

# Copyright

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## About Dividends:

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### Introduction

#### Overview

This section describes DTC's income processing products. Each subsection includes a description of the product, how it works, and a list of associated PTS functions you can use to access the product.

**Warning!** Although DTC makes every effort to provide you with timely information regarding income payments, you are primarily responsible for obtaining such information without reliance on DTC. We recommend that you reconcile your records with DTC's in advance of dividend or interest payable dates.

#### About Dividend Services

DTC's Dividend services include announcing, collecting, allocating and reporting dividend, interest and certain principal payments on behalf of its participants with securities in DTC custody. This centralized processing spares you the burden of dealing with thousands of paying agents.

The Dividend service also includes several additional products, such as Dividend Reinvestment, Foreign Currency Payments, Domestic Tax Reporting (DTAX) , DTC TaxInfo<sup>SM</sup>, DTC TaxRelief<sup>SM</sup>, U.S. Tax Withholding, and Optional Dividends.

#### Preparing to Use the Products

In order to use the products associated with this service, you must have access to one of the following:

- The Participant Terminal System (PTS)
- Participant Browser Services (PBS)
- Computer-to-Computer Facility (CCF or CCF II) or Mainframe Dual Host (MDH).

Contact your Relationship Manager for more information.

*Note-* DTC also provides various hard copy reports.

#### Approval Process

The Elective Dividend Service (EDS) offers an automated election instruction approval process accessible through the Participant Browser Services (PBS). The Approval Process may be used for the following EDS services:

- Cash-in Lieu/Round Up
- Dividend Reinvestment Program
- Foreign Currency Payments
- Optional Dividend Distribution
- DTC TaxRelief<sup>SM</sup>

The EDS Approval Process is an optional service in PBS that provides participant firms with a streamlined, electronic means of internally reviewing and approving election instructions.

The process is not available in PTS and participants that have the EDS Approval Process enabled for a given service will not be able submit instructions/elections through PTS unless the process is first disabled for that service.

Participants that choose to use the EDS Approval Process assign an administrator in their firm to enable or disable the process at the firm (participant number level).

The EDS Approval Process has three basic entitlements to allow for the creation and approval of instructions:

- (i) creator, which allows the user to only create instructions, which will remain pending until approved;
- (ii) approver, which allows the user to approve pending instructions created by others; and
- (iii) creator/approver, which allows the user to create its own instructions that are automatically approved.

A user may have more than one entitlement. For example, a user with approver and creator/approver entitlement would be able to have their instructions automatically approved as well as to approve the instructions of others.

Once a pending instruction is created, it will appear with a status of "Pending" for the approver to approve or reject. The election will not be processed and appear in the election window as a made election until it is approved. Once approved, the instruction becomes an approved election that will appear in the election window and will be processed in the same way that elections are currently processed today.

Elections for events where either (1) a pending election is rejected, or (2) a pending election is not approved by cutoff time, will revert to the last approved election for that event, and if one does not exist, to the default election for that event.

For more information about the EDS Approval Process, call DTC's Customer Help Center at (888) 382-2721 or access DTC's Web site at <http://www.dtcc.com>. For entitlements, please contact your DTC Coordinator or Relationship Manager.

## Understanding Relevant Dates

The following table describes critical dates relevant to income processing and distribution:

Date Term	Definition
Declaration date	The date on which the issuer declares the income distribution, the record date, and the payable date.
Record date	The date on which the holder of a security must be registered on the books of the issuer in order to receive the income distribution on the payable date.
Payable date	The date on which the income is paid to security holders.
Trade date	The date the trade was executed.
Settlement date	The date on which the trade settles, usually three business days after the trade date.

Date Term	Definition
Entitlement date	The last date on which trades for a specific security settle with the income distribution. This is also known as the settlement date.
Ex-distribution	The first date on which a security trades without the income distribution. Also known as the ex-dividend or the ex date

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## Service Topics:

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### Allocations

#### About the Product

DTC's Allocations product allocates cash and stock distributions to participants. This includes both credits and debits. In addition, the Allocations product:

- Calculates cash or stock distributions for each Announcement once rate or price information becomes available
- Distributes information on upcoming distributions such as payable dates and amount or quantity in electronic and hard copy formats
- Reports on allocated items in electronic or hard copy formats during intra-day processing and at end-of-day
- Generates refunds to you for funds that were allocated after DTC received payment.

Allocations can be divided into two groups: cash distributions and stock distributions.

#### Cash Distributions

DTC allocates 100 percent of the funds it receives from agents/issuers by 3:00 p.m. eastern time with the appropriate CUSIP-level identification on the payable date. Funds received on the payable date but after cutoff are allocated the following morning. Funds received after the payable date are allocated upon receipt.

