

# *Bulk Transfer Initiative Playbook*



*Version 1 | April 2019*

---

*Including Guidelines and Activities to Prepare  
Sending and Receiving Firms for a Bulk Transfer*



*The information in this Playbook was prepared by PricewaterhouseCoopers LLP (“PwC”) in conjunction with the Bulk Transfer Steering Committee (“BTSC”) and as commissioned by the Securities Industry and Financial Markets Association (“SIFMA”).*

*This Playbook contains general information only and PwC is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. PwC makes no representation or warranty to the accuracy of the information. In addition, the discussion and examples presented in this Playbook are for educational purposes. They are not to be viewed as an authoritative statement by PwC on the quality and/or appropriateness of an individual organization’s practices. PwC provides no assurance over the accuracy or completeness of the requirements for any particular organization’s readiness. This Playbook is meant to provide a framework to assist organizations in performing their own analysis. Before making any decision or taking any action that may affect your organization, you should consult a qualified professional advisor. PwC shall not be responsible for any loss sustained by any person who relies on this Playbook.*

*This Playbook has been prepared for general informational purposes only. The information contained herein is not legal advice and should not be construed as legal advice. Firms should consult with qualified legal counsel before acting on the information provided herein. SIFMA and its associates and members shall have no liability for any errors and omissions. This information may be incomplete and may be changed at any time without notice.*

## Contributors

### The Securities Industry and Financial Markets Association (“SIFMA”) and its members

Thomas Price, Managing Director, Operations, Technology, and BCP, [tprice@sifma.org](mailto:tprice@sifma.org)

Will Leahey, Vice President and Assistant General Counsel, Operations and Technology, [wleahey@sifma.org](mailto:wleahey@sifma.org)



---

### PricewaterhouseCoopers LLP

Christopher Pullano, Principal

[christopher.pullano@pwc.com](mailto:christopher.pullano@pwc.com)

Gautam Moorjani, Principal

[gautam.moorjani@pwc.com](mailto:gautam.moorjani@pwc.com)

Geoffrey Dworkin, Principal

[geoffrey.dworkin@pwc.com](mailto:geoffrey.dworkin@pwc.com)

Grace Vogel, Senior Managing Director

[grace.b.vogel@pwc.com](mailto:grace.b.vogel@pwc.com)

Tim O’Connell, Director

[timothy.t.oconnell@pwc.com](mailto:timothy.t.oconnell@pwc.com)

John Clemente, Director

[john.clemente@pwc.com](mailto:john.clemente@pwc.com)

Lauren Leipold, Manager

[lauren.l.leipold@pwc.com](mailto:lauren.l.leipold@pwc.com)



# Table of contents

<b>1</b>	<b>Playbook Overview</b>	<b>5</b>
1.1	Introduction and Goal	5
1.2	Purpose	5
1.3	Key Assumptions and Playbook Scope	6
1.3.1	Assumptions	6
1.3.2	Scope	7
1.4	Bulk Transfer Triggers	9
1.5	Navigating This Playbook	10
1.5.1	Playbook Sections	10
1.5.2	Bulk Transfer Stages	11
1.5.3	High Level Timeline and Playbook Navigation	11
1.6	Approach	12
<b>2</b>	<b>Broker-Dealer Profile</b>	<b>13</b>
2.1	Introduction	13
2.2	Firm Overview	14
2.3	Financial Information	15
2.4	Legal Entities, Organizational Structure & Geographic Locations	15
2.5	Lines of Business	16
2.5.1	Business Overview	16
2.5.2	Customer Base	16
2.6	Key Financial Market Relationships	16
2.6.1	Financial Market Utilities / Depository / Custodial Relationships	17
2.6.2	Service Provider Relationships	17
2.7	Firm Profile Activities	19
<b>3</b>	<b>Governance and Communication</b>	<b>21</b>
3.1	Introduction	21
3.2	Governance Bodies and Stakeholders	21
3.3	Governance Activities	24
3.4	Communications	25
3.4.1	Bulk Transfer Communication Checklist	25
3.4.2	Communication Considerations	28
3.5	Communications Activities	29
<b>4</b>	<b>Treasury &amp; Funding</b>	<b>30</b>
4.1	Introduction	30
4.2	Encumbered Securities	30
4.2.1	Stock Loans	30
4.2.2	Bank Loans	32
4.2.3	Customer Non-Purpose Loans	33
4.2.4	Customer Fully Paid Lending Programs	33
4.2.5	Repo Transactions	33
4.2.6	Reverse Repo Transactions	33

	4.3	Receiving Firm Considerations	33
	4.4	Treasury & Funding Activities	34
<b>5</b>		<b>Compliance Considerations</b>	<b>36</b>
	5.1	Introduction	36
	5.2	Key Regulatory Considerations	36
	5.2.1	Pre-Transfer Regulatory Considerations	38
	5.2.2	Transfer Regulatory Considerations	40
	5.2.3	Post-Transfer Regulatory Considerations	40
	5.3	Activities to Maintain Compliance	42
<b>6</b>		<b>Transfer Requirements, Details, &amp; Execution</b>	<b>43</b>
	6.1	Introduction	43
	6.2	Conversion Timeline	43
	6.3	Transfer Methods	55
	6.3.1	Equities and Fixed Income Products	55
	6.3.2	Fund Products	58
	6.3.3	Cash Equivalent Products	60
	6.3.4	Other Products	61
	6.3.5	Transfer of Financial Advisors Licenses and Branch Office Registrations	63
	6.4	Transfer Execution Run Book Template	64
	6.4.1	Instructions	64
	6.4.2	Preparation Activities	64
	6.4.3	Sending Firm Pre-Transfer Activities	68
	6.4.4	Sending Firm Transfer Activities	69
	6.4.5	Sending Firm Post-Transfer Activities	72
	6.4.6	Receiving Firm Pre-Transfer Activities	72
	6.4.7	Receiving Firm Transfer Activities	73
	6.4.8	Receiving Firm Post-Transfer Activities	75
	6.4.9	File Standardization	75
<b>7</b>		<b>Glossary</b>	<b>80</b>
<b>8</b>		<b>Appendix</b>	<b>83</b>
	8.1	Appendix A: Option A – Trade Date Conversion Timeline	84
	8.2	Appendix B: Option B – Settlement Date Conversion Timeline	85
	8.3	Appendix C: Form Custody	86
	8.4	Appendix D: FOCUS Report	87
	8.5	Appendix E: Form BD	88
	8.6	Appendix F: Sample Letters	89
	8.7	Appendix G: Key Contacts	100
	8.8	Appendix H: Standardized File Formats	101
	8.9	Appendix I: Frequently Asked Questions	102

# 1 Playbook Overview

## 1.1 Introduction and Goal

This Bulk Transfer Initiative Playbook (“Playbook”) is intended to serve as a framework and guide for a Carrying Firm to leverage when executing a “bulk transfer.” A bulk transfer is the streamlined transfer of all Customer accounts and assets from a failing carrying firm to a viable carrying firm under a highly condensed timeline. A bulk transfer is necessary to, among other things, help ensure uninterrupted customer access to his or her assets. When a broker-dealer is in or is approaching financial difficulty, the Securities and Exchange Commission (“Commission”) or the broker-dealer’s self-regulatory organization must notify the Securities Investor Protection Corporation (“SIPC”). If the broker-dealer does not self-liquidate, SIPC may file an application for a protective decree with a court of competent jurisdiction. The issuance of such a protective decree effectively freezes customer assets. Customers may then face a time-consuming process to regain access to their assets and funds.

To reduce the likelihood and need for SIPC intervention and accomplish a bulk transfer within a condensed timeframe, this Playbook is designed to address potential operational difficulties and compliance challenges as well as other potential risks. It is intended to provide guidance for firms *after* a Receiving Firm agrees to acquire the Sending Firm’s customer accounts and assets but *before* a potential SIPC intervention freezes any remaining customer assets.

The Securities Industry and Financial Markets Association (“SIFMA”) and PricewaterhouseCoopers (“PwC”) have partnered to develop this Playbook to assist firms in preparing for a stress scenario where they must either send or receive customer accounts and assets in bulk. This Playbook contains tools, templates, and guidelines to facilitate a bulk transfer. It may also be useful in standardizing files, processes, documentation, and governance frameworks in ordinary course Conversions.

## 1.2 Purpose

This Playbook is a framework, guide, and toolkit for:

1. A carrying firm in financial distress (“Sending Firm”) preparing to transfer customer accounts and assets in bulk to a solvent carrying firm (“Receiving Firm”) in a highly condensed time period; and
2. A Receiving Firm preparing to receive a large number of accounts from a Sending Firm and facilitating compliance with applicable regulatory requirements.

This Playbook should serve as a framework for firms as they develop and tailor their own firm-specific Bulk Transfer Playbooks and may be customized as needed to meet the requirements of individual firms. As this Playbook provides guidance to firms developing bulk transfer-related governance and streamlined operations, it may serve as a resource to firms facilitating conversions in the ordinary course of business.

This Playbook is not a corporate planning or strategy guide for, among other things, the acquisition of a new business line or the funding of an acquisition.

Firms submitting a resolution plan to regulators pursuant to Section 165(d) of the Dodd–Frank Wall Street Reform and Consumer Protection Act (“165(d) Resolution Plan”) may consider including this Playbook as part of their annual Living Will programs. More specifically, firms contemplating a “single-point-of-entry” or “bridge bank” resolution strategy could represent this Playbook as a contingency, providing for additional resolution plan optionality. Alternatively, firms contemplating either a broker-dealer failure or expedited transfer as part of their primary resolution strategies may consider using this Playbook to support a feasibility assessment of such strategies.

Sending and Receiving Firms are likely to have much of the necessary data and information outlined in this Playbook in other firm-specific documentation (e.g., regulatory reporting, resolution plans,<sup>1</sup> operational metrics). However, this Playbook is intended to serve as a standalone resource for firms that do not have this information in a standardized format as well as a supplement for those that may already have plans in place.

### 1.3 Key Assumptions and Playbook Scope

This Playbook is intended to capture a baseline bulk transfer scenario where a Receiving Firm takes over clearing, custody and maintenance of customer accounts and assets from a Sending Firm (i.e., this does not include the transfer of the Sending Firm’s liabilities or proprietary assets). It is structured to be broadly applicable to all carrying broker-dealers. Individual firms should tailor information and templates to address firm-specific requirements as well as to ensure consistency among any related policies, procedures, and plans.

#### 1.3.1 Assumptions

To establish the baseline bulk transfer scenario, this Playbook makes the following assumptions regarding bulk transfer parties, assets, and execution:

##### ***Parties to a Bulk Transfer***



- All Sending and Receiving Firms participating in a bulk transfer are carrying / clearing members of the Depository Trust Company (“DTC”), National Securities Clearing Corporation (“NSCC”), Fixed Income Clearing Corporation (“FICC”), and The Options Clearing Corporation (the “OCC”).
- A bulk transfer as outlined in this document is from a single carrying Sending Firm to a single carrying Receiving Firm.<sup>2</sup>
- Transfer of accounts will focus on retail customers, but this Playbook will consider other account types generally.
- All customer accounts will transfer from the Sending Firm to the Receiving Firm.
- All financial advisers and branch offices will transfer from the Sending Firm to the Receiving Firm.<sup>3</sup>

<sup>1</sup> To the extent that policies, procedures, and data can be developed to prepare for this type of bulk transfer based on firms’ resolution plans, such information may be maintained confidentially.

<sup>2</sup> Depending on the size of the Sending Firm and volume of customer accounts and assets, a bulk transfer may be made to more than one Receiving Firm. For purposes of this Playbook, a one-to-one transfer is contemplated.

<sup>3</sup> Significant business considerations are involved in transferring financial advisers including the Receiving Firm’s determination regarding which financial advisers to onboard and whether the financial advisers choose to transfer to the Receiving Firm. This assumption is necessary for the operational simplicity of this Playbook.

- All Sending and Receiving Firms use an automated lending platform (e.g., the LoanNet platform).

### ***Assets in a Bulk Transfer***



- Assets to be transferred include brokerage assets only (to the exclusion of traditional banking products and below-the-line assets), though certain banking accounts and activity will be included (e.g., money market funds, Federal Deposit Insurance Corporation (“FDIC”) sweeps, etc.) as detailed on the in-scope products matrix to follow.
- All products in scope will have access to a transfer mechanism (except physical securities, which will require manual delivery) and associated customer contracts are assignable (e.g., margin agreements and Employee Retirement Income Security Act of 1974 (“ERISA”)-covered relationships).
- All products in scope fall within the regulatory oversight purview of The Securities and Exchange Commission (“SEC”).
- Transfer of foreign securities are limited to those with a Euroclear and Canadian Depository for Securities (“CDS”) relationship (as illustrative examples for similar relationships).
- Any product where the Sending Firm is the obligor or guarantor is out of scope.

### ***Bulk Transfer Execution***



- The target conversion timeline (6 to 10 business days) is the **Inside Limit** of a potential bulk transfer (i.e., the minimum amount of time needed for a low complexity execution of a bulk transfer where all parties have completed preparation activities). This target timeline is subject to the facts and circumstances of the specific bulk transfer.
- The Receiving Firm will take on tax reporting only from conversion date forward.
- While this Playbook includes certain standard conversion files, the industry will need to standardize other necessary files outlined in this Playbook.

#### **1.3.2 Scope**

To establish a baseline bulk transfer scenario, this Playbook addresses the transfer of the most common products among broker-dealers, which also account for the largest volume of customer assets. These products include equities and fixed income, funds, cash equivalent products, and other products (e.g., annuities).



The following lists provide the in scope products addressed in this Playbook and the applicable service relationship:<sup>4</sup>

### **Equities and Fixed Income**

<b>Product</b>	<b>Service Relationship</b>
Equities	DTCC (NSCC / DTC)
Canadian Equities	Canadian Depository for Securities
European Equities and Bonds	Euroclear
Listed Options	The OCC
Corporate Bonds	FICC / DTC
Municipal Bonds	FICC / DTC
U.S. Treasury Bonds, Agencies, and Mortgages	Custody or Clearing Bank

### **Funds**

<b>Product</b>	<b>Service Relationship</b>
Exchange Traded Funds	NSCC / DTC
Mutual Funds	NSCC

### **Cash Equivalents**

<b>Product</b>	<b>Service Relationship</b>
Bank Sweep Products	Affiliated / Unaffiliated Bank
Money Market Sweeps	Fund Custodians

### **Other Products**

<b>Product</b>	<b>Service Relationship</b>
Scheduled Banking Activity (e.g., ACH)	Affiliated / Unaffiliated Bank
Managed Accounts	NSCC
ERISA-Covered Products (e.g., Employee Benefit Plans)	Administrative Broker-Dealer
Annuities	Issuing Firm

<sup>4</sup> Products not considered in scope for this Playbook include but are not limited to precious metals, other commodities and futures, and alternative investments.

## 1.4 *Bulk Transfer Triggers*

To trigger this type of bulk transfer process, a Receiving Firm must—with the input of applicable regulators—agree to a transaction that includes the acquisition of Sending Firm customer accounts and assets. This acquisition, and the associated business determinations and negotiations, lie outside the scope of this Playbook. However, such an acquisition is often brought about by a number of possible scenarios, which may include financial or operational constraints, and likely regulatory consultation.

Generally, a broker-dealer experiencing financial difficulties will report its financial condition to regulators with increasing frequency. When a broker-dealer is in or is approaching financial difficulty, the Commission or the broker-dealer's self-regulatory organization (e.g., FINRA) must notify SIPC. Upon notification, and if the broker-dealer does not undertake to self-liquidate, SIPC may file an application for a protective decree with a court of competent jurisdiction. The issuance of such a protective decree effectively freezes customer assets as part of the liquidation process to protect customers. In the SIPC liquidation process, SIPC, the Receiving Firm, and the court-appointed trustee to the customer assets generally enter into a tri-party contract to determine the transfer of customer assets. Should this occur, the Sending Firm should coordinate with SIPC as early as possible in the process to ensure customer access to his or her assets.

The goal of this Playbook is to transfer as many customer assets as possible to a solvent firm to preclude the need for any SIPC involvement. If a bulk transfer successfully moves SIPC protected customer assets and accounts to a Receiving Firm, SIPC may not need to play a role in the orderly liquidation of a Sending Firm. Nonetheless, certain difficult to transfer SIPC protected assets may remain at the Sending Firm following a bulk transfer. In such instances, Sending and Receiving Firms may need to coordinate a post bulk transfer process with SIPC.

## 1.5 Navigating This Playbook

This Playbook provides guidelines, tools, and templates to assist firms navigating a bulk transfer in a stress scenario. However, firms may also leverage operational elements of this Playbook for a conversion in the ordinary course of business. The different sections focus on activities involved in preparing a firm profile, communications, governance framework, treasury and funding, applicable regulatory considerations, and bulk transfer execution. These activities occur over the course of the bulk transfer scenario timeline.

### 1.5.1 Playbook Sections

This Playbook captures and organizes the various considerations and activities for a bulk transfer, including the following:

Broker-Dealer Profile	Guidance for firms preparing and identifying key information related to the firm's operations, finances, and organizational structure.
Governance	Governance framework and considerations, including key stakeholder roles and responsibilities to facilitate a bulk transfer.
Communications	Checklists and template communications to be provided to customers, regulators, Financial Advisors, employees, and service providers.
Treasury & Funding	Considerations in unwinding Sending Firm customer assets pledged as collateral and repaying liabilities to ensure efficient transfer and sufficient liquidity resources.
Regulatory Considerations	Necessary regulatory considerations and potential relief to address the immediate change in the firm's business and the expedited nature of the bulk transfer.
Transfer Execution	Preparation and execution activities to facilitate a smooth bulk transfer.
File Standardization	Files necessary for the bulk transfer which firms should standardize in advance of a bulk transfer.

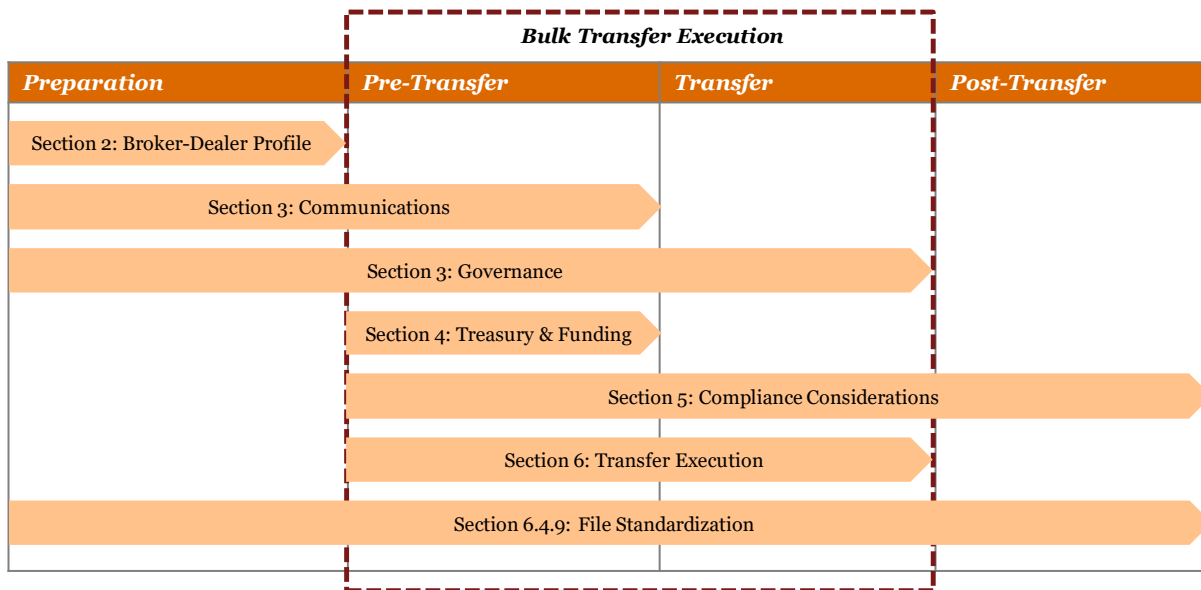
### 1.5.2 Bulk Transfer Stages

The sections of this Playbook include considerations and activities important for firms at various times during the stages of a bulk transfer. These four stages include:

- Preparation | The time prior to a Receiving Firm agreeing to acquire the customer accounts and assets of a Sending Firm.
- Pre-Transfer | The time after the Receiving Firm agrees to acquire the customer accounts and assets of a Sending Firm, but prior to transfer.
- Transfer | The period during which firms execute transfer of customer assets.
- Post-Transfer | After the transfer of customer assets.

### 1.5.3 High Level Timeline and Playbook Navigation

Provided below is an illustrative high level timeline of the in-scope activities detailed in the Playbook relative to the bulk transfer stages.



Please see below for a description of the activities and considerations occurring in each of the conversion timeline stages:

- Preparation | Preparation begins well before firms contemplate a bulk transfer scenario. Firms should identify information as detailed in Broker-Dealer Profile. Firms should prepare and tailor communication templates (Communications). Firms should also create and implement a governance framework to enable quick mobilization in the event of a bulk transfer (Governance Bodies and Stakeholders). The industry should begin efforts to standardize conversion file formats (File Standardization).

Pre-Transfer	After the Receiving Firm has agreed to acquire the customer accounts and assets of the Sending Firm, both firms will begin pre-transfer activities, including implementation of the governance framework (Governance Bodies and Stakeholders), coordination and sending of stakeholder communications (Communications), unencumbering of customer assets (Treasury & Funding), working with regulators to address regulatory requirements (Compliance Considerations), beginning of transfer execution activities (Transfer Requirements, Details, & Execution), and sending of standardized files to facilitate the transfer (File Standardization).
Transfer	During the transfer of customer accounts and assets, firms must continue to execute according to their respective governance frameworks (Governance Bodies and Stakeholders), work with regulators to ensure ongoing compliance (Compliance Considerations), execute remaining transfer activities (Transfer Requirements, Details, & Execution), and exchange any remaining standardized files (File Standardization).
Post-Transfer	Following the transfer of customer accounts and assets, firms must continue to work with regulators to ensure they address regulatory requirements (Compliance Considerations). They should also continue to exchange optional standardized files to the extent necessary to supplement any asset transfers (File Standardization).

## 1.6 Approach

To develop this Playbook, SIFMA, in collaboration with PwC, organized a series of Working Groups with SIFMA member firms to determine and identify the activities, requirements, and considerations for firms engaging in a bulk transfer, including:

1. Conversion operations;
2. Customer experience;
3. Legal and compliance considerations;
4. Resolution planning;
5. Service provider and custodian issues; and
6. Treasury and funding.

This Playbook aids in key transfer activities by identifying steps firms can take to prepare for a bulk transfer as well as the activities and steps in the execution of a bulk transfer, outlining guidelines, and providing templates such as the following:

1. Templates for performing standardized internal firm profile analysis;
2. Templates for customer communications;
3. Guidelines to prepare internal firm governance infrastructure;
4. Identifying regulatory requirements impacted by an expedited transfer process; and
5. A day-by-day timeline for Sending and Receiving Firms to transfer in-scope customer accounts and assets.

# 2 Broker-Dealer Profile

## 2.1 Introduction

To effectively complete a bulk transfer within a compressed time frame – likely under a stress scenario – firms should prepare necessary background information in advance. Documenting key profile information will allow Sending and Receiving Firms to better understand each other’s businesses and agree on the most effective approach to coordinate the bulk transfer and avoid SIPC liquidation, as well as efficiently manage scarce resources (e.g., key operational, regulatory, and systems personnel).

Firms should leverage existing regulatory information as they develop the firm-specific broker-dealer profile. This will save firms time when updating pre-existing information, ensure standardized formatting for simpler reconciliation, and help identify unique account scenarios early in the Pre-Transfer Phase to facilitate an efficient bulk transfer.

