

FOCUS GROUP QUESTIONS

The questions below were posed at various corporate actions focus groups held this year, and are grouped into the following eight categories:

- General
- Security Masterfile
- Announcements
- Entitlements
- Response Capture (Instructions)
- Reconciliation
- Payments
- Underwriting/Agent/Vendor Issues

General

Q. Does the new system replace PTS?

All Corporate Actions functions that currently exist on PTS and/or PBS will be retired and will be replaced by a new Web-based front end. Over sixty existing Corporate Action applications will be replaced.

Q. Can Participants access the screen prototypes from the Web site?

Not at this time, but we are exploring the possibility.

Q. During transition, how will active events be handled?

Transitioning to the new system will be a major undertaking. DTC is exploring various options to ensure a smooth and low risk transition. Once DTC has finalized the plan it will be presented to the industry. It is likely that there will be different strategies for different event groups. All of this will be detailed in DTC's transition plan.

Q. Can the proposed dashboard include non-corporate action information such as DTC's liability hub?

This is under consideration for inclusion.

Q. Does the security description always appear along with the CUSIP number on screens?

No. In some screens it will not appear due to space restrictions.

Q. How will CNS interface with the new system?

DTC is exploring possible synergies between CNS and the new corporate action system. More information will be made available as this effort proceeds.

Q. How far back will Participants be able to view historical data?

The new system will support the current time frames, that is, four years for dividends and no limit for voluntaries and mandatories.

[.:BACK TO TOP:.](#)

Security Masterfile

Q. How is DTC changing its security masterfile?

DTC is consolidating its multiple security masterfiles into one common structure. This structure will allow for the capture of general security details as well as the asset servicing features associated with the instrument e.g. interest, maturity, puts etc. In addition, the security masterfile will work in concert with the Underwriting and Corporate Action systems.

Q. How will DTC classify securities?

DTC's structure classifies all securities into an "Issue Type" of Equity, Corporate Debt or Municipal Debt. In addition, we provide a "Sub-Issue Type" field to support further granularity.

Q. Do the new security types identify foreign issues?

No. Foreign issues are not distinguished at the security type level but through a data field such as the country code on the masterfile.

Q. Can we get a list of security types?

A list of the security types will be posted to the Reengineering website.

Q. With the expansion of DTC's masterfile to better capture corporate action information (e.g., optional dividends), will DTC repopulate the file for issues that are made eligible before the reengineering is complete?

DTC currently manages these events through various desktop databases and spreadsheets. We'll certainly look to upload that information to the new system where feasible. Additionally, the new masterfile will be operational a

year before the Corporate Action system goes live. All issues made eligible during that year will be captured with the additional corporate action information on the masterfile.

Q. How can a Participant inquire about the other numbering systems (ISIN, SEDOL) assigned to a CUSIP?

We are building a mechanism within security masterfile to capture multiple security identifiers for a security that would ultimately be available via an inquiry. However, at this time we have not finalized a business process to capture and maintain the information.

[.:BACK TO TOP:.](#)

Announcements

Q. What is changing about Announcements?

DTC is creating a single processor for all events eliminating the multiple processors that currently exist (e.g. DIVA, RIPS). We will be introducing a new naming convention and event structure as well.

Q. Why is DTC changing the names and structure?

DTC is using this opportunity to align the events with industry standards, using the ISO15022 standards as our guide. We want to eliminate DTC centric processing nuances from the names, ensuring that events are named in the same manner that the issuer announces them.

Q. What will the new event structure look like?

Events will have three components: general information, options and payouts. The general information will include data such as security identifier, description, event name, critical dates etc. Options will describe the various entitlements associated with the event. An event may have multiple options to represent various choices a beneficial owner will have. Options will have corresponding payouts, which will result in debits and credits to the Participant.

Q. Will the proposed event structure require new mapping?

If a firm is currently ISO compliant it will not need to do further mapping. For those firms that are not ISO compliant, it will require mapping to the new format. Should a proprietary file be made available this would require mapping.

Q. How will I know if an event requires action?

We will be introducing the Mandatory /Voluntary /Mandatory with option indicator into the event structure which will indicate where action is required. We are adopting this according to ISO standards.

Q. How will you identify a particular event?

A unique identifier will replace the existing reorg/redemption envelope ID and dividend reference number, as appropriate. This identifier will be CUSIP neutral and will live with the event through its life.