Funds from agents received with corresponding CUSIP-level identification information are allocated upon receipt, beginning at 8:20 a.m. eastern time and continuing every 20 minutes until the 3:00 p.m. eastern time cutoff.

#### Stock Distributions

Stock distributions such as stock dividends, splits, and spinoffs are allocated on the settlement date+1 or the payable date, whichever comes later. Your DTC position is increased in shares of the security for which the distribution was declared, or in shares of another issue resulting from a spinoff. Typically, cash is paid in lieu of fractional shares.

## Cash Distributions for Non-MMI Issues

For cash distributions for issues that are not Money Market Instruments (MMIs), the allocation process is two-tiered:

- Those payments for which funds and identifying CUSIP detail are received by the established cutoff time are allocated upon receipt, starting at 9:00 a.m. eastern time and continuing until the 3:00 p.m. cutoff on the payable date.
- Funds from agents without corresponding CUSIP-level identification information that are received by 3:00 p.m. eastern time are allocated at 3:15 p.m. eastern time, using an algorithm-driven formula that allocates each agent's unidentified funds.

## Dividend/Reorganization Cash Settlement List

The Dividend/Reorganization Cash Settlement List notifies you of cash dividend, periodic principal, and interest payments. The List is created daily at approximately 4:30 p.m. eastern time.

The Dividend/Reorganization Cash Settlement List contains the following categories:

- Cash dividends
- Units
- Pass-through payments (CMO/ABS)
- Corporate bonds
- Municipal bonds
- Stock distributions
- Miscellaneous payments and charges
- Claims and reversals
- Reorganization
- Securities not allocated that day.

## Cash Distributions for MMI Issues

DTC distributes income payments for various MMIs, including Medium Term Notes (MTNs). The allocation process differs from non-MMI issues in the way in which payment is received from the paying agent. At start-of-day, all MMI distributions payable that day are credited to the applicable participant's account and offset by a debit to the issuer's paying agent's (IPA) account at DTC. You can view these credits via DTC's Settlement Service. In the rare instances that an issuer defaults, these credits are reversed prior to DTC's final settlement process.

You can also see details of the distributions on the MMI Settlement Statements.

## Stock Distributions

The allocation of stock distributions depends on the type of distribution being allocated. The following table describes stock distributions:

For this type of distribution	Allocation occurs
Stock dividends, regular trading	On the morning of the payable date.
Stock dividends with a late ex-date	On the payable date or ex-date+3, whichever comes later.

For this type of distribution	Allocation occurs
Stock splits, with ex-distribution beginning on the business day following the payable date	For the split shares on ex-date+3.
Stock spinoffs to a DTC-eligible security	On the payable date, or ex-date+3, whichever comes later.
Stock spinoffs to an ineligible security*	When the security becomes DTC-eligible, or else exited upon receipt.
Rights	As soon as possible after the record date to allow for adequate execution time frames. See Rights Distribution.
Dividend reinvestment shares	On the first business day after the price is received from the agent.

\* DTC allocates the appropriate share entitlement to the spinoff security's assigned CUSIP or to a contra-CUSIP (when there is no available CUSIP for the distribution shares). These shares are initially chilled for all DTC activity (for example, deposits, WTs, DOs, CODs) until DTC exits the ineligible security to you. On the exit date, the chill is lifted for CODs, position is taken away from your account, and you are responsible for picking up the ineligible securities at the Central Delivery Department, 55 Water Street.

If you are outside of New York City, you do not need to pick up securities from the delivery dock. DTC's Interface department will arrange for the delivery of the securities to you.

## Fractions of Stock Distributions

Fractions resulting from stock distributions are either dropped, rounded up, or paid as cash (cash-in-lieu). DTC makes every effort to obtain rounded shares or cash-in-lieu to the beneficial owner level. When successful, you must enter, via the PTS function EDS or via Participant Browser Services, the number of round-up shares required for round-up situations, or the number of shares to be liquidated for cash-in-lieu situations.

*Note-* Cash-in-lieu and round up shares are distributed in the following ways:

- Cash-in-lieu at the participant level: upon receipt of the cash-in-lieu price but no earlier than the payable date+ 1
- Cash-in-lieu at the beneficial owner (the participant's customer) level: upon DTC's receipt of the funds from the paying agent but no earlier than payable date+ 1
- Round up shares at the participant level: upon allocation date
- Round up shares at the beneficial owner (the participant's customer) level: upon DTC's receipt of the additional round up shares from the paying agent but no earlier than the allocation date.

## Refunds

If DTC receives funds from a paying agent, but is unable to distribute those funds on that day, DTC will refund the investment income it has earned to those participants who received the associated allocation. These credits will be seen as part of your monthly bill from DTC.

DTC claims interest compensation from those agents who pay DTC after the payable date. Collected compensation is passed on to participants that had position in the late-paying issue. These credits will also be seen as part of your monthly bill from DTC.