The broker-dealer profile will include the following key elements:

Firm Overview	General information about the firm, including branches, number of employees, account and asset information, operational staff, mission critical systems, and information regarding critical outsourcing contracts.
Financial Information	Customer related financial information (e.g., information already maintained for regulatory reporting purposes).
Legal Entities, Organizational Structure, & Geographic Locations	Organizational structure and description of legal entities including ownership, personnel, facilities, and geographic locations.
Lines of Business	Business activities and service models, including types of products offered.
Key Financial Market Relationships	Key relationships with service providers, depositories, custodians, and applicable contact information.

These elements are described below and illustrative templates are provided for firms to leverage as they prepare for this type of bulk transfer.

## 2.2 Firm Overview

All firms should compile and periodically update firm overview information and may leverage the illustrative template in preparing this information. In doing so, Receiving Firms will have ready access to Sending Firm information and will be better equipped to understand the Sending Firm’s business, customers, and product base in the event of a bulk transfer. Further description of the components in the templates provided is described below.

Firms may have this profile information in other documentation (e.g., resolution plans). The firm overview template provided below documents general, high level information firms should be prepared to provide in the event of a bulk transfer. Firms may use the illustrative template below in preparing for this type of bulk transfer or rely on similar documentation currently maintained by the firm.

Firm Overview	
Category	Information Required [ <i>Member Firms to Complete</i> ]
<b>General Information</b>	Firm Name
	Address
	Contact: Telephone and E-mail
	Office of Supervisory Jurisdiction (OSJ): Branch or Non-Branch
	Number of Employees and Financial Advisors by Branch
	Legal Entities
	Registrations (Officers, Directors, Owners, Control Persons)
<b>Accounts and Assets</b>	Products Offered <sup>5</sup> and Volume
	Account Types
	Investment Strategies
	Total Asset Value
	Long Market Value
	Short Market Value
	Cash Balance
	Margin Debits
<b>Operations</b>	Total Operations Staff

<sup>5</sup> See Key Assumptions and Playbook Scope for in scope products. Firms should consider listing all products offered in the Firm Overview, and note which would be considered out of scope as part of the Pre-Transfer activities.

Firm Overview	
Category	Information Required [ <i>Member Firms to Complete</i> ]
<b>Mission Critical Systems</b>	System Name
	Vendor / In-House Responsible Department
	Contract Duration
<b>Contracts for Outsourcing Significant Activities or Critical Functions</b>	Contract ID
	Subject Matter
	Counterparty / Vendor
	Contract Duration

## 2.3 Financial Information

In the event of a bulk transfer, all firms should have current, applicable financial information readily available. Firms should leverage customer-related financial information already maintained, such as SEC Form Custody,<sup>6</sup> the FOCUS Report,<sup>7</sup> FORM 17-H,<sup>8</sup> Form BD,<sup>9</sup> and, where appropriate, Form ADV associated with a Sending Firm’s Registered Investment Adviser (RIA) subsidiaries or affiliates. SEC Form Custody includes information concerning whether and how a broker-dealer maintains custody of customer and non-customer assets. Firms are required to file FOCUS Reports on a periodic basis regarding firm financial and operational information. Form BD includes firm background and organizational information, business activities and regulatory history. For select financial information, firms required to complete 165(d) Resolution Plans may consider utilizing or referring to data included as part of the buyer due diligence “data room” outlined in recent resolution planning guidance.<sup>10</sup>

## 2.4 Legal Entities, Organizational Structure & Geographic Locations

All firms should be prepared to provide the organizational structure of their firms, including but not limited to separate legal entities and descriptions of:

- Material intercompany transactions – including guarantees – and material services provided by affiliates;
- Ownership and organizational structures;

<sup>6</sup> See Appendix C: Form Custody.

<sup>7</sup> See Appendix D: FOCUS Report.

<sup>8</sup> See SEC Form 17-H, Risk Assessment Report for Brokers and Dealers (available at <https://www.sec.gov/files/form17-h.pdf>).

<sup>9</sup> See Appendix E: Form BD.

<sup>10</sup> See *Legal Entity Rationalization and Separability* subsections included in both Guidance for 2017 §165(d) Annual Resolution Plan Submissions By Domestic Covered Companies that Submitted Resolution Plans in July 2015 (henceforward, “2017 Guidance (Domestics)”) and Guidance for 2018 §165(d) Annual Resolution Plan Submissions By Foreign-based Covered Companies that Submitted Resolution Plans in July 2015 (henceforward, “2018 Guidance (FBOs)”).



- Personnel and Human Resources information including the number of financial advisors;
- Facilities documentation (e.g., branch leases);
- Geographic locations; and
- Any other applicable requirements of FINRA or the SEC.

Firms should also confirm all financial advisors are mapped to legal entities to ensure that Sending Firms can properly transfer all financial advisors to the extent possible.

## **2.5 Lines of Business**

### **2.5.1 Business Overview**

All firms should document their business activities, services, investment strategies, types of investments, and compensation models.

The description of business activities should include:

- The firm’s businesses;
- A description of the scope of the firm’s activities and service model (e.g., online, direct to advisor, call centers, etc.);
- Policies and guidelines to conduct the firm’s business and activities;
- Types of products that the firm offers (e.g., types of investments and any relevant strategies utilized to make those investments); and,
- Fee and compensation models.

### **2.5.2 Customer Base**

All firms should document their customer base including information provided in the DTCC Name and Address File in the standardized format.<sup>11</sup> This documentation should include, but is not limited to, the following:

- Natural persons;
- Legal entities;
- Family offices;
- Pension plans; and
- ERISA-covered products (e.g., employee benefit plans).

## **2.6 Key Financial Market Relationships**

All firms should document their key relationships with financial market utilities (“FMUs”), depository and custodial vendors, affiliates, and third-party service providers. This information facilitates the movement of assets and/or transition of contracts (if applicable) from the Sending Firm to the Receiving Firm.

---

<sup>11</sup> See Appendix H: Standardized File Formats.

## 2.6.1 Financial Market Utilities / Depository / Custodial Relationships

FMUs, depositories, and custodial institutions play a key role in any bulk transfer.<sup>12</sup> Carrying firms generally maintain numerous FMU, depository, and custodian relationships to facilitate customer activity and finance operations. Firms must document their relationships with FMUs including how the firm facilitates the transfer, clearance and settlement of securities and financial transactions in the ordinary course of business. This information about a Sending Firm’s business will assist the Receiving Firm in facilitating a smooth bulk transfer. The details of these relationships include, among other things, account numbers, portal configurations, identifying credentials, account balances, etc.

Once the Sending Firm’s relationship with a service provider is terminated, the Receiving Firm can move assets to be serviced by its own pre-existing depository and custodial vendors.

An illustrative template is provided below for firms to utilize in preparing information related to their key financial market relationships. Firms should document deposits with depository and custodian providers, including but not limited to:

Deposits at Clearing Organizations					
Organization		Amount Required <sup>13</sup>	Amount Posted	Proprietary	Source of Information
DTCC	DTC (total)	\$ BAU   Current	\$	\$	
	NSSC	\$ BAU   Current	\$	\$	
	FICC	\$ BAU   Current	\$	\$	
The OCC		\$ BAU   Current	\$	\$	
Custody or Clearing Bank		\$ BAU   Current	\$	\$	
Other <sup>14</sup>		\$ BAU   Current	\$	\$	

Firms required to complete 165(d) Resolution Plans may consider utilizing or referring to data included in plan sections discussing payment, clearing and settlement activities, including volume and value data required pursuant to resolution requirements.<sup>15</sup>

## 2.6.2 Service Provider Relationships

<sup>12</sup> It should be noted that the clearing agencies with which the Sending Firm is a participant may, pursuant to their respective rules, cease to act for the Sending Firm. This action may be taken prior to the initiation of the Bulk Transfer or after the Bulk Transfer has been triggered and before it is complete. As such, this decision may impact the implementation of the Bulk Transfer as contemplated by this Playbook.

<sup>13</sup> A Sending Firm should include information regarding the Business as Usual (BAU) deposits at clearing organizations as well as the current requirement, as Sending Firm are likely to face increased clearing deposit requirements during a bulk transfer scenario.

<sup>14</sup> Including, but not limited to, Canadian Depository for Securities Inc. and Euroclear.

<sup>15</sup> See 12 CFR 381.4 Section (4)(e)(12) regarding payment, clearing and settlement activities.

All firms should document their relationships with any service providers to allow for the transfer of any necessary contractual relationships to follow account transfer. The Sending Firm might be required to discontinue the relationship to allow the Receiving Firm to continue with its pre-existing vendors providing similar services / products.

Key financial market relationships should be documented and prepared prior to the bulk transfer, by entity. This information includes the firm’s contact at the applicable service provider / custodian, liaison with that entity, and value of the relationship. Firms should consider identifying material contracts with key service providers and revising such agreements to allow for assignment of the agreements. Firms may utilize the following illustrative template in preparing this information as follows:

Service Providers					
Product	Service Provider / Custodian	Service Provider / Custodian Contact	Firm Contact	Value	Dated as of
Equities	NSCC/DTC	<i>John Smith, Head of Ops Equity at john.smith@dtcc.com</i>	<i>Jane Doe, Head of Ops Equity at jane.doe@firm.com</i>	\$XX,XXX	XX/XX/XXXX
Canadian Equities	Canadian Depository for Securities				
European Equities and Bonds	Euroclear				
Listed Options	The OCC				
Exchange Traded Funds	NSCC/DTC				
Mutual Funds	NSCC / Custodians				
Corporate Bonds	FICC/DTC				
Municipal Bonds	FICC/DTC				
U.S. Treasury Bonds, Agencies, and Mortgages	Custody or clearing bank				
Bank Sweep Accounts	Affiliated / Unaffiliated Bank				
Money Market Sweeps	Custody Bank				

Service Providers					
Product	Service Provider / Custodian	Service Provider / Custodian Contact	Firm Contact	Value	Dated as of
Scheduled Banking Activity (e.g., ACH)	Affiliated / Unaffiliated Bank				
Managed Accounts	NSCC				
ERISA-Covered Products (e.g., Employee Benefit Plans)	Administrative Broker-Dealer				
Annuities	Issuing Firm				

Separately, firms should also document information for other service provider relationships unrelated to a specific product type (e.g., service bureaus, tax reporting, recordkeeping). Firms may also utilize the following illustrative template in preparing this information:

Service Providers					
Product	Service Provider / Custodian	Service Provider / Custodian Contact	Firm Contact	Value	Dated as of
General Services	Service Bureau				
General Services	Tax Reporting				
General Services	Recordkeeping				

## 2.7 Firm Profile Activities

Below are key activities related to preparing the broker-dealer profile and the participants and resources firms may need to rely upon as they develop this documentation and prepare for a potential bulk transfer. All firms should identify the participants and resources involved in preparing and executing these activities as well as any dependencies.

## Firm Profile Activities

#	Preparation Activities	Organization Participants / Resources
1	Initiate the process of forming a broker-dealer profile.	<i>[To be completed by Member Firms]</i>
2	Conduct gap analysis to identify required firm information that is missing and identify resources needed to obtain this information.	
3	Outline and periodically update necessary operations information and/or identify key resources needed to compile this information in the event of a bulk transfer.	
4	Outline and periodically update necessary financial information as outlined in the suggested templates and/or identify key resources needed to compile this information in the event of a bulk transfer.	
5	Outline and periodically update firm legal framework, organizational structure, and geographic dispersion.	
6	Periodically maintain an updated business overview as described in sections 2.4 and 2.5.	

# 3 Governance and Communication

## 3.1 Introduction

In the event of a bulk transfer, Sending and Receiving Firms should quickly implement a governance protocol and have prepared communications readily available to be sent to necessary stakeholders.

Sending and Receiving Firms must establish and implement a clear governance structure to ensure that the bulk transfer is executed in a smooth manner intended to mitigate any potential risks, complies with applicable regulatory requirements, and protects customer assets. This includes preparing all key stakeholders to provide necessary expertise and recommendations in the event of a bulk transfer. The governance framework should establish a bulk transfer committee which include members from legal, compliance, operations, treasury, communications, front office / branch / field supervision, technology, resolution planning (as applicable), public relations, facilities, and human resources. Firms should assign responsibilities and identify resources for each of these roles to allow quick mobilization of the committee upon the triggering of a bulk transfer.

Firms should also prepare and approve communications in advance to ensure applicable regulators, customers, service providers, financial advisors, and employees are notified timely of the bulk transfer and allow for coordination between the Sending and Receiving Firms. This is necessary from both a regulatory perspective and to help ensure a seamless customer experience throughout the transfer. The communication checklists and templates detailed below and provided in Appendix F are intended to assist firms in developing firm-specific communications and address additional considerations. Utilizing these templates will enable firms to provide customers uninterrupted access to their accounts at the Receiving Firm.

## 3.2 Governance Bodies and Stakeholders

All firms should establish a governance framework to provide expertise around the execution of a bulk transfer. A bulk transfer committee should be led or chaired by a key liaison that interfaces with regulators as well as between the Sending and Receiving Firms. This individual should be vested with the authority to make significant business decisions based on governance committee recommendations. All firms should identify this liaison, as well as all members of the governance committee early in the bulk transfer process to ensure accountability for key communications and processes.

Provided below is an illustrative governance framework firms may utilize in preparation for a bulk transfer scenario. Firms should use this template or an existing firm governance framework to identify the roles and specific responsibilities of this committee.

## Committee Roles and Responsibilities

Role	Responsibility	Specific Firm Role/Title
Legal	<ul style="list-style-type: none"> <li>• Provide legal counsel regarding the terms and conditions of the acquisition that took place and transfer of firm assets / accounts.</li> <li>• Assist in assignment of firm and customer contracts.</li> <li>• Review for compliance with contractual obligations and service level agreements related to third parties and customers.</li> <li>• In coordination with Compliance, oversee regulatory compliance related to customer accounts.</li> </ul>	[To be completed by Member Firms]
Regulatory Liaison (Chair)	<ul style="list-style-type: none"> <li>• Liaise with regulators and manage regulatory communications and filings.</li> <li>• Seek regulatory relief to address compliance considerations and requirements as needed.</li> </ul>	
Compliance	<ul style="list-style-type: none"> <li>• All firms: <ul style="list-style-type: none"> <li>○ In coordination with Legal, oversee regulatory compliance related to customer accounts.</li> </ul> </li> <li>• Receiving Firms: <ul style="list-style-type: none"> <li>○ Understand policies and procedures and harmonize where appropriate.</li> <li>○ Plan and Execute integration of Sending Firm accounts, assets, and customers into Receiving Firm supervision and control environment.</li> <li>○ Assess training needs and train personnel around policies and procedures.</li> <li>○ Develop training plan for new employees.</li> </ul> </li> </ul>	
Operations	<ul style="list-style-type: none"> <li>• Oversee transfer execution, margin processing, and applicable considerations.</li> <li>• Liaise with FMUs, custodians, service providers, and depositories.</li> </ul>	
Customer Asset Protection	<ul style="list-style-type: none"> <li>• Sending Firm: <ul style="list-style-type: none"> <li>○ Focus on the protection of customer assets and compliance with SEC Rule 15c3-3 rules, among other customer asset protection rules, throughout the transfer process.</li> </ul> </li> </ul>	

## Committee Roles and Responsibilities

Role	Responsibility	Specific Firm Role/Title
	<ul style="list-style-type: none"> <li>• Receiving Firm:               <ul style="list-style-type: none"> <li>○ Manage the receipt of Sending Firm customer assets to ensure compliance with SEC Rule 15c3-3 rules, among other customer asset protection rules, following the transfer of Sending Firm customer assets to the Receiving Firm.</li> </ul> </li> </ul>	
Treasury	<ul style="list-style-type: none"> <li>• Sending Firm:               <ul style="list-style-type: none"> <li>○ Unwind balance sheet and address encumbered assets / securities.</li> </ul> </li> <li>• Receiving Firm:               <ul style="list-style-type: none"> <li>○ Develop understanding of funding needs of acquired business and determine whether available lines are sufficient to support additional business.</li> <li>○ Engage with clearing corporations, FMUs, and stock lending and repo desks to address clearing deposit expectations and available borrowing lines.</li> </ul> </li> </ul>	
Communications	<ul style="list-style-type: none"> <li>• Manage communications to customers, staff, third parties, and board of directors.</li> <li>• Send an FAQ to staff and customers.</li> <li>• Draft and send communications to customers in coordination with counter firm.</li> </ul>	
Front Office / Branches / Field Supervision	<ul style="list-style-type: none"> <li>• All firms:               <ul style="list-style-type: none"> <li>○ Execute communications to customers and staff.</li> <li>○ Execute trades permissible in light of transfer execution considerations.</li> </ul> </li> <li>• Receiving Firm:               <ul style="list-style-type: none"> <li>○ Coordinate with Human Resources to onboard new employees.</li> </ul> </li> </ul>	
Technology	<ul style="list-style-type: none"> <li>• Execute conversion and residual data considerations.</li> <li>• Liaise with technology providers.</li> <li>• Information security.</li> </ul>	



Committee Roles and Responsibilities		
Role	Responsibility	Specific Firm Role/Title
Resolution Planning Liaison (as applicable)	<ul style="list-style-type: none"> <li>Liaise between larger resolution planning governance and any M&amp;A / divestiture governance bodies.</li> </ul>	
Public Relations / Marketing	<ul style="list-style-type: none"> <li>Manage public relations and media readiness.</li> </ul>	
Facilities	<ul style="list-style-type: none"> <li>Manage transfer of branch locations and physical inventory.</li> </ul>	
Human Resources	<ul style="list-style-type: none"> <li>Coordinate with Front Office and other applicable groups to manage onboarding of new employees.</li> </ul>	

### 3.3 Governance Activities

The bulk transfer governance framework described above will be essential as firms initiate a bulk transfer. A strong framework will facilitate clear communication, roles, and streamlined execution within the expedited conversion timeline. Accordingly, Sending and Receiving Firms should take the following steps to prepare their governance frameworks.

Governance Activities		
#	Implementation Steps	Organization Participants / Resources
1	Develop bulk transfer governance policy and procedures.	<i>[To be completed by Member Firms]</i>
2	Identify personnel by firm role to fill bulk transfer committee roles.	
3	Train relevant personnel on bulk transfer governance policy and procedures.	
4	Develop and execute testing protocol including awareness training and establishing the bulk transfer governance committee and ensuring all information needed for communication and regulatory purposes can be identified and prepared.	

### 3.4 Communications

Firms should develop communications to facilitate dialogue regarding the bulk transfer with key stakeholders. These communications will ensure Sending and Receiving Firms accurately and clearly convey necessary details of the bulk transfer to the following groups:

Regulators	To seek approval for the change to the Receiving Firm’s business, transfer of branch registrations and financial advisor registrations and licenses, and approval for the use of the omnibus conversion account.
Customers	To notify customers of the bulk transfer and direct them to resources where they can gain more information or seek support.
Employees	To notify employees of the bulk transfer and direct them to resources where they can gain more information or seek support.
Service Providers	To notify service providers and facilitate the transition of services and relationships related to customer accounts and assets.

In the event of a bulk transfer, Sending and Receiving Firms should coordinate in developing these key communications to ensure consistency in messaging. In some instances, firms may determine that sending joint communications is appropriate given the facts and circumstances of the specific bulk transfer.

#### 3.4.1 Bulk Transfer Communication Checklist

Firms should develop a communications checklist tailored to both their businesses and key risk considerations. Documentation and communication is listed according to the audience (e.g., regulators, customers, employees, and service provider relationships). Please see Appendix for applicable communication templates.

#### **Communications to Regulators**

The Sending and Receiving Firm must, as soon as practicable, place a standing daily call on the calendar with relevant regulators, and manage the daily call to ensure appropriate regulators are apprised of Sending and Receiving Firm plans as they are developed. Firms must also communicate with applicable regulators to request approval for the change in the Receiving Firm’s business, to transfer financial advisor registrations and licenses, as well as branch registrations, and to obtain approval for the use of the omnibus conversion account. Provided below is a non-exhaustive checklist outlining the communications which firms will need to provide to applicable regulators:

<b><i>Communication</i></b>	<b><i>Sender</i></b>	<b><i>Audience</i></b>	<b><i>Description</i></b>
<b>FINRA Rule 1017 Application</b>	Sending Firm and Receiving Firm	FINRA and SEC	To notify FINRA, the SEC, and any other applicable regulators regarding the acquisition of customer assets, and the timing of

<b>Communication</b>	<b>Sender</b>	<b>Audience</b>	<b>Description</b>
			the transaction and execution of the conversion.
<b>Financial Advisor and Branch Transfer Request</b>	Sending Firm	FINRA	Letter to FINRA to notify and request that FINRA move financial advisor registrations and licenses, as well as branch registrations to Receiving Firm.
<b>Application for Treatment of Omnibus Conversion Account</b>	Receiving Firm	SEC with a copy to FINRA	To request approval from the SEC for the use of an omnibus conversion account as a good control location pursuant to SEC Rule 15c3-3 for 60 days. Extensions may be necessary.

### **Communications to Customers**

Firms must send communications to customers and the public to ensure consistent, transparent information notifying them of the transfer of accounts, assets, and services. These communications should also serve to stem any panic or concern on the part of customers or counterparties, to the extent the Sending Firm financial stress has been made public. Provided below is a non-exhaustive checklist outlining the communications which firms will likely need to send to customers and the public:

<b>Communication</b>	<b>Sender</b>	<b>Audience</b>	<b>Description</b>
<b>Independent Bulk Transfer Verification<sup>16</sup></b>	FINRA Website Notice	Public	To notify the public via an independent third party resource regarding the bulk transfer of accounts from Sending to Receiving Firm.
<b>Notice Letter to Retail Customers*</b>	Sending Firm	Customers	To notify customers of the transfer of their accounts from the Sending Firm to Receiving Firm. <i>*Requires FINRA approval.</i>
<b>Welcome Letter*</b>	Receiving Firm	Customers	To notify customers of the transfer of their accounts from the Sending Firm to Receiving Firm. <i>*Requires FINRA approval.</i>

<sup>16</sup> Contingent upon FINRA's agreement to provide this information.

## Communications to Employees

Firms must send communications to employees to ensure consistent, transparent information notifying them of the transfer of customer accounts and assets, as well as transfer of their employment and services. Provided below is a non-exhaustive checklist outlining the communications which firms will likely need to send to employees:

<b>Communication</b>	<b>Sender</b>	<b>Audience</b>	<b>Description</b>
<b>Communication to Financial Advisors</b>	Sending Firm	Financial advisors	To notify financial advisors of the transfer of their accounts and employment from the Sending Firm to Receiving Firm.
<b>Communication to Financial Advisors</b>	Receiving Firm	Financial advisors	To notify financial advisors of the transfer of their accounts and employment from the Sending Firm to Receiving Firm.
<b>Resource for Financial Advisors</b>	Receiving Firm	Financial advisors	To allow financial advisors to answer customer questions regarding the bulk transfer.

## Communications to Service Providers

Firms must send communications to service providers to notify them of the change in the service relationship and facilitate the transfer as necessary to continue to service customer accounts and assets. Provided below is a non-exhaustive checklist outlining the communications firms will likely need to send to service providers:

<b>Communication</b>	<b>Sender</b>	<b>Audience</b>	<b>Description</b>
<b>Notice Letter to Custodians, Depositories, FMUs, Service Providers<sup>17</sup></b>	Sending Firm	Custodians, depositories, FMUs, Service providers	To notify custodians, depositories, FMUs, and service providers of the transfer of assets from the Sending Firm to Receiving Firm.
<b>Notice Letter to Custodians, Depositories, FMUs, Service Providers<sup>18</sup></b>	Receiving Firm	Custodians, depositories, FMUs, Service providers	To notify custodians, depositories, FMUs, service providers of the transfer of assets from the Sending Firm to Receiving Firm.
<b>No Lien Letter</b>	Receiving Firm	New custodian banks	Obtain acknowledgement from custodians that customer assets (foreign and domestic) are held free of lien.

<sup>17</sup> Communication template not provided due to unique nature of each firm's communication with its service providers.

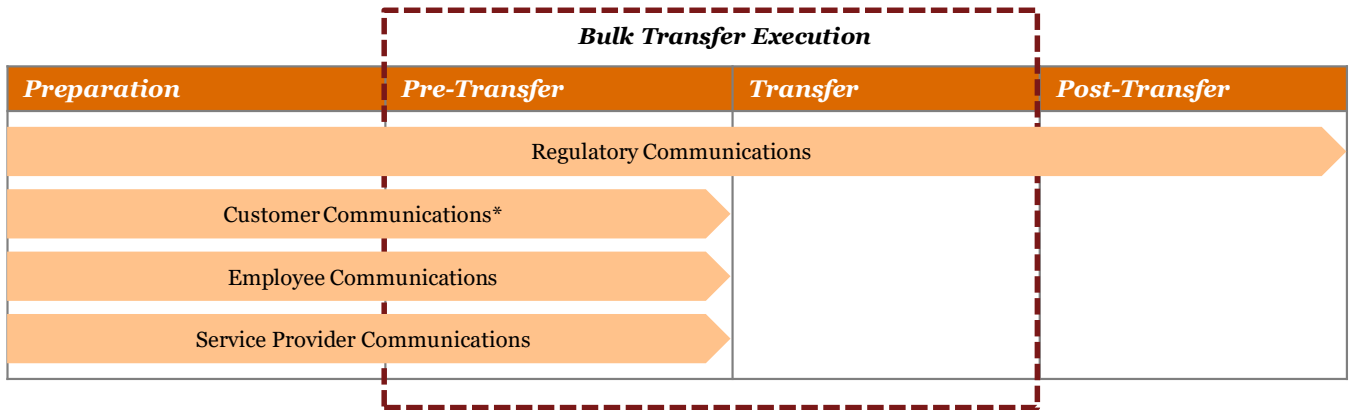
<sup>18</sup> Communication template not provided due to unique nature of each firm's communication with its service providers.

<b>Communication</b>	<b>Sender</b>	<b>Audience</b>	<b>Description</b>
<b>Notice to Bank for Cash Sweep Liquidation<sup>19</sup></b>	Sending Firm	Applicable Bank	Notification to the bank supporting Sending Firm’s sweep program regarding the timing of the transfer / liquidation for the bank to identify potential impediments and free up necessary liquidity.

Firms required to complete 165(d) Resolution Plans may consider making reference or creating linkages between these communications plans and those included in their respective FMU and agent bank continuity playbooks to the extent required by recent resolution planning guidance.<sup>20</sup>

### 3.4.2 Communication Considerations

Sending and Receiving Firms should coordinate communications to regulators, customers, employees, and service providers to ensure any dates, contact numbers, websites, or other information provided is consistent and accurate. These communications should be distributed according to the following high level communications timeline:



\*Customer communications may extend through the Transfer stage as firms answer questions and provide updates to customers regarding their accounts and assets.

Regulatory communications should be sent before the bulk transfer execution begins. Prompt notice to applicable regulators and the associated regulatory approval is essential to enabling Sending and Receiving Firm compliance with regulatory requirements throughout the execution of the bulk transfer. Customer and employee communications should be provided as

<sup>19</sup> Communication template not provided due to unique nature of each firm’s communication with its banks.

<sup>20</sup> See *Payment, Clearing and Settlement Activities* subsections included in both the 2017 Guidance (Domestics) and the 2018 Guidance (FBOs) as well as the *Payment, Clearing and Settlement Activities* subsection of Attachment to SR Letter 14-1, Principles and Practices for Recovery and Resolution Preparedness.

soon as practicable, as early as the first day of Pre-Transfer. Similarly, communications to service providers should be sent a reasonable time prior to Transfer.

Receiving Firms should receive copies of all communications the Sending Firm distributes to ensure personnel receiving questions and inquiries from customers are equipped to respond effectively. Sending and Receiving Firms should develop a mechanism for customers to contact the Receiving Firm (e.g., telephone or website) regarding any questions related to the bulk transfer.

### 3.5 Communications Activities

Firms should undertake the following activities to prepare communications related to a bulk transfer and allow for efficient drafting, approval, and deployment processes as the bulk transfer begins.

Communication Activities		
#	Implementation Steps	Organization Participants / Resources
1	Prepare and maintain draft communications as applicable.	<i>[To be completed by Member Firms]</i>
2	Identify key resources needed to coordinate communications.	
3	Identify key resources for distribution of all communications.	

# 4 Treasury & Funding

## 4.1 Introduction

In the event of a bulk transfer, the Sending Firm will need to unwind (i.e., unencumber) customer assets that have been loaned or pledged as collateral and repay secured liabilities prior to the movement of customer accounts and assets from the Sending Firm to the Receiving Firm, an event called the “conversion.” These unwind processes include 1) transferring or unwinding open stock loans, and 2) unwinding bank loans and repo transactions to the extent these are collateralized by customer securities as detailed below.

The Treasury function of the Sending Firm will ensure that liquidity resources and buffers are made available to fund operations of the Sending Firm during the stress/transfer period. During an expedited bulk transfer, some customer assets may not be transferred during the Transfer stage of the conversion timeline. Sending Firms should consider setting aside money in the Special Reserve Bank Account to protect residual customer assets that may take additional time to transfer (e.g., dividends, alternative investments, foreign securities).

## 4.2 Encumbered Securities

### 4.2.1 Stock Loans

Generally, a stock loan is where a broker dealer loans securities – including those a customer has purchased on margin – to other broker dealers in exchange for money to fund the broker dealer’s operations. Where a Sending Firm has loaned customer securities, a bulk transfer will require the Sending Firm to:

1. Close out the stock loans and bring the loaned securities back into its Possession or Control for transfer to the Receiving Firm; or
2. Transfer the open stock loans to the Receiving Firm such that the receiving firm stands in the shoes of the Sending Firm as it relates to the stock loan following the bulk transfer. As discussed fully below, closing out outstanding stock loans would require the Sending Firm to either:
  - Free enough funds to pay off its stock loan counterparties obligating the stock loan counterparty to send loaned securities back to the Sending Firm in a process called “recall”, or
  - Rely on an infusion of funds from the Receiving Firm to pay off stock loan counterparties and allow the Sending Firms to recall lent securities. If possible, the Sending Firm should transfer its open stock loans to the Receiving Firm through a central platform, discussed below, as a transfer of open stock loans is the most operationally efficient mechanism to address issues related to a Sending Firm’s loaned customer securities.

Closing out open stock loans prior to a conversion has the following two elements: the mechanics of the stock loan close out, and the funding of the stock loan close out, which is likely challenging in a bulk transfer scenario. From a mechanics perspective, closing out open

stock loan transactions (i.e., the recall process) requires the Sending Firm to issue recall notices to its counterparties, and provide funds to these counterparties to close the lending relationship and obligate the counterparty to return the loaned securities into the Possession or Control of the Sending Firm. Note, the successful completion of a stock loan close out relies upon counterparty action to return the loaned securities.

This Playbook assumes that both the Sending and Receiving Firm use an automated lending platform to manage stock loan relationships with counterparties. If both firms do not use an automated lending platform, the closeout of contracts is a manual process. Firms should take care to complete the recall and close out process prior to the conversion date so that loaned securities are in the Possession or Control of the Sending Firm and free to move during the conversion. As certain stock loan transactions may be difficult to close or transfer, the Sending and Receiving Firm should plan to address unresolved stock loan transactions that, for whatever reason, could not be closed or transferred prior to the bulk transfer conversion.<sup>21</sup>

#### 4.2.1.1 Stock Loan Close Outs

From the perspective of funding a Sending Firm's stock loan close outs, the Sending Firm will need to raise the cash to fund the payments to stock loan counterparties necessary to obligate those counterparties to return the customer securities to the Sending Firm. In a bulk transfer scenario, this funding generally has two potential sources, the Sending Firm's own resources or an infusion of cash from the Receiving Firm.

For a Sending Firm to fund close out payments to stock loan counterparties, the Sending Firm would need to closely analyze its liquidity to determine if it has access to the funds necessary. As a general matter, the Sending Firm should have a credit in its reserve formula relating to any stock loan borrowing, and funds in its Special Reserve Bank Account related to such credit. If the Sending Firm's overall liquidity position does not have excess funds to fund this close out, the Sending Firm may require regulatory approval from the SEC and FINRA to remove funds from the Special Reserve Bank Account to repay counterparties and close out these stock loan transactions. Firms seeking such approval should limit requests to customer long positions that allocate to a stock loan that have a related credit in the reserve formula. However, the overall liquidity position of the Sending Firm in a bulk transfer scenario may foreclose the ability of the Sending Firm to fund payments to stock loan counterparties. In such a scenario, the Sending Firm would require funding from an outside source (e.g., the Receiving Firm) to pay stock loan counterparties to obligate the counterparties to return loaned securities. Such a transfer of funds between the Sending and Receiving Firm may be difficult to execute on the timeline necessary during a bulk transfer scenario. As both funding alternatives discussed above give rise to operational, regulatory and time to execution risks, this Playbook recommends a transfer of the open stock loans from the Sending Firm to the Receiving Firm, discussed below.

---

<sup>21</sup> Such plans may include the Receiving Firm recording unresolved stock loans as an open delivery obligation against a short position in the conversion omnibus account.



#### 4.2.1.2 Stock Loan Transfer

The alternative – and preferred – method of addressing loaned customer securities as part of Sending Firm stock loans is for the Sending Firm to transfer the open loans to the Receiving Firm. Specifically, where the Sending Firm has loaned customer securities to lending counterparties and both the Sending and Receiving Firms are members of an automated lending platform, the open stock loan can be moved via the automated lending platform and the stock loan transactions can be reestablished on the books of the Receiving Firm. Essentially, the Receiving Firm takes over the lending relationship with the Sending Firm’s counterparties and stands in the shoes of the Sending Firm as it relates to the Sending Firm’s open stock loans. The Receiving Firm’s credit department may need to approve certain stock loan counterparties. Prior to the bulk transfer, the Receiving Firm should review the Sending Firm’s lending counterparties to identify those that need approval related to new or expanded lending relationships.

From a contractual perspective, a securities lending agreement, usually based on the industry standard Master Securities Loan Agreement (“MSLA”) generally dictates the terms and mechanics of securities-based loan transactions between counterparties, including stock loans. Firms should consider that such agreements may require assignment and/or establishment at the Receiving Firm if an agreement with the Sending Firm’s pre-existing counterparty does not already exist.

#### 4.2.2 Bank Loans

Separate from stock loans, bank loans are another common broker dealer funding practice where securities – including those a customer has purchased on margin – serve as collateral for a loan that the broker dealer has obtained to fund its operations. Bank loans differ from Repos, a similar secured financing mechanism discussed below, in that Bank Loans are individually negotiated agreements between the bank and borrower, whereas Repos are standardized as it relates to the collateral and agreements used. Also, Bank loans generally involve credit analysis of Sending Firm and thereby cannot be transferred. As such, a Sending Firm would need to close out its bank loans to free the securities pledged as collateral for transfer from the Sending Firm to the Receiving Firm in a bulk transfer.

With respect to closing out open customer bank loans, the Sending Firm would need to repay the bank loan counterparty so it can release customer securities pledged back into Possession or Control of the Sending Firm. The Sending Firm will need to analyze its liquidity to determine whether it has access to the funds necessary to repay the loan. As a general matter, Firms using customer bank loans for financing would have excess credits in its reserve formula computation and therefore have funds locked up in the Special Reserve Bank Account. If the Sending Firm does not have the funds to repay the loan, the Sending Firm may need to seek regulatory approval from the SEC and FINRA to remove funds from the Special Reserve Bank Account to repay the loans and free up the collateral (customer securities). Firms seeking such approval should limit requests to customer long positions that allocate to bank loans and have a related credit in the reserve formula, discussed above.

### 4.2.3 Customer Non-Purpose Loans

A “non-purpose loan” allows customers to pledge their securities as collateral for a loan taken for purposes other than securities investment (e.g., a home mortgage). The customer securities that provide collateral for these financed loans may have been rehypothecated by the broker-dealer via a bank loan or stock loan. The Sending Firm may need to pay off these loans to unencumber the collateral so that the customer assets can be transferred to the Receiving Firm.

### 4.2.4 Customer Fully Paid Lending Programs

A fully paid lending program is one in which the customer loans securities that have been completely paid for to a financial institution (i.e., the customer owns the securities outright). This loan facilitates the institution’s and its customers’ trading strategies and enables the fully paid customer to earn interest on the loan. The Sending Firm should flag any customers in fully paid borrowing programs for the Receiving Firm. It is assumed that all fully paid program agreements are assignable and can be transferred to the Receiving Firm. If the Receiving Firm does not currently have a fully paid lending program, the open borrows at the Sending Firm may need to be closed out. To the extent these borrows have covered open short sales in customer accounts that are being transferred to the Receiving Firm, the Receiving Firm will need to borrow these shares.

### 4.2.5 Repo Transactions

Generally, a repo transaction is a short term funding mechanism to allow firms to utilize securities to fund operations. Sending Firms will need to close out (e.g., terminate contracts) repo transactions relating to financing customer positions prior to the bulk transfer. Similar to the aforementioned bank and stock loan sub-section, the Sending Firm will need to seek approval from the SEC and FINRA to remove funds from the Special Reserve Bank Account to repay the repos in order to free up customer collateral.

### 4.2.6 Reverse Repo Transactions

Reverse repo transactions are used to reinvest excess cash of the broker-dealer or to fund the Special Reserve Bank Account. The Sending Firm will unwind reverse repo transactions prior to the conversion so that the excess cash is readily available to fund current obligations.

Reserve repos and borrowed bonds are generally used to cover customer shorts. The Sending Firm will close out these transactions. The Receiving Firm will reestablish the reverse repos and borrowed bonds with the same or a different counterparty. The Receiving Firm may have the same issue of bonds in their inventory that can serve as a cover to the short sale transactions.

## 4.3 Receiving Firm Considerations

When acquiring a Sending Firm’s customer accounts and assets as part of a bulk transfer, Receiving Firms will need to consider the impact of this acquisition on their financing operations. For example, a bulk transfer is likely to increase the Receiving Firm’s required clearing deposits. Also, regulators are likely to expect the Sending Firm to share liquidity stress assumptions with the Receiving Firm as part of planning for a bulk transfer. The Receiving

Firm must develop and understand its funding needs to ensure financing lines are available to support this additional business. Receiving Firms should engage with clearing corporations, FMUs, stock lending, and repo desks along with the credit risk group to understand the increase in clearing deposits and any necessary increases to available borrowing lines. Finally, the Receiving Firm should review new or expanded lending to securities lending counterparties as a result of the bulk transfer, including any change in the volume of activity with a single counterparty as well as the marketability of the underlying securities.

### 4.4 Treasury & Funding Activities

Sending Firms should undertake the following activities to unwind encumbered securities in preparation for a bulk transfer.

Sending Firm Treasury & Funding Activities		
#	Implementation Steps	Organization Participants / Resources
1	Identify stock loans, bank loans, and repo transactions that are collateralized by customer securities.	<i>[To be completed by Member Firms]</i>
2	Flag customers in fully paid borrowing programs.	
3	If applicable, prior to conversion, assess the firm’s liquidity and determine whether the firm will need to seek relief from the SEC and FINRA to remove funds from the Special Reserve Bank Account to repay the loans and free up the collateral.	
4	Pay off or transfer stock loan and pay off bank loan and repo transactions to unencumber collateral.	
5	Unwind and close out reverse repo transactions used to cover customer shorts.	

Receiving Firms should undertake the following activities in preparation for a bulk transfer.

Receiving Firm Treasury & Funding Activities		
#	Implementation Steps	Organization Participants / Resources
1	Reestablish any reverse repos or bonds borrowed using the same or different counterparty.	<i>[To be completed by Member Firms]</i>
2	Engage with clearing corporations and FMUs to understand increase in clearing	

## Receiving Firm Treasury & Funding Activities

#	Implementation Steps	Organization Participants / Resources
	deposits and expectations regarding daily margining and settlement requirements.	
3	Develop detailed understanding of funding needs of the acquired business and ascertain that available lines are sufficient to support additional business.	
4	Obtain an understanding of illiquid securities, if any, that may be transferred in and if they are held in margin accounts, determine how they will be financed.	
5	Working with stock lending and repo desks along with credit risk group, determine whether current available borrowing lines (unsecured loans, secured loans, stock loans, repos) need to be increased.	
6	Working with stock lending and repo desks, determine whether additional counterparties should be added to provide additional financing.	
7	Revise stress liquidity scenarios and assumptions to include new business and activity.	
8	Obtain pro forma reserve formula computation from regulatory reporting to anticipate new deposit requirement and identify sources of available cash or securities to meet this requirement.	
9	Reevaluate level of the cushion in the reserve bank account to determine adequacy in light of increased business.	

# 5 Compliance Considerations

## 5.1 Introduction

A bulk transfer may temporarily impact the ability of firms to meet certain applicable regulatory requirements. Regulations detailed in this section do not constitute an exhaustive list of potentially applicable requirements that are impacted or triggered when customer accounts and assets are transferred from one firm to another in the ordinary course of business or related to a stress scenario. However, the below sections outline the key regulatory challenges that a Receiving Firm may encounter as it moves customer accounts and assets from the Sending Firm to the Receiving Firm.

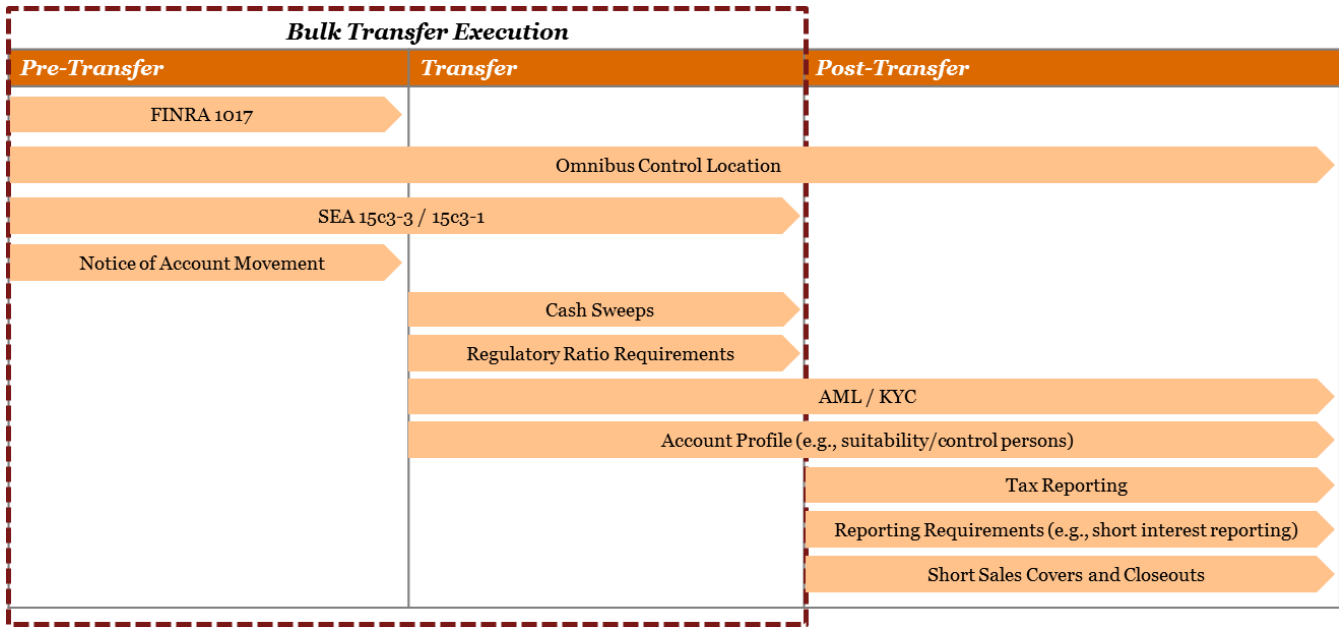
In the event of a bulk transfer under a stress scenario, it is critical that firms consider the specific regulatory requirements and coordinate with applicable regulators (e.g., FINRA, the SEC) early on in the process to assure compliance. Firms should prepare to meet applicable compliance and regulatory requirements throughout the bulk transfer process. Following a bulk transfer, Receiving Firms must act promptly to ensure new accounts and assets are maintained in a manner that is compliant with applicable regulations and consistent with their own policies, procedures and compliance programs. To assist firms in developing a view of potentially applicable regulatory considerations, this Playbook provides a non-exhaustive list of regulations and a description of potential regulatory challenges. Given the regulatory and legal risk firms face if they do not maintain compliance with applicable regulatory requirements, firms should form a thorough understanding of the regulatory items described.

## 5.2 Key Regulatory Considerations

As a first step, firms will likely need to accept some form of regulatory risk and seek relief related to the immediate change in their business and the expedited nature of the bulk transfer, among other obligations. Further, in the event of a bulk transfer, many due diligence and compliance activities that would ordinarily occur in the months prior to conversion will need to be performed either in a highly expedited timeframe or post-transfer.

Throughout the conversion timeline, firms will need to maintain communication with regulators at various stages. Due to the highly condensed timeframe in which firms must execute a bulk transfer, communications with the regulators will help to begin the transfer process. Once begun, the bulk transfer will cause an influx of assets to the Receiving Firm's books, and this may in turn effect the firm's ability to immediately comply with certain regulatory requirements around capital, liquidity, customer reserves, and reporting. Communications with the regulators will allow firms to execute the bulk transfer and protect customer accounts and assets, while gaining additional time to comply with certain regulatory requirements after the bulk transfer.

The following illustration provides a high level overview of the key, but not exhaustive, applicable regulation for a bulk transfer where relief will likely need to be sought relative to the stages of the conversion timeline.



Provided below is a description of the key regulatory considerations within each stage of the conversion timeline:

- Pre-Transfer** | The Receiving Firm will require approval for the change to its business (FINRA 1017), approval for the use of an omnibus account that facilitates the transfer of assets as a good control location, discussion around capital and liquidity ratios, and permission to send a notice of account movement to Sending Firm customers.
- Transfer** | Firms may require continued regulatory flexibility related to the omnibus account continuing as a good control location as well as with respect to their capital and liquidity ratios. Firms may also need additional flexibility from the regulators with respect to the transfer of cash sweeps, and additional time to conform policies and procedures related to anti-money laundering and suitability requirements.
- Post-Transfer** | Firms may require continued regulatory relief related to omnibus account, anti-money laundering and suitability requirements. They may also require discussions around their obligations related to tax reporting, reporting requirements (e.g., short interest reporting), and short sales covers and closeouts.

### 5.2.1 Pre-Transfer Regulatory Considerations

Once firms determine that they will engage in a bulk transfer, they should commence communication with regulators to discuss their capabilities and identify areas that provide challenges to pre-transfer obligations. These include, but are not limited to an application for approval to change business operations, to use an omnibus account as a good control location, capital requirement discussions, and account movement notice.

