



B #:	4154-16
Date:	September 15, 2016
To:	All Participants
Category:	Dividends
From:	Product Management
Attention:	US Tax Operations & Dividend Managers
Subject:	<i>Production Pilot of 305(c) Announcements</i>

The Depository Trust Company (“DTC”) is excited to report that it will begin “Announcing” 305(c) deemed distributions through its CA Web application and via ISO messaging. The 305(c) Announcement production pilot is scheduled to start in mid November to all DTC CA Web users and recipients of ISO messaging.

Background

On April 13, 2016 the Internal Revenue Service (“IRS”) published proposed regulations under Section 305(c) of the Internal Revenue Code (“IRC”). Section 305(c) of the IRC deems that holders of convertible securities may be deemed to have received a dividend as a result of a corporate action on the underlying common stock. Issuer’s of convertible securities are required to file IRS Form 8937 if a conversion rate adjustment (“CRA”) results in a distribution under section 305(c). In the most common scenario, an issuer pays a dividend on their common stock which triggers a CRA on the issuer’s convertible notes. If this CRA constitutes a deemed dividend then the issuer is required to file IRS Form 8937 and state the amount of the deemed dividend.

Production Pilot of 305(c) Announcements

DTC is contacting issuers of convertible securities that have undergone a CRA to request that they provide IRS Form 8937 to DTC when there is a 305(c) deemed distribution and they have started to provide the forms.

As DTC receives IRS Form 8937s from issuers, DTC will announce a new information only announcement in our Corporate Actions Web (“CA Web”) application and via ISO messaging. A new event type and a new sub event type are being created, “Tax Event” and “305(c) Deemed Dividend”, respectively, to provide information only announcements in which DTC will not be allocating an entitlement.

DTCC offers enhanced access to all important notices via a Web-based subscription service. The notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit http://www.dtcc.com/subscription_form.php.

Non-Confidential

Position capture will occur to help clients with their processing and balancing to their DTC position. Clients will be able to view their record date positions, as defined below, in the Entitlements tab of CA Web and also via the CANO-E ISO message.

Below are the fields and their description for these announcement types.

1. Event Type - Tax Event. This is a new event type to distinguish 305c deemed dividends from other announcements at DTC. The Tax Event type will be used for certain corporate actions in which DTC is not allocating an entitlement.
2. Sub Event Type - 305(c) Deemed Dividend.
3. Payable Date - field used for the date of the deemed distribution which will generally be equal to the date that the CRA is effective.
4. Record Date - field used to determine which holders are deemed to receive the 305c deemed dividend. Record date will be set to the day prior to the Payable Date.
5. DTC Cash Rate – field used for the amount of the 305(c) deemed distribution as provided on IRS Form 8937.

ISO 20022 messaging will also be available on these events:

1. Event Group in ISO is DISN.
2. Event Type in ISO set to OTHR.
3. Sub Event Type in ISO set to OTHR.
4. Option on ISO set to CASH.
5. Payout on ISO set to DIVIDEND.

Form 8937s are Currently Available in LENS

Issuers have started to provide DTC with IRS Form 8937s and as the forms are received these forms are made available in DTC's Legal Notice System (LENS) within the Cost Basis section of the LENS library. LENS users can search notices by CUSIP, keyword, notice type or document number and can receive email alerts based off of a CUSIP interest list or by notice type (e.g. Cost Basis). For access to LENS please contact your Super Access Coordinator. For more information regarding the LENS service, please click on www.dtcc.com/lens.

Fees

There will not be a fee for this 305(c) announcement data during the production pilot phase. Upon completion of the production pilot phase, DTC will issue an Important Notice along with the applicable fees.

For fees related to the LENS service please reference the DTC Fee Schedule:
<http://www.dtcc.com/~media/Files/Downloads/legal/fee-guides/dtcfeeguide.pdf>

Any questions please contact Steven Tang at stang@dtcc.com or at 813-470-1158, or Ian DeSacia at ide_sacia@dtcc.com or at 212-855-3448.