## Undistributed Long-Term Capital Gains

Undistributed long-term capital gains are part of the Allocations product. They are another type of distribution due shareholders. Under the Internal Revenue Service (IRS) regulations, such gains generally must be reported on the individual shareholder's income tax return for the year in which the gains are realized. A corporation which realized long-term capital gains that it elects not to distribute must inform DTC of the amount of the gain allocated to the securities registered in DTC's nominee name.

After determining your position as of the corporation's taxable year-end and computing both the undistributed gains attributable to you and the tax paid by the corporation with respect to those gains, DTC prepares the IRS Notice to Shareholders of Undistributed Long-Term Capital Gains, (#IRS Form 2439). Copies of the completed form are forwarded to the IRS and you.

## Associated PTS Functions

The following PTS functions are used in association with Allocations:

For this type of allocation	Use
Intra-day cash dividend/interest	SDAR FFSP ART
Cash dividend/interest	SDAR DPAL ART FFSP
Stock dividend	SDAR DPAL ART
Stock split	SDAR DIVA ART
Spinoff- DTC-eligible	SDAR DPAL ART
Spinoff- DTC-ineligible	SDAR DPAL ART
Cash-In-Lieu (CIL)	DIVA SDAR
Dividend reinvestment shares	SDAR DIVA ART
MMI payment	SDAR DIVA FFSP ART
Rights	SDAR DIVA ART

For this type of allocation	Use
Fail tracking	SDAR DIVA ADJI
Stock loan income tracking	SDAR DIVA ADJI
Coupon Collection Service (CCS)	DIVA SDAR ADJI
Share adjustments	DIVA ADJI
Cash adjustments	DIVA ADJI
Your portion of cost of funds borrowed to cover allocation	BILL
Your portion of interest compensation collected from late paying agents	BILL
Your portion of monthly refund from investment income	BILL
Undistributed long term capital gains (2439)	DIVA LENP

## Allocations Contact Number

For more information about Allocations (such as cash allocations and stock distributions), call DTC's Customer Help Center at (888) 382-2721.

## Announcements

### About the Product

The Announcements product captures and monitors all dividend, interest, and amortized principal payment information and distributes this information to you via:

- Participant Terminal System (PTS) functions
- Participant Browser Services (PBS)
- Computer to Computer Facilities (CCF) file transmissions
- The Dividend Record Date Participant Statement
- Important Notices, as necessary (available on our Web site at [http://www.dtcc.com/legal/imp\\_notices/](http://www.dtcc.com/legal/imp_notices/))

### How the Product Works

As part of the Announcements product, DTC:

- Retrieves information on dividend and interest payments from various sources (see Information Sources)
- Distributes information both electronically and in hard copy formats in advance of the dividend or interest payable date. This helps you reconcile your records with DTC before the payable date. Issue information includes:

- CUSIP number
  - Record date
  - Payable date
  - Settlement date
  - Stock rate
  - Cash rate.
- Provides, on request, a "Books Closing for Record Date" report two days prior to the record date. This report includes all DTC-eligible securities, except for municipal bonds, for which the issuer's books will be closed for record date purposes on the indicated date.

## Associated PTS Functions

The table below lists the PTS functions you can use to access information relating to announcements.

For this type of security	Use
Corporate bonds	BOOK GWIZ DUEB
Collateralized Mortgage Obligations (CMOs)	BOOK CTAS LENP
Asset-Backed Securities (ABS)	BOOK CTAS LENP
Unit Investment Trusts (UITs)	BOOK
Municipal Variable Rate Demand Obligations (VRDOs)	DAWN
Municipal bonds	GWIZ
American Depositary Receipts (ADRs)	BOOK
Money Market Instruments (MMIs)	BOOK
Equity issues	BOOK DUEB

*Note-* You can also use the following PTS functions to view information about all security types:

- ADJI
- DAWN
- DIVA
- SDAR.

## Viewable Information

The information you can view includes:

- Issue types
- Function codes
- Record dates
- Payable dates
- Distribution rates

- Interim status/activity
- Distribution status.

## Information Sources

DTC receives Announcement information, both electronically and in hard copy format, from the following:

- Trustees
- Industry vendors
- Internal sources
- Regulatory agencies
- Paying or remarketing agents
- Sponsors
- Corporations
- Municipalities
- Participants.

DTC generates Municipal Bond announcements from an internal database, which produces announcements six weeks before scheduled payable dates.

## Dividend Record Date Participant Statement

The Dividend Record Date Participant Statement provides your closing position in record date securities as well as any revisions to Announcements and positions. The statement also provides details about stock dividend, split, spinoff, and rights allocations. This statement is distributed every day in hard copy format and via CCF.

The Dividend Record Date Participant Statement includes the following categories:

- Cash dividends
- Units
- Pass-throughs (CMO/ABS)
- Corporate bonds
- Municipal bonds
- Stock dividends
- Options
- Foreign issues
- Dividend reinvestments
- Tax-exempt dividend service issues
- Special distributions
- Recapitalizations
- Liquidations
- Sale of assets
- Redemption of rights.

Each category includes:

- Your position captured on the record date or New York City record date
- The rate per share or the interest rate
- The calculated dollar amount or share amount for each record
- Adjustments to previously announced record date positions, including interim deliver order (DO) activity

- A section for Stock Loan Record Date Notices and a section for REPO Record Date Notices
- Adjustments to previously announced Stock Loan Record Date Notices and REPO Record Date Notices
- Fail tracking adjustments to previously announced record date positions
- Revisions to record date notices.

*Note-* Principal factors are reported for each pass-through payment when the principal rate is reported.

For stock distributions, the report also includes:

- Stock distributions applied to your account today
- Other stock distributions applied to your account yesterday.

## Municipal Bond System Announcement Report

The Municipal Bond System Announcement Report is available on request approximately six weeks prior to the bond's payable date. This report details the issues in which you have position, and indicates first-time long and short payments for all issues, whether or not you have position.

This report is distributed every week in hard copy and machine readable format and via CCF, CCF II, and MDH.

**Warning!** It is your responsibility, under DTC's Rules and Procedures, to verify the accuracy of these reports. Any discrepancy between your records and these reports must be reported to DTC as soon as possible after you receive them.

## Announcements Contact Number

For more information about Announcements, call DTC's Customer Help Center at (888) 382-2721 or access DTC's Web site at <http://www.dtcc.com/>.

## Cash-in-Lieu (CIL)/Roundup

### About the Product

The CIL/Roundup product allows you to elect to receive all or part of your whole share stock allocation entitlement in cash *or* to receive additional shares depending upon the instruction type of the distribution. Use Participant Browser Services (PBS) or the EDS function of the Participant Terminal System (PTS) to make cash-in-lieu or roundup elections.

For example, you have 100 shares of XYZ security, and a stock distribution takes place. The distribution rate is 18.2 percent. Your stock entitlement would be 18.2 shares. You will receive 18 whole shares and a cash-in-lieu amount for the 2/10 share. You can elect to have a portion or all of the 18 shares liquidated for cash-in-lieu based on the aggregate fractional entitlements for all your beneficial owners. Your full share entitlement will be reduced for the number of whole shares you elect to liquidate on the beneficial owners' behalf.

*Note-* The type of election you can make is determined by the instruction type. The instruction types can be:

- Cash-in-lieu to the beneficial owner
- All fractional shares rounded up (.01 and above)
- Fractional shares rounded up (.50 and above).

## Benefits of Using CIL/Roundup

The benefits of using the CIL/Roundup service are:

- Trade processing and time-associated savings by having the agent sell shares on your behalf
- The ability to obtain additional shares to accommodate your beneficial owner entitlement if the beneficial owners are entitled to fractional amounts on the roundup service feature
- Reduced market exposure when the published cash-in-lieu price is above the current market price.

## EDS Approval Process

The CIL/Roundup product is eligible for the EDS Approval Process. Please refer to the Approval Process section in the Introduction section of this document for more information.

## Associated PTS Functions

The following PTS functions are used in association with CIL/Roundup:

Use this function	To
EDS	View and process CIL and roundup election disbursement instructions.
ADJI	View cash and stock adjustments related to DTC security distribution activities.
DIVA DPAL	View allocations and announcement information related to Dividend Reinvestment activities.
POS	View your positions at DTC for security distributions.
SDAR	View today's allocations and anticipated allocations at DTC for security distributions.

## Cash-in-Lieu/roundup Contact Number

You can contact DTC's Dividend department by:

- Calling the Customer Help Center at (888) 382-2721
- Accessing DTC's Web site at <http://www.dtcc.com/>.

## Charge-Backs and Adjustments

### Overview

Charge-backs and Adjustments are an important part of Allocations. It is necessary for you to understand how DTC processes charge-backs and adjustments to your DTC account(s).

### About Charge-Backs and Adjustments

After crediting you with a dividend or interest payment, DTC occasionally determines that this credit was improper due to an issuer's default on the payment, an error on the part of DTC, or some other

reason. In this event, DTC may, in accordance with established procedures, charge your account for the amount of the improper credit.

Also, from time to time DTC may determine that a payment received by you or your customer directly from the paying agent was rightfully due DTC. In this event, DTC may, in accordance with established procedures, charge your account for the amount of the improper payment.

In addition, from time to time DTC may determine that you have received insufficient payment. In this event, DTC may, in accordance with established procedures, credit your account.

These adjustments will appear on your Participant Statement and can be viewed using PBS or the PTS functions ADJI and DPAL.

## Reasons for Charge-Backs and Adjustments

The following are conditions under which DTC processes charge-backs:

### Return of Funds to Paying Agents

1. If DTC has received the funding from an issuer's agent and has allocated the payment to you, and the agent, within one business day of the funding, requests a return of funds, due to default or bankruptcy of the issuer, your account will be charged back and collected funds will be returned to the paying agent no later than one business day following the request.
  - You will receive **one day advance notification** before the adjustment is processed to your account.
  - If such a request is received more than one business day after the funding date, DTC will cooperate with both the payor and you to resolve the matter by contacting the affected parties to ascertain your ability to accept a charge for funds that may have been distributed to your customers. Funds collected from you will be promptly remitted to the paying agent. In cases where you are unwilling or unable to immediately comply with the request, DTC will provide the agent with participant names and contacts to assist in the collection process.
2. If DTC has allocated the payment to you, requests for return of funds, not due to default or bankruptcy of the issuer, made within ten business days of the payable date, will be charged to you and collected funds will be returned to the agent no later than one business day following the request. You will receive **one day advance notification** before the adjustment is processed to your account.

For such requests received after ten business days, DTC will cooperate with both the payor and you to resolve the matter by contacting the affected parties to ascertain your ability to accept a charge for funds that may have been distributed to customers, as referenced in point number 1.

### Participant Deposits Missing Transfer

When participant deposits of registered securities are submitted by DTC to the transfer agent (TA) on or before record date for transfer into DTC's nominee name Cede & Co., and are not transferred in time to meet the record date deadline, DTC will send the registered holder or first guarantor a Cash Dividend/Interest Claim (form#6047) with copies of the deposited securities attached as notification of a pending adjustment or charge-back.

DTC proactively monitors deposits made before the record date, which remain untransferred by the record date, so it can determine if adjustments to your record date position are required, and attempts to do so on or prior to the payable date. For transactions not identified in time, the following timetable applies to adjustments:

- **Where the missed-transfer is identified within 30 days of the original allocation:** the claim is sent to Participants three days before DTC processes a charge to the participant's account.
- **Where the missed-transfer is identified beyond 30 days of the original allocation:** the claim is sent to participants five days before DTC processes a charge to the participant's account.

## Participant Withdrawal-by-Transfer (WT) Missing Transfer

When your withdrawal-by-transfer (WT) instructions are submitted by DTC to the TA on or before the record date for transfer into your name or your customer's name, and are not transferred in time to meet the record date deadline, DTC will credit your DTC account with the appropriate dividend/interest payment.

Just as with deposit activities, DTC monitors WT requests that remain untransferred by the record date, and attempts to adjust your record date position, as necessary, on or prior to the payable date. For transactions not identified in time, DTC will provide you with three days advance notification before processing a credit to your account.

## Adjustments Resulting from Changes to Rates, Record Dates, or Payable Dates

Occasionally, there is a need to process post-allocation adjustments to correct a rate, record date, or a payable date.

- **Where the adjustment is identified within 30 days of the original allocation:** DTC will provide participants with one day advance notification before processing the adjustment to participants' accounts.
- **Where the adjustment is identified beyond 30 days of the original allocation:** DTC will provide participants with three days advance notification before processing the adjustment to participants' accounts.

# Claims

## About the Product

Occasionally, certificates withdrawn from DTC, registered in DTC's nominee name Cede &Co., remain outstanding over the record date for a distribution. On the payable date, the issuer's paying agent remits the dividend or interest payments directly to DTC, since Cede &Co. is the registered holder on their books as of the record date. If you are holding these certificates over the record date, you can submit a claim directly to DTC's Dividend department.

## Required Forms

You must use DTC's Dividend/Interest Claim form#5204 to claim dividend or interest on certificates that you held over a record date. Submit this form directly to DTC's Dividend department via fax to (212) 855-4737.

*Note-* You can order form #5204 via PBS or the PTS function FORM.

## Validation

DTC maintains a database of all Cede &Co. certificates withdrawn by DTC participants. All claims are entered into a claim system where the certificate numbers on which your claims are based are checked against the database. If the certificate numbers are in the database and are shown to have

left DTC on or before the record date, the claims are validated and you receive credit in your settlement account.

## Invalid Claims

After paying a claim, if DTC finds that the claim is invalid, the claim is reversed through the claims function; you receive a hard copy cash adjustment to notify you and you are assessed a \$35.00 fee.

## Abandoned Property

Pursuant to the Abandoned Property Law, Section 303 of the State of New York, dividend or interest payments made to DTC on securities registered in the name of the depository's nominee, Cede & Co., are escheated to the state if they remain unclaimed for three years after the payable date.

If you send Dividend/Interest Claim form#5204 for any dividend or interest on securities DTC has surrendered to the state, DTC will send you a sworn affidavit stating that the dividend or interest being claimed has been paid to the state, and authorizing payment to you by the State of New York.

## Associated PTS Functions

The following PTS functions are used in association with Claims:

Use this function	To
BILL	View charges for claims and reversals.
ADJI	Inquire about the reasons for claims and reversals.
DIVA	Look up the record date, payable date and rate to prepare a claim.
SDAR	View claim payments and reversals.

## Claims Contact Number

For more information about the Claims process, call DTC's Customer Help Center at (888) 382-2721.

## Collateralized Mortgage Obligation (CMO) Trade Adjustments System (CTAS)

### About the Product

DTC's CMO Trade Adjustments System (CTAS) automates principal and interest adjustments for certain CMO and other asset-backed securities (ABS) that settle at DTC between the accrual end date (beneficiary date) and the corresponding payable date.

### Relevant Terms

The following important terms are relevant to CTAS processing:

Glossary Term	Definition
Actual coupon rate	The coupon rate applicable to that trade's blackout period for variable rate issues.
Actual factor or trade factor	The factor applicable to a trade's blackout period.
Amortized	A loan in the process of liquidation via installment payments.
Blackout period or delay period	The period where cash flow from one accrual period is not available or passed through until the next period.
Estimated factor	A value substituted for the true factor when the true factor is not yet public. This is usually the last known factor, and is needed to determine the dollar value of a trade that takes place during the delay period.
Latest coupon rate	The last known coupon rate received after the first adjustment for variable rate issues.
Trade coupon	The coupon rate used to consummate the trade for variable rate issues.
True factor or principal factor	The actual amount of principal remaining on the mortgages underlying the CMO/ABS. This is used to compute the amortized value.

## About CMOs

Since CMOs are mortgage-backed securities, the outstanding principal amount of a CMO is reduced by the amount of the underlying mortgage obligation paid and passed through as part of each periodic payment. The true factor represents the actual amount of principal remaining on the mortgages underlying the CMO.

For issues that have a delay period, the standard practice is to substitute an estimated factor (usually the last known factor) for determining the dollar value of the trade.

*Note-* Since the true factor is usually lower than the estimated factor, and the amortized value of the bond received is less than the value used to compute the trade, the buyer will be overpaying for the delivery. When the true factor becomes known, trades that settled based on the estimated factor must be cancelled and corrected. This results in adjusted settlements and exchanges of money.

## How the Product Works

When DTC receives a true factor, we identify all applicable CMO and ABS DOs. We then generate cash adjustments for all trades with incorrect factors that settled during the blackout period. We then send tickets to the printers of both the delivering and receiving Participants, notifying you of the pending adjustments.

*Note-* If you are the receiving participant, you have until the end of the day before the post date to delete any adjustment you feel is not due. In order to do this, however, you must have an authorized PTS/PBS user ID and password to allow you to perform CTAS updates. Contact your Relationship Manager for more information on your user ID and password.

## What CTAS Doesn't Do

CTAS debit and credit adjustments are not processed for settlement when underlying DOs are paired. Pairing occurs when two DOs contain the same CUSIP, quantity (original face value), trade settlement date, and settlement dollar value, and the delivering and contra-participants are reversed. The effect of the pairing is to eliminate superfluous debit and credit adjustments that net to zero.

*Note-* Although paired transactions are not passed to settlement, you can view them via PBS or the PTS function CTAS. Paired adjustments are identified by a P to the left of the **Contra-Participant** field on the Detail Display screen.

CTAS also does not process debit and credit adjustments for:

- Accreting, zero delay, or variable rate issues
- REPO DOs
- Stock loan DOs
- ACAT DOs
- Free deliveries.

## Adjustments to Variable Rate Issues

Since the applicable coupon rate may not be known for several weeks after a trade, coupon adjustments to variable rate issues will be made upon receipt of the latest factor but at the last known coupon rate. At times, trades may require two coupon adjustments. Consequently, DTC will make incremental adjustments to trades as it receives revised coupon information. For example, an accrued interest adjustment may have been made for \$100 but based upon a rate revision should have been \$110. CTAS will process a second trade adjustment for \$10.00. CTAS will also allow the seller to adjust the factor and/or coupon rate at which the first CTAS adjustment was calculated by allowing the seller to type over the selected fields in PTS or PBS (variable rate issues only). This will allow for the correction of adjustments in instances where participants' traded factors and coupon rates differ from those that DTC believed them to be at the time of the trade.

## Viewing Adjustments

Adjustments are posted to your settlement account on the income payable date, or the business day following DTC's receipt of the actual factor, whichever is later. You can view each day's CMO re-factoring settlement debits and credits via:

- The CMO Trade Adjustment System Settlement Report for both the delivering and receiving participants
- The CTAS function.

You can also view the original DO on the ATP History Details screen of the ART function. You can only view the adjustments where you are either the delivering or receiving party.

## Associated PTS Functions

The following PTS functions are used in association with CTAS:

Use this function	To
ART	View activity associated with a CTAS credit or debit, for the current day and for up to 60 previous business days.

Use this function	To
CTAS	View detailed information about CTAS adjustments.
DIVA	View details of the principal payment associated with a CTAS adjustment.
POS	View the principal factor as of any day within the previous two years for any amortizing security for which you had position.

## CTAS Contact Number

For more information about CTAS, call DTC's Customer Help Center at (888) 382-2721.

## Coupon Collection Service (CCS)

### About the Product

DTC's Coupon Collection Service (CCS) provides you with one central location for submitting coupons and one central source of payments. This saves you from having to deal with thousands of municipalities and paying agents for the collection of bearer municipal interest. Interest is paid directly to you from DTC in a timely manner.

### Collection Outside New York City

DTC handles collections outside of New York City in one of two ways:

- For coupons deposited at least eight business days prior to the payable date, DTC credits you with the interest on the payable date.
- For coupons deposited less than eight business days prior to the payable date, DTC credits you with the interest ten business days after the date of deposit.

### Collection Within New York City

DTC handles collections within New York City in one of two ways:

- For coupons deposited at least five business days prior to the payable date, DTC credits you with the interest on the payable date.
- For coupons deposited less than five business days prior to the payable date, DTC credits you with the interest ten business days after the date of deposit.

### Past Due Coupons

DTC handles collections for past due coupons in one of two ways:

- For collection outside New York City, DTC credits you with the interest ten business days after the date of deposit.
- For collection within New York City, DTC credits you with the interest seven business days after the date of deposit.

### Associated PTS Functions

The following PTS functions are used in association with CCS:

- ADJI
- DIVA
- SDAR

## CCS Contact Number

For more information about CCS, call DTC's Customer Help Center at (888) 382-2721.

## Dividend Reinvestment

### About the Product

On certain securities, DTC offers you the option to purchase stock with your cash dividends instead of receiving the cash payments. You are notified via Important Notice of issues that are added to, or deleted from, the program. Important Notices are available on our Web site at <http://www.dtcc.com/>. You can make these elections via the PTS function EDS or via PBS.

The Dividend Reinvestment program features a Standing Instructions Database (SID) that allows you to create and update standing instruction positions via CCF or EDS. You are responsible for maintaining your Standing Instruction positions.

*Note-* Stock allocation activities such as splits and reinvested dividends do not automatically cause adjustments to your current Standing Instruction positions.

As a DTC participant, you can:

- Submit your instructions to DTC through PBS or the PTS function EDS
- Reinvest the net of appropriate taxes for eligible foreign issues
- View information regarding newly added or deleted issues via Important Notices (available on our Web site at <http://www.dtcc.com/>)
- View a complete listing of the issues eligible under DTC's Dividend Reinvestment Program (DRP) in the DTC monthly Reference Directory, or via the RSI (Reinvestment Standing Instructions) section of the EDS function.

### Benefits of using Dividend Reinvestment

You can maintain Dividend Reinvestment-eligible issues on deposit at DTC without losing the benefits of issuers' plans.

### EDS Approval Process

The Dividend Reinvestment service is eligible for the EDS Approval Process. Please refer to the Approval Process section in the Introduction section of this document for more information.

### Associated PTS Functions

The following PTS functions are used in association with Dividend Reinvestment:

Use this function	To
EDS	View and process dividend and interest election disbursement instructions.
ADJI	View cash and stock adjustments related to DTC Dividend Reinvestment activities.
DIVADPAL	View allocations and announcement information related to Dividend Reinvestment activities.
POS	View your positions on Dividend Reinvestment-related securities.
SDAR	View today's allocations and anticipated allocations on Dividend Reinvestment-related items.

## Dividend Reinvestment Contact Number

For more information about Dividend reinvestments:

- Call DTC's Customer Help Center at (888) 382-2721
- Access DTC's Web site at <http://www.dtcc.com/>.

## DTC Domestic Tax Withholding

### About the Product

When domestic securities pay dividends or interest, that income payment is classified for tax purposes as a particular type of income. Often such income is reclassified at the end of the year as a type of income different than originally designated. Such reclassified income often carries a different taxability characteristic than the original income announcement. When such a reclassification occurs, participants need to be aware of it so they can properly prepare the IRS Forms 1099 they are required to provide to their customers. Note that DTax generally covers only domestic U.S. securities. In 2005, DTax was exited as a product offering of DTC and is now a product offering of DTCC Solutions LLC. DTCC Solutions is a wholly-owned subsidiary of DTCC. While being offered through DTCC Solutions, DTax is still accessible through DTC's communications vehicles via inquiry functions on PTS and PBS.

The Domestic Tax Reporting Service (DTax) is a database of securities that reclassify income after year-end. That is, an income announcement during the year declaring that an issue has paid a dividend may be reclassified after the end of the year into other types of income, e.g. capital gains, return of capital, etc. that attract different rates of tax than the original dividend would attract.

Most of the securities in the DTax database are not DTC-eligible and include such security types as open-and closed-end mutual funds, Real Estate Investment Trusts (REITs) and other securities that may reclassify income.

The data in DTax comes indirectly from agents and issuers in standard format that is updated annually by the industry in response to changes in domestic tax law.

### Using DTax

You can use DTax to view the following:

- Securities with tax information, by CUSIP, security type, ticker symbol or description
- Details of tax classification
- Change history for a specific security
- Audit trail of changes for a specific security
- Revisions to payment information for a specific security

## Associated Products

DTax may be used in conjunction with the Announcements product to obtain information on domestic (i.e. U.S.) securities that reclassify income at year-end. DTax is the only DTCC Solutions source of post-event announcement data for U.S. securities. Such information may be carried in the "Comments" section of the Announcements product but is not available on an automated file. Remember that primarily domestic U.S. securities are included in the DTax product.

## Associated PTS/PBS Functions

The table below lists the PTS/PBS function you can use to access information related to Domestic Tax Reporting:

Use this function	To
DTAX	View domestic tax information.

## DTC TaxInfo<sup>SM</sup>

### About the Product

Understanding and determining tax relief entitlements for various investor types can be difficult as the rules and regulations are often quite complicated and hard to decipher. DTC's TaxInfo<sup>SM</sup> was developed to help participants by presenting pertinent information in a format that is easy to understand.

Offered in conjunction with DTC TaxRelief<sup>SM</sup>, TaxInfo<sup>SM</sup> is a repository of information designed to assist participants in making appropriate elections on behalf of their customers for withholding tax relief on income payments from foreign securities.

This information is compiled from various sources including international taxing authorities, issuers, paying agents, international accounting and law firms and other external sources.

### How it Works

The information is presented in a PDF document which can be launched via the PBS platform from the TaxInfo function. PTS users can scroll through the document screen by screen via the TAXI function. For easy reference, TaxInfo is accessible from the TaxRelief function EDS on PTS or via PBS.

TaxInfo provides:

- Beneficial owner definitions under various tax treaties
- Tax withholding rates for different investor types applicable to various countries
- Legal conditions regarding the use of DTC TaxRelief<sup>SM</sup>
- Documentation requirements for tax relief processing
- Audit information related to DTC TaxRelief<sup>SM</sup>

- URLs for related websites

Use TaxInfo<sup>SM</sup> when you are receiving dividends or interest involving foreign securities eligible for tax relief. It allows you to view important foreign tax withholding information before making decisions regarding elections for withholding tax relief. For example, a cash dividend is announced for a Swiss ADR. You can use TaxInfo<sup>SM</sup> to determine the proper amount of taxes to be withheld on your customer's ("beneficial owner's") dividend distribution. (A beneficial owner is the person or entity that owns and is entitled to all distributions and underlying rights in relation to a security.)

TaxInfo<sup>SM</sup> is available 24 hours on business days.

## Benefits of Using DTC TaxInfo<sup>SM</sup>

- Provides a useful source of foreign tax withholding and relief information on DTC eligible securities for specific jurisdictions
- Offers timely information compiled from various sources including international taxing authorities, issuers, paying agents, international accounting and law firms and other external sources
- Reduces response time to customer inquiries by providing a centralized source of withholding tax information participants can use for their own research purposes

## Legal Considerations

Please be advised that DTC is not providing tax advice and that TaxInfo<sup>SM</sup> is not meant to be a substitute for sound advice from qualified tax and legal advisors. Participants should consult their own tax advisors in utilizing the information in TaxInfo<sup>SM</sup>.

## Associated PTS Functions

The table below lists the PTS functions you can use to access information related to DTC TaxInfo<sup>SM</sup>:

Use this function	To
TAXI	View information on international withholding taxes.
EDS	Make elections to receive income payments net of favorable, unfavorable or exempt rate(s) of withholding tax.

## DTC TaxInfo<sup>SM</sup> Contact Number

For more information contact DTC's Customer Help Center at (888) 382-2721.

You can also access DTC's Web site at <http://www.dtcc.com>.

## DTC TaxRelief<sup>SM</sup>

### About the Product

When dividends and interest are paid on foreign securities, foreign tax is generally withheld from the payment by the paying agent and paid to the foreign taxing authority. Generