - Corrections
4. Loan Repayments
 - Loan repayment principle
 - Loan repayment interest
5. Plan Directed Purchases
6. Fund replacements
7. Adjustments
8. Plan Conversion
9. Forfeiture
10. Participant Distributions

Transaction Definitions

To follow is a list of commonly used transactions by intermediaries that provide shareholder recordkeeping services. The list is not intended to be all-inclusive, but rather the intent is to provide a listing of transactions, which may be utilized by intermediaries within the response record to provide the requesting funds with an appropriate level of detail for the fund to utilize within its surveillance program. Intermediaries should review the following list and utilize the transaction codes as applicable to their business.

Commonly Utilized Retirement Plan Transaction Codes:

Transaction	Transaction Type	Transaction Category	Transaction Code	Definition
Employee contribution	Buys	Category 2	01	A contribution is money that is invested into a participant's retirement account. Employee contributions are always 100% vested.
Employer contribution	Buys	Category 2	02	An employer contribution is money that is invested into a participant's retirement account for the benefit of the employee by the employer. Employer's contributions (when made) may be subject to vesting.
Additional contribution	Buys	Category 2	03	“Additional contribution” may also be described as a “Catch Up Contribution”
Loan repayment – principal	Buys	Category 2	04	A loan repayment is money a participant pays back to his/her plan account as a result of taking a loan. The repayment is generally reinvested based on the participant's then current investment elections.
Loan repayment – interest	Buys	Category 2	05	Interest accrued as part of a participant loan. Typically paid at the time of loan repayment.
Forfeitures	Buys or Sells	Category 2	06	<p>Moneys deposited into the participant account by the employer for the benefit of the employee, and are not fully vested at the time a participant terminates from the plan. These funds can be reallocated to other plan participants or utilized by the plan for other purposes.</p> <p>Forfeitures are the non-vested benefits that a participant loses if they terminate employment before becoming 100% vested. This means that if a participant is 60% vested in their employer money at the time of separation, he/she would forfeit 40% of those employer assets.</p> <p>In the event of a re-allocation buys and sells may be communicated as the forfeitures may be re-allocated from one share holder account to others or in the event where the forfeiture proceeds are utilized to pay plan expenses the funds would be raised by communicating sells to the fund.</p>
Adjustments	Buys or Sells	Category 2	07	An adjustment is a financial transaction that is processed with a trade date earlier than the current date to correct a previous transaction. Any trades processed in this

Transaction	Transaction Type	Transaction Category	Transaction Code	Definition
				<p>manner are considered adjustments.</p> <p>Adjustment trades may result in gains or losses to the fund, for example, when a transaction request is received in good order before 4:00 p.m., but not processed on that day. A gain or loss must always be handled within the plan in which the error occurs.</p>
Exchange or Transfer	Buys or Sells	Category 1	08, 09	An exchange/transfer is the buy of shares, dollars, or a percentage of a participant's holdings from one investment option to another.
Conversion balance transfer	Buys or Sells	Category 2	10	A plan event that consists of the buy and sells between funds or transfer-in and transfer-out of the entire investments of a plan asset.
Non-discrimination refund	Sells	Category 2	11	A return of employer or employee contributions into the plan as a result of the failure to meet minimum contribution limits.
Loan distribution	Sell	Category 2	12	A loan in a retirement account on plans that allow for loans, is a participant borrowing money against the account for general purposes and/or to purchase a primary residence, based on the terms of the plan's loan program.
In-service distribution	Sell	Category 2	13	In-service withdrawals are withdrawals from the plan taken by a participant while he is still employed by the plan sponsor. The withdrawal type and amount is based on criteria and restrictions defined in the Plan Document.
Installment distribution	Sell	Category 2	14	A plan can allow a participant to receive their termination distribution payment over a defined period.
Termination distribution	Sell	Category 2	15	<p>Upon termination, a participant has the option of either:</p> <ul style="list-style-type: none"> • Taking a cash distribution for the amount of the participant's 401k account. If the participant chooses to do so, 20% will be held for income tax purposes, in addition to a 10% penalty tax if the participant is under the age of 59 1/2. Upon death or disability, a participant's account will be available to the participant or a beneficiary for distribution as well.

Transaction	Transaction Type	Transaction Category	Transaction Code	Definition
				Electing a rollover distribution to a tax qualified account or the participant's new employer's 401k offering (if allowed by the plan document); thereby, postponing withholding until qualified distributions are made.
Hardship withdrawals	Sells	Category 2	16	A withdrawal requested by a participant that is defined as a pre-determined circumstances outlined by the plan.
Lump sum distribution	Sells	Category 2	17	This option will be used by participants who request the entire account to be paid to them directly. The mutual funds will be liquidated, and the stock may be issued in-kind or liquidated. If the participant elects to issue the stock in-kind, it may be sent to the participant or issued to a retail account.
QDRO distribution	Sell	Category 2	18	Distribution made under a Qualified Domestic Relations Order
RMD distribution	Sell	Category 2	19	Required Minimum Distribution
Fees	Sell	Category 2	20, 21, 22	Fees are charges assessed to the plan and/or the plan's participants according to the plan's Service Agreement for services provided.
Rebalance Transaction	Buys or Sells	Category 1	23	A transaction initiated by a systematic process or directed by a shareholder, investment fiduciary, or financial advisor to re-allocate balances within funds to a pre-defined percentage amongst available investment options. This transaction will result in offsetting buy, sells, or exchanges amongst the investment options available to the shareholder within his/her account.
Return of Excess Contributions	Sell	Category 2	24	A transaction initiated by the party responsible plan ERISA compliance to return previously invested employee contributions to shareholders for situations where the party action is required to keep the plan compliant. This transaction will result in a distribution to the shareholder for an amount equal to the excess contribution previously made to the plan.
Rollover	Buy	Category 2	25	Rollover contribution
Dividend	Buy	Category 2	54	A distribution of a portion of a company's earnings, decided by the board of directors , to a class of its shareholders. Generally retirement plans elect the re-investment option, so as to have the distribution purchase additional shares of the security, as a result financial intermediaries that provide

Transaction	Transaction Type	Transaction Category	Transaction Code	Definition
				recordkeeping services do not pass a trade on dividends, but rather update shareholder records to reflect the distribution via an increase of shares equal to the distribution rate. In the event that a cash option is elected a trade will be passed and should be treated as an employee contribution described above.

Commonly Utilized Brokerage Transaction Codes:

Transaction	Transaction Type	Transaction Category	Transaction Code	Definition
Initial/Subsequent Purchase	Buys	Category 1	50	To obtain ownership of a security or other asset in exchange for money or value. Also called buy.
Sell/Redemption	Sells	Category 1	51	The return of an investor's principal in mutual fund shares , at or prior to maturity .
Transfer of shares	Buys or Sells	Category 1	52	Delivery in of previously purchased mutual fund shares.
Automated investment transactions	Buys or Sells	Category 2	53	Purchases/sells related to “systematic or programmatic” rebalancing and/or systematic withdrawals.

The transaction codes listed above correspond to valid values to be utilized in the SDR Detail Response record (field 47-48).

Date Range Requests

The SDR Request (F40) record provides functionality for funds to request data for a specific date range by providing both a “From Date” and a “To Date” within the F40 Request. Funds electing to request data for a specific date range **should limit the date range request to a 90-day period**.

Funds are expected to use previously retrieved data rather than making separate and redundant requests. For example, if a fund has been requesting recurring daily data for a particular time frame, then the fund should not also subsequently request data for the same or overlapping time period using the “from” and “to” dates.

NSCC will not validate the “From Date” field except to ensure that it is provided since it is a required field in SDR. This date should be set to the current date for requests on the current day's activity and for recurring requests. Previous dates are used for historical requests. Future dated requests are generally not allowed as a best practice.

Historical Data Requests

Historical data requests should be limited to a period of one year. Most systems commonly archive data older than one year in a non-production region, which is not generally connected to the production systems into which the F40 Request record would be received. Data requests for time periods greater than one year may be time consuming from both a systems and personnel perspective, and therefore should be

treated as a one-off. In these cases, the fund must make the data request via phone or other electronic communications directly with the intermediary.

SDR Acknowledgment

Intermediaries should **always** provide an SDR Acknowledgement record to the fund.

The Acknowledgment should be provided within one business day of receipt of the request. The Acknowledgement record provides the fund with affirmative acknowledgment that the SDR request has been received, and establishes the point in time from which the Best Practices turn-around time will be measured.

The Acknowledgement Indicator within the record provides for three response types intended to cover the majority of acknowledgement responses:

0 = Response will be Provided

1 = Request will be forwarded to Underlying Intermediary

Intermediaries should provide the appropriate response within the acknowledgement.

In the event that an acknowledgement record will not be sent intermediaries should provide a SDR Reject Record as described below. In instances where the requested data cannot be provided within the Best Practice timeframe, described below, a dialogue should be initiated with the fund.

SDR Reject Record

For files that pass the NSCC's preliminary file and record validation, and in cases where an intermediary does not plan to provide an acknowledgement record within one business day, intermediaries should provide a reject record as soon as practicable but in no event later than one business day from the receipt of the data request.

In cases where funds submit Detail Data SDR Requests for accounts on which only Summary Level information is only available, intermediaries should reject the request with Reject Code 66 - Account is Non-Omnibus (Single Shareholder). An example would be a fund submitting a detailed data request either as an initial request on a fully disclosed account, or as a follow-up data request to a summary data request for which data was previously provided on an account for a Defined Benefit or Pension Plan.

Response Time for Data Requests

Rule 22c-2 requires that intermediaries provide funds with shareholder and transaction activity upon requests. Funds and firms will enter into agreements, which will govern the response timeframes for these requests.

As a best practice when utilizing the SDR functionality, intermediaries should adhere to a process whereby routine SDR data requests are processed and responded to within **1-3 business days for routine requests. A routine SDR data request is defined as a SDR request that falls within the best practice for date range and for Category 1 transactions.**

Additionally, funds and intermediaries should agree on timeframes for data requests that may inherently result in a voluminous amount of data, or are complex and cannot be processed within existing cycles without interrupting day-to-day operations.

Funds and intermediaries should also consider establishing a timeframe for situations where the first-tier intermediary does not maintain the requested data on its internal systems. The data may be maintained by

an Underlying intermediary; therefore, the first-tier intermediary will be dependent on the Underlying intermediary to provide the data. This situation may warrant additional time for the first-tier intermediary to retrieve data from the Underlying intermediary, and to subsequently respond to the fund's data request.

Notwithstanding the special situations described above, the best practice with regards to replying to fund requests for data is 1-3 business days, unless otherwise previously negotiated between the funds and intermediaries. Within a chain of intermediary relationship, the best practice to replying to fund requests for data is 1-5 business day, unless otherwise previously negotiated between the fund and intermediaries.

In circumstances where SDR data requests cannot be completed within the best practices timeframe prescribed above or otherwise previously negotiated, intermediaries should provide the requested data within the prescribed time contained within the required written agreement with the funds.

The following is an example of the flow for routine SDR requests responded to within the best practices standard of 1-3 business days:

Step 1: Day 0:

- Fund initiates data request SDR F40 request type 01 or 02.
- DTCC processes data request.
- The transmission of ftp input files will occur three times every Monday through Friday, at 9 a.m., 12 noon, and 3 p.m. ET. Output will be sent from NSCC by 10 a.m., 1 p.m., and 4 p.m. ET, Monday through Friday for the respective input files. Processing on Saturday will also be available, and will occur at 9/10 a.m., 12/1 p.m., **2/3 p.m.** (input/output).
- Intermediary receives the request and acknowledges receipt via an acknowledgement record. The acknowledgment marks the point in which the turnaround time for the data response is based.

Step 2: Day 1 – 3:

- Intermediary processes SDR request.
- Intermediary responds to fund within 3 business days, unless otherwise previously agreed upon with fund initiating SDR request.

Step 3: Day 4 – x

- Fund analyzes from intermediary.
- For Super Omnibus Accounts, fund analyzes the summary plan data to determine if additional detailed shareholder data is required from intermediary.
- For Omnibus accounts, the response record will contain detailed shareholder data.

Step 4: Day x

- For Super Omnibus Accounts, if the fund after analyzing the summary level data provided in the response record by the intermediary determines that additional data is required from financial intermediary, a detailed data request SDR F40, data request type 02, 03 is submitted to DTCC.
- This additional request initiates a new cycle beginning with Step 1 above.

Summary Data

Summary data is the high-level information regarding the plans, trusts, and/or investor omnibus accounts that are combined into a super omnibus account. It is assumed that only summary data will first be passed for super omnibus accounts. This summary data will provide sufficient information to help the funds identify specific plans where trading is occurring frequently. The fund would then be able to request data

at a plan/trust level and obtain detailed information about the underlying participants. The same will apply to the trusts, investor omnibus accounts, and the underlying shareholders.

The process of first providing Summary data is necessary because a request against a super omnibus account may produce a prohibitive amount of response data at a shareholder level. To avoid having to process this large amount of data for super omnibus accounts, Summary data will instead be provided.

In scenarios where the data request is made of a first-tier intermediary that also provides participant/shareholder recordkeeping services, the intermediary should, to the greatest extent possible that the data is maintained and accessible, provide all the optional/conditional data on SDR Summary record B46, records 1 and 2 including but not limited to:

1. Dollar Value of **All** Participant/ Shareholder Buys
2. Dollar Value of **All** Participant/ Shareholder Sells
3. Dollar Value of **Category 1** Participant/ Shareholder Buys
4. Dollar Value of **Category 1** Participant/ Shareholder Sells
5. Number of **Category 1** Participant/ Shareholder Buys
6. Number of **Category 1** Participant/ Shareholder Sells
7. Dollar Value of **All** of Participant/ Shareholder Exchanges (Intra Fund Buy-Side)
8. Dollar Value of **All** Participant/ Shareholder Exchanges (Intra Fund Sell-Side)
9. Dollar Value of **Category 1** of Participant/ Shareholder Exchanges (Intra Fund Buy-Side)
10. Dollar Value of **Category 1** Participant/ Shareholder Exchanges (Intra Fund Sell-Side)
11. Number of **Category 1** Participant/ Shareholder Exchanges (Intra Fund Buy-Side)
12. Number of **Category 1** Participant/ Shareholder Exchanges (Intra Fund Sell-Side)
13. Number of Shares in Plan/Investor Omnibus Account

In scenarios where the summary data request is made of a first-tier intermediary that **does not** provide participant/shareholder recordkeeping services, the intermediary should provide the summary data that is maintained, which at a minimum should contain the dollar value of all buys and sells.

Social Code

To provide adequate disclosure within the Summary data, Intermediaries should provide the appropriate “social code”, if known, in the Summary record. The social code will provide a unique identifier to help funds determine whether the lowest level of data is being provided based on the account type indicated by the social code. The availability of the social code may help to eliminate subsequent SDR detail requests for accounts on which no additional data is maintained by the intermediary.

Social Codes on which funds would seek additional detail data include:

Social Code	NSCC Social Code	Best Practice Usage
05	Insurance Companies	Use for Insurance Company accounts that are fund level omnibus. Firm is responsible for tax reporting.
06	Broker/Dealer Omnibus	Use for Broker/Dealer house accounts that are fund level omnibus. Firm is responsible for tax reporting.
07	Bank/Trust Omnibus	Use for Bank and Trust accounts that are Fund level omnibus. Firm is responsible for tax reporting.
10	KEOGH	
11	Profit Sharing Plan (non-prototype)	Use for non-prototype profit sharing plans which are maintained in a plan level omnibus account. Firm is responsible for tax reporting.

12	401K (non-prototype)	Use for non-prototype 401K accounts maintained in plan level omnibus accounts. Firm is responsible for tax reporting.
13	Money Purchase Pension Plan (non-prototype)	Use for non-prototype pension plans which are maintained in a plan level omnibus account. Firm is responsible for tax reporting.
19	403(b) (non-prototype)	Use for non-prototype 403(b) accounts maintained at the plan level omnibus level. Firm is responsible for tax reporting.
43	Profit Sharing Plan (fund prototype)	Use for fund prototype profit sharing plans which are maintained at the fbo account level. Fund is responsible for tax reporting.
48	Health Savings Account (non-prototype)	
51	Non-Qualified Deferred Comp Plan	Use for non-qualified deferred compensation plans which are maintained in a plan level omnibus account. Firm is responsible for tax reporting.
58	Roth 401K (non prototype)	New for 2006. Account is not registered under the fund's custodial plan. Firm is responsible for tax reporting.
60	Roth 403 (b) (non prototype)	New for 2006. Account is not registered under the fund's custodial plan. Firm is responsible for tax reporting.

