DTCC

Important Notice
National Securities Clearing Corporation

A#:	9441
P&S:	9014
Date:	June 7, 2024
To:	ALL MEMBERS AND LIMITED MEMBERS
From:	WEALTH MANAGEMENT SERVICES – MUTUAL FUNDS
Attention:	MANAGER MUTUAL FUNDS OPERATIONS, MANAGER DATA PROCESSING, MANAGER CASHIERS, MANAGER P&S DEPARTMENT
Subject:	SECURE 2.0 & Money Market Reform - Enhancements

Effective **Monday, September 9, 2024,** National Securities Clearing Corporation (NSCC) will implement **enhancements** to assist clients in complying with the regulatory requirements of the **SECURE 2.0 Act of 2022** and **Money Market Reform**.

SECURE 2.0 Act of 2022 (SECURE 2.0)

The SECURE 2.0 Act of 2022, part of the Consolidated Appropriations Act of 2023, expands on the SECURE Act of 2019 to improve retirement-savings opportunities.

Money Market Reform

In July, 2023, the Securities and Exchange Commission ("SEC") adopted amendments to rules that govern money market mutual funds ("Money Market Reform") under the Investment Company Act of 1940. The amendments remove provisions in the current rule that permit a money market fund to suspend redemptions temporarily through a gate and allow money market funds to impose liquidity fees (Mandatory and Discretionary) under certain conditions.

In connection with SECURE 2.0 and Money Market Reform, NSCC collaborated with working groups of the Investment Company Institute's Broker/Dealer Advisory Committee, and Bank/Trust/Retirement Advisory Committee to consider recommendations for enhancing NSCC's Mutual Fund Services for the purpose of providing our clients with capabilities to assist in complying with the new regulatory requirements. Below is a summary of the enhancements included in this release. Details illustrating the specific enhancements are included in the attached Appendix. *The Appendix is for informational purposes and may not represent the final record layouts. NSCC reserves the right to make additional changes prior to implementation*.

A. SECURE 2.0

1) Fund/SERV®, Networking, DTCC Payment aXis®, and ACATS-Fund/SERV.

SECURE 2.0 allows Roth contributions to SIMPLE and SEP IRA plans. The following **new Social Codes will be added** to provide required transparency to both intermediaries and Funds to distinguish Roth SIMPLE and Roth SEP IRA account types from traditional SIMPLE and SEP IRA accounts.

- Roth SIMPLE IRA (fund-prototype)
- Roth SIMPLE IRA (non-prototype)
- Roth Simplified Employee Pension (SEP) IRA (fund-prototype)
- Roth Simplified Employee Pension (SEP) IRA (non-prototype)

Important Note:
- *Mutual Fund Profile II – Profile Security Database* will be enhanced to **add the aforementioned social codes**. *This enhancement, along with the implementation date,* **will be communicated in a separate Important Notice.**

2) Fund/SERV.

SECURE 2.0 allows funds from a 529 plan account to be rolled over to a Roth IRA. The following **new 'Transaction Type'** will be added to the **Order, As of Order, and Correction** records to identify a 529 to Roth IRA distribution.

- 529 to Roth IRA Distribution

3) Networking F55 Activity Record - the following **new "Transaction Description Code"** will be added to identify 529 to Roth IRA distribution activity at the Fund.

- "529 Redemption - 529 to Roth IRA Distribution"

B. Money Market Reform

The following enhancements allow for timely communication of liquidity fees, and update data points to align with removal of the gate provision.

Fund/SERV – Field names and descriptions containing reference to 'Redemption Gates' on the **Order, As of Order, Correction, Exchange, and Reject Code** records will be updated to remove reference to 'Redemption Gates'.

*Important Notes: The following enhancements, along with details and implementation dates, **will be communicated in separate Important Notices.***

- ***MF Info Xchange -*** *will be enhanced to provide **two new event types** for Fund clients to communicate a **mandatory or discretionary fee** to intermediaries.*
- ***Mutual Fund Profile II - Profile Security Database –*** *Money Market Fund Indicator field descriptions and underlying values will be updated to further delineate the Money Market Fund categorization of Retail, Institutional, and Government funds.*

DOCUMENTATION

Updated record layouts will be available on the DTCC Learning website **on or about July 15, 2024**. An email notification will be sent when the revised documentation has been posted to the website.