Q. Are DTC's function codes changing?

The functions codes are being eliminated and will be replaced by the event name, as it is known in the market. (e.g., Merger)

Q. How will Participants be notified of active reorg events?

All current RIPS inquiries will be available in the new system. Further, a new Participant dashboard is being designed and will be presented to Participants in workshops scheduled through Q2 that will allow for critical event information to be "pushed" to Participants.

Q. How will Dividend Reinvestment "opt outs" be handled?

They will be announced as a cash dividend with two options, one for cash and one for reinvestment. The default option would be the reinvestment option.

Q. How will DTC handle stock loans/repo tracking and fail tracking on Dividend Reinvestment "opt outs"?

In the new system, stock loan and fail tracking will be based on the dividend reinvestment option, which is the "default" option.

Q. Will DTC have a "no action" option for voluntary events?

DTC is exploring the use of a "no action" option. This would be optional and would allow Participants to manage their risk better by identifying "uninstructed" positions.

Q. If "stock split" (function code 02) and "cash dividend on increased shares" (FC 07) are merged into a single event (stock split), how will Participants distinguish the different entitlements?

The new system will separately identify the two payouts in the event, allowing the Participant to easily distinguish between them. The separate

designation is designed to support the instance where a Participant's reorg department handles the stock split and their dividend department handles the cash dividend.

Q. Currently, when DTC updates a rate on a distribution event, stock loans and fails are updated separately, after the fact. Will that change with the new system?

Yes, the system will recalculate stock loans and fails based on the new rate separately, but concurrently.

Q. How will capital gains be handled?

Capital gains will be an event and the long term/short term characterization will be provided if supplied to DTC.

Q. Currently some reverse splits have different options depending on how many shares are held. Additionally, this often requires Participants to submit hard copy forms. How will this be handled in the new system?

DTC will list all the options and share requirements in the event. Participants can submit the appropriate instructions and attest to the fact that they are submitting them at the beneficial owner level. As for hard copy forms, DTC will provide the mechanism to attach electronic versions if the agent agrees to accept them.

Q. Merger with Elections are currently handled as two separate events, one for the mandatory portion and the other for the voluntary. Will handling it as a single event require processing changes?

No. This will be processed with the "mandatory with option" indicator. The mandatory payout will be added when the information becomes available. This is often after the election period for the voluntary option.

Q. Does the new "non-processing" indicator mean that DTC isn't processing the event or that the event is information only?

The "information only" indicator means that DTC is not processing the event. This indicator can also be applied at the option level.

Q. How will Participants identify the default option?

The default option is clearly identified in the option screens and in the ISO MT564 message.

Q. Will oversubscriptions be handled as events or options?

The oversubscription would be an option under a rights distribution event. What is unique here is that the oversubscription option is dependent on the Participant first choosing the basic subscription option.

Q. How will sales of rights be handled?

If it is a rights distribution event, DTC will sell the rights for any holders not eligible (e.g., U.S. holders). If it's a rights subscription event, the sale of rights will be an option and Participants will submit the appropriate instructions.

Q. On voluntary issues, how will DTC handle changes to the event (e.g., the addition of a new option)?

If the instruction start date has passed the event would be canceled and re-announced with the correct information. This would ensure that participants would submit instructions based on the updated information. If the instruction start date has not been reached, we would modify the event.

Q. How will the new system handle comments?

DTC has added data elements in the new system to minimize the information that needs to be supplied in comments. The comment field has also been expanded to eliminate the current practice of creating additional envelopes to accommodate extensive comments. A comments synopsis screen will also be provided to summarize comments that are extensive.

Q. Does the new event structure mirror that of The Canadian Depository for Securities, Ltd (CDS)?

The event structure mirrors CDS' structure. Events supported by both depositories were reviewed and synchronized where feasible.

Q. Why are there separate events for full and partial calls?

ISO treats them as separate events and there are unique processing features for each.

Q. Will electronic data such as an offering document be made available to Participants?

DTC will make the offering document, either preliminary or final, received by DTC available in the new system directly from the underwriting and the corporate action systems.

Q. Will ISO transmissions be batch or real time?

Announcement messages will be hourly, instruction messages will be real time, entitlement instructions end of day and payment messages every 20 minutes.

[.:BACK TO TOP:.](#)

Entitlements

Q. How will stock split payments on foreign issues be handled? Will they follow U.S. or foreign rules?

Stock splits will be handled following U.S. practices.

Q. Is DTC replacing its current lottery algorithm? How will Participants know whether a lottery is prorata?

DTC is not changing its current lottery algorithm. Prorata lotteries will now be supported and identified with an indicator.

Q. Is DTC expanding stock loan and repo reporting to more events?

The new system provides great flexibility here. We can use event, issue and country to determine whether to track stock loans and repos. DTC is reviewing events to determine which to include for stock loan and repo reporting.