Please Note: the use of the term “non-prototype” in the context of Social Codes is from the fund’s perspective. Therefore, an intermediary that provides services to a custom and prototype 401K plans (other than those utilizing a fund prototype document) may report the plan as a social code 12 – 401K (non-prototype).

A full listing of Social Codes may be found on NSCC’s Mutual Fund Services website.

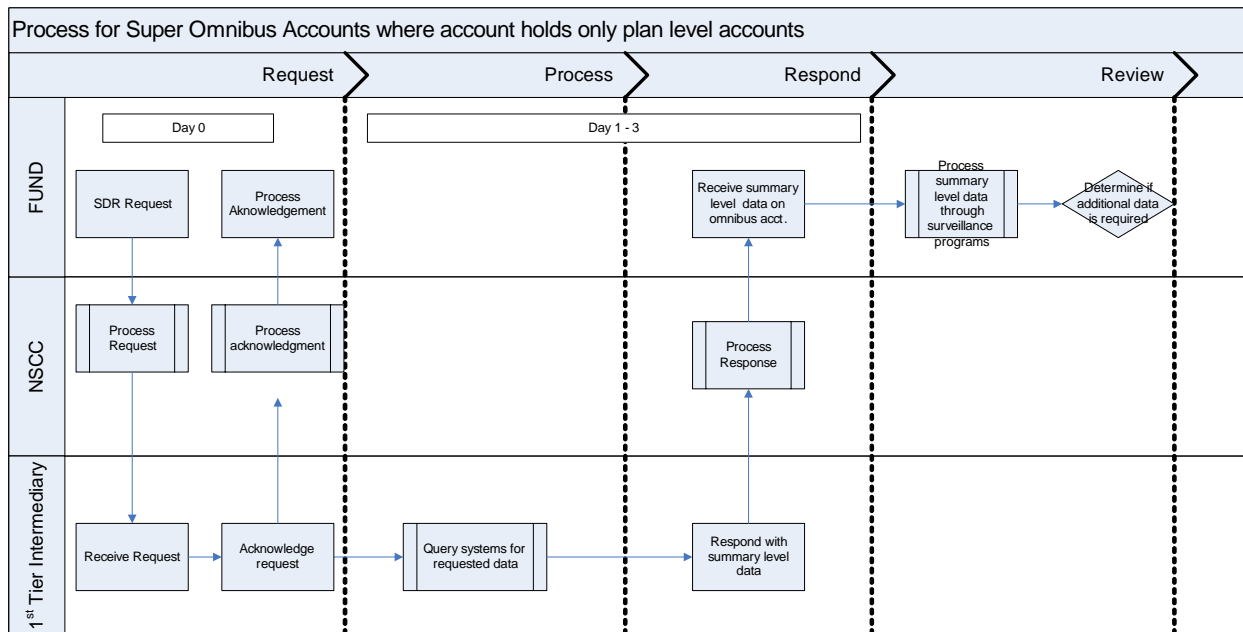
Super Omnibus Accounts

For a Super omnibus account, the first data response from intermediaries to funds should be summary level data. If after reviewing the summary data from the intermediary, the fund determines that additional trade data is warranted, the fund should submit a detailed data request to retrieve shareholder data.

The following flow charts provide an overview of the flow for an SDR data request from a fund to an intermediary for a Super Omnibus relationship.

For a super omnibus account, funds will receive summary data at a plan or account level. The fund will review the overall trading activity in these accounts to determine if additional shareholder data is required within a particular plan or investor omnibus account. The fund may then submit a subsequent request for additional data.

The model depicted in the following flowchart is one where the first-tier intermediary is both the trading conduit and shareholder recordkeeper on a Super Omnibus account, which holds Plan Level sub-accounts.