Applicable user guide(s) will be updated prior to the effective date of the enhancements, and an email notification will be sent when the revised documentation has been posted to the DTCC Learning website.

TESTING

Effective Monday, August 26, 2024, clients can begin testing the enhancements in the Participant Services Environment (PSE) test region.

Clients are requested to test and must contact their Relationship Manager before testing if access to the PSE region has not been previously established.

Questions and comments regarding this Important Notice may be directed to your Relationship Manager or Wealth Management Services at 212-855-8877 or WMSconnect@dtcc.com.

John Saxenian
Product Manager

DTCC Wealth Management Services

Appendix

A. SECURE 2.0 Enhancements

1) Social Code Enhancements (Batch files and Web Screens)

The following new social codes will be added to **Fund/SERV®, Networking, DTCC Payment aXis®, and ACATS-Fund/SERV.** These social codes will provide transparency to both firms and funds to identify Roth SIMPLE and Roth SEP IRA account types from traditional SIMPLE and SEP IRA accounts.

Social Code	NSCC Social Code Description	Definition and Best Practice
A6	Roth SIMPLE IRA (fund-prototype)	Use for accounts registered under the fund's custodial IRA plan. Best Practice: Fund is responsible for tax reporting.
A7	Roth SIMPLE IRA (non-prototype)	Use for accounts not registered under the fund's custodial IRA plan. Best Practice: Firm is responsible for tax reporting.
A8	Roth Simplified Employee Pension (SEP) IRA (fund-prototype)	Use for accounts registered under the fund's custodial IRA plan. Best Practice: Fund is responsible for tax reporting.
A9	Roth Simplified Employee Pension (SEP) IRA (non-prototype)	Use for accounts not registered under the fund's custodial IRA plan. Best Practice: Firm is responsible for tax reporting.

Clients are strongly encouraged to review and update the mapping of accounts on their systems to the appropriate NSCC social code when communicating through NSCC.

2) Fund/SERV Enhancements (Batch Files & Web Screens)

Both fixed and variable record layouts will be modified. However, for the purpose of illustration, the fixed record layouts are used below. Red text indicates modifications to existing fields.

a) Add a **new value 'G' (529 to Roth IRA Distribution)** to the **'Transaction Type'** field on the following records to identify a 529 to Roth IRA distribution.

- **001** - Order Record, 1 of 7 **(Part 1)**
- **004/005/006/007/009/140** - As-Of Order/Confirmation/Reconfirmation/Fund Originated Order/Fund Originated As-Of Order/Post Settlement Cancellation by Fund Records, 1 of 8 **(Part 1)**
- **003/025/026** - Correction/Correction Confirmation/Post Settlement Correction by Fund Records, 1 of 14 **(Part 3)**

Field Name	Start	End	Len	Type	Description	Opt/ Req	Reject Code
Transaction Type	57	57	1	A/N	0 = Single purchase 1 = Letter of intent 2 = Rights of accumulation 3 = Net asset value 4 = Group purchase 5 = CDSC liquidation 8 = 529 Participant Distribution 9 = 529 Beneficiary Distribution A = 529 School Distribution B = 529 Rollover Distribution E = 529 In-State Plan Transfer Distribution F = 529 Registration Change **G = 529 to Roth IRA Distribution** Only 5, 8, 9, A, B, E, F or **G** are allowed if Transaction Code = "03" or "04" 03 (Partial Liquidation) 04 (Full Liquidation)	R	017

b) Update the '**IRA/529 Liquidation Indicator**' field to be required on the following records when **'Transaction Type' = 'G'** (529 to Roth IRA Distribution).

- **001** - Order Record, 4 of 7 (Part 1)
- **004/005/006/007/009/140** - As-Of Order/Confirmation/Reconfirmation/Fund Originated Order/Fund Originated As-Of Order/Post Settlement Cancellation by Fund Records, 4 of 8 (Part 1)
- **003/025/026** - Correction/Correction Confirmation/Post Settlement Correction by Fund Records, 4 of 14 (Part 3)

Field Name	Start	End	Len	Type	Description	Opt/ Req	Reject Code

IRA/529 Liquidation Indicator	71	71	1	A/N	0 = Not applicable
					
					1 = Distribution—premature
					
					2 = Distribution—disability
					
					3 = Distribution—death
					
					4 = Distribution—normal
					
					5 = Hardship withdrawal
					
					6 = Loan
					
					7 = Rollover
					
					8 = Adjust prior year excess
					
					9 = Adjust current year excess
					
					A = Qualified
					
					B = Non-Qualified
					
					C = Distribution–Non-Taxable
					
					D = 529 Owner Change
					
					E = 529 Beneficiary Change–In-Family
					
					Notes:
					