<b>Regulatory Area</b>	<b>Description</b>	<b>Applicable Regulator</b>
<b>FINRA Rule 1017</b>	<p>Application for expedited approval of change in business operations.</p> <p>Sending and Receiving Firms should prepare to document the following items as they prepare their application pursuant to FINRA Rule 1017:</p> <ol style="list-style-type: none"> <li>1. Increase in number of associated persons;</li> <li>2. Increase in number of branch offices;</li> <li>3. Increase in number of markets made;</li> <li>4. Number of new Customer Accounts – Retail / Institutional;</li> <li>5. Dollar amount of Customer Debits being transferred;</li> <li>6. Dollar amount of Customer Credits being transferred;</li> <li>7. Supervisory structure that will be put in place;</li> <li>8. Training needs assessments;</li> <li>9. Pro Forma Net Capital Computation - net capital, capital requirement, ENC;</li> <li>10. Liquidity Impact of additional business including increase in clearing deposits;</li> <li>11. Operational conversion plan;</li> <li>12. System Capacity to absorb additional volume of business</li> <li>13. Copies of client-facing bulk transfer letter(s);</li> <li>14. Description of new guarantees; and</li> <li>15. New products or services being added and supervisory plan for each (possible Membership Agreement change).</li> </ol> <p>A template for this application is in Appendix F.</p>	FINRA
<b>Omnibus control location</b>	SEC approval for the conversion omnibus account to be considered a good control location is required. Approval may be for 60 days initially but extensions may be needed.	SEC
<b>SEA 15c3-3 &amp; 15c3-1</b>	<ul style="list-style-type: none"> <li>• SEC Rule 15c3-3: Cash deposited in a Special Reserve Bank Account at a nonaffiliated bank cannot exceed</li> </ul>	SEC

<i>Regulatory Area</i>	<i>Description</i>	<i>Applicable Regulator</i>
	<p>15% of the bank's equity capital in the bank's most recent Call Report.</p> <ul style="list-style-type: none"> <li>• SEA Rule 15c3-3 note E (5) Concentration customer margin debts: may require additional time to identify accounts under common control.</li> <li>• Minimum Net Capital: 5% of aggregated debits at early warning level to be used as a proxy for increased minimum capital requirement; be prepared to describe source of any necessary capital infusion.</li> <li>• Approval to transfer funds from the 15c3-3 account without a new computation.</li> </ul> <p>Example Scenarios:</p> <ul style="list-style-type: none"> <li>• <b>Money Market and Bank Sweep Cash:</b> During the week leading to the conversion, the Sending Firm will liquidate money market and bank sweep program investment deposits and will deposit the sweep proceeds in a Special Reserve Bank Account.<sup>22</sup> Assuming a weekend conversion, cash credits in customer accounts resulting from sweep redemptions will move on Monday to the Receiving Firm after transfer processing throughout the weekend. The Sending Firm will request approval from the SEC and FINRA to transfer the funds on Monday directly from their Special Reserve Bank Account to the Receiving Firm, without performing a computation so that the Receiving Firm has the funds to reinvest in a new money market or bank sweep, specifically related to those customers whose positions were redeemed the prior Friday and were reflected as a free credit balance at the time of the account transfer.</li> <li>• <b>Repayment of Bank Loan and Stock Loan:</b> Customer long positions that allocate to bank loan or stock loan and have a related credit in the reserve formula<sup>23</sup> will need to be unencumbered in order to be transferred to the Receiving Firm. The Sending Firm will need approval to remove funds from the Special Reserve Bank Account prior to the close of business Friday prior to the conversion to repay bank and stock loan for which there was a credit in the reserve formula. The customers' securities that were unencumbered will</li> </ul>	

<sup>22</sup> See also Section 6.3.3 below for further information on the transfer of cash sweep products. At the drafting of this Playbook, the ability to transfer money market fund or FDIC sweep product relationships generally requires far more time than a bulk transfer scenario allows.

<sup>23</sup> A broker-dealer is required to calculate what amount it must deposit on behalf of customers in the special reserve bank account under the formula set forth in Rule 15c3-3a.



<i>Regulatory Area</i>	<i>Description</i>	<i>Applicable Regulator</i>
	move on Monday to the Receiving Firm after transfer processing throughout the weekend.	
<b>Notice of account movement</b>	<p>Movement of a customer’s account from one firm to another requires the consent of the all account holders. While affirmative consent is preferred, in certain scenarios, account transfers require firms to provide a 30-day negative consent period (FINRA Regulatory Notice 02-57). However, due to the compressed time frame required in a bulk transfer scenario, there is little to no opportunity for the customer to either provide affirmative consent or have to provide a 30 days’ negative consent period prior to conversion. Therefore, Receiving Firms may instead provide notice of expedited transfer to customers.</p> <p>In recognition of this account transfer notice process, the Receiving Firm will support the affirmative request account transfers made by customers to a third party firm at no cost and penalty to the customer for a similar period following account transfer.</p>	FINRA

### 5.2.2 Transfer Regulatory Considerations

Regulatory relief related to the movement of cash sweep vehicles may be necessary during execution of the bulk transfer. Potential relief may allow liquidation and reinvestment of the cash sweep using notice in lieu of customer consent.

<i>Regulatory Area</i>	<i>Description</i>	<i>Applicable Regulator</i>
<b>Cash sweeps</b>	Notification to regulator advising of liquidation and reinvestment in like sweep product without customer consent (money market and bank deposit programs). NASD Rule 2510(d)(2)(c) requires a prospectus to accompany a bulk transfer notice.	SEC / FINRA

### 5.2.3 Post-Transfer Regulatory Considerations

Given the highly condensed timeline anticipated in this type of bulk transfer, many due diligence activities that would ordinarily occur in the months and weeks prior to conversion will likely need to be performed in the period following the transfer. There are instances where firms may require regulatory relief after the bulk transfer (i.e., after the conversion-period). Although transferred accounts would not be considered new accounts of the Receiving Firm subject to CIP / CDD requirements (*see* 31 CFR 1023.100(a); 31 CFR 1010.230(c)), Receiving

Firms will require a grace period during which they may consider additional diligence on transferred accounts and ensure incorporation of new accounts into existing transaction monitoring and other AML compliance processes. Receiving Firms may also require relief with regards to tax and other reporting requirements following the conversion.

<b>Regulatory Area</b>	<b>Description</b>	<b>Applicable Regulator</b>
<b>AML / KYC</b>	<p>A grace period (e.g. 90 – 180 days) is required because of the volume of transfer to ensure incorporation into existing transaction monitoring and other AML compliance processes. Applicable requirements include, but are not limited to: FINRA Rule 3310, and applicable FinCEN regulations.</p> <p>Receiving Firms should consider prioritizing AML risks. Receiving Firms may need to discuss their plan with AML regulators as they assess the risks associated with the transferred accounts and to bring accounts into their AML compliance programs.</p>	SEC / FINRA / OCC / FinCEN
<b>Account profile</b>	Ability to rely on Sending Firm's customer documentation for a time period (e.g. 90 – 180 days) until the Receiving Firm has time to scrub each account (includes Rule 144 control person status, restricted persons, suitability, etc.).	FINRA
<b>Tax reporting</b>	The Receiving Firm will need to provide the IRS with customer-level reporting. The Receiving Firm may require a grace period to rely on the reporting of the Sending Firm before it can fulfill its tax reporting obligations.	IRS
<b>Reporting requirements</b>	Relief may be needed with regards to other regulatory reporting requirements. This may include, but is not limited to, short interest reporting and large options positions reporting.	FINRA
<b>Short sales covers and closeouts</b>	Additional time to identify short sale covers, close out requirements and take appropriate action in compliance with Regulation SHO.	SEC

### 5.3 Activities to Maintain Compliance

Firms should take the following steps to allow them to prepare for and execute the bulk transfer.

Activities		
#	Implementation Steps	Organization Participants
1	Identify applicable regulations impacted in the event of a bulk transfer.	<i>[To be completed by Member Firms]</i>
2	Identify key resources needed to liaise with applicable regulators to seek regulatory relief in the event of a bulk transfer.	
3	Prepare draft 1017 application template to be provided to FINRA in the event of a bulk transfer.	
4	Submit requests for applicable regulatory discussions.	

# 6 Transfer Requirements, Details, & Execution

## 6.1 Introduction

To efficiently transfer customer accounts and assets within the expedited time frame required for a bulk transfer, all firms should prepare materials in advance. Sending and Receiving Firms require clear and efficient procedures for their personnel to execute the bulk transfer and respond to any complexities on an as needed basis. As no firm knows whether it will be a Sending or Receiving Firm, all firms should prepare materials for both scenarios.

This Playbook details the information firms should prepare and provides templates to assist firm in these activities both prior to and during a bulk transfer to expedite the transfer and mitigate potential risks or operational challenges. These templates include a day-by-day timeline of a baseline bulk transfer scenario and a template run book of activities firms will execute to process the transfer. Firms will need to update steps, information and templates for the specific facts and circumstances of the bulk transfer, including the owner of each activity and the specific dates for completion.

Sending and Receiving Firms should execute the bulk transfer in a manner consistent with any policies and procedures created as a result of this Playbook. Sending and Receiving Firms must prioritize protecting customer confidential information and assets, enabling a seamless transfer for customer, custodian, and service provider relationships. Further, firms must meet regulatory obligations, demands, and inquiries throughout the process.

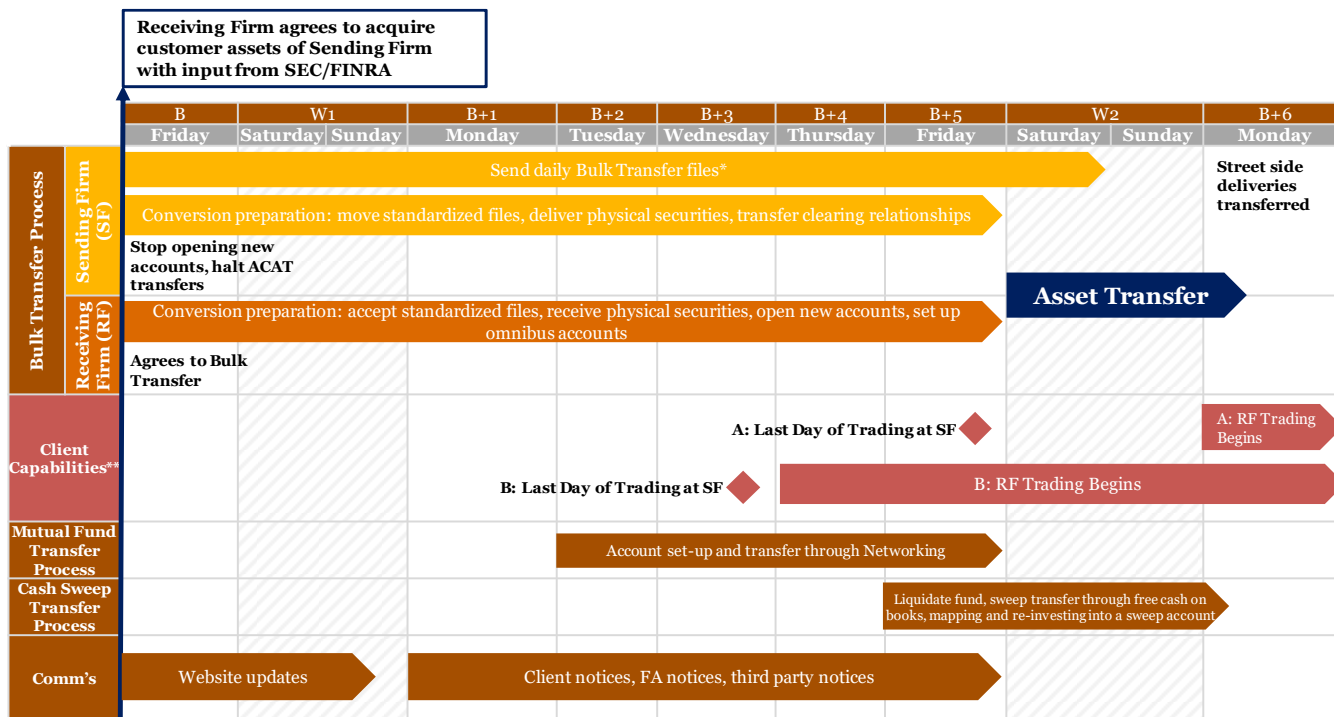
Ultimately, the goal of this Playbook is to ensure Sending and Receiving Firms are prepared for a bulk transfer that permits customers to maintain access to their accounts and assets.

## 6.2 Conversion Timeline

The conversion timeline described in this Playbook is the inside limit of time needed to execute a bulk transfer. The timeline assumes that the conversion will include only in-scope products identified in this Playbook; Sending Firms with unique or complex operations and/or products will require additional resources and time to process the transfer.

In the representative conversion timeline illustrated below, “B” represents the date the Receiving Firm agrees to acquire the customer accounts and assets of the Sending Firm and kicks off the Pre-Transfer stage and subsequent transfer of customer accounts and assets. Every business day after is represented by an additional “+1,” while weekends are represented on the conversion timeline with either “W1” (i.e., first weekend of the conversion) or “W2” (i.e., second weekend of the conversion).

The illustration below provides a high level diagram of the bulk transfer assuming the inside limit for the conversion:



**Key:**  
**Option A: Trading begins at Receiving Firm on B+6 ("trade date conversion")**  
**Option B: Trading begins at Receiving Firm on B+4 ("settlement date conversion")**

\*All files refers to all required week 1 conversion files (e.g., Balances, DVP / RVP Instructions, IRA Beneficiary, Mutual Fund data, Name and Address, Open Orders, Pending Dividends, Positions, Securities Master File, Stock Record Memos).  
 \*\*Customer capabilities include account functionality, trading, etc.

Directly after the Receiving Firm has agreed to the acquisition, both firms must quickly settle on a conversion<sup>24</sup> approach. One critical area of agreement includes the timing of the conversion (e.g., trade date or settlement date).

Based on the particular facts and circumstances, firms may choose to follow a conversion based on trade date or settlement date. The primary difference between these scenarios is the time during the Pre-Transfer and Transfer stages when the customer will stop trading at the Sending Firm and begin trading at the Receiving Firm. The differences between these approaches are discussed below:

**Option A: Trade Date** | Under a trade date conversion, trading will continue at the Sending Firm until B+5 (please see the high level Bulk Transfer Timeline provided above and detailed below). Conversion of ownership of the customer accounts and assets occurs over the second weekend. After the conversion, customer trading begins at the Receiving Firm on B+6.

<sup>24</sup> A conversion is the transfer of ownership of accounts and assets from one firm to another.

Option B:  
Settlement Date

Under a settlement date conversion, trading will continue at the Sending Firm until close of business on B+3 (please see the high level Bulk Transfer Timeline provided above and detailed below). Customer trading begins at the Receiving Firm on B+4. Conversion of ownership of the customer accounts and assets occurs over the second weekend.

The following is a description of the activities which will occur in the bulk transfer timeline (specific trade date and settlement date conversion activities are delineated as applicable):

**Friday (B: Day 0 of Bulk Transfer)**

B	W1	B+1	B+2	B+3	B+4	B+5	W2	B+6	B+7
Friday	Saturday/Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday/Sunday	Monday	Tuesday

All Conversions	
<b>Sending Firm</b>	<p>Agree to bulk transfer.</p> <p>Prepare all required bulk transfer files.<sup>25</sup> These files should be prepared to be sent to the Receiving Firm over the first weekend (“W1”). See File Standardization.</p> <p>Stop opening new accounts.</p> <p>Contact DTCC to cut off ACATS and place a hard block on any new requests.</p>
<b>Receiving Firm</b>	<p>Agree to bulk transfer (nature, timeline, terms, etc.).</p> <p>Prepare to receive all required bulk transfer files.</p>
<b>Customer Capability<sup>26</sup></b>	<p>Trading and settlement continues at Sending Firm.</p>
<b>Communication</b>	<p>Sending and Receiving Firms bulk transfer committees coordinate (separately or jointly and in coordination with regulators) preparation of communications to customers and develop notification on applicable websites.</p> <p>Prepare communications to all other parties (including but not limited to regulators, third parties, financial advisors, and FMUs).</p>

<sup>25</sup> All files refers to all required week 1 conversion files (e.g., Balances, DVP / RVP Instructions, IRA Beneficiary, Mutual Fund data, Name and Address, Open Orders, Pending Dividends, Positions, Securities Master File, Stock Record Memos).

<sup>26</sup> Customer capabilities includes but is not limited to account functionality and trading.

## Saturday and Sunday (W1: First Weekend of Bulk Transfer)

B	W1		B+1	B+2	B+3	B+4	B+5	W2		B+6	B+7
Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday

All Conversions	
<b>Sending Firm</b>	Send daily bulk transfer files.
<b>Receiving Firm</b>	<p>Receive files via Account Information Transfer System (“AIT”) and begin setting up name and address records.</p> <p>Set up securities, B50s (as applicable), ACH, etc. Broker-dealers planning to hold mutual funds in omnibus open the subaccounts on their sub-accounting platform.</p> <p>Validate bulk transfer files (e.g., field checks, counts, etc.).</p> <p>Load Securities Master File.</p>
<b>Customer Capability</b>	Trading and settlement continues at Sending Firm.
<b>Communication</b>	<p>Sending and Receiving Firms continue to coordinate preparation of communications to customers and develop notification on applicable websites.</p> <p>Prepare communications to all other parties (including but not limited to regulators, third parties, financial advisors, and FMUs).</p> <p>Prepare communications and develop notification on website.</p>

## Monday (B+1: Day 1 of Bulk Transfer)

B	W1		B+1	B+2	B+3	B+4	B+5	W2		B+6	B+7
Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday

All Conversions	
<b>Sending Firm</b>	Send daily bulk transfer files.
<b>Receiving Firm</b>	<p>Set up name and address in batch and process the test Position &amp; Balance file.</p> <p>Generate exception reporting.</p> <p>Open new accounts.</p>
<b>Customer Capability</b>	Trading and settlement continue at Sending Firm.

<b>Communication</b>	<p>Sending and Receiving Firms coordinate distribution of communications to customers, regulators, financial advisors, and service providers.</p> <p>Ensure information is provided and accessible via applicable websites.</p>
----------------------	---

***Tuesday (B+2: Day 2 of Bulk Transfer)***

B	W1		B+1	B+2	B+3	B+4	B+5	W2		B+6	B+7
Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday

	All Conversions
<b>Sending Firm</b>	<p>Send daily bulk transfer files.</p> <p>Deliver physical customer name securities (securities are transferred in name at the Depository).</p> <p>Utilize old / new account number file to support stakeholder transition (e.g., to allow firms to respond to customer inquiries using the account number from the Sending Firm (old account number) or the Receiving Firm (new account number)).</p>
<b>Receiving Firm</b>	<p>Perform asset and account analysis to determine whether any new business acquired cannot be supported.</p> <p>Create and make old / new number file for use in responding to customer inquiries and to provide a cross reference to required bulk transfer files as needed.</p> <p>New account viewable on books.</p>
<b>Customer Capability</b>	<p>Trading and settlement continues at Sending Firm.</p>
<b>Mutual Funds</b>	<p>Sending Firm to send position file and mutual fund data / table maintenance file to Receiving Firm.</p>
<b>Communication</b>	<p>Sending and Receiving Firms distribute notice to customers, regulators, financial advisors, and service providers.</p>



## Wednesday (B+3: Day 3 of Bulk Transfer)<sup>27</sup>

B	W1	B+1	B+2	B+3	B+4	B+5	W2	B+6	B+7
Friday	Saturday/Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday/Sunday	Monday	Tuesday

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
<b>Sending Firm</b>	<p>Send daily bulk transfer files.</p> <p>Address any exceptions or breaks in the file transfer.</p>		<p>Send option file to the OCC electronically and a copy of the option positions to the Receiving Firm (The OCC processes transfers close of business). Open positions are cancelled close of business (e.g., prior to market open on B+4).</p> <p>Process option Position &amp; Balance conversion to reduce the customer side positions and place these in an omnibus account.</p> <p>Cancel open customer orders at close of business.</p> <p>Repay bank and stock loans to unencumber securities in preparation for asset transfer.</p>
<b>Receiving Firm</b>	<p>Reconcile daily bulk transfer files.</p> <p>Address any exceptions or breaks in the file transfer.</p>	<p>Engage in exception management and identify necessary customer information (i.e., missing mutual fund selling agreements, non-supported products, etc.).</p>	<p>Post positions in anticipation of the transfer (shadow positions) in the newly opened customer accounts.</p> <p>Add open orders prior to market open on Thursday B+4 (after market close on Wednesday B+3)</p>
<b>Customer Capability</b>		<p>Trading and settlement continues at Sending Firm.</p>	<p>Sending Firm stops accepting orders (last day of trading at Sending Firm).</p>
<b>Mutual Funds</b>	<p>Receiving Firm to set up the B50s / new accounts.</p> <p>Address any processing/ exception issues.</p>		

<sup>27</sup> First day where conversion timelines diverge.

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
<b>Communication</b>	Manage communications.		

### **Thursday (B+4: Day 4 of Bulk Transfer)**

B	W1	B+1	B+2	B+3	B+4	B+5	W2	B+6	B+7		
Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
<b>Sending Firm</b>	Send daily bulk transfer files.	Provide clearing number to Receiving Firm to support the clearing of customer trades on B+4 and B+5.  Consider only allowing liquidating orders from customers.	Deliveries from Sending Firm expected based on settlement date (i.e., T+1).
<b>Receiving Firm</b>		Exception management (i.e., missing selling agreements, cannot support products, etc.).	Reestablish open customer orders.
<b>Customer Capability</b>		Trading and settlement continues at Sending Firm.	Receiving Firm begins taking orders for new customer accounts (first day of trading at Receiving Firm).
<b>Mutual Fund</b>	Receiving Firm to send a B50 cross reference list for accounts to Sending Firm (brokerage account numbers corresponding to Sending Firm or omnibus account numbers as needed for B52s).		
<b>Communication</b>	Continue to manage communications.		

## Friday (B+5: Day 5 of Bulk Transfer)

B	W1	B+1	B+2	B+3	B+4	B+5	W2	B+6	B+7
Friday	Saturday/Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday/Sunday	Monday	Tuesday

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
<b>Sending Firm</b>	Last day to process delivery and receipt instructions for asset movement messaging (e.g., SWIFT).	<p>Initiate the OCC transfer process.</p> <p>Run normal end of day processes for daily trading activity.</p> <p>Deliver any additional physical securities to Receiving Firm.</p> <p>Contact DTCC and prevent further settlement after COB.</p> <p>Cancel open orders. Repay bank and stock loans to unencumber securities in preparation for asset transfer.</p> <p>Consider only allowing liquidating orders.</p>	Last settlement at Sending Firm for in-scope assets.
<b>Receiving Firm</b>	Send final block list (e.g., client opt outs, late blocks to asset movement) to Sending Firm.	Engage in exception management (i.e., missing selling agreements, non-supported products, etc.).	
<b>Customer Capability</b>		Sending Firm stops accepting orders (last day of trading and settlement at Sending Firm).	Trading at Receiving Firm. Settlement at Sending Firm.
<b>Mutual Fund</b>	Receiving Firm to handle any rejections.		
<b>Cash Sweeps.</b>	Receiving Firm to map sweep product to a substantially similar product in its		

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
	<p>Sweep Program to the extent practicable prior to B+5.</p> <p>Liquidate sweeps prior to close.</p> <p>Stop sweep function (flexibility may exist depending on funds/system capabilities).</p>		
<b>Communication</b>	Continue to manage communications.		

***Saturday and Sunday (W2: Second Weekend of Bulk Transfer)***

B	W1	B+1	B+2	B+3	B+4	B+5	W2	B+6	B+7
Friday	Saturday/Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday/Sunday	Monday	Tuesday

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
<b>Sending Firm</b>	<p>Process Position &amp; Balance conversion.</p> <p>Manage and address breaks in real time.</p> <p>Set up a wire to allow transfer of free credits from Sending Firm Special Reserve Bank Account to Receiving Firm Special Reserve Bank Account (pending regulatory approval).</p>	<p>Transfer information sent at close of business on B+5, including: positions and balances, pending trade files, pending settlement files.</p> <p>Transfer all open trade files (e.g., Open Trades, Pending Settlements).</p>	<p>Send all files, including: positions and balances, pending trade files, pending settlement files.</p>
<b>Receiving Firm</b>	Load all files from Sending Firm, including: positions and balances, pending trade files,		

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
	<p>pending settlement files.</p> <p>Process Position &amp; Balance conversion.</p>		
<b>Customer Capability</b>			
<b>Mutual Fund</b>	<p>Receiving Firm to set up the B50s / new accounts.</p> <p>Address any processing/ exception issues.</p>		
<b>Cash Sweeps</b>	<p>Prepare to send free credits on B+5 morning.</p> <p>Sending Firm: redeem on B+5; free cash on books B+5 until B+6 in a Special Reserve Bank Account.</p> <p>Receiving Firm may use an ad hoc file on B+5 to initiate purchases on B+6.</p>		
<b>Communication</b>	<p>Continue to manage communications.</p>		

## Monday (B+6: Day 6 of Bulk Transfer)

B	W1	B+1	B+2	B+3	B+4	B+5	W2	B+6	B+7		
Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
<b>Sending Firm</b>	Transfer street side deliveries.	Support settlement. Complete the OCC conversion.  Send free credits to Receiving Firm Special Reserve Bank Account via the cash wire transfer.	
<b>Receiving Firm</b>	Process delivery and receipt instructions for asset movement messaging (e.g., SWIFT) on B+6.	Settle Sending Firm trades from B+4. Reestablish open orders. Post the OCC collateral per newly calculated margin requirements including transferred positions.	
<b>Customer Capability</b>		Receiving Firm begins taking orders for new customer accounts (first day of trading and settlement at Receiving Firm).	
<b>Mutual Fund</b>	Sending Firm provides B52 reconciliation to fund family to make deliveries to appropriate accounts and allow client record to run. Handle any rejections manually. B52s coded as mass broker-to-broker records generate confirmation to both Sending and Receiving Firms. This confirmation is received as F53 Fund		

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
	Conversion record the following morning.		
<b>Cash Sweeps</b>	<p>Cash is moved on B+6.</p> <p>Two files received including free cash balances and money fund balances.</p> <p>Sending Firm (if able) provides free credit interest for W2.</p>		
<b>Communication</b>	Continue to manage communications.		

## Tuesday (B+7: Day 7 of Bulk Transfer)

B	W1	B+1	B+2	B+3	B+4	B+5	W2	B+6	B+7		
Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday

	All Conversions	Option A Trade Date Conversion	Option B Settlement Date Conversion
<b>Sending Firm</b>		Support settlement breaks to extent possible.	
<b>Receiving Firm</b>		Settle Sending Firm trades from B+5.	
<b>Customer Capability</b>			
<b>Cash Sweeps</b>	Receiving Firm codes and reinvests free credits.  Settle cash in the morning into the conversion omnibus account.  Provide free credit interest for this day.		
<b>Communication</b>	Continue to manage communications.		

## 6.3 Transfer Methods

The Sending and Receiving Firms should utilize the below transfer methods for the transfer of customer accounts and assets. These are general categories, and as each firm executes a bulk transfer, the ability to follow these methods may vary depending on firm-specific operations, unique assets, or other complexities of the bulk transfer.

### 6.3.1 Equities and Fixed Income Products

The below outlines transfer processes for equities and fixed income products as well as notation for the service provider which will help facilitate the expedited bulk transfer. Sending Firms transfer different types of products via various methods based on the service relationship. Equities generally transfer via DTCC, Canadian Depository for Securities, or Euroclear. Options generally transfer via the OCC. Corporate and Municipal Bonds generally transfer via DTCC as well. Treasuries generally transfer via a custodian or clearing bank.



### 6.3.1.1 Equities

Equities are serviced by DTCC (DTC / NSCC). A bulk transfer of customer equities serviced through DTCC is executed as follows:

1. Sending and Receiving Firm contact the DTCC relationship manager via e-mail.
2. DTCC will coordinate a meeting with the Sending and Receiving Firms and determine specific documentation required to change membership profile.
3. NSCC to confirm that Sending and Receiving Firm are set up for AIT service.
4. Where a subset of assets held at DTC are moving to the Receiving Firm, DTC will need to be instructed on the specific assets to move.
5. Execute book entry movements:
  - a. Sending Firm submits a delivery order to DTC as a future dated delivery order with the proposed settlement date.
  - b. In the case of free and clear assets of the client, it is expected that the delivery order will be submitted free of payment.
  - c. Money market instruments and assets that settle versus payment will be subject to the Receiving Firm's Receiver Authorization Delivery limits and DTC's risk controls.
  - d. Assets with failed OFAC check will be blocked.

### 6.3.1.2 Canadian Equities and Bonds

Canadian equities and bonds are serviced by the Canadian Depository for Securities. A bulk transfer of customer Canadian Equities serviced through the Canadian Depository for Securities is executed as follows:

Account transfer is executed via the Account Transfer Online Notification ("ATON") system.

1. The Receiving Firm enters a request for transfer into the ATON system. Receiving Firm must:
  - a. Obtain appropriate written instructions from the customer;
  - b. Maintain copies of the customer's instructions on file; and
  - c. Make the customer's instructions available to the Sending Firm (on request).
2. CDS checks the Security Master File to ensure that the securities are eligible with CDS. If the security is not eligible, CDS will reject the transfer request.
3. ATON confirms the request for transfer.
4. ATON initiates confirmed trades for eligible securities in CDS. CDS sends a file to DTC to initiate settlement of DTC-eligible securities.

### 6.3.1.3 European Equities and Bonds

European equities and bonds are serviced by Euroclear. A bulk transfer of customer European equities and bonds serviced through Euroclear is executed as follows:

1. Ensure access / eligibility check to Euroclear / that there is an established Euroclear relationship for both Sending and Receiving Firm.
2. Verify specific jurisdiction / asset requirements. Two transfer methodologies include:
  - a. An individual SWIFT message, or
  - b. The Migration Group (where the Sending Firm provides necessary data and Euroclear uploads all delivery instructions for process).

3. Non-Euroclear European equities and bonds may require additional transfer processes which Sending and Receiving Firms should consider if they anticipate including these in a bulk transfer.
4. Country-specific tax arrangements must be transferred as well.

#### 6.3.1.4 Listed Options

Listed options are serviced by the OCC. A bulk transfer of listed options positions serviced through the OCC is executed as follows:

1. Sending Firm submits notification to the OCC (operations and risk team are copied on the e-mail) regarding transfer of options via an online submission form.
2. Form is sent to both Sending and Receiving Firm and the OCC. Access to the form and the approval process is provided to authorized individuals who have been designated at each firm.
3. OCC reviews for risk purposes (e.g., margin, amount, volume), and both Sending and Receiving Firm sign off on transfer.
4. At a minimum, the OCC review is 1-2 days and at least one cycle of margin calculation is required in order to understand the margin required to be posted by the Receiving Firm.
5. The OCC executes transfer if bulk transfer is requested (moving all positions), or approves file transmission sent by firm if Account Transfer is requested. The OCC clears positions on an omnibus level and is not able to identify the specific collateral related to a specific position. When positions move from Sending to Receiving Firm, collateral pledged to that obligation will not move with the transfer. The Sending Firm will need to withdraw any excess collateral, while the Receiving Firm will need to pledge collateral to cover the additional margin for the newly received positions.

#### 6.3.1.5 Corporate Bonds

Corporate bonds are serviced by DTCC. A bulk transfer of customer corporate bonds serviced through DTCC is executed as follows:

1. Sending and Receiving Firm contact the DTCC relationship manager via e-mail.
2. DTCC will coordinate a meeting with the Sending and Receiving Firms and determine specific documentation required to change membership profile.
3. NSCC to confirm that Sending and Receiving Firm are set up for AIT service.
4. Where a subset of assets held at DTC are moving to the Receiving Firm, DTC will need to be instructed on the specific assets to move.
5. Execute book entry movements:
  - a. Sending Firm submits a delivery order to DTC as a future dated delivery order with the proposed settlement date.
  - b. In the case of free and clear assets of the client, it is expected that the delivery order will be submitted free of payment.
  - c. Money market instruments and assets that settle versus payment will be subject to the Receiving Firm's Receiver Authorization Delivery limits and DTC's risk controls.
  - d. Assets with failed OFAC check will be blocked.

### 6.3.1.6 Municipal Bonds

Municipal bonds are serviced by DTCC. A bulk transfer of customer municipal bonds serviced through DTCC is executed as follows:

1. Sending and Receiving Firm contact the DTCC relationship manager via e-mail.
2. DTCC will coordinate a meeting with the Sending and Receiving Firms and determine specific documentation required to change membership profile.
3. NSCC to confirm that Sending and Receiving Firm are set up for AIT service.
4. Where a subset of assets held at DTC are moving to the Receiving Firm, DTC will need to be instructed on the specific assets to move.
5. Execute book entry movements:
  - a. Sending Firm submits a delivery order to DTC as a future dated delivery order with the proposed settlement date.
  - b. In the case of free and clear assets of the client, it is expected that the delivery order will be submitted free of payment.
  - c. Money market instruments and assets that settle versus payment will be subject to the Receiving Firm's Receiver Authorization Delivery limits and DTC's risk controls.
  - d. Assets with failed OFAC check will be blocked.

### 6.3.1.7 U.S. Treasury Bonds, Agencies, and Mortgages

U.S. Treasury bonds, agencies, and mortgages are serviced by a custody or clearing bank. A bulk transfer of customer U.S. treasury bonds, agencies, and mortgages serviced through a custody or clearing bank is executed as follows:

1. Borrower (Sending Firm) repays lender in cash to exit repo transactions (done by not rolling / re-upping the trade / exiting longer term repo transactions by paying cash to exit and move securities from secured financing trade to Borrower's custody account).
2. Sending Firm repays loans to bank (custodian or clearing bank for securities) to ensure no lien on the securities.
3. Direct bank to transfer securities to Receiving Firm account at bank.

### 6.3.2 Fund Products

The below outlines transfer processes for fund products as well as notation for the service provider which will help facilitate the expedited bulk transfer.

#### 6.3.2.1 Exchange Traded Funds

Exchange traded funds are serviced by DTCC (DTC / NSCC). A bulk transfer of customer exchange traded funds serviced through DTCC (DTC / NSCC) is executed as follows:

1. Sending and Receiving Firm contact the DTCC relationship manager via e-mail.
2. DTCC will coordinate a meeting with the Sending and Receiving Firms and determine specific documentation required to change membership profile.
3. NSCC to confirm that Sending and Receiving Firm are set up for AIT service.
4. Where a subset of assets held at DTC are moving to the Receiving Firm, DTC will need to be instructed on the specific assets to move.
5. Execute book entry movements:

- a. Sending Firm submits a delivery order to DTC as a future dated delivery order with the proposed settlement date.
- b. In the case of free and clear assets of the client, it is expected that the delivery order will be submitted free of payment.
- c. Money market instruments and assets that settle versus payment will be subject to the Receiving Firm's Receiver Authorization Delivery limits and DTC's risk controls.
- d. Assets with failed OFAC check will be blocked.

### 6.3.2.2 Mutual Funds

Mutual funds are serviced by DTC (NSCC) / Custodians.

Typically, broker-dealers use service providers to manage customer mutual funds positions.<sup>28</sup> Omnibus positions at fund custodians are transferred following a transfer of the Name and Address data and mutual fund specific data around customer holdings in each fund. The Sending Firm provides account information. The Receiving Firm will receive and reconcile transferred customer account information.

Mutual fund networking levels often indicate the nature of the relationship between the mutual fund and the customer or an intermediary and may impact the transfer process. Networking level 3 and Trust-networked Level 0 accounts, which may or may not be omnibus positions, as well as "non-networked" omnibus positions should be moved as part of a successful bulk transfer. In some instances, account registrations may need updates to reflect successor custodians.

Networking<sup>29</sup> – a DTCC system – allows for the expedited transfer of Mutual Fund accounts and assets between firms on the fund's books and records. Using Networking platforms, B50s and B52s are produced and shared in an automated fashion. The current industry standard contains steps in place for a bulk transfer of Mutual Fund accounts using the DTC (NSCC) platform.

The current standard steps for transfer of accounts are:

1. Receiving Firm establishes new customer accounts with the fund for incoming assets.
2. Receiving Firm initiates B50 on online platform.
3. Funds acknowledge to the Receiving Firm that accounts were properly set up.
4. Receiving Firm provides Sending Firm with shell account numbers.
5. Sending Firm initiates B52 on online platform, requesting the fund move shares out of old accounts and into shell accounts.
6. Fund moves shares from Sending Firm to Receiving Firm accounts.
7. Fund sends activity records to Sending and Receiving Firms indicating the closing balances on all accounts.

Once the bulk transfer is completed, Networking is also used to transfer any related share lot records needed by the Receiving Firm to track aging for fee (e.g., contingent deferred sales

---

<sup>28</sup> Sending and Receiving firms use "subaccounting" recordkeeping platforms to manage an omnibus position's underlying beneficial owner accounts. Bulk transfer of these positions may occur outside of this process. The underlying beneficial owner position is reflected in the customer's brokerage account.

<sup>29</sup> See [DTCC Networking Overview](#) for additional information.

charge or aged 12b-1 distribution) for share class conversion purposes. The Networking transfer control number is also used as a cross-reference for movement of applicable cost basis.

Systematic Withdrawal Plan (“SWPs”) and Periodic Investment Plans (“PIPs”) are periodic transfers either from a client’s bank account into an investment (PIP) or from an investment into a client’s bank account (SWP). Most firms will conduct a mapping of the instructions to ensure instructions and execution date are correctly calculated and analyzed for manual calculations that will ensure the schedule is correct when instituted at the Receiving Firm.

PIPs are processed on the first trade date, while SWPs are converted the first date of the process. The Receiving Firm is typically responsible for dealing with SWPs that should have been sent over W2 on B+6. All SWPs that are effective as of B+5 continue to be done at the Sending Firm.

Finally, while not a bulk transfer, some sending firms may be associated as an authorized advisory and trading entity for shareholder accounts directly maintained by the fund’s transfer agent (known as “direct-at-fund” accounts). This authorization may need to move to another party and is accomplished through coordination with the mutual fund transfer agent.

### 6.3.3 Cash Equivalent Products

The below outlines transfer processes for cash equivalent products as well as notation for the service provider which will help facilitate the expedited bulk transfer. While the below sections outline the liquidation of cash equivalents back into the Sending Firm to facilitate an efficient and low complexity cash transfer to the Receiving Firm, Sending and Receiving Firms should – to the extent practical under the circumstances – explore an “in-kind” transfer of cash equivalents. An in-kind transfer involves the transfer of the broker dealer relationship from the Sending Firm with the money market mutual fund(s) or FDIC sweep products, which does not require liquidation of cash equivalents into the Sending Firm’s possession. At the drafting of this Playbook, the ability to transfer money market fund or FDIC sweep product relationships generally requires far more time than a bulk transfer scenario allows.

#### 6.3.3.1 Bank Sweep Accounts

Bank sweep accounts are serviced by affiliated or unaffiliated banks. A bulk transfer of customer bank sweep accounts serviced through affiliated or unaffiliated banks is executed as follows:

Liquidate all accounts of Sending Firm with cash sweep balances (redeem to liquid free credits / cash). Lock into Sending Firm or transferred to Receiving Firm’s special reserve bank account (cash). Re-sweep at the Receiving Firm (determine like product as practicable).

To the extent the Receiving Firm offers the same sweep option as the Sending Firm, Receiving Firms should consider whether it is able to transfer the position instead of liquidating, sending, and re-investing.

#### 6.3.3.2 Money Market Sweeps

Generally, a money market sweep is the investment of customer free credits into a stable value mutual fund that can be redeemed on a daily basis. Money market sweeps are serviced by affiliated or unaffiliated money market mutual fund providers. A bulk transfer of customer

money market sweeps serviced through affiliated or unaffiliated money market mutual fund providers is executed as follows:

1. Liquidate all accounts of Sending Firm with cash sweep balances (redeem to liquid free credits / to cash).
2. Transfer to Receiving Firm's Special Reserve Bank Account (cash).
3. Re-sweep at the Receiving Firm (determine like product as practicable).

If a Receiving Firm offers the same sweep option as the Sending Firm, these positions may not require liquidation prior to transfer.

#### 6.3.4 Other Products

The below outlines transfer processes for other types of products not described in the above tables, as well as notation for the service provider which will help facilitate the expedited bulk transfer.

##### 6.3.4.1 Scheduled Banking Activity (e.g., ACH)

Scheduled banking activity (e.g., ACH) is serviced by affiliated or unaffiliated banks. Scheduled banking activity includes banking services which firms provide to customers (e.g., check writing, bill payment, debit cards, etc.).

A bulk transfer of customer scheduled banking activity serviced through affiliated or unaffiliated banks is executed as follows:

1. ACH instructions are re-established at the Receiving Firm to prevent customers from having to re-establish.
2. Bill Payment: If the Sending Firm accepts bill pay, the Receiving Firm must determine if they will accept bill pay and determine whether it will accept the Sending Firm's instructions or re-establish instructions.
3. Check Writing and Debit Cards: Receiving Firms will not allow customers to continue to use Sending Firm check writing and debit cards. Check writing and debit cards will be re-issued.

##### 6.3.4.2 Managed Accounts

Managed accounts may be serviced by DTC (NSCC).

Manager Relationships: Review managed account platform and holdings to understand transferable assets versus Sticky Assets which are difficult to transfer. Document account relationship definition standards to alleviate burden for Receiving Firm to rebuild or standardize relationship definitions. Send transfer notice. Transfer standard assets per DTCC bulk transfer procedure.

A bulk transfer of customer managed accounts serviced through DTC (NSCC) is executed as follows:

1. Identify if the managed account is managed in-house or by a service provider.
2. Determine whether the service provider (if applicable) has a relationship with the Receiving Firm.

3. If it is in-house, determine if the Receiving Firm has a relationship with the managed account firm.
4. Transfer fee based managed account data (e.g., standardized data including investment manager, customer fee rates, householding information, etc.).
5. Unwind assets into unmanaged account.
6. Put assets in to a standard brokerage account at Receiving Firm until a managed account at Receiving Firm can be mapped and reinstated.
7. If a variance exists in products offered between managed accounts, the Receiving Firm must consider whether it is able to reinstate.
8. Transfer of Non- DTC (NSCC) Assets: Identify sticky asset overlap with sticky assets from other asset or product classes. Develop sticky asset transition strategy. Utilize relationship definitions to help Receiving Firm to build out platform at Receiving Firm.
9. Transition: Document grace period to effect transfer of customers who do not intend to remain Receiving Firm (e.g., waiving ACATS fee). Consider standard conversion customer experience issues. Firms should consider how to handle ACATs already in flight to the Sending Firm.

#### 6.3.4.3 ERISA-Covered Products (e.g., Employee Benefit Plans)

ERISA-covered products are serviced by an administrative broker-dealer.

ERISA-covered products transfer as outlined in the plan agreement provisions.

Such provisions often include a notice period, which would shorten under bulk transfer and would involve a deviation from the Employee Benefit Plan contract.

If a Receiving Firm and Sending Firm send out a notice letter for a period shorter than the notice period required in the agreement provision, the Receiving Firm should consider any potential breach of contract penalties.

#### 6.3.4.4 Annuities

While annuity contracts are often sold by advisors/brokers associated with broker-dealers, they are typically “held away” or “custodied” at the issuing carrier and held below the line at the broker dealer. It should be noted that failure of a broker-dealer will not jeopardize the value or status of annuity and insurance contracts which are executed between the end customer and the issuing carrier. In some cases, a bulk transfer of annuity contracts could be executed as follows:

Provided both the Sending and Receiving Firms utilize ACATS for annuities (“ACATS/IPS”), DTCC will facilitate a bulk transfer. However, because very few firms utilize ACATS/IPS, it is unlikely that this method will be utilized in most bulk transfer scenarios.

In instances where one or both of the firms do not utilize ACATS/IPS, DTCC will coordinate between the firms and the carriers to identify contracts associated with the Sending Firm. Once those contracts are identified, DTCC will then liaise with the carriers to facilitate the change of broker-dealer of record, possibly via spreadsheet upload or some other method agreed upon by the parties. This assumes the willingness of insurance carriers to accept notification from DTCC of the bulk transfer to the Receiving Firm.

DTCC is developing a web services functionality that will support change of broker-dealer of record, designed for situations when a broker/advisor moves from one firm to another. However, once available, this service could be used for bulk transfers, via spreadsheet upload as described above.

#### 6.3.4.5 Physical Securities

Physical securities are also serviced by DTC. Types of physical securities include:

1. Certificates: securities may not be book entry eligible.
2. Held in customer name: Sending Firm may send (e.g., overnight mail service or via DTC (“delivering over the window”)) ultimately to the customer if Receiving Firm does not want them.
3. Held street name where there are multiple certificates representing multiple individuals and where all move to Receiving Firm: the certificates are moved over (e.g., overnight mail service or via DTC (“delivering over the window”)) to the Receiving Firm.

In instances where both the Sending and Receiving Firm maintain physical certificates in a vault on their premises, arrangements will need to be made to safely move these certificates from one vault to another. This will likely entail contracting with a security firm (e.g., Brinks) to move the securities. Alternatively, if only the Receiving Firm maintains its physical certificates at DTC, coordination will also be required with DTC to move the certificates from the Sending Firm’s vault to the Receiving Firm’s account at DTC.

#### 6.3.5 Transfer of Financial Advisors Licenses and Branch Office Registrations

In the event of a bulk transfer, Sending Firms will transfer financial advisors’ licenses and branch office registrations to the Receiving Firm. Both firms must submit a request letter to FINRA that details the financial advisors and branch offices to be transferred, as well as the business transaction agreement. This letter must be signed by a senior officer of the firm. Given the compressed timeline in a bulk transfer scenario, firms will likely need to request that FINRA expedite the transfer. FINRA is able to transfer all of the registered persons and branches from one member firm to another. Alternatively, if not all registered persons and branches are moving from the Sending Firm to the Receiving Firm, a file will need to be provided to FINRA containing only those individuals and locations that are transferring. In the event Registered Representatives are not moving to the Receiving Firm, the customer accounts serviced by those individuals will need to be distributed to other registered individuals in the same branch office.

Following the submission of the request letter, state regulators will also review the transfer and impose a lockout period before either approving or rejecting the request. Firms should discuss shortening the lockout period with applicable state regulators.

Following the regulatory review, the FINRA Central Registration Depository system will transfer the financial advisor licenses and branch office registrations. The Receiving Firm is responsible for registration and other fees related to the transfer of licenses.



## 6.4 Transfer Execution Run Book Template

### 6.4.1 Instructions

To use this Bulk Transfer Playbook checklist of activities, all firms should utilize the following tables by filling them out as prescribed below:

Activities							
#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
1	<i>[Preparation, pre-transfer, transfer, or post-transfer activity]</i>	<i>[Owner of the activity]</i>	<i>[Systems involved in this activity]</i>	<i>[Department(s) involved in this activity]</i>	<i>[Date this activity should begin]</i>	<i>[Date this activity should be completed]</i>	<i>[Open if still executing activity; Closed if completed]</i>
2	Create firm-specific bulk transfer playbook.	Head of Operations	N/A	Operations, Compliance, Legal, Front Office, Risk	Sept. 1, 2019	October 31, 2019	Open

### 6.4.2 Preparation Activities

All firms should review documentation and prepare policies and procedures well in advance of a bulk transfer scenario. This will allow them to ensure the ability to generate bulk transfer week 1 files in a standardized format, include all materials relevant to a bulk transfer, and resolve any gaps that may currently exist. During this process, firms should also begin to standardize data files if they are not already in the proper format.