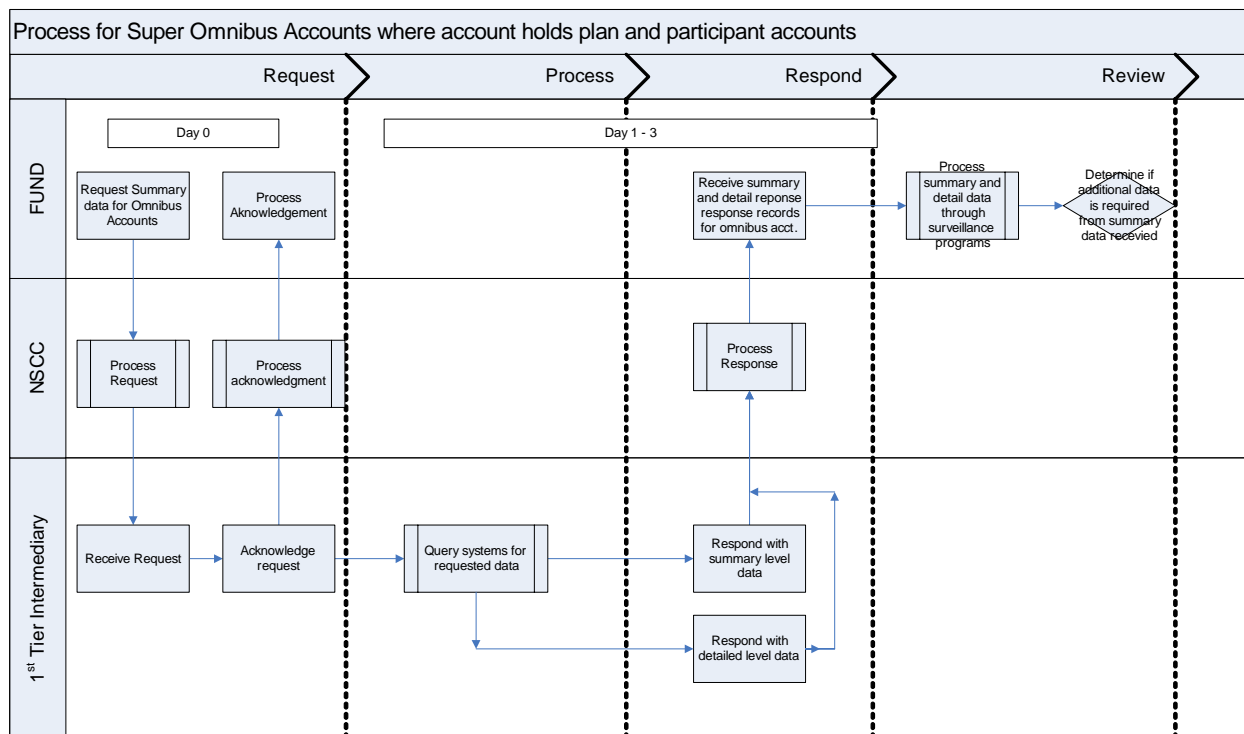


Process Flow

- Fund sends a data request to NSCC during the acceptable input timeframe.
- NSCC does a preliminary validation, which will result in accepted or rejected records.
- NSCC stages the records to the appropriate destination and output files.
- At the appropriate output time, NSCC sends rejects back to the fund and accepted records to the intermediaries.
- The intermediary will take the data request records and may run some preliminary validation, which will result in accepted or rejected records.
- If intermediary rejects, then the reject record will be submitted to NSCC during the input timeframe. NSCC will pass back to the fund in the output file.
- If intermediary accepts, then it will process the request.
 - The first step is for the intermediary to prepare and submit an Acknowledgment to NSCC during the appropriate input timeframe.
 - NSCC will pass to the fund in the output file.
- The intermediary will query its systems and provide the data response record to NSCC within the agreed upon timeframes with the fund.
- NSCC does a preliminary validation, which will result in accepted or rejected records. At the appropriate output time, NSCC sends rejects back to the intermediary and accepted data records to the funds.
- If the funds, after reviewing and analyzing the summary level data for compliance with the funds' market timing policies, determine that additional data is required; then funds would submit a detailed data request.

The detailed data request should be focused on a specific plan/account, and to the extent possible on Category 1 transactions or all transactions. An appropriate level of detail should be provided such that the intermediary can filter out unwanted or unneeded data in the detailed data response record.

The model depicted in the following flowchart is one where the first-tier intermediary is both the trading conduit and shareholder recordkeeper on a Super Omnibus account, which holds Plan Level and individual shareholder accounts.