					• **A or B is required if Transaction Type =**
					  8 = (529 Participant Distribution)
					  9 = (529 Beneficiary Distribution)
					  A = (529 School Distribution)
					  B = (529 Roll Over Distribution)
					  G = (529 to Roth IRA Distribution)
					
					• **C is required if Transaction Type = E (529 In-State Plan Transfer Distribution)**
					
					• **D or E is required if Transaction Type = F (529 Registration Change)**
						OC	106

Important Notes:
- Since the 'IRA/529 Liquidation Indicator' is a required field for new Transaction Type = 'G' (529 to Roth IRA Distribution), **Record # 4 will be required when Transaction Type = 'G'** (529 to Roth IRA Distribution).
- **When Transaction Type = 'G'** (529 to Roth IRA Distribution), **the 'IRA/529 Liquidation Indicator' value must be 'A' (Qualified) or 'B' (Non-Qualified).**

3) <u>**Networking Enhancements – F55 Activity Record (Batch Only)**</u>

Add a new Direct Redemption **'Transaction Description Code' value of 'BP' (529 Redemption – 529 to Roth IRA Distribution)** to the F55 Networking Activity Record to identify 529 to Roth IRA distribution activity at the Fund.

Transaction Type: 02 (Direct Redemption)	
Transaction Description Code	**Description**
BP	**529 Redemption - 529 to Roth IRA Distribution**

B. Money Market Reform Modifications

Fund/SERV – Field Description Updates (*Documentation Update Only*)

The following Fund/SERV updates are informational and consist of modifications to existing field names and value descriptions; **no new functionality is being introduced.**

a) Update the following field descriptions to remove reference to 'Redemption Gates' as the rule eliminated the Gate provision.

- **Record Type 001 (Order)** - Record 2 of 7 **(Part 1)**

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Time	71	76	6	N	hhmmss Eastern Time 000000 (midnight) to 235959 Required when "Money Market Liquidity Fee/Redemption Gate Indicator" = 'F' (Fund).	hhmmss Eastern Time 000000 (midnight) to 235959 **Required when "Money Market Liquidity Fee Indicator" = 'F' (Fund).**	OC	168

- **Record Type 001 (Order)** - Record 6 of 7 **(Part 1)**

Current Field Name	New Field Name	Start	End	Len	Type	Description	Opt/ Req	Reject Code
Money Market Liquidity Fee/Redemption Gate Indicator	**Money Market Liquidity Fee Indicator**	78	78	1	A/N	F = Fund. B = Intermediary	O	282

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Date	79	86	8	A/N	mmddccyy Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = F.	mmddccyy **Required if the "Money Market Liquidity Fee Indicator" = F.**	OC	283
Aggregated Order Indicator	87	87	1	A/N	Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = "F" or "B". • 1 = Transactions are not aggregated • 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions) • 3 = Transactions are net of purchases and redemptions • 4 = Unknown at time of placement	**Required if the "Money Market Liquidity Fee Indicator" = "F" or "B".** • 1 = Transactions are not aggregated • 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions) • 3 = Transactions are net of purchases and redemptions • 4 = Unknown at time of placement	OC	284

- **004 (As of Order) -** Record 2 of 8 **(Part 1)**

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Time	71	76	6	N	hhmmss Eastern Time 000000 (midnight) to 235959 Required when "Money Market Liquidity Fee/Redemption Gate Indicator" = 'F' (Fund). Record Types 005 & 006: Must contain the same value as provided by the firm on the Order transaction (record type 001 or 004). NSCC will reject if a fund provided value is different from the value submitted by the firm.	hhmmss Eastern Time 000000 (midnight) to 235959 **Required when "Money Market Liquidity Fee Indicator" = 'F' (Fund).** Record Types 005 & 006: Must contain the same value as provided by the firm on the Order transaction (record type 001 or 004). NSCC will reject if a fund provided value is different from the value submitted by the firm.	OC	168