Preparation Activities								
	#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
Set-up Resources	1	Institute governance and communication procedures for a bulk transfer.						
	2	Identify resources for product specific transfer as noted in section 6.b.III.i.						
	3	Pre-determine transfer operations teams to efficiently perform bulk transfer activities.						

## Preparation Activities

	#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
	4	Allocate Communications personnel resources for necessary communications (e.g., to customers, regulators, financial advisors, service providers, etc.).						
	5	Locate and—as necessary—update scheduled banking activity instructions (e.g., wire and ACH transfer).						
	6	Train personnel on policy and procedure.						
Systems and Technology	7	While most firms should already have the FTP and standard account and asset transfer technology, firms should locate and, as necessary update or ensure they have the transferring technology required to interface with counterparties (e.g., the Receiving Firm, clearing and custodians, other service providers involved in the bulk transfer and facilitators, such as the DTCC and the OCC).						
	8	Prepare systems and files for transfer.						
Organization and Structure	9	Locate and—as necessary—update the details of business lines, including operations, customers, assets, accounts, quantities of assets, valuation of assets, financial advisors, etc. that will need to be transferred.						
	10	Locate documentation around, and—as necessary—update supervisory structure.						

## Preparation Activities

	#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
	11	Locate documentation around, and as necessary, update clearing and custodial arrangements by legal entity, customer, and account, in advance of a bulk transfer.						
	12	Locate documentation around, and—as necessary—update organizational structure.						
Facilities, Inventory, Physical Transfer	13	Locate documentation around, and—as necessary—update branch offices, particularly for purposes of transferring financial advisors.						
	14	If facilities and equipment will be transferred to the Receiving Firm, inventory these assets. Include addresses, supplies, equipment, personnel attached to each facility, responsible parties for managing each facility, contracts for facilities leasing, and Business Continuity Plan policies and procedures.						
	15	Locate documentation around, and—as necessary—update all physically held securities for customer, account, and develop plan for physical transfer. If Sending Firm uses DTC to custody physicals and Receiving Firm does not, an agreement may need to be signed to transfer custody.						
Personnel	16	Locate documentation required to arrange for the efficient transfer of personnel files for those employees moving to the Receiving Firm including performance appraisals, compensation records, and benefits, etc.						

## Preparation Activities

	#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
	17	Locate documentation regarding all registered personnel examination qualifications and continuing education.						
	18	Locate documentation around, and—as necessary—update personnel exam information.						
Assets and Accounts	19	Locate documentation around, and—as necessary—update list of products offered.						
	20	Identify trade flow documentation and prepare to send to Receiving Firm.						
	21	Locate documentation around, and—as necessary—update chart of contractual and business relationships.						
Policies and Procedures	22	Identify applicable AML / KYC standards and procedures to allow both firms to understand the compliance, governance, systems, policies, and procedures in place and to allow the Receiving Firm to assess AML/ financial crime risks related to transferred accounts and to plan for their integration into the Receiving Firm’s AML program.						
	23	Prepare to report to FINRA Key Op balances related to suspense accounts, difference accounts, omnibus account positions, and stock record breaks, etc.						

## Preparation Activities

	#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
	24	Locate documentation around, and—as necessary—update all corporate actions that must be communicated to the Receiving Firm to ensure consistent messaging, decision-making, and responses to stakeholder inquiries around the bulk transfer.						
Files	25	Standardize files.						

### 6.4.3 Sending Firm Pre-Transfer Activities

Sending Firms should, to prepare for a bulk transfer, document and train staff around the firm’s bulk transfer playbook. Sending Firms should also document information related to their business, systems, relationships, customer accounts, facilities, personnel, legal obligations, and controls in a standardized format to allow for seamless transfer to a Receiving Firm. Sending Firms should also ensure they have the proper resources allocated to executing a bulk transfer in advance of the commencement of the conversion timeline. Sending Firms should consider whether they need to provide a stay bonus to certain employees for a period of time to ensure the smooth transfer of customer assets.

## Pre-Transfer Activities

#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
1	Locate, update, and prepare documentation referenced in All Firm Preparation Activities <sup>30</sup> in advance of sending to Receiving Firms.						
2	Send documentation—referenced in All Firm Preparation Activities—and applicable materials to Receiving Firm. See Week 1 Files.						
3	Prior to executing a bulk transfer, re-examine resources to ensure availability of proper resources to participate in communications to key stakeholders, form governance						

<sup>30</sup> See Preparation Activities.

Pre-Transfer Activities							
#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
	structures, and to provide technical support for the transfer itself.						

#### 6.4.4 Sending Firm Transfer Activities

During a bulk transfer, Sending Firms should follow the steps outlined in the conversion timeline to allow for an efficient bulk transfer.

Transfer Activities							
#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
1	Agree to the operational detail of a bulk transfer.						
2	Coordinate communications with Receiving Firm.						
3	Prepare and commence sending all required bulk transfer files.						
4	Stop opening new accounts.						
5	Contact DTCC to cut off ACAT and place a hard block on any new requests.						
6	Continuously send daily bulk transfer files. <sup>31</sup>						
7	Deliver physical customer name securities (securities are transferred in name at the depository).						
8	Utilize old / new number file to support customer transition.						
9	After market close, cancel open orders.						
10	Send communications.						
11	Provide clearing number to Receiving Firm to support settling trades given up from Sending Firm trades settled at Receiving Firm on B+4 and B+5. <sup>32</sup>						

<sup>31</sup> All files refers to all required week 1 conversion files (e.g., Balances, DVP / RVP Instructions, IRA Beneficiary, Mutual Fund data, Name and Address, Open Orders, Pending Dividends, Positions, Securities Master File, Stock Record Memos).

<sup>32</sup> Option A only.

## Transfer Activities

#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
12	Mutual Funds: Receive cross reference list for accounts from Sending Firm (brokerage account numbers corresponding to Sending Firm or omnibus account numbers needed for B52s).						
13	Send option file to the OCC electronically and a copy of the option positions to Receiving Firm (the OCC processes transfers close of business).						
14	Process option Position & Balance conversion – taking down / reducing the client side positions and money and place in an omnibus account. Posting positions and money in omnibus account.						
15	Transfer free credits to Receiving Firm. <sup>33</sup>						
16	Contact DTCC and prevent further settlements after close of business B+5. <sup>34</sup>						
17	Cancel open orders as of close of business B+3.						
18	Repay bank and stock loans to unencumber securities in preparation for asset transfer.						
19	Deliveries expected based on settlement date.						
20	Last day to process delivery and receipt instructions for asset movement messaging (e.g., SWIFT).						
21	Last settlement on the old platform.						
22	Cash Sweeps: Ensure sweep instructions map to a like product from Sending to Receiving Firm prior to B+5.						
23	Cash Sweeps: Liquidate sweeps prior to close on B+5.						

<sup>33</sup> Option A only.

<sup>34</sup> Option A only.

## Transfer Activities

#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
24	Cash Sweeps: Send Receiving Firm an ad hoc file to initiate purchases on B+6.						
25	Transfer B+5 close of business information, including positions and balances, pending trade files, pending settlement files. Conversion is processed.						
26	Manage and address breaks in real time.						
27	Transfer and deliver physical securities held in street name.						
28	Support settlement. <sup>35</sup>						
29	Complete the OCC conversion. <sup>36</sup>						
30	Cash Sweeps: Move cash from Sending to Receiving Firm.						
31	Cash Sweeps: If able, provide free credit interest for W2 period.						
32	Support settlement breaks to extent possible.						
33	Mutual Funds: Receive B52 reconciliation to allow client record to run. Handle any rejections manually.						
34	Where movement of the relationship is not possible, assist the vendors in communication to the Receiving Firm to identify an alternative provider and set up that relationship with accounts and assets.						
35	Coordinate with clearing and custodial vendors to ensure such relationships will move with the corresponding accounts and assets to the Receiving Firm.						
36	Make arrangements to remove signage and materials from offices to allow the Receiving Firm to take possession of the branch offices and rebrand.						

<sup>35</sup> Option A only.

<sup>36</sup> Option A only.



### Transfer Activities

#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
37	Transfer staff to Receiving Firm.						
38	Transfer facilities to Receiving Firm.						

#### 6.4.5 Sending Firm Post-Transfer Activities

Following a bulk transfer, Sending Firms should ensure that all customer accounts and assets have been properly transferred to the Receiving Firm and ensure clear communication with stakeholders to provide any necessary support to comply with legal and regulatory obligations.

### Post-Transfer Activities

#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
1	Ensure that all accounts and assets have been properly and accurately transferred to the Receiving Firm. Resolve any out of balance or suspense items.						
2	Communicate completion to applicable regulators and any key stakeholders (e.g., customers, service providers, financial advisors, etc.).						
3	Monitor positions short in the omnibus account on a daily basis.						
4	Resolve any out of balance or suspense items.						

#### 6.4.6 Receiving Firm Pre-Transfer Activities

Receiving Firms should prepare and train staff to execute on the Bulk Transfer Playbook. Receiving Firms should document their business, customers, relationships with service providers, assets, personnel, facilities, legal obligations, controls, systems, and organizational structure, to facilitate a more efficient and seamless integration of the Sending Firm's files and data.

If the Sending Firm transfers accounts that participate in a fully paid lending program, Receiving Firms should consider whether they have such a program, and if they do not, will need to either institute one or close any new accounts in such programs.

Receiving Firms should also determine what activity new accounts will be able to undertake until they are fully documented and cleared through all compliance program requirements.

Pre-Transfer Activities							
#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
1	Prior to executing a bulk transfer, re-examine resources to ensure availability of proper business support resources to participate in communications to key stakeholders, form governance structures, and provide technical support for the transfer itself.						

**6.4.7 Receiving Firm Transfer Activities**

During a bulk transfer, Receiving Firms should follow the steps outlined in the conversion timeline to ensure the quick transfer of as many customer accounts and assets as possible.

Transfer Activities							
#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
1	Agree to operational details of a bulk transfer.						
2	Coordinate communications with Sending Firm.						
3	Receive files <sup>37</sup> via AIT and begin setting up Name and Address records.						
4	Set up securities, B50s, scheduled banking activity, etc., including recurring activity.						
5	Validate bulk transfer files.						
6	Load Securities Master File.						
7	Set up Name and Address files in batch and process the test Position & Balance files. Generate exception reporting.						
8	Perform Asset and Account Analysis to determine which cannot be supported.						
9	Utilize old / new number file to support customer transition.						

<sup>37</sup> All files refers to all required week 1 conversion files (e.g., Balances, DVP / RVP Instructions, IRA Beneficiary, Mutual Fund data, Name and Address, Open Orders, Pending Dividends, Positions, Securities Master File, Stock Record Memos).

## Transfer Activities

#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
10	Open new accounts.						
11	Send communications.						
12	Post shadow (memo only) positions and balances in the clients' accounts.						
13	Add open orders prior to the market open						
14	Mutual Funds: Set up the B52s CUSIP-level dividend reinvestment and address any processing / exception issues.						
15	Reestablish open orders.						
16	Mutual Funds: Send Sending Firm a cross reference list for accounts (brokerage account numbers corresponding to Sending Firm / omnibus account numbers needed for B52s).						
17	Send final block list (e.g., client opt outs, late blocks to asset movement) to Sending Firm.						
18	Mutual Funds: Handle any rejections						
19	Load all files from Sending Firm including: Positions and balances, pending trade files, pending settlement files (conversion processed).						
20	Mutual Funds: Send B52s.						
21	Mutual Funds: Handle any rejections.						
22	Mutual Funds: Reconcile mutual fund positions.						
23	Cash Sweeps: Utilize ad hoc file if Receiving Firm wants to initiate purchases on B+6.						
24	Process delivery and receipt instructions for asset movement messaging (e.g., SWIFT) on B+6.						
25	Mutual Funds: Handle any rejections manually.						
26	Cash Sweeps: Receive cash on B+6.						
27	Cash Sweeps: Receive two files (free cash balances and money fund balances). Map money fund file over W2 or sweep into default.						

### 6.4.8 Receiving Firm Post-Transfer Activities

Following a bulk transfer, Receiving Firms should ensure all new accounts and assets are compliant with internal policies and procedures as well as regulatory requirements on a continuous basis. This will require accounts and assets to be properly registered, disclosed, and managed in accordance with regulatory requirements.

Post-Transfer Activities							
#	Activity	Owner	Impacted Systems	Impacted Groups	Target Start	Target End	Status
1	Ensure all new accounts and assets are compliant with regulatory requirements, and that the firm itself is compliant with regulatory requirements, particularly around liquidity, capital, anti-money laundering, state regulations, registration, and reporting.						
2	Reconcile transferred accounts and record any differences in suspense accounts.						
3	Manage communications with new customer accounts to ensure strong customer experience.						
4	Facilitate transfers of new customer accounts and assets within grace period without penalty fee.						
5	Develop cash flow projections as required.						

### 6.4.9 File Standardization

All firms must be capable of processing critical files in preparation for any potential bulk transfer scenario. Firms should undertake this effort as soon as the industry is able to agree on standardized and common file data points and formats. The files below include those necessary for the conversion week, immediately following the transfer, and optional files. Additional files may be necessary, but the files listed below represent the primary files all firms should have prepared. Some files are already standardized, in particular, those identified in the Sheltered Harbor initiative, as well as the Name and Address File, as maintained by DTCC.

Sheltered Harbor is a voluntary financial services industry initiative with the goal of increasing the resiliency of the industry against destructive cyber-attacks, such as malware, that compromise internal firm data and security. This Playbook is leveraging Sheltered Harbor standardized file information to create synergy between Sending and Receiving Firms as well as reinforce industry standards. Although not exhaustive, Sheltered Harbor files aid in expediting the bulk transfer process.

### 6.4.9.1 Week 1 Files

Week 1 refers to the week during which firms execute the bulk transfer conversion (i.e., B through B+7 (Option A) or B through B+6 (Option B)). Files necessary for conversion during week 1 include:

Required Week 1 Files			
#	Conversion Files	DTCC / Sheltered Harbor Mapping (as applicable)	Conversion File Description
1	Balances	Positions and Balances	Account balances as of close of business.
2	Chart of Accounts	N/A	Lists account numbers constituting ranges for customers, inventory, brokers, bank accounts, etc., to facilitate identification of customer accounts.
3	Customer Online Access	N/A	Lists access to customer account information and services.
4	DVP / RVP Instructions	Pending Trades (Settlement Instruction – review additional files for mapping)	Instructions for settlement in either DVP or RVP procedure scenarios.
5	IRA Beneficiary	Derive from Customer and Account	Documents the IRA beneficiary per account.
6	Large Traders	Included in Customer and Account	Documents large trader data for filing purposes.
9	Name and Address	Account and Customer	Account level information around the customer and assets.
10	Open Orders <sup>38</sup>	N/A	Documents open and conditional orders.
11	Pending Dividends	Pending Dividends	Documents pending dividends paid to the Sending Firm.
12	Pending Trades (Unsettled Trades to settle on live date and beyond) <sup>39</sup>	Pending Trades	Documents pending trades for risk management purposes.
13	Systematic Withdrawal Procedures	N/A	Periodic transfers from an investment into a client's bank account.
14	Periodic Investment Procedures	N/A	Procedures to execute periodic transfers from a client's bank account into an investment.
15	Positions	Positions and Balances	Account positions as of close of business.
16	Securities Master File	N/A	Reference database of all financial instruments, including terms and conditions of each instrument.

<sup>38</sup> Week 1 Files for Option A only and maintained by DTCC.

<sup>39</sup> Week 1 Files for Option A only and maintained by DTCC.

## Required Week 1 Files

#	Conversion Files	DTCC / Sheltered Harbor Mapping (as applicable)	Conversion File Description
17	Special Memorandum Account (“SMA”)	N/A	Lists details around margin credit account used for calculating U.S. Regulation T requirements.
18	Stock Record Memos	N/A	Stock record entries or activity, code/identifiers clarifying entries; segregated quantities on accounts based on possession or control.
19	MF B50 <sup>40</sup>	N/A	<p>Sending Firm sends the position file and a mutual fund data/table maintenance file also known as a ‘networking file’ (file indicating mutual fund dividend elections, fund setup, etc.).</p> <p>Receiving Firm uses the position file &amp; mutual fund networking file to create the B50 cross reference file to open the new account at the fund in preparation for the deliveries.</p> <p>Receiving Firm also sends the B50 cross reference file to the Sending Firm so they know where the deliveries should be sent.</p>
20	MF B52 Cross Reference	N/A	Sending Firm uses the B50 cross reference file to create the B52 delivery file to send to the fund families to make the deliveries to the appropriate accounts.
8	Mutual Fund data – Table maintenance	N/A	Documents mutual fund dividend options, fund setup, etc.

### 6.4.9.2 Week 2 Files

Week 2 refers to the period immediately following the complete transfer of files from Sending to Receiving Firm (i.e., following B+7 (Option A) or following B+6 (Option B)). Files necessary for conversion following week 2 include:

<sup>40</sup> Week 1 Files for Receiving Firms only.

## Required Week 2 Files

#	Conversion Files	DTCC / Sheltered Harbor Mapping (as applicable)	Conversion File Description	Owner	Conversion Timeline Applicability
1	Account level or preferred interest rates, variations	Margin, short, credit	Documents account-level or preferred interest rates for customers with large debit balances with a negotiated rate.	Sending Firm	Option A; Option B
2	ACH Profiles	N/A	Information utilized to connect an ACH account to the clearing house to transfer money.	Sending Firm	Option A; Option B
3	Cost basis	Open Tax Lot	Tax file.	Sending Firm	Option A; Option B
4	Equity Dividend Reinvest Instructions	N/A	Procedure for customer to re-establish reinvestment of equity dividends at Receiving Firm.	Sending Firm	Option A; Option B
5	IRA Contributions / Distributions	N/A	Information related to IRA contributions and distribution from year to date.	Sending Firm	Option A; Option B
6	Owner records	N/A	Documents account participants, owners, and interested parties.	Sending Firm	Option A; Option B
7	Periodic Payments	N/A	Documents periodic payments for IRA for retail and retirement accounts.	Sending Firm	Option A; Option B

### 6.4.9.3 Optional Files

Firms may also transfer optional files to facilitate the conversion. Absence of these files will not hinder conversion completion. Optional files for conversion include:

## Optional Files

#	Conversion Files	DTCC / Sheltered Harbor Mapping (as applicable)	Conversion File Description	Owner	Conversion Timeline Applicability
1	ADTS - Account Document Tracking	N/A	Documentation around books and records maintenance.	Sending Firm	Option A; Option B
2	Blotter Codes	N/A	Codes used on trade blotter.	Sending Firm	Option A; Option B

## Optional Files

#	Conversion Files	DTCC / Sheltered Harbor Mapping (as applicable)	Conversion File Description	Owner	Conversion Timeline Applicability
3	Broker Registration – Blue Sky & RRUP	N/A	Broker registration and financial representative information.	Sending Firm	Option A; Option B
4	Check writing	N/A	Procedure for check writing.	Sending Firm	Option A; Option B
5	Commission Schedules	N/A	Schedule for commission payments.	Sending Firm	Option A; Option B
6	Credit / Debit Card	N/A	Data from credit and debit cards issued to customers.	Sending Firm	Option A; Option B
7	DDA	N/A	Demand Deposit Account utilized for customers with direct deposits entering a brokerage account set up with an outside party.	Sending Firm	Option A; Option B
8	Fedwire profiles	N/A	Information utilized to connect a Fedwire profile to the clearing house to transfer money.	Sending Firm	Option A; Option B
9	Householding	N/A	Householding requirements unique to firm	Sending Firm	Option A; Option B
10	IRA RMD	N/A	Information around the IRA Required Minimum Distribution for customers over the age of 70.5 take distributions from the IRA.	Sending Firm	Option A; Option B
11	Reg. T Margin Calls	N/A	Information around margin calls related to the amount of credit that brokerage firms and dealers may extend to customers for the purchase of securities.	Sending Firm	Option A; Option B
12	Scratch Pad	N/A	Memo or notes if holding information regarding an account.	Sending Firm	Option A; Option B

*\*Sending Firms should note on all accounts if associated with a managed account and if so, if account advisor has discretion.*



## 7 Glossary

Glossary		
Term	Acronym	Description
165(d) Resolution Plan	---	Resolution Plan prepared pursuant to Section 165(d) of the Dodd–Frank Wall Street Reform and Consumer Protection Act.
Automated Customer Account Transfer Service	ACATS	A system that facilitates the transfer of securities from one trading account to another at a different brokerage firm or bank. The National Securities Clearing Corporation (“NSCC”) developed the ACATS system, replacing the previous manual asset transfer system with a fully automated and standardized one.
Automated Clearing House	ACH	An electronic network for financial transactions in the United States. ACH processes large volumes of credit and debit transactions in batches. ACH credit transfers include direct deposit, payroll and vendor payments.
Canadian Depository for Securities	CDS	The second largest financial services company for post-trade operations, primarily around clearing, depository, securities management, and settlement.
Carrying Firm	---	Carrying firms are a specialized broker-dealer that custodies customer assets. Carrying firms can custody for their own underlying customers (self-clearing) or can custody for the customers of other broker-dealers (correspondent clearing).
Conversion	---	The transfer of ownership of accounts and assets from one firm to another.
Customer	---	For the use of this Playbook, the term “Customer” refers to retail customers. Other types of customers will be considered generally.
The Depository Trust & Clearing Corporation	DTCC	A holding company that consists of five clearing corporations and one depository, making it the world's largest financial services corporation dealing in post trade transactions.
Euroclear	---	A Belgium-based financial services company that specializes in the settlement of securities transactions as well as the safekeeping and asset servicing of these securities. Custodian of foreign securities.
Employee Retirement Income Security Act of 1974	ERISA	ERISA is a federal law, mandating minimum standards for pension and health plans upon private industry to protect individuals in said plans.

Glossary		
Term	Acronym	Description
Financial Advisors	---	Licensed professionals, and broker-dealer employees, who assist investors with their financial goals.
The Federal Deposit Insurance Corporation	FDIC	A United States government corporation providing deposit insurance to depositors in U.S. commercial banks and savings institutions.
The U.S. Federal Reserve	The Fed	The United States central bank.
Financial Industry Regulatory Authority	FINRA	A self regulatory organization authorized by Congress to protect investors by writing and enforcing rules governing the activities of the U.S. registered broker-dealers and examining for compliance with those rules.
Inside Limit	---	Minimum amount of time necessary to execute a bulk transfer.
LoanNet	---	An automated lending platform.
Master Securities Loan Agreement	MSLA	An agreement for use when parties may enter into transactions in which one party (a “Lender”) will lend to the other party (a “Borrower”) certain securities against a transfer of collateral.
National Securities Clearing Corporation	NSCC	Provides clearing, settlement, risk management, central counterparty services and a guarantee of completion for certain transactions for virtually all broker-to-broker trades involving equities, corporate and municipal debt, American depository receipts, exchange-traded funds, and unit investment trusts.
Office of the Comptroller of the Currency	OCC	An independent bureau within the United States Department of the Treasury that serves to charter, regulate, and supervise all national banks and thrift institutions and the federal branches and agencies of foreign banks in the United States.
The Options Clearing Corporation	The OCC	A United States clearing house based in Chicago. It specializes in equity derivatives clearing, providing central counterparty clearing and settlement services to 15 exchanges.
Omnibus Conversion Account	---	An account used to facilitate the prompt and orderly transfer of customer accounts in bulk from one broker-dealer to another. This account may be deemed a control location for a period of 30 business days from the date it is entered on the receiving broker-dealer's books and records provided certain circumstances are met.