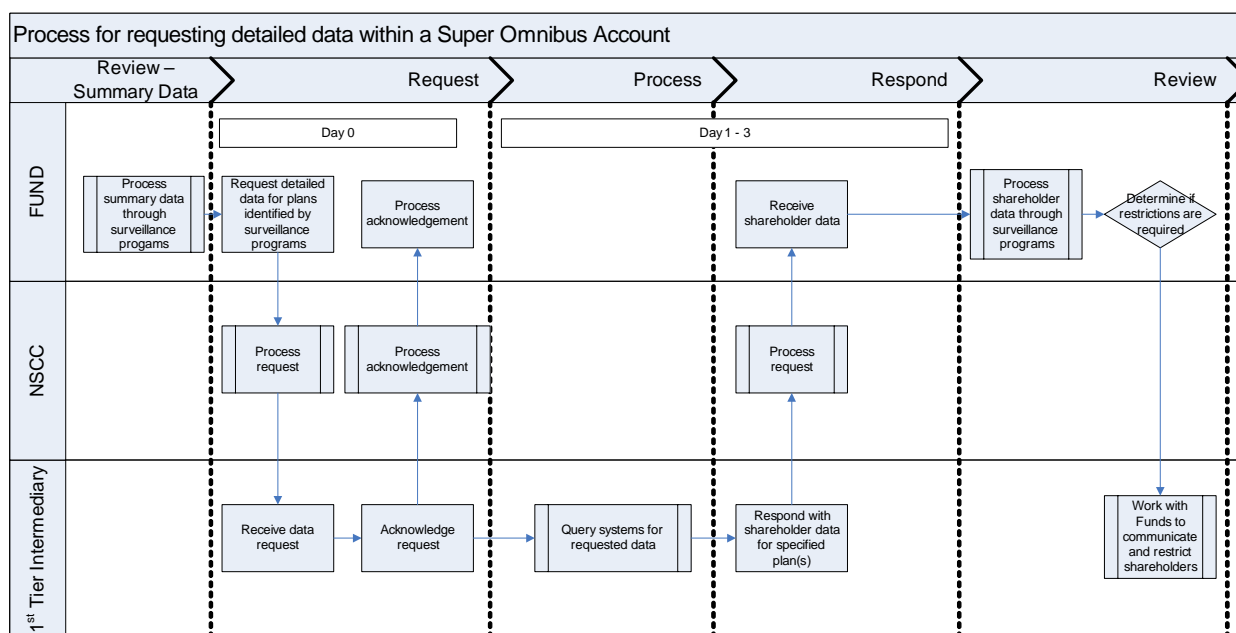
Process Flow

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- The intermediary will take the data request records and may run some preliminary validation, which will result in accepted or rejected records.
- If intermediary rejects, then the reject record will be submitted to NSCC during the input timeframe. NSCC will pass back to the fund in the output file.
- If intermediary accepts, then it will process the request.
 - The first step is for the intermediary to prepare and submit an Acknowledgment to NSCC during the appropriate input timeframe.
 - NSCC will pass to the fund in the output file.
- The intermediary will query its systems and provide the data response record to NSCC within the agreed upon timeframes with the fund.
- The intermediary will provide summary data for Plan level accounts and detail data for individual shareholders held in sub-accounts within the Super Omnibus accounts.
- NSCC does a preliminary validation, which will result in accepted or rejected records. At the appropriate output time, NSCC sends rejects back to the intermediary and accepted data records to the funds.

- If the funds, after reviewing and analyzing the summary level data for compliance with the funds' market timing policies, determine that additional data is required; then funds would submit a detailed data request.

The detailed data request should be focused on a specific plan/account, and to the extent possible on Category 1 or Category 2 Transactions. An appropriate level of detail should be provided such that the intermediary can filter out unwanted or unneeded data in the detailed data response record.

The model depicted in the following flowchart is one where the first-tier intermediary is both the trading conduit and shareholder recordkeeper on a Super Omnibus account with Plan Level sub-accounts on which the Intermediary has previously provided Summary level data to the Fund. The Fund is subsequently submitting a SDR request for Detail for identified plans.



Process Flow

- Fund sends a data request to NSCC during the acceptable input timeframe.
- NSCC does a preliminary validation, which will result in accepted or rejected records.
- NSCC stages the records to the appropriate destination and output files.
- At the appropriate output time, NSCC sends rejects back to the fund and accepted records to the intermediaries.
- The intermediary will take the data request records and may run some preliminary validation, which will result in accepted or rejected records.
- If intermediary rejects, then the reject record will be submitted to NSCC during the input timeframe. NSCC will pass back to the fund in the output file.
- If intermediary accepts, then it will process the request.
 - The first step is for the intermediary to prepare and submit an Acknowledgment to NSCC during the appropriate input timeframe.
 - NSCC will pass to the fund in the output file.
- The intermediary will query its systems and provide the data response record to NSCC within the agreed upon timeframes with the fund.

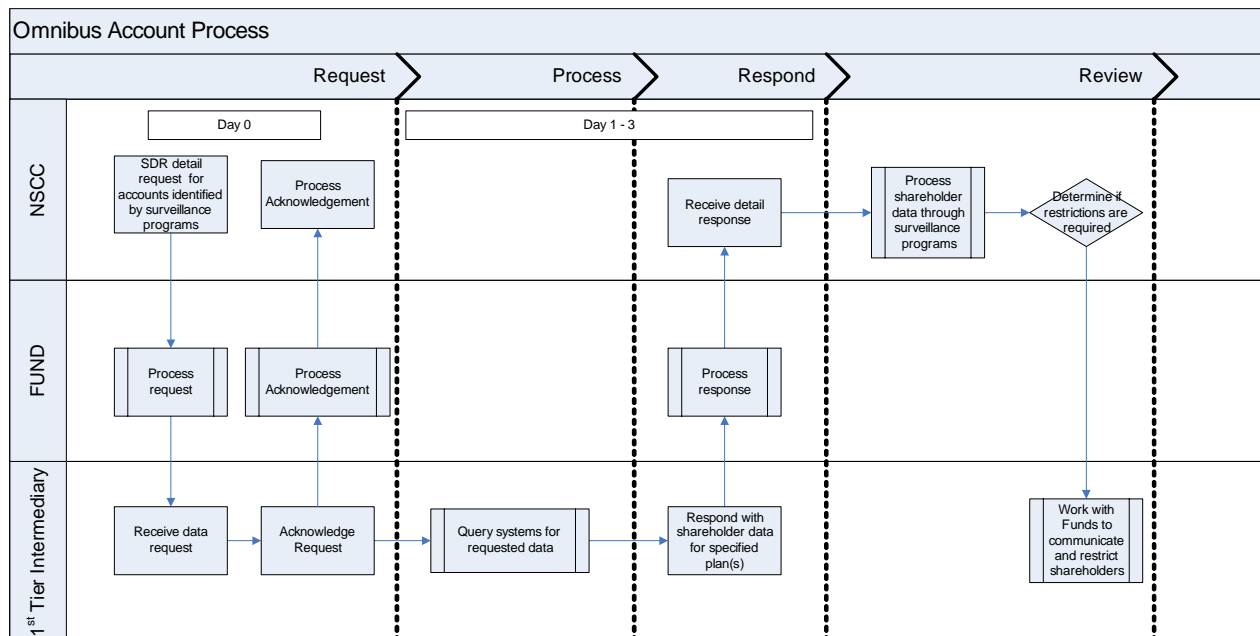
- NSCC does a preliminary validation, which will result in accepted or rejected records. At the appropriate output time, NSCC sends rejects back to the intermediary and accepted data records to the funds.