- **004 (As of Order) -** Record 7 of 8 **(Part 1)**

Current Field Name	New Field Name	Start	End	Len	Type	Description	Opt/ Req	Reject Code
Money Market Liquidity Fee/Redemption Gate Indicator	**Money Market Liquidity Fee Indicator**	78	78	1	A/N	F = Fund. B = Intermediary <u>For Record Types 005 & 006</u>: Must contain the same value as provided on the Order transaction (record type 001 or 004). NSCC will reject if a fund provided value is different from the value submitted by the firm. Not allowed for record types 007 and 009.	O	282

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Date	79	86	8	A/N	mmddccyy Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = F. <u>For Record Types 005 & 006</u>: Must contain the same value as provided on the Order transaction (record type 001 or 004). NSCC will reject if a fund provided value is different from the value submitted by the firm. Not allowed for record types 007 and 009.	mmddccyy **Required if the "Money Market Liquidity Fee Indicator" = F.** <u>For Record Types 005 & 006</u>: Must contain the same value as provided on the Order transaction (record type 001 or 004). NSCC will reject if a fund provided value is different from the value submitted by the firm. Not allowed for record types 007 and 009.	OC	283
Aggregated Order Indicator	87	87	1	A/N	Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = "F" or "B". • 1 = Transactions are not aggregated • 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions)	**Required if the "Money Market Liquidity Fee Indicator" = "F" or "B".** • 1 = Transactions are not aggregated • 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions)	OC	284

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
					• 3 = Transactions are net of purchases and redemptions • 4 = Unknown at time of placement	• 3 = Transactions are net of purchases and redemptions • 4 = Unknown at time of placement		

• **Record Type 003 (Correction)** - Record 2 of 14 **(Part 3)**

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Time	71	76	6	N	hhmmss Eastern Time 000000 (midnight) to 235959 Required when "Money Market Liquidity Fee/Redemption Gate Indicator" = 'F' (Fund). Record Type 025: Must contain the same value as provided by the firm on the Correction transaction (record type 003). NSCC will reject if a fund provided value is different from the value submitted by the firm.	hhmmss Eastern Time 000000 (midnight) to 235959 **Required when "Money Market Liquidity Fee Indicator" = 'F' (Fund).** Record Type 025: Must contain the same value as provided by the firm on the Correction transaction (record type 003). NSCC will reject if a fund provided value is different from the value submitted by the firm.	OC	168

• **Record Type 003 (Correction)** - Record 7 of 14 **(Part 3)**

Current Field Name	New Field Name	Start	End	Len	Type	Description	Opt/ Req	Reject Code
Money Market Liquidity Fee/Redemption Gate Indicator	**Money Market Liquidity Fee Indicator**	78	78	1	A/N	F = Fund. B = Intermediary For record type 025: Must contain the same value as provided on the Correction transaction (record type 003). NSCC will reject if a fund provided value is different from the value submitted by the firm.	O	282

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Date	79	86	8	A/N	mmddccyy Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = F. <u>For record Type 025:</u> Must contain the same value as provided on the Correction transaction (record type 025). NSCC will reject if a fund provided value is different from the value submitted by the firm.	mmddccyy **Required if the "Money Market Liquidity Fee Indicator" = F.** <u>For record Type 025:</u> Must contain the same value as provided on the Correction transaction (record type 003). NSCC will reject if a fund provided value is different from the value submitted by the firm.	OC	283
Aggregated Order Indicator	87	87	1	A/N	Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = "F" or "B". • 1 = Transactions are not aggregated • 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions) • 3 = Transactions are net of purchases and redemptions • 4 = Unknown at time of placement <u>For record type 025:</u> Must contain the same value as provided on the Correction transaction (record type 003). NSCC will reject if a fund provided value is different from the value submitted by the firm.	**Required if the "Money Market Liquidity Fee Indicator" = "F" or "B".** • 1 = Transactions are not aggregated • 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions) • 3 = Transactions are net of purchases and redemptions • 4 = Unknown at time of placement <u>For record type 025:</u> Must contain the same value as provided on the Correction transaction (record type 003). NSCC will reject if a fund provided value is different from the value submitted by the firm.	OC	284

- **Record Type 015 (Exchange Order)** - Record 2 of 5 **(Part 1)**

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Time	71	76	6	N	hhmmss Eastern Time 000000 (midnight) to 235959 Required when "Money Market Liquidity Fee/Redemption Gate Indicator" = 'F' (Fund).	hhmmss Eastern Time 000000 (midnight) to 235959 **Required when "Money Market Liquidity Fee Indicator" = 'F' (Fund).**	OC	168

