

# THE DEPOSITORY TRUST COMPANY

# IMPORTANT

**B#:** B9843

**DATE:** April 18, 2000

**TO:** DTC Participants and DTC TradeSuiteK Users

**FROM:** DTC TradeSuiteK Product Management

**ATTENTION:** DTC TradeSuiteK Coordinator and Interested Parties

**SUBJECT:** DTC TradeSuiteK Specialized Account Types for Prime Brokerage Processing

## DTC TradeSuiteK Enhancement

DTC is enhancing the DTC TradeSuiteK service, introducing Specialized Account Type fields on the Standing Instructions Database (SID), which will be available to enrich trade confirmation messages. Understanding that industry participants enter into a wider range of customer agreements in the conduct of their business, a Specialized Account Type field will allow users to broadly categorize their SID client accounts according to the type of customer agreement entered by the Executing Broker and Institution. The first application of the enhancement will aid Prime Brokerage account processing and is discussed in the next section of this Notice.

Currently, SID does not enable users to differentiate client accounts by type. However, the confirmation allows the Executing Broker Dealer, to define on its trade input, the account according to one of the following generic values:

- 02 – Cash/DVP
- 05 – Short
- 09 – Margin
- 99 – Other.

The Account Type field will allow SID client accounts to be grouped according to these generic values as well as more specific types, to be termed as Specialized Account Types, that reflect customer agreements and accurately disclose the account relationship on the confirmation.

DTC TradeSuiteK will be enhanced to meet this business need with changes to:

- SID Account links;
- Recording of such information on the confirmation; and,
- Tracking and reporting of account information through the TradeSuite7 PC software for SID and/or existing reports.

These changes will be implemented in November 2000.

### Prime Brokerage Processing

At the request of the Securities Operations Division (SOD) of the Securities Industry Association (SIA) and representatives of the prime brokerage industry, the first additional value to be defined as a Specialized Account Type will be "10 – Prime Brokerage". Thus, DTC will provide the option of replacing hardcopy Form 1 Schedule A Notifications & Updates of the SIA's standard form of prime brokerage agreement (SIA Form 150) with electronic messages sent through the SID; these notifications add or delete customers to whom a SIA Form 150 is applicable as signed by a Prime Broker and Executing Broker.

SIA Form 150 currently requires Prime and Executing Brokers to notify/acknowledge new prime brokerage account relationships via hardcopy documents. Prime Brokers will be able to add new client accounts to SID, designate them as Prime Broker Accounts and notify, according to Form 150 requirements, Executing Brokers of these new accounts. SID will allow Executing Brokers to add their own internal account numbers for these accounts, label them Prime Broker Accounts and link them to the Prime Brokers' accounts. By using SID in this way, the Prime Broker and the Executing Broker can satisfy their notification and acknowledgement obligations under SIA Form 150 electronically and eliminate today's manual paper-based processing.

The SIA Regulatory and Clearance Committee has informed DTC that it expects to revise SIA Form 150 during the second quarter of 2000 to recognize this SID-based solution as an alternative to the current hardcopy procedures. A new version of the CCF Broker SID Account Linking file will be available from Participant Interface Planning in May. Modified TradeSuite>PC software for SID will be available in November. SID User documentation will be updated to reflect the new procedures.

The enhancements to SID will also enable other special account type processing in the future will be announced in a separate Important Notice. Attached to this Notice is an outline of some technical information that all SID users must be aware of, as well as a brief summary of how Prime Brokers and Executing Brokers can use the SID enhancements to meet their Notification/ Acknowledgement obligations. The existing SID enrichment procedures and fees will cover the use of Specialized Account Types on confirmations.

Questions concerning the SID Specialized Account Type qualifiers should be referred to Reggie Ambatchew (dambatchew@dtcc.com) at (212) 855-5333.

**Attachment**

### **Specialized Account Types in TradeSuiteK System**

## SID Technical Implementation

An Account Type indicator will be incorporated in the SID client account reference definition that will support the following values: “02 – Cash/DVP; “05 – Short”; “09 – Margin”; “10 – Prime Brokerage”, and “99 – Other”. Existing SID client accounts will be converted with a default value of “02” – Cash. Thereafter, SID will require the Executing Broker and Institution to select an Account Type value to define the client account. The Account Type indicator will be considered as part of the client account reference, and any user wishing to represent the client under a different account type value will have to delete and re-enter the client account with the desired value. Any discrepancy between the indicators on the respective inputs will prevent a SID account linkage from being registered.

SID will interrogate the Account Type value when the account is referenced by dependent TradeSuite functions, such as Account Linking, requiring matching values on the respective Broker and Institution client accounts. It should be noted that Specialized Account Type values, those being all values other than the original base values, will not be accepted on confirmation trade input but will be available on confirmation output via SID enrichment. SID Auto Linking will effectively bypass these Specialized Account Type values; however, the base values will be eligible for comparison by Auto Linking. The existing SID enrichment procedures and fees will cover the use of Specialized Account Types on confirmations. Tracking and reporting of account information is supported the TradeSuite7 PC software for SID, the PTS SID function, and various reports

In November 2000, TradeSuite7 PC-software for SID, the PTS SID function and mainframe SID will display the Account Type value on Internal Account references. A new version of the CCF Broker SID Account Linking File is being created to enable Executing Broker Dealers to declare the Account Type for its Broker Account Reference in linking to the Institution client account reference and the file layout will be available in May, 2000. The record will also be expanded to handle additional data fields for future use in client account creations. Users of the current format will be supported and assumed as declaring their account references as “02 – Cash”, which will preclude its use for SID Form 150 Notifications/Updates. An implementation date for changing the current CCF SID Account Notifications Output file will be announced later this year.

## Prime Brokerage Procedure

In the case of a Prime Broker and Executing Broker wishing to complete a SID Form 150 Notification:

- The Prime Broker, acting as the Institution, would create a client account on SID and define the Account Type indicator for the account as “10 – Prime Brokerage”. This transmits a SID Form 150 Notification of the client account to the Executing Broker. Until such time that the CCF SID Notification output file is updated, the Executing Broker sees both the client account and account type via the SID TradeSuite7 Workstation and/or PTS SID function but sees only the client account on the CCF SID Notification.
- To Acknowledge the SID Form 150 Notification, the Executing Broker Dealer would create a SID linkage where it declares the Account Type of its Broker Internal Account reference as “10” – Prime Brokerage. This results in a linked account entry on SID where both parties are

declaring a client relationship as prime brokerage as applicable under an existing SIA Form 150 between themselves.

- A deletion of a SID client account reference, by the Executing Broker and/or Prime Broker, with an Account Type of “10 – Prime Brokerage” represents a SID Form 150 Update of a Client Deletion from the standing Form 150 agreement. This deletion transmits to the receiving party via the SID Notification system.

At this point, users will have satisfied their reporting obligations on that client with regard to a Form 150 Schedule A Notification & Update and Acknowledgement.