[.:BACK TO TOP:.](#)

Response Capture (Instructions)

Q. What types of instructions will be supported in the common instruction processor?

DTC will support four different instruction types. These are: A) Distribution Instructions for dividends with options, dividend reinvestment, foreign currency and tax instructions, B) Voluntary instructions for all mandatory with option and voluntary events, C) Custody Instructions for reorg instructions on positions held in our custody program and, D) Fractional Disposition Instructions for CIL and Round-ups to the beneficial owner.

Q. Will I be able to authorize my instructions prior to submitting to DTC?

Two types of authorization will be offered: site verification and re-key verification. Participants can customize this for the various instruction types.

Q. Where can I find instructions for cut-off times and are there different times for different options?

Cut-offs will be clearly identified under each option and the system supports different timeframes for different options.

Q. Is DTC eliminating contra CUSIPs? What will replace them and when can we walk through an event without using one?

Yes, DTC will no longer use contra CUSIPs to segregate instructions and will instead use RRG accounts. DTC will look to include a walk-through in future presentations. The present Rights (PSOP) processor currently uses RRG accounts instead of contras and gives insight into the new system. However, there will be a very limited need for user CUSIPs whenever there's a stock allocation of an issue that has not yet received an industry CUSIP.

Q. Can Participants submit standing instructions (e.g., opt out) for DRIP?

Yes.

Q. What would happen if you selected the wrong instruction type (e.g., distribution, mandatory/voluntary) from the drop down menu at the top?

The system will not allow you to select the wrong instruction type.

Q. Currently, EDS elections are lost when DTC takes down an event, modifies it and then re-announces it. How will this be handled in the new system?

EDS elections will not be lost, since DTC will be able to modify events without taking them down.

Q. Will Participants be able to submit instructions on fractional positions?

With the elimination of contra CUSIPs, fractional positions will be captured under the industry CUSIP and instructions will be submitted accordingly.

Q. Rights Oversubscriptions are very manual processes requiring Participants to enter instructions by customer and then retrieve the correct prorations from DTC. Will DTC accept a spreadsheet from Participants instead and return the spreadsheet with prorations?

DTC will not support the acceptance of spread sheets, as the purpose of reengineering the corporate action system is to eliminate all low-tech solutions, such as spreadsheets. The plan is to encourage STP, not to support one off requirements.

Q. Where can a Participant look for a summary of all their reorg instructions?

A Participant can view instructions in the instruction processor, just as the current system allows.

Q. Currently in the new system, distribution options are displayed in a table but voluntaries are not. Could DTC present all options in a table format?

The table works when instructions are accumulated and added to as in EDS. However, each voluntary instruction is independent with special reference numbers and differing conditions. A table really isn't appropriate for displaying these instructions.

Q. What instruction files will DTC accept and when will the file layouts be available?

DTC will fully support ISO. Current CCF files will eventually disappear. The intention is to support them for a specific time frame after conversion and then sunsetting them. However, mapping problems may require a new proprietary file to be supported, which we are pursuing at the moment. File layouts will be made available in 2Q 2006.

Q. Will DTC accept ISO messages for instructions?

Yes. The system will be ISO compliant for the full corporate action life cycle.

[..:BACK TO TOP:.](#)

Reconciliation

Q. Should DTC make its "reconciliation" information available to Participants?

The prototype previously shown to Participants that displayed this category is intended for DTC internal processing and there is no plan to make this available to Participants, as there are other means for them to determine whether they'll be paid.

[..:BACK TO TOP:.](#)

Payments

Q. Will due bill allocations appear as separate line items?

The new system will separate due bill and record date positions and their entitlements.

Q. Can Participants opt to be paid "net" (from fees, taxes, etc.) and how will that look in ATAM versus Settlement?

Participants are currently credited the "net" payment today and that remains the same in the future. ATAM does not show information at the Event level. This detail is available in the Corporate Action system.

Q. Presently, on an election merger when both elections are prorated, we receive one allocation today and the other one the next day. Will it be the same in the new system?

The new system will allow the above event to be allocated in the same day.

[.:BACK TO TOP:.](#)

Underwriting / Agent / Vendor Issues

Q. Is DTC looking to automate the exchange of information with agents?

Absolutely, wherever possible.

Q. How is DTC encouraging Underwriters to automate the underwriting process?

The new underwriting system will require underwriters to send deal data and deal documentation electronically.

Q. When will vendors become involved?

Vendor forums are planned for 2Q 2006.