- **Record Type 015 (Exchange Order)** - Record 4 of 5 **(Part 1)**

Current Field Name	New Field Name	Start	End	Len	Type	Description	Opt/ Req	Reject Code
Money Market Liquidity Fee/Redemption Gate Indicator	**Money Market Liquidity Fee Indicator**	74	74	1	A/N	F = Fund. B = Intermediary	O	282

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Date	75	82	8	A/N	mmddccyy Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = F.	mmddccyy **Required if the "Money Market Liquidity Fee Indicator" = F.**	OC	283
Aggregated Order Indicator	83	83	1	A/N	Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = "F" or "B". - 1 = Transactions are not aggregated - 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions) - 3 = Transactions are net of purchases and redemptions - 4 = Unknown at time of placement	**Required if the "Money Market Liquidity Fee Indicator" = "F" or "B".** - 1 = Transactions are not aggregated - 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions) - 3 = Transactions are net of purchases and redemptions - 4 = Unknown at time of placement	OC	284

- **Record Type 016 (Exchange Confirmation)** - Record 2 of 12 **(Part 2)**

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Time	71	76	6	N	hhmmss Eastern Time 000000 (midnight) to 235959 Required when "Money Market Liquidity Fee/Redemption Gate Indicator" = 'F' (Fund). For Record types 016 and 017: Must contain the same value as provided on the Exchange transaction (record type 015). NSCC will reject if a fund provided value is different from the value submitted by the firm.	hhmmss Eastern Time 000000 (midnight) to 235959 **Required when "Money Market Liquidity Fee Indicator" = 'F' (Fund).** For Record types 016 and 017: Must contain the same value as provided on the Exchange transaction (record type 015). NSCC will reject if a fund provided value is different from the value submitted by the firm.	OC	168

- **Record Type 016 (Exchange Confirmation)** - Record 4 of 12

Current Field Name	New Field Name	Start	End	Len	Type	Description	Opt/ Req	Reject Code
Money Market Liquidity Fee/Redemption Gate Indicator	**Money Market Liquidity Fee Indicator**	74	74	1	A/N	F = Fund. B = Intermediary For Record Types 016 & 017 Must contain the same value as provided on the Exchange transaction (record type 015). NSCC will reject if a fund provided value is different from the value submitted by the firm.	O	282

Field Name	Start	End	Len	Type	Current Description	New Description	Opt/ Req	Reject Code
Transaction Received Date	75	82	8	A/N	mmddccyy Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = F. For Record Types 016 & 017 Must contain the same value as provided on the Exchange transaction (record type 015). NSCC will reject if a fund provided value is different from the value submitted by the firm.	mmddccyy **Required if the "Money Market Liquidity Fee Indicator" = F.** For Record Types 016 & 017 Must contain the same value as provided on the Exchange transaction (record type 015). NSCC will reject if a fund provided value is different from the value submitted by the firm.	OC	283
Aggregated Order Indicator	83	83	1	A/N	Required if the "Money Market Liquidity Fee/Redemption Gate Indicator" = "F" or "B". • 1 = Transactions are not aggregated • 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions) • 3 = Transactions are net of purchases and redemptions • 4 = Unknown at time of placement For Record Types 016 & 017 Must contain the same value as provided on the Exchange transaction (record type 015). • NSCC will reject if a fund provided value is different from the value submitted by the firm.	**Required if the "Money Market Liquidity Fee Indicator" = "F" or "B".** • 1 = Transactions are not aggregated • 2 = Transactions are aggregated by "like" orders (purchases separate from redemptions) • 3 = Transactions are net of purchases and redemptions • 4 = Unknown at time of placement For Record Types 016 & 017 Must contain the same value as provided on the Exchange transaction (record type 015). • NSCC will reject if a fund provided value is different from the value submitted by the firm.	OC	284

b) <u>Fund/SERV – Reject Codes</u> (Documentation Update Only)

The following Fund/SERV Reject Code update is informational and consists of modifications to an existing reject code description; **no new functionality is being introduced.**

Update the following reject code to remove reference to 'Redemption Gates' as the rule eliminated the Gate provision.

Reject Codes (Fund/SERV)	Current Description	New Description
282	Money Market Liquidity Fee / Redemption Gate Indicator invalid	**Money Market Liquidity Fee Indicator invalid**