

Mutual Fund Trade Correction Processing In A T+1 Environment

Technological advancements and innovations have nurtured an environment of constant change – change that also brings enhanced efficiencies and reduces risk. A further example is the industry effort to accelerate the settlement cycle to T+1 in 2024, thus improving cash and liquidity management while reducing credit, market, and liquidity risks. As the financial services industry turns its attention to preparing for the move to T+1, firms are focusing on automating post-trade processes to accommodate the shortened settlement cycle.

With all the energy and momentum around these changes and the reduced processing window, we want to remind our Mutual Fund clients of the options available in the event a Fund/SERV® trade(s) is placed in error. Whether the erroneous trade was a result of a systemic issue or an individual trade error, such as an advisor placing a trade with the social security number in the shares field, if the trade is confirmed the result is the same - it moves to the settlement phase and both the intermediary and fund are responsible for the settlement obligation.

OPTIONS FOR INTERMEDIARIES

Following are options for intermediaries to remove or correct an erroneous Fund/SERV trade prior to settlement:

- **Firm Exit** is a function of Fund/SERV that provides intermediaries the ability to remove a trade. Firm Exits can be submitted for confirmed and unconfirmed orders and exchanges, excluding money market orders.
- **Correction processing** is a function of Fund/SERV that provides intermediaries the ability to correct a previously submitted trade. Corrections can be submitted for confirmed and unconfirmed orders, excluding exchanges and money market orders.

Both Firm Exits and Corrections can be submitted through a batch file, MQ messaging, or the DTCC web portal.

OPTIONS FOR FUNDS

In situations where a Firm Exit or Correction cannot be executed, funds can take the following actions on a confirmed trade prior to settlement:

- **Fund Delete** is a function of Fund/SERV that allows a fund to remove a confirmed order from Fund/SERV. A Fund Delete can be submitted through a batch file or MQ messaging.
- In the event all of the above options are not viable, funds may consider **reconfirming an erroneous trade for a \$0.01** to minimize the settlement obligation between counterparties.

As a reminder, when an intermediary submits an erroneous trade through Fund/SERV and the fund confirms the trade, both the intermediary and fund are responsible for the settlement obligation. It is extremely important intermediaries contact their fund counterparty to determine best course of action when an erroneous trade is submitted. As the industry moves to a T+1 settlement cycle, timing is imperative and clients should consider procedures necessary to correct or remove orders prior to settlement timeframes at the DTCC.

RESOURCES

- There are certain restrictions and cutoff times for submitting Firm Exits, Corrections, and Fund Deletes. To learn more about these options and restrictions, please see the [Fund/SERV Technical Guide, Chapter 5](#) (DTCC Learning - login required) as follows:
 - Firm Exits - pp. 62-63
 - Corrections – pp. 53-55
 - Fund Deletes – pp. 94-95
- Intermediaries should ensure they have access to the [DTCC Web portal](#) if batch file or MQ messaging for Firm Exits and Corrections are not in place, along with procedures on how to access and take appropriate action steps. The Firm Exit ('Firm Delete/Exit') and Correction ('Pre-Settlement Corrections') menu options are located in the DTCC Web Portal under the Fund/SERV product menu option. If you do not have access to these menu options, contact your firm's Super Access Coordinator (SAC) to grant you access to the 'MFS Data Entry' and 'MFS Submission' roles under the Fund/SERV product. If the SAC does not have entitlement to grant access to the Fund/SERV product, or if a SAC needs to be established, please contact your DTCC Relationship Manager (WMSconnect@dtcc.com) to request access.
- Video - [How to Submit a Firm Exit](#) (DTCC Learning - login required)

