

The Corporate Actions SOURCE is an electronic newsletter produced by The Depository Trust & Clearing Corporation (DTCC) to provide the latest information on the reengineering of DTCC's corporate actions for customers, vendor partners and other market participants.



## SECURITIES ORIENTATION, UNDERWRITING & RELIABLE CORPORATE ACTION ENVIRONMENT

### DTCC Adopts Industry Standards for Corporate Actions

As part of the reengineering of its corporate actions processing, DTCC has adopted industry standards and worked to unify corporate action standards and market practice across the corporate action life cycle.

In addition to adopting the ISO 15022 standard, DTCC also developed structured narrative to support those data elements not handled by the standard. For example, the structure of the ISO 15022 message does not support DTC's processing requirements nor that of DTCC's Global Corporate Action Validation Service (GCAVS) for field level status, leading to the creation of an XML format.

#### DTCC Will Support Non-Compliant ISO 15022 Data

Within the message, all data elements that are not found within the ISO 15022 Data Dictionary ("non-compliant"), will be addressed either as "structured narrative" or, on a very limited basis, by using a Data Source Schema.

In the majority of cases, non-compliant

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### DTC, GCA Files Face Retirement

As DTCC begins to implement industry standard formats for its corporate action reengineering, all DTC and GCA outbound and inbound files will be replaced. Customers must understand, however, that DTCC is not eliminating any of the data that is currently provided in the files and, that in some cases, additional data will be made available.

To help customers understand what the new messages formats will look like, DTCC will provide several sample events mapped to the old files. The samples will cover the entire life cycle of the event.

Participants have a choice of selecting either an ISO or XML message; the messages will not carry any product distinctions such as Dividend or Reorg. The main difference between ISO and XML is that the ISO message contains structured narrative for DTC and GCA specific fields. The XML message provides field level statuses that are NOT available in the ISO version.

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### New Event Types Come With Reengineering

The corporate actions reengineering initiative will introduce a completely revised set of corporate action event types based on the ISO 15022 Data Dictionary. All existing DTC "function codes" and existing "proprietary" event types used in the GCA Validation Service (GCA VS) will be replaced with these new event types.

In general, the new event types define the event without reference to:

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## DTCC Adopts Industry Standards *continued from page 1*

fields will be represented as “fielded text” with structured narrative within the most appropriate block. In these cases, the information will also have a precursor descriptor based upon the XML tag name.

### An Example

To show Fractional Distribution Instructions (FDI), the following information is placed as additional text, ADTX in Sequence E:

“FDI Instruction Start Date”

E:70E::ADTX

<FDIInsstrStrtDt YYYYMMDDHHMMSS/>

“FDI Instruction End Date”

E:70E::ADTX

<FDIInsstrEndDt YYYYMMDDHHMMSS/>

This “fielded text” will also be separated from other data elements, as the remainder of the line will be filled with blank space.

The “data source schema” will also be used where ISO 15022 does not provide for the additional “Option Type” and “Fractional Share Rule” that DTC provides.

### XML Announcement File

In the absence of a corporate action standard for ISO 20022, DTCC will deliver information in an XML format based upon its data model. Where ISO 20022 provides generic guidelines – for example, naming conventions for data elements – the DTCC will adopt them.



## New Event Types

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- Security type;
- Processing information;
- Nature of the event, that is, voluntary/mandatory or mandatory with options.

### Classification of Event Types

The new corporate action event types will classify the “nature” of the event as:

- **Mandatory (M)** - Events that are mandated by the issuer/offerer and occur without action from the holder. These can be driven off record date positions, such as cash dividends or require surrendering of securities, such as maturity.
- **Voluntary (V)** - Events that require action from the holder. Examples include tender offers and rights subscriptions.
- **Mandatory with Options (MO)** - Events that are mandated by the issuer/offerer, but where a choice of entitlement is offered. A default option is always identified by the issuer. The holder can make an election or not respond and receive the default option. Examples include dividends with options and mergers with elections.

The “nature” of an event should not be confused with the way DTC groups processing events into five categories, namely, Mandatory, Voluntary, Mandatory with Options, Distributions and Distributions with Options. The DTC “groups” will not be shown on the message layout. **Distributions will be coded as Mandatory on the Message, and Distributions with Options will be coded as Mandatory with Options on the Message.**

### Event Structure

The new platform – The DTCC S.O.U.R.C.E. – Securities Origination Underwriting & Reliable Corporate actions Environment – will combine multiple processing platforms at DTCC into a single integrated platform, utilizing a common event structure modeled after industry standards. This will result in the following three changes:

- **Common Structure** – Corporate Action details will be provided within messages that are consistent across event and security types.
- **Unique Event ID** - Each event will include a unique reference number that will be maintained throughout the life cycle of the event.
- **Single Event** – Corporate actions can be presented as a single event regardless of the number of options, payouts or DTCC services that may apply. The “single announcement with multiple options” concept includes all voluntary

# DTC, GCA Files Face Retirement *continued from page 1*

All files except those with the agent community will be replaced. At right are a few examples of the files being retired. Please click on the link below for a complete list of files being retired and the available ISO and XML option.