Glossary		
Term	Acronym	Description
Periodic Investment Plan	PIP	Periodic transfers from a client's bank account into an investment.
Receiving Firm	---	The broker-dealer acquiring the accounts and assets of the failing (Sending) firm.
The Securities and Exchange Commission	SEC	The SEC is an agency of the U.S. Federal Government. Its primary mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.
The Securities Industry and Financial Markets Association	SIFMA	SIFMA is the voice of the nation's securities industry, bringing together the shared interests of hundreds of broker-dealers, banks, and asset managers.
Securities Investor Protection Corporation	SIPC	A federally mandated, non-profit, member-funded, United States corporation created under the Securities Investor Protection Act (SIPA) of 1970 designed to protect the customers of brokers or dealers subject to the SIPA from loss in case of financial failure of the member.
Sending Firm	---	Failing firm that initiates the bulk transfer to send customer accounts and assets to a stable Receiving Firm.
Special Reserve Bank Account	---	A location required under SEC Rule 15c3-3 for customer funds for the purposes of preventing the comingling of firm and customer funds.
Sticky Assets		Assets which are difficult to transfer.
Systematic Withdrawal Plan	SWP	Periodic transfers from an investment into a client's bank account.
Working Groups	---	Groups of industry advisors with select expertise in the different areas of broker-dealer bulk transfer operations.

# 8 Appendix

Please see appendices for:

1. **Appendix A: Option A – Trade Date Conversion Timelines:**
  - a. **Appendix A: Option A – Appendix A: Option A – Trade Date Conversion Timeline Conversion Timeline**
  - b. **Appendix B: Option B – Appendix B: Option B – Settlement Date Conversion Timeline Conversion Timeline**
2. **Firm profile forms:**
  - a. **Appendix C: Appendix C: Form Custody**
  - b. **Appendix D: Appendix D: FOCUS Report**
  - c. **Appendix E: Appendix E: Form BD**
3. **Appendix F: Appendix F: Sample Letters**
4. **Appendix G: Appendix G: Key Contacts**
5. **Appendix H: Appendix H: Standardized File Formats**
6. **Appendix I: Appendix I: Frequently Asked Questions**

## 8.1 Appendix A: Option A – Trade Date Conversion Timeline

		B Friday	W1 Saturday    Sunday		B+1 Monday	B+2 Tuesday	B+3 Wednesday	B+4 Thursday	B+5 Friday	W2 Saturday    Sunday		B+6 Monday	B+7 Tuesday
Bulk Transfer Process	Sending Firm ("SF")	<ul style="list-style-type: none"> <li>Prepare and commence sending all required bulk transfer files.*</li> <li>Stop opening new accounts.</li> <li>Contact DTCC to cut off ACAT and place a hard block on any new requests.</li> </ul>	<ul style="list-style-type: none"> <li>Send daily bulk transfer files.*</li> </ul>		<ul style="list-style-type: none"> <li>Send daily bulk transfer files.*</li> </ul>	<ul style="list-style-type: none"> <li>Send daily bulk transfer files.*</li> <li>Deliver physical client name securities (securities are transferred in name at the depository).</li> <li>Utilize old / new number file to support customer transition.</li> </ul>	<ul style="list-style-type: none"> <li>Send daily bulk transfer files.*</li> </ul>	<ul style="list-style-type: none"> <li>Send daily bulk transfer files.*</li> <li>Provide clearing number to Receiving Firm to support settling trades given up from Sending Firm trades settled at Receiving Firm on B+4 and B+5.</li> </ul>	<ul style="list-style-type: none"> <li>Send option file to OCC electronically and a copy of the option positions to the RF (OCC processes transfers COB).</li> <li>Run normal end of day processes for daily trading activity.</li> <li>Transfer free credits to RF.</li> <li>Deliver any additional physical firm name securities to RF.</li> <li>Contact DTCC and prevent further settlements after COB B+5.</li> <li>Cancel open orders.</li> <li>Repay bank and stock loans to unencumber securities in preparation for asset transfer.</li> <li>Last day to process delivery and receipt instructions for asset movement messaging (e.g., SWIFT).</li> </ul>	<ul style="list-style-type: none"> <li>Transfer COB Friday information, including: positions and balances, pending trade files, pending settlement files (conversion processed).</li> <li>Manage and address breaks in real time.</li> </ul>		<ul style="list-style-type: none"> <li>Transfer street side deliveries.</li> <li>Support settlement.</li> <li>Complete OCC conversion.</li> </ul>	<ul style="list-style-type: none"> <li>Support settlement breaks to extent possible.</li> </ul>
	Receiving Firm ("RF")	<ul style="list-style-type: none"> <li>Agree to Bulk Transfer.</li> </ul>	<ul style="list-style-type: none"> <li>Receive daily bulk transfer files via AIT and begin setting up name and address records.</li> <li>Set up securities, B50s (if applicable), scheduled banking activity, etc.</li> <li>Validate bulk transfer files.</li> <li>Load Securities Master File.</li> </ul>	<ul style="list-style-type: none"> <li>Set up name and address in batch and process the test Position &amp; Balance file. Generate exception reporting.</li> <li>Open new accounts.</li> </ul>	<ul style="list-style-type: none"> <li>Perform Asset and Account Analysis to determine what cannot be supported.</li> <li>Utilize old / new number file to support customer transition.</li> <li>New account viewable on books.</li> </ul>	<ul style="list-style-type: none"> <li>Exception management (i.e., missing selling agreements, cannot support products, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>Exception management (i.e., missing selling agreements, cannot support products, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>Exception management (i.e., missing selling agreements, cannot support products, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>Exception management (i.e., missing selling agreements, cannot support products, etc.).</li> <li>Send final block list (e.g., client opt outs, late blocks to asset movement) to SF.</li> </ul>	<ul style="list-style-type: none"> <li>Load all files from SF including positions and balances, pending trade files, pending settlement files (conversion processed).</li> </ul>		<ul style="list-style-type: none"> <li>Settle Sending Firm trades from B+4.</li> <li>Reestablish open orders.</li> <li>Process delivery and receipt instructions for asset movement messaging (e.g., SWIFT) on B+6.</li> <li>Post OCC collateral to cover positions.</li> </ul>	<ul style="list-style-type: none"> <li>Settle Sending Firm trades from B+5.</li> </ul>
Customer Capabilities*									<ul style="list-style-type: none"> <li>Sending Firm stops accepting orders (last day of trading at SF).</li> </ul>			<ul style="list-style-type: none"> <li>Receiving Firm begins taking orders for new customer accounts (first day of trading at the RF).</li> </ul>	
Mutual Fund Transfer Process					<ul style="list-style-type: none"> <li>SF: send position file and mutual fund data / table maintenance file to RF.</li> </ul>	<ul style="list-style-type: none"> <li>RF: set up the B50s / new accounts</li> <li>Address any processing / exception issues.</li> </ul>	<ul style="list-style-type: none"> <li>RF: send B50 cross reference list for accounts to SF (brokerage account numbers corresponding to SF or omnibus account numbers needed for B52s).</li> </ul>	<ul style="list-style-type: none"> <li>RF: handle any rejections.</li> </ul>		<ul style="list-style-type: none"> <li>SF: create B52 delivery file.</li> <li>RF: handle any rejections</li> <li>RF: reconcile MF positions.</li> </ul>	<ul style="list-style-type: none"> <li>SF provides B52 reconciliation to fund family to make deliveries to appropriate accounts and allow client record to run.</li> <li>Handle any rejections manually.</li> </ul>		
Cash Sweep Transfer Process								<ul style="list-style-type: none"> <li>Need sweep instructions to map to a like product from SF to RF prior to Friday.</li> <li>Liquidate sweeps prior to close.</li> <li>Stop sweep function (flexibility may exist depending on funds/system capabilities).</li> </ul>	<ul style="list-style-type: none"> <li>Prepare to send free credits on B+5 morning.</li> <li>SF redeems on Friday (free cash on their books over W2 in a Special Reserve Bank Account).</li> <li>Ad hoc file on Friday if RF wants to initiate purchases on Monday.</li> </ul>	<ul style="list-style-type: none"> <li>Cash is moved on B+6.</li> <li>Two files received (free cash balances and money fund balances).</li> <li>SF (if able), to provide free credit interest for W2.</li> </ul>	<ul style="list-style-type: none"> <li>RF code, reinvest free credits - settlement of cash on Monday morning into the conversion omnibus account.</li> <li>RF to provide free credit interest for B+6.</li> </ul>		
Client Comm.'s	<ul style="list-style-type: none"> <li>SF and RF coordinate communications</li> </ul>			<ul style="list-style-type: none"> <li>SF and RF Coordinate communications.</li> </ul>	<ul style="list-style-type: none"> <li>Notice sent to clients.</li> </ul>								

\* All files refers to all required week 1 conversion files (e.g., Balances, DVP / RVP Instructions, IRA Beneficiary, Mutual Fund data, Name and Address, Open Orders, Pending Dividends, Positions, Securities Master File, Stock Record Memos).

\* Customer capabilities: account functionality, trading, etc.

## 8.2 Appendix B: Option B – Settlement Date Conversion Timeline

		B	W1		B+1	B+2	B+3	B+4	B+5	W2		B+6
		Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday
Bulk Transfer Process	Sending Firm (SF)	<ul style="list-style-type: none"> <li>Prepare and commence sending all required Bulk Transfer files. <sup>♣</sup></li> <li>Stop opening new accounts.</li> <li>Contact DTCC to cut off ACAT and place a hard block on any new requests.</li> </ul>	<ul style="list-style-type: none"> <li>Send daily Bulk Transfer files. <sup>♣</sup></li> </ul>		<ul style="list-style-type: none"> <li>Send daily Bulk Transfer files. <sup>♣</sup></li> </ul>	<ul style="list-style-type: none"> <li>Send daily Bulk Transfer files. <sup>♣</sup></li> <li>Deliver physical client name securities.</li> <li>Utilize old / new number file to support customer transition.</li> <li>After market close, cancel open orders.</li> </ul>	<ul style="list-style-type: none"> <li>Send option file to OCC electronically and a copy of the option positions to the RF (OCC processes transfers COB).</li> <li>Process option Position &amp; Balance conversion - taking down / reducing the client side positions and money and placing in an omnibus account. Posting positions and money in their omnibus account.</li> <li>Cancel open orders COB.</li> <li>Repay bank and stock loans to unencumber securities in preparation for asset transfer.</li> </ul>	<ul style="list-style-type: none"> <li>Deliveries expected based on settlement date.</li> </ul>	<ul style="list-style-type: none"> <li>Last day to process delivery and receipt instructions for asset movement messaging (e.g., SWIFT).</li> <li>Last settlement on the old platform.</li> </ul>	<ul style="list-style-type: none"> <li>Transfer COB Friday information, including: positions and balances, pending trade files, pending settlement files (conversion processed).</li> <li>Manage and address breaks in real time.</li> </ul>		<ul style="list-style-type: none"> <li>Deliver any additional physical firm name securities to Receiving Firm.</li> </ul>
	Receiving Firm (RF)	<ul style="list-style-type: none"> <li>Agree to Bulk Transfer.</li> </ul>	<ul style="list-style-type: none"> <li>Receive files via AIT and begins setting up name and address records.</li> <li>Set up securities, B50s, scheduled banking activity, etc.</li> <li>Validation of bulk transfer files.</li> </ul>		<ul style="list-style-type: none"> <li>Set up name and address in batch and processes the test Position &amp; Balance file. Generate exception reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Perform Asset and Account Analysis to determine what cannot be supported.</li> <li>Utilize old / new number file to support customer transition.</li> <li>Open new accounts.</li> </ul>	<ul style="list-style-type: none"> <li>Post shadow (memo only) positions and balances in the clients' accounts.</li> <li>Add open orders prior to the market open.</li> </ul>	<ul style="list-style-type: none"> <li>Reestablish open orders.</li> </ul>	<ul style="list-style-type: none"> <li>Send final block list (e.g., client opt outs, late blocks to asset movement) to SF.</li> </ul>	<ul style="list-style-type: none"> <li>Load all files from SF including: positions and balances, pending trade files, pending settlement files (conversion processed).</li> </ul>		<ul style="list-style-type: none"> <li>Process delivery and receipt instructions for asset movement messaging (e.g., SWIFT) on B+6.</li> </ul>
Customer Capabilities <sup>♣</sup>							<ul style="list-style-type: none"> <li>Sending Firm stops accepting orders (last day of trading at SF).</li> </ul>	<ul style="list-style-type: none"> <li>Receiving Firm begins taking orders for new customer accounts (first day of trading at the RF).</li> </ul>	<ul style="list-style-type: none"> <li>Trading at RF. Settlement at SF.</li> </ul>			
Mutual Fund Transfer Process						<ul style="list-style-type: none"> <li>SF: send position file and mutual fund data / table maintenance file to RF.</li> </ul>	<ul style="list-style-type: none"> <li>RF: set up the B50s / new accounts</li> <li>Address any processing/ exception issues.</li> </ul>	<ul style="list-style-type: none"> <li>RF: send B50 cross reference list for accounts to SF (brokerage account numbers corresponding to SF or omnibus account numbers needed for B52s).</li> </ul>	<ul style="list-style-type: none"> <li>RF: handle any rejections.</li> </ul>	<ul style="list-style-type: none"> <li>SF: create B52 delivery file.</li> <li>RF: handle any rejections</li> <li>RF: reconcile MF positions.</li> </ul>		<ul style="list-style-type: none"> <li>SF provides B52 reconciliation to fund family to make deliveries to appropriate accounts and allow client record to run.</li> <li>Handle any rejections manually.</li> </ul>
Cash Sweep Transfer Process									<ul style="list-style-type: none"> <li>Need sweep instructions to map from SF to RF prior to Friday.</li> <li>Liquidate sweeps prior to close.</li> <li>Stop sweep function (flexibility may exist depending on funds/system capabilities).</li> </ul>	<ul style="list-style-type: none"> <li>Prepare to send free credits on B+5 morning.</li> <li>SF redeems on Friday (free cash on their books over W2 in a Special Reserve Bank Account).</li> <li>Ad hoc file on Friday if RF wants to initiate purchases on Monday.</li> </ul>		<ul style="list-style-type: none"> <li>Cash is moved on B+6.</li> <li>Two files received (free cash balances and money fund balances). Map the money fund file over the weekend or sweep into the default.</li> <li>SF (if able), to provide free credit interest for W2.</li> </ul>
Client Comm.'s		<ul style="list-style-type: none"> <li>SF and RF coordinate communications</li> </ul>			<ul style="list-style-type: none"> <li>SF and RF coordinate communications</li> </ul>	<ul style="list-style-type: none"> <li>Notice sent to clients.</li> </ul>						

<sup>♣</sup> All files refers to all required week 1 conversion files (e.g., Balances, DVP / RVP Instructions, IRA Beneficiary, Mutual Fund data, Name and Address, Open Orders, Pending Dividends, Positions, Securities Master File, Stock Record Memos).

<sup>♣</sup> Customer capabilities: account functionality, trading, etc.

## 8.3 Appendix C: Form Custody

Firms may leverage financial information which they already maintain in the SEC Form Custody.

**FORM CUSTODY** | **FORM CUSTODY FOR BROKER-DEALERS**  
(Please read instructions before preparing Form)

NAME OF BROKER-DEALER \_\_\_\_\_ SEC FILE NO. \_\_\_\_\_  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS \_\_\_\_\_ FIRM ID NO. \_\_\_\_\_  
 (No. and Street) \_\_\_\_\_  
 (City) \_\_\_\_\_ (State) \_\_\_\_\_ (Zip Code) \_\_\_\_\_  
 FOR PERIOD BEGINNING (MM/DD/YY) \_\_\_\_\_  
 AND ENDING (MM/DD/YY) \_\_\_\_\_

NAME OF PERSON COMPLETING THIS REPORT \_\_\_\_\_  
 TELEPHONE NO. OF PERSON COMPLETING THIS REPORT \_\_\_\_\_

Item 1. A. Does the broker-dealer introduce customer accounts on a fully disclosed basis to another broker-dealer?  20000  
 B. If the answer to question 1.A is "yes," identify below the broker-dealer(s) (by name, SEC No., and CRD No.) to which the customer accounts are introduced on a fully disclosed basis:

Name	SEC No.	CRD No.
1	20001	20002
2	20004	20005
3	20007	20008
4	20010	20011
5	20013	20014
6	20016	20017
7	20019	20020
8	20022	20023
9	20025	20026
10	20028	20029

Item 2. A. Does the broker-dealer introduce customer accounts to another broker-dealer on an omnibus basis?  20100  
 B. If the answer to question 2.A is "yes," identify below the broker-dealer(s) (by name, SEC No., and CRD No.) to which the accounts are introduced on an omnibus basis:

Name	SEC No.	CRD No.
1	20101	20102
2	20104	20105
3	20107	20108
4	20110	20111
5	20113	20114
6	20116	20117
7	20119	20120
8	20122	20123
9	20125	20126
10	20128	20129

Item 3. A. Does the broker-dealer carry securities accounts (i.e., accounts that are not introduced on a fully disclosed basis to another broker-dealer) for customers?  20200  
 B. Does the broker-dealer carry securities accounts (i.e., accounts that are not introduced on a fully disclosed basis to any other broker-dealer) for non-customers?  20201

5. \_\_\_\_\_  
 6. \_\_\_\_\_  
 7. \_\_\_\_\_  
 8. \_\_\_\_\_  
 9. \_\_\_\_\_  
 10. \_\_\_\_\_

If "other" Reconciliation Frequency selected, please describe: \_\_\_\_\_

- Page 1 -

Reconciliation Frequency  
 20203  
 20206  
 20209  
 20212  
 20215  
 20218  
 20204

Reconciliation Frequency  
 20230  
 20233  
 20236  
 20239  
 20242  
 20245  
 20248  
 20251  
 20254  
 20257  
 20232

Reconciliation Frequency  
 20260  
 20263  
 20266  
 20269  
 20272  
 20275  
 20278  
 20281  
 20284  
 20287  
 20292

- Page 2 -

Reconciliation Frequency  
 20295  
 20298  
 20301  
 20304  
 20307  
 20310  
 20313  
 20316  
 20319  
 20322  
 20325  
 20328  
 20331  
 20334  
 20337  
 20340  
 20343  
 20346  
 20349  
 20352  
 20355  
 20358  
 20361  
 20364  
 20367  
 20370  
 20373  
 20376  
 20379  
 20382  
 20385  
 20388  
 20392

- Page 3 -

## 8.4 Appendix D: FOCUS Report

Firms may leverage financial information which they already maintain in the FOCUS Report.

The image displays several overlapping copies of the FOCUS Report form (SEC 2430 (2-02)). The primary form in the foreground is the 'PART IIB OTC DERIVATIVES DEALER' section, which includes fields for dealer information, filing rules, and contact details. To its right is the 'FORM SINGLE REPORT' section, featuring a table with columns for 'Non-Allowable' and 'Total' and rows for various financial metrics. Further right is the 'FOR SEC USE ONLY' section, which contains a 'REPORT ONLY' area with a table for 'Total' and 'MDD/YYYY' values. The forms are layered, with some partially obscured by others, illustrating how firms might reuse information across different reporting requirements.



# 8.5 Appendix E: Form BD

Firms may leverage financial information which they already maintain in the Form BD.

**FORM BD**  
PAGE 1  
(Exemption Page)

**UNIFORM APPLICATION FOR BROKER-DEALER REGISTRATION**

**OFFICIAL USE**

Date: \_\_\_\_\_ SEC File No. S- \_\_\_\_\_ Firm CRD No.: \_\_\_\_\_

**WARNING:** Failure to keep this form current and to file accurate supplementary information on a timely basis, or the failure to keep accurate books and records or otherwise to comply with the provisions of law applying to the conduct of business as a broker-dealer would violate the Federal securities laws and the laws of the jurisdictions and may result in disciplinary, administrative, injunctive or criminal action.

**INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACTS MAY CONSTITUTE CRIMINAL VIOLATIONS.**

APPLICATION  AMENDMENT

1. Exact name, principal business address, mailing address, if different, and telephone number of applicant:

A. Full name of applicant (if sole proprietor, state last, first and middle name): \_\_\_\_\_

B. IRS Empl. Ident. No.: \_\_\_\_\_

C. (1) Name under which broker-dealer business primarily is conducted, if different from Item 1A. \_\_\_\_\_

(2) List on Schedule D, Page 1, Section I any other name by which the firm conducts business and where it is used. \_\_\_\_\_

D. If this filing makes a name change on behalf of the applicant, enter the new name and specify whether the name change is of the  applicant name (1A) or  business name (1C): \_\_\_\_\_  
Please check above.

E. Firm main address: (Do not use a P.O. Box) \_\_\_\_\_  
(Number and Street) (City) (State/Country) (Zip+4/Postal Code)

Branch offices or other business locations must be reported on Schedule E.

F. Mailing address, if different: \_\_\_\_\_

G. Business Telephone Number: \_\_\_\_\_  
(Area Code) (Telephone Number)

H. Contact Employee: \_\_\_\_\_  
(Name and Title) (Area Code) (Telephone Number)

**EXECUTION:**

For the purposes of complying with the laws of the State(s) designated in Item 2 relating to either the offer or sale of securities or commodities, the undersigned and applicant hereby certify that the applicant is in compliance with applicable state surety bonding requirements and irrevocably appoint the administrator of each of those State(s) or such other person designated by law, and the successors in such office, attorney for the applicant in said State(s), upon whom may be served any notice, process, or pleading in any action or proceeding against the applicant arising out of or in connection with the offer or sale of securities or commodities, or out of the violation or alleged violation of the laws of those State(s), and the applicant hereby consents that any such action or proceeding against the applicant may be commenced in any court of competent jurisdiction and proper venue within said State(s) by service of process upon said appointee with the same effect as if applicant were a resident in said State(s) and had lawfully been served with process in said State(s).

The applicant consents that service of any civil action brought by or notice of any proceeding before the Securities and Exchange Commission or any self-regulatory organization in connection with the applicant's broker-dealer address, or of any application for a protective decree filed by the Securities Investor Protection Corporation, may be given by registered or certified mail or confirmed telegram to the applicant's contact employee at the main address, or mailing address if different, given in Items 1E and 1F.

The undersigned, being first duly sworn, deposes and says that he/she has executed this form on behalf of, and with the authority of, said applicant. The undersigned and applicant represent that the information and statements contained herein, including exhibits attached hereto, and other information filed herewith, all of which are made a part hereof, are current, true and complete. The undersigned and applicant further represent that to the extent any information previously submitted is not amended such information is currently accurate and complete.

Date (MM/DD/YYYY) \_\_\_\_\_ Name of Applicant \_\_\_\_\_

By: \_\_\_\_\_ Signature \_\_\_\_\_ Print Name and Title \_\_\_\_\_

Subscribed and sworn before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ by \_\_\_\_\_ Notary Public

My Commission expires \_\_\_\_\_ County of \_\_\_\_\_ State of \_\_\_\_\_

*This page must always be completed in full with original, manual signature and notarization. Do not amend, circle items being amended. Affix notary stamp or seal where applicable.*

**DO NOT WRITE BELOW THIS LINE - FOR OFFICIAL USE ONLY**

(Number and Street) (City) (State/Country) (Zip+4/Postal Code)

5. Is applicant at the time of this filing succeeding to the business of a currently registered broker-dealer? YES NO  
Do not report previous successions already reported on Form BD \_\_\_\_\_  
If "Yes," contact CRD prior to submitting form; complete appropriate items on Schedule D, Page 1, Section III.

6. Does applicant hold or maintain any funds or securities or provide clearing services for any other broker or dealer? ... YES NO  
\_\_\_\_\_

7. Does applicant refer or introduce customers to any other broker or dealer? YES NO  
If "Yes," complete appropriate items on Schedule D, Page 1, Section IV.