Omnibus Accounts

Funds will be able to retrieve the underlying shareholder transaction information within a specified omnibus account. If the fund has the specific plan ID or investor omnibus account number, then this information should be provided on the request to help the intermediary focus on a specific plan/account.

Additionally, if the fund has determined that it needs both Category 1 and 2 transactions, then the fund should indicate this on the request. An appropriate level of detail should be provided such that the intermediary can filter out unwanted or unneeded data in the detailed data response record.

The model depicted in the following flowchart is one where the first-tier intermediary is both the trading conduit and shareholder recordkeeper on an Omnibus account.



Process Flow

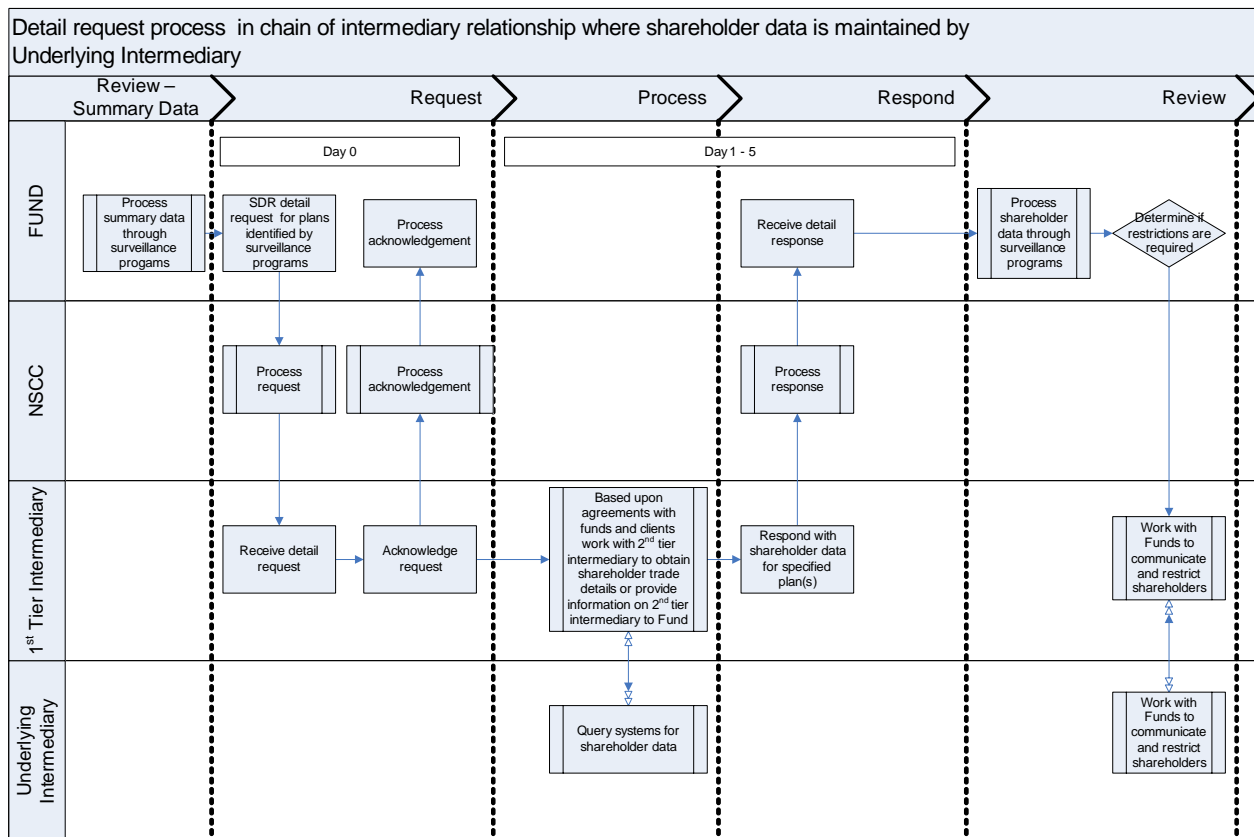
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- The intermediary will take the data request records and may run some preliminary validation, which will result in accepted or rejected records.
- If intermediary rejects, then the reject record will be submitted to NSCC during the input timeframe. NSCC will pass back to the fund in the output file.
- If intermediary accepts, then it will process the request.
 - The first step is for the intermediary to prepare and submit an Acknowledgment to NSCC during the appropriate input timeframe.

- NSCC will pass to the fund in the output file.
- The intermediary will query its systems and provide the data response record to NSCC within the agreed upon timeframes with the fund.
- NSCC does a preliminary validation, which will result in accepted or rejected records.
At the appropriate output time, NSCC sends rejects back to the intermediary and accepted data records to the funds.

Chain of Intermediary Relationships

Business relationships exist where one or more Underlying intermediaries transact business with a fund through a first-tier intermediary that acts as the trading conduit. The first-tier intermediary commonly does not provide shareholder recordkeeping services in this type of construct.

The following flowchart provides a flow for requests that are either a subsequent data request for Super Omnibus accounts, or an initial data request for an Omnibus account in a Chain of Intermediary relationship.



Process Flow

- Fund sends a data request to NSCC during the acceptable input timeframe.
- NSCC does a preliminary validation, which will result in accepted or rejected records.
- NSCC stages the records to the appropriate destination and output files.
- At the appropriate output time, NSCC sends rejects back to the fund and accepted records to the intermediaries.

- The intermediary will take the data request records and may run some preliminary validation, which will result in accepted or rejected records.
- If intermediary rejects, then the reject record will be submitted to NSCC during the input timeframe. NSCC will pass back to the fund in the output file.
- If intermediary accepts, then it will process the request.
 - The first step is for the intermediary to prepare and submit an Acknowledgment to NSCC during the appropriate input timeframe.
 - NSCC will pass to the fund in the output file.
- **If the First-Tier Intermediary acts as the conduit for data requests:**
 - a. The first-tier intermediary will work with the Underlying intermediary to gather the requested data.
 - b. The Underlying intermediary will query its systems and provide the data response record to the first-tier intermediary. The response to the first-tier intermediary may be via the NSCC or otherwise and will be negotiated between the first-tier intermediary and the underlying intermediary.
 - c. The first-tier intermediary will respond to NSCC within the agreed upon timeframes
- NSCC does a preliminary validation, which will result in accepted or rejected records. At the appropriate output time, NSCC sends rejects back to the intermediary and accepted data records to the funds.
- **If the First-Tier Intermediary does not act as the conduit for data requests:**
 - a. Work with the fund to contact the Underlying intermediary that maintains the shareholder level data.
 - b. Disclose to the fund the contact information for the Underlying intermediary that maintains the shareholder level data.
 - c. The fund would follow up and work with the first-tier and Underlying Intermediaries as to the mechanism, and timing for the response of the requested data.
 - d. Response may be provided via the NSCC or otherwise and will be negotiated between the funds and the underlying intermediary.

SDR Control Number

The SDR Control Number is the unique number that identifies the fund's request for data. The format outlined below and in the SDR record layouts will not be validated by NSCC but should be followed as a best practice. NSCC will only validate that the number is provided since the field is required.

The SDR Control Number is always required. On the Response Header, when the request is initiated outside NSCC (and therefore does not have a fund-generated SDR control number), the intermediary should still provide an SDR Control Number and may be the same as the SDR Response Number, see below.

ppppyjjjnnnnnnn

pppp = Participant Number

y = Last digit of year

jjj = Julian Date

nnnnnnn = Unique sequential number assigned by the fund.

SDR Response Number

The SDR Response Number is the unique number that identifies the SDR response, either to an SDR request via NSCC or a request done ex-NSCC. The format outlined below and in the SDR record layouts will not be validated by NSCC but should be followed as a best practice. NSCC will only validate that the number is provided since the field is required.

ppppyjjjnnnnnnn

pppp = Participant Number

y = Last digit of year

jjj = Julian Date

nnnnnnn = Unique sequential number assigned by the intermediary.

Several SDR Response Numbers may correspond to a single SDR Request Control Number when partial files are provided, or when there are daily files sent for recurring requests. In these situations, the SDR Response Number will be important if a correction needs to be made for a specific response file.

Correction Indicator

The correction indicator may be used to correct data that was previously sent. The correction indicator applies to the response for a particular SDR request, identified by the SDR Control Number and the SDR Response Number for a particular date (e.g., for historical or recurring).

The records contained within the Main Header that is indicated as a correction should replace and overwrite the original records.

Recurring Requests

The recurring indicator will be used to request **daily data** on an ongoing basis and until the recurring request is “stopped.” The activity date for the first file should be the date in which the intermediary received the request, regardless of the date provided in the “From Date” field. To avoid confusion, funds should follow the best practice of using the current date on a recurring request.

Foreign Accounts

Intermediaries that provide shareholder recordkeeping services may hold foreign accounts that do not have social security numbers. Intermediaries should include these accounts in the response data provided to the funds by identifying them with a dummy SSN such as 999-99-9999; the SSN/TIN field is required and cannot be left blank. Funds may then question these accounts and obtain additional information via verbal communication with the intermediaries

VIII. Open Issues/Questions

IX. Closed Issues History

1. Agree upon Category 1 and Category 2 Transactions. – The SDRWG agreed on Category 1 and Category 2 transactions on the 2/1 & 2/2 meeting
2. Is Balance Reallocation considered Category 1 as stated in the Best Practice? – The SDRWG agreed to include Balance Reallocation as a Category 1 transaction
3. Should the field “Includes Category 2 Transactions?” be changed in order to allow filtering out category 2 transactions, or to separately request category 2 transactions only?
– On 2/1 & 2/1 the SDRWG concluded that this functionality.

4. Agree on whether to use Acknowledgment or Reject record to communicate that response will not be provided. - On 2/1 & 2/2, the SDRWG concluded that Acknowledgement records should be required.
5. Clarify use of each Acknowledgment Indicator. On 2/1 & 2/2, the SDRWG came to agreement on the use of the indicator.
6. When second tier intermediary is involved, is the response done through NSCC or outside of NSCC? On 2/1 & 2/2, the SDRWG concluded that responses may be via NSCC or outside.
7. Agree on whether to bring back "Transfers" as a transaction type to indicate true transfers such as ACATS, B52, and other transfers in kind. On 2/1 & 2/2, the SDRWG concluded that transfers should be included and a definition has been added.
8. Agree on whether to remove "Exchange in" and Exchange out" in the transaction types in the Request only. All would be considered buys and sell (maybe transfers also). On 2/1 & 2/2, the SDRWG concluded that Exchanges should be removed as a transaction type.
9. Agree on whether to add Social Codes to Summary record. On 2/1 & 2/2, the SDRWG concluded that Social Codes should be included as an optional field to the Summary record.
10. Need to fix Visio descriptions. -Visio descriptions have been corrected in this version.