[http://www.dtcc.com/reengineering/cor-pactions/files\\_replacements.html](http://www.dtcc.com/reengineering/cor-pactions/files_replacements.html)

CCF file	Record Format	CCF File Description	ISO	XML	Remarks
CMORTx	CMORTA	Contains information about Interest Rate, Principal rate and Factors	MT564/568	XML Event Notification	Event Notification
CSHDAL	CSHD PJ	MMI Cash allocation (Projected Allocation Report)	MT566	XML Payments	With indicator in the narrative section denoting that this is a projection
IRT1-5	IRTCST	Rights Instructions (Rights Subscription, Protects, Cover Protects to DTC/ Agent)	MT565	Instructions	

## New Event Types

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and mandatory with option events and replaces contra-CUSIPs with RRG accounts for segregating instructed positions.

Optional dividends and multi-tax rate payouts will no longer be presented as separate events and will, instead, be presented contextually within a single corporate action event. Participants that rely on contra-CUSIP numbers in their daily processing will be required to

make changes to accommodate contra-CUSIP number elimination

Within a message, whether ISO 15022 or XML format, all fields will be stored at the appropriate "level," as described below.

The new data structure will support many different levels, with the most important being:

- **Event level** - Information that applies to the whole event.
- **Option level** - Information that applies to event options. There may be one or many options per event. All events contain at

least one option.

- **Payout level** - Information that applies to the payouts. There may be none, one, or many payouts per option.

Under the options are the payouts, which are the ultimate debits and credits. An option

Event Name	Nature	Event Name	Nature	Event Name	Nature
Annual General Meeting	Y	Exchange Offer	Y	Partial Mandatory Tender	M / MO
Assimilation	M / MO	Exercise	Y	Pay in Kind	M / MO
Attachment	Y	Extraordinary General Meeting	Y	Plan of Reorganization	M / MO
Automatic Dividend Reinvestment	M	Final Paydown	M / MO	Principal Payment	M / MO
Bankruptcy	M / MO	Full Call	M / MO	Put	Y
Bonus Issue	M / MO	Full Defeasance / Pre-refunding	M	Redemption	Y / M / MO
Capital Gains Distribution	M / MO	Information	M	Remarketing	Y
Cash Distribution	M / MO	Interest	M / MO	Repurchase Offer	Y
Cash Dividend	M / MO	Liquidation	M / MO	Return of Capital	M / MO
Cash-in-Lieu Tender	Y	Mandatory Tender	M / MO	Reverse Stock Split	M / MO
Change	M / MO	Maturity	M / MO	Rights Distribution	M / MO
Class Action	Y	Merger	M / MO	Rights Subscription	Y
Consent	Y	Mini Tender	Y	Security Separation	M / MO
Conversion	Y	Mortgage Backed Put	Y	Special Dividend	M
Coupon Distribution	M	Name Change	M / MO	Spin-Off	M / MO
Court Meeting	Y	Odd Lot Tender	Y	Stock Dividend	M / MO
Default Distribution	M / MO	Ordinary General Meeting	Y	Stock Split	M / MO
Default Notice	M	Other	M / MO	Subscription Offer	Y
Dividend Reinvestment	MO	Par Value Change	M / MO	Temporary Rate/Price Change	Y
Dividend with Option	MO	Partial Call	M / MO	Tender Offer	Y
Dutch Auction / Bid Tender	Y	Partial Defeasance / Pre-refunding	M	Termination	M / MO
				Unknown	Y / M / MO

## New Event Types

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can have multiple payouts representing various combinations of debits/credits and cash /stock. For example, a maturity will have one option for cash but two payouts – one credit cash, one debit stock.

### Payout-Level Information

For each option described above, there may be many payouts. Payouts will contain additional information to provide a more complete record of the entitlement.

Key payout components are as follows:

- **Payout Type:** Each payout will include a description to further assist in allocating the entitlement. For example, a cash option may have differing payout types, such as “Dividend” or “Long Term Capital Gain.”
- **Payout Fees:** Fees may be levied by agents and/or by DTC. The “payout fee” rates are shown within the payouts, accompanied by a description of the fee. For example, “ADR Issuance Fee” is the fee that will be presented at a rate per ADR.

## New Technical Documents for Corporate Actions Initiative

**D**TCC has issued the first draft of the technical specification documents for its corporate actions reengineering initiative. Customers and their service providers will need these documents to modify their own proprietary systems to ensure a smooth transition to the new data delivery system.

The corporate actions initiative, which will require a good deal of preparation on the part of customers, will be implemented in phases through 2009.

The new corporate actions technical documents focus on:

- Key structural changes to both announcements and processing
- New event structure and how it is maintained throughout the lifecycle of the corporate actions event.

Message categories covered in the documents include Announcements, Entitlements, Instructions, Instruction Status and Payments.

*[To review the documents and reference materials, along with a list of questions and answers, visit <http://www.dtcc.com/reengineering/corpactions/specs.html>.]*



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For more information on reengineering, go to DTCC's reengineering Web site at: [www.dtcc.com/reengineering](http://www.dtcc.com/reengineering). Questions or comments on corporate actions reengineering should be addressed to Lorraine Morrison at [lmorrison@dtcc.com](mailto:lmorrison@dtcc.com) or (212) 855-5310.