(3) found the applicant or a control affiliate to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked, or restricted? \_\_\_\_\_

(4) entered an order against the applicant or a control affiliate in connection with investment-related activity? \_\_\_\_\_

(5) imposed a civil money penalty on the applicant or a control affiliate, or ordered the applicant or a control affiliate to cease and desist from any activity? \_\_\_\_\_

**ACT:**

J. Has a bonding company ever denied, paid out on, or revoked a bond for the applicant? \_\_\_\_\_

K. Does the applicant have any unsatisfied judgments or liens against it? \_\_\_\_\_

**OFFICIAL USE**

or jurisdiction in which the applicant is registered 2D below.

15B of the

Securities Exchange Act of 1934

under Section

of its registration 1934. See "Instructions."

ISE  OTHER (specify)

North Carolina  Texas  
North Dakota  Utah  
Alabama  Vermont  
Hawaii  Virgin Islands  
Maryland  Virginia  
Massachusetts  Washington  
New Mexico  West Virginia  
New York  Wisconsin  
North Carolina  Wyoming  
South Dakota

... or organization? YES NO  
... person, firm or corporation? YES NO  
... paragraph (c) of ... YES NO

... bringing of securities suppliers, banks, or securities Exchange Act ... YES NO

... common control with, or advisory ... YES NO

... member bank of foreign bank? ... YES NO

... the Explanation of ... YES NO

... military court ... YES NO

... military court to statements or a conspiracy ... YES NO

... ion ever: ... YES NO

... or statutes? ... YES NO

... ated/ ... YES NO

... ites ... YES NO

... st ... YES NO

... power ... YES NO

... rol ... YES NO

... on ... YES NO

## 8.6 Appendix F: Sample Letters

### FINRA Rule 1017 Application [DRAFT]

Financial Industry Regulatory Authority  
Registrant ID: [Insert registrant number]

To Whom It May Concern,

Please allow this letter to serve as notice to you that [Sending Firm Name] plans to undergo a bulk transfer of customer assets to [Receiving Firm Name].

[Include details on the nature of the transactions such as purchase price, whether liabilities are going over or solely customer accounts].

Conversion will occur from [Start date] to [End date]. [Provide date that customers will begin trading at the Receiving Firm and date that the assets will be transferred.] The transaction will close on [insert close date].

[Firms should include the following information:

- Increase in number of Associated Persons;
- Increase in number of Branch Offices;
- Increase in number of markets made;
- Number of new Customer Accounts – Retail / Institutional;
- Dollar amount of Customer Debits being transferred;
- Dollar amount of Customer Credits being transferred;
- Supervisory structure that will be put in place;
- Training needs assessments;
- Pro Forma Net Capital Computation - net capital, capital requirement, ENC;
- Liquidity Impact of additional business including increase in clearing deposits;
- Operational conversion plan;
- System Capacity to absorb additional volume of business
- Description of new guarantees; and
- New products or services being added.]

## ***Sending Firm Notice Letter to Retail Customers [DRAFT]***

*[Sending Firm Name]*  
*[Street Address] [Street]*  
*[City], [State] [Zip code]*

*[Date]*

Re: Account Closing Notification: Account Ending In: *[last five digits of account]*

Please be advised that *[Sending Firm Name]* (“we”, or “us”) is unfortunately unable to continue to provide services for your above-referenced account(s). As a result, we are going to transfer your account to *[Receiving Firm Name]*. You are hereby notified that we plan to close your account(s) effective close of business *[Insert date]* and transfer your assets to *[Receiving Firm Name]* which will take over servicing your financial needs as described in this letter.

With respect to your account(s) effective immediately:

- We expect your Financial Advisor to join *[Receiving Firm Name]*. Your financial advisor will continue to be available to service your account and answer any questions with respect to your holdings.
- Activity on recently opened accounts for which documentation has not yet been received in full will be temporarily suspended.
- All open orders have been cancelled.
- Managed accounts will be transferred to brokerage accounts at *[Receiving Firm Name]*.
- We will no longer accept any new purchase or open orders as of *[insert date]*.
- Checks will no longer be honored for your Accounts with *[Sending Firm]* as of *[insert date]*.
- Associated credit or debit cards with *[Sending Firm]* will no longer be active as of *[insert date]*.

On *[Insert Date]* the firm will transfer your account(s) to *[Receiving Firm]*. Please note that *[Receiving Firm]* will be in contact with you regarding account setup and arrangements. You may choose to move your account to another firm. Please contact the *[Insert Applicable Group]* at *[Insert telephone number]* for assistance. You may move your account at no fee until *[Insert Date]*.

The *[Insert Applicable Group]* is available to assist you during this transition and can be reached at *[Insert telephone number]* if you have any questions. Additional information regarding this transition is available at *[Insert website]* and via communications from *[Receiving Firm]*, which you can expect to receive *[insert when]*.

This is a one-time notification. You will not receive further communications or reminders from us regarding this matter, nor will you receive any other communications from parties aside from your financial advisor and *[Receiving Firm]*. No authorized communications will request your account and personal details. It is important that you contact us as soon as possible if you have questions. Again, if you have any questions, please contact the *[Insert Applicable Group]* at *[Insert telephone number]*.

Sincerely,  
*[Sending Firm]*

## Welcome Letter [DRAFT]

[Date]

[First name] [Last name]

[Street number] [Street name]

[City], [State] [Zip code]

Welcome to the [Receiving Firm Name] family.

Dear Valued Customer,

You may have read in the news that [Receiving Firm Name] will be acquiring [Sending Firm Name]'s customer accounts. We will be finalizing the integration of [Sending Firm Name]'s [Business Name] into the [Receiving Firm Name] family. Our operations will be officially combined, and your account(s) (securities positions and cash) will automatically transfer from [Sending Firm Name].

Here's what you can expect moving forward.

The transfer of your account ending in [Account Number], will happen automatically on [Insert Date].

[All accounts except Traditional IRAs, ROTH IRAs, SEP, SIMPLE, Education Savings Accounts] Your account holdings will transfer automatically from [Sending Custodian Name], which will manage the processing of your trades and statements – and also provide custody of your assets.

[Traditional, ROTH IRA, SEP, SIMPLE, and Education Savings Accounts only] On the day before the account transfer to [Receiving Firm Name], [Sending Firm Name] will officially resign as custodian of your account (and will no longer custody your assets). Once your account transfers to [Receiving Firm Name], [Receiving Custodian] will become your new account custodian, and will manage the processing of your trades and statements.

[Sweeping into Sweep account] The cash that was held in your [sweep] account will be transferred to [Receiving Firm]. You will receive more information on your new [sweep] account. Please contact us if you would like information on alternative sweep choices.

You will have access to [Access Resource Name] which offers [service offerings].

Here's what's ahead.

[Date] is Transition Weekend, and you won't have access to your account(s). Please contact us at [(XXX) XXX-XXXX] if you need assistance during this time.

[Date] is the first day you will have access to your [Receiving Firm] account.

Online	If you use the [Sending Firm] website to view your account, you can now log in to [Receiving Firm URL] using your [Method].
By Phone	Contact [Receiving Firm] at (XXX) XXX-XXXX or our automated phone service, dial [(XXX) XXX-XXXX], and enter your [Account Identification Information]. Remember to [Privacy Method].

Additional dates to keep in mind:

- You will no longer be able to initiate any incoming or outgoing account transfers to or from your *[Sending Firm]* brokerage account as of *[Date]*.
- You can continue to initiate wires and write or deposit checks until *[Time]* on *[Date]*.
- Cut-off time for placing orders will be *[Time]*.
- As of *[Date]*, platforms at *[Insert Sending Firm Name]* will no longer be accessible.
- You may move your account at no fee until *[Insert Date]*.
- **Please begin using new account(s) as of *[Date]*.**

You can expect to receive the following documents after the transfer has occurred:

- Account Handbook
- Privacy Policy
- 408(b)(2) Disclosure
- Summary of Money Market and/or Bank Sweep Program
- *[Retail]* Commission / Fee Schedule
- *[Traditional, ROTH, SEP, Simple, only]* IRA Custodial Agreement *[Options Approved only]* Characteristics and Risks of Standardized Options *[Margin approved only]* Margin Disclosure Document
- Options Agreement
- Annual SIPC Notification

Protecting the security and privacy of your account remains paramount to us. As always, we continue to comply with SEC Regulation S-P (Privacy of Consumer Financial Information).

**A few additional tips to keep in mind: We'll never ask you for your password; please never give out your Social Security Number or password to any unauthorized party. To verify that an inquiry is from us, please call us at *[(XXX) XXX-XXXX]*.**

Note: If you already have an account at *[Receiving Firm Name]* that account will not be impacted by this change. If you have multiple accounts at *[Sending Firm]*, you may receive more than one copy of this communication.

We're here to make this a seamless experience for you. To help make this transition as easy as possible – and to keep you in the know, *[Mitigation Tools – e.g., website, phone number, etc.]*. You may move your account at no fee until *[Insert Date]*.

We think you'll be excited about the range of trading and investing tools and products you'll have after the transition. We're looking forward to helping you make the most of it all as you pursue your financial goals – and we look forward to providing you the best brokerage experience.

Sincerely,  
*[Insert Name]*

## ***Sending Firm Communication Regarding Bulk Transfer to Financial Advisors [DRAFT]***

To: *[Insert financial advisor e-mail listserv]*

From: *[Sending Firm e-mail]*

Subject: Bulk Transfer of *[Sending Firm]* Customer Accounts and Assets to *[Receiving Firm]*

Please be advised that *[Sending Firm Name]* (“we”, or “us”) is unfortunately unable to continue your employment or provide services for accounts where you provide financial advisory support. As a result, we are going to transfer your employment, registration, and customer accounts to *[Receiving Firm Name]*, which will take over servicing the accounts’ financial needs.

With respect to your contract with us, effective immediately:

- *[Sending Firm]* will not be reviewing or providing any services with respect to your customers’ holdings.
- Activity on recently opened accounts for which documentation has not yet been received in full will be temporarily suspended.
- All open orders have been cancelled as of *[insert date]*.
- We will no longer accept any new purchase or open orders as of *[insert date]*.
- Checks will no longer be honored for your customers’ accounts with *[Sending Firm]* as of *[insert date]*.
- Any associated debit cards with *[Sending Firm]* will no longer be active as of *[insert date]*.

On *[Insert Date]* the firm will transfer your customer account(s) to *[Receiving Firm]*. Please note that *[Receiving Firm]* will be in contact with you regarding next steps and arrangements. No authorized communications to your customer will request account and personal details.

The *[Insert Applicable Group]* is available to assist you during this transition and can be reached at *[Insert telephone number]* if you have any questions. *You should report to your manager or supervisor regarding any questions you may have.*

It is important that you contact us as soon as possible if you have questions. Again, if you have any questions, please contact the *[Insert Applicable Group]* at *[Insert telephone number]*.

Sincerely,  
*[Sending Firm]*

## ***Receiving Firm Communication Regarding Bulk Transfer to Financial Advisors [DRAFT]***

To: *[Insert financial advisor e-mail listserv]*

From: *[Receiving Firm e-mail]*

Subject: Bulk Transfer of *[Sending Firm]* Customer Accounts and Assets to *[Receiving Firm]*

Welcome to the *[Receiving Firm Name]* family.

As you are aware, we will be finalizing the integration of *[Sending Firm Name]*'s *[Business Name]* into the *[Receiving Firm Name]* family. Our operations will be officially combined, and your employment and services for associated account(s) will automatically transfer from *[Sending Firm Name]*.

The transfer of your customers' account(s), will happen automatically on *[Insert Date]*.

Here's what's ahead.

- *[Date]* is Transition Weekend and your clients won't have access to their account(s). Please contact us at *[(XXX) XXX-XXXX]* if you need assistance during this time.
- *[Date]* is the first day your customer can have access to their *[Receiving Firm]* account.

Online	If your clients use the <i>[Sending Firm]</i> website to view their account, they can log in to <i>[Receiving Firm URL]</i> using their <i>[Method]</i> as of <i>[insert date]</i> .
By Phone	Contact <i>[Receiving Firm]</i> at <i>(XXX) XXX-XXXX</i> or our automated phone service, dial <i>[(XXX) XXX-XXXX]</i> , and enter the customer's <i>[Account Identification Information]</i> . Remember to <i>[Privacy Method]</i> .

Additional dates to keep in mind:

- Customers will no longer be able to initiate any incoming or outgoing account transfers to or from their *[Sending Firm]* brokerage account as of *[Date]*.
- Customers can also continue to initiate wires and write or deposit checks until *[Time]* on *[Date]*.
  - Cut-off time for placing orders will be *[Time]*.
- As of *[Date]*, platforms will no longer be accessible.
- Please begin using new account(s) as of *[Date]*.

Protecting the security and privacy of your customers' account(s) remains paramount to us. As always, we continue to comply with SEC Regulation S-P (Privacy of Consumer Financial Information). A few additional tips to keep in mind: We'll never ask for clients' passwords; please never give out their Social Security Number or password to any unauthorized party. To verify that an inquiry is from us, please call us at *[(XXX) XXX-XXXX]*.

Note: If your customer already has an account at *[Receiving Firm Name]* that account will not be impacted by this change. If your customer has multiple accounts at *[Sending Firm]*, they may receive more than one copy of this communication.

We're here to make this a seamless experience for you and your customer.

To help make this transition as easy as possible – and to keep you in the know, *[Mitigation Tools – e.g., website, phone number, etc.]*. Your manager or supervisor will be able to provide further information around the details of your continued employment with *[Receiving Firm]*.

We think you'll be excited about the range of trading and investing tools and products your customers will have after the transition. We're looking forward to helping you make the most of it all as you help your customers pursue their financial goals – and we look forward to providing them with the best brokerage experience.

Sincerely,  
*[Insert Name]*



## ***Application for Treatment of Omnibus Conversion Account [DRAFT]***

*[Insert name of regulator]*

Securities and Exchange Commission

Division of Market Regulation

*[Insert address, e.g., 450 Fifth Street, Northwest]*

*[City, e.g., Washington], [State, e.g., D.C.] [Zip, e.g., 20549]*

Re: Application Pursuant to SEC Rule 15c3-3(c)(7)/06 Concerning an Omnibus Account used to Facilitate the Prompt and Orderly Transfer of Customer Accounts in Bulk from One Broker Dealer to Another

Dear *[Insert title] [Last name]*:

*[Receiving Firm Name]* will be acquiring the customer accounts of *[Sending Firm Name]* which currently clear at *[Clearing Firm Name]*. We anticipate converting these accounts on *[Insert date]*.

In connection with this letter is our application pursuant to SEC Rule 15c3-3(c)(7)/06 concerning an omnibus account used to facilitate the prompt and orderly transfer of customer accounts bulk from one broker-dealer to another. We respectfully request the omnibus account be designed as a control location for 30 business days and in connection with this request, we represent the following:

The books and records of *[Receiving Firm Name]* will reflect certain customer security positions and money balances previously held by *[Sending Firm Name]*.

The books and records of *[Receiving Firm Name]* will reflect that the customer securities not yet transferred to it are “located” in the conversion account at *[Sending Firm Name]*.

*[Receiving Firm Name]* assumes the responsibility to clear all transactions in the customer accounts being transferred.

*[Sending Firm Name]* will provide *[Receiving Firm Name]* with written assurance that:

- For Purpose of Rule 15(c)3-3, *[Clearing Firm Name]* will treat the omnibus account as a customer account the customer securities maintained in the omnibus account as fully paid securities.
- *[Sending Firm Name]* will promptly deliver the securities to *[Receiving Firm Name]*.
- *[Receiving Firm]* has made written application to the Commission to have the omnibus account designated as a control location.
- *The [Receiving Firm] broker-dealer has made written application to the Commission to have the omnibus account designated as a control location.*

If there are any questions, please let me know.

Sincerely,  
*[Regulatory Liaison Name]*

## ***No Lien Letter [DRAFT]***

To Whom It May Concern,

This is to evidence that:

1. The securities carried by you for the account of our customers are not subject to any right, charge, security interest, lien or claim of any kind in favor of *[Receiving Firm Name]* or its subsidiaries *[Receiving Firm Name]*; or any person claiming through *[Receiving Firm Name]* or its subsidiaries *[Receiving Firm Name]*, except for their safe custody or administration;
2. Beneficial ownership of such securities is freely transferable without the payment of money or value other than for safe custody or administration...and where it is the practice for *[Receiving Firm Name]* or its subsidiaries to maintain a lien, claim, or other charge on customers' foreign securities for custody and administration charges, it is *[Sending Firm Name]*'s responsibility to pay charges, claims, etc. promptly and to be certain that the amount of such charges, claims, etc. remain at all times minimal...pursuant to SEA ('Securities Exchange Act of 1934') Rule 15c3-3;
3. We have applied to the U.S. Securities and Exchange Commission ('SEC') for good control location status of this account. This account is deemed a good control location so long as the SEC does not reject our application within 90 days of its receipt of our application.

Please execute the below acknowledgement and return to our attention at your earliest convenience.

Sincerely,  
*[Receiving Firm Name]*

## ***Receiving Firm Resource for Financial Advisors [DRAFT]***

### Summary:

*[Receiving Firm]* is taking on the accounts and assets of *[Sending Firm]*. This conversion will occur from *[insert date]* to *[insert date]*.

All products, accounts, and customers, held by *[Sending Firm]* are included in this transfer.  
*[Describe firm's positions]*

As a financial advisor, you will continue to report to your same branch location, and your branch manager will continue to be the same. Your compensation will *[impact]*, and any other benefits will *[impact]*.

If you have questions regarding this bulk transfer, please direct any communications to *[(XXX) XXX-XXXX]* or via e-mail to *[Insert email]*.

### FAQ:

*[Outline questions and provide firm-approved answers]*

### Talking Points:

*[Provide a script financial advisors can use to discuss step-by-step what is happening and why]*

## ***Financial Advisor and Branch Transfer Request [DRAFT]***

Financial Industry Regulatory Authority  
Department of Registration and Disclosure

To Whom It May Concern:

Please allow this letter to serve as notice and a formal request to transfer all financial advisor registrations and licenses and all branch registrations of *[Sending Firm Name]* to *[Receiving Firm Name]* as of *[Insert date]*.

Please see below for the terms:

Sending Firm: *[Sending Firm Name]*

Receiving Firm: *[Receiving Firm Name]*

Transfer Date: *[Insert date]*

Transaction Details: *[Insert key terms]*

Transferring Registered Individuals: *[Provide Registered Individuals for Transfer]*

Transferring Branch Registrations: *[Provide Branch Registrations for Transfer]*

### 8.7 Appendix G: Key Contacts

Name	Firm	Title	E-mail	Phone

## 8.8 Appendix H: Standardized File Formats

**DTCC Bulk Transfer File Library:** As discussed above in section 6.4.9, many of the conversion files necessary during Week 1 of a bulk transfer are also used for [Sheltered Harbor](#), an industry resiliency and preparedness initiative. SIFMA, Sheltered Harbor, and the DTCCs have made these files available on the DTCC website's dedicated [Bulk Transfer Initiative project page](#).

The image shows two overlapping screenshots of the DTCC Bulk Transfer Initiative website. The top screenshot displays the 'Overview' page, which includes a navigation menu with categories like Institutional Trade Processing, Clearing Services, Settlement & Asset Services, Wealth Management Services, Collateral Management, Derivatives Services, and Data Services. The main content area features a heading 'BULK TRANSFER INITIATIVE' and a sub-heading 'ABOUT THE BULK TRANSFER INITIATIVE'. Below this, there is a paragraph explaining the initiative's purpose and a section titled 'BENEFITS' with a bulleted list of advantages.

The bottom screenshot shows the 'File Specifications' page, which is titled 'FILE SPECIFICATIONS' and 'DTCC for Bulk Transfer'. It lists several file types with brief descriptions: 'Account and Customer Layout', 'Open Tax Lot', 'Position and Balances Layout', 'Security Masterfile', and 'Bulk Transfer File Specification Document'. A section for 'Sheltered Harbor' lists 'Pending Dividends Layout', 'Pending Trades Layout', and 'Corporate Action Elections'.

**Next Steps:** SIFMA plans to work with the industry to standardize critical non-Sheltered Harbor file formats in the weeks and months following the release of the Bulk Transfer Playbook through the Bulk Transfer File Standardization Task Force. The DTCC will add standardized files.

## 8.9 Appendix I: Frequently Asked Questions

The following are frequently asked questions and associated answers related to a bulk transfer.

Frequently Asked Questions	
Do we expect firms to volunteer to be Receiving Firms?	Yes. The SEC has stressed that a Receiving Firm in a bulk transfer scenario is a voluntary acquirer of the Sending Firm’s customer accounts. This Playbook picks up after the Receiving Firm has agreed to acquire the Sending Firm’s customer accounts.
Is the expectation realistic that a Sending Firm can gather all the required data when it is in the midst of a myriad of challenges to stay afloat?	According to this Bulk Transfer Playbook, all firms (including ones that don’t yet know if they will be a Sending Firm) will have some preparatory work done in advance of the event. This work will enable the data to already be in place and should, theoretically, only require minimal updates prior to the bulk transfer event. SIFMA plans to assist in this preparation through standardizing certain critical conversion files not currently standardized through the Sheltered Harbor effort.
How does the bulk transfer effort interact with Sheltered Harbor?	<p>Sheltered Harbor is a voluntary industry initiative designed to enhance the financial industry’s resiliency through the daily safe storage of critical account and operational data using standardized data formats and procedures for data storage to prepare a firm for a destructive cyber event. (<a href="https://shelteredharbor.org/">https://shelteredharbor.org/</a>)</p> <p>Similarly, a speedy bulk transfer requires the development and use of standardized data file formats (Appendix H: Standardized File Formats) to facilitate account setup and asset movement from a failing Sending Firm to a viable Receiving Firm.</p> <p>While the Bulk Transfer Initiative focuses on the resolution of a failing entity, and Sheltered Harbor focuses on the daily safe storage of critical firm data to recover from a destructive event, many critical bulk transfer files overlap with the Sheltered Harbor file formats.</p> <p>The DTCC maintains Sheltered Harbor and Bulk Transfer file formats on a public website as outlined in Appendix H. As SIFMA develops additional standardized conversion files for use in bulk transfer or to the extent these file formats evolve, the DTCC will update and make these formats available.</p>
Is there a clear trigger for a bulk transfer or will the transfer of customer assets be discretionary?	Broker dealers report certain financial metrics to the SEC and FINRA on a regular basis (e.g., FOCUS reporting). Should those metrics deteriorate, regulators are likely to increase scrutiny (e.g., daily/weekly liquidity, net capital or customer protection reporting) and increase communication with firm senior management. Once a broker dealer’s financial condition deteriorates to the point where it appears to be approaching failure, regulators and the firm’s senior leadership will have a frank discussion to determine whether a scenario requires a

## Frequently Asked Questions

	<p>“bulk transfer.” Regulators will not publicly approve/shepherd the move, but will monitor the bulk transfer process. In discussions with the SEC and FINRA, regulators have agreed that a bulk transfer should not present the Receiving Firm with financial or operational problems. Regulators do not want to create systemic risk in trying to solve for SIPC risk.</p>
<p>Is the transfer timeline realistic?</p>	<p>As outlined in discussions with regulators, the transfer timeline outlined in this playbook – that occurs over seven business days with two weekends – is described as the “inside limit” of how quickly a bulk transfer could occur. For a bulk transfer to occur in such a brief period, the Sending Firm will need to have already addressed all unwinding and unencumbering issues for customer assets, standardized all required files, and updated all documentation on B (the day the bulk transfer is agreed to) and have a simple business model (e.g., online only with a simple product offering). If any complexities exist, the timeline will necessarily expand.</p>
<p>If my firm has a resolution plan, how does this Playbook interact with that?</p>	<p>This is intended to be a supplement to the resolution planning materials and preparations which firms have already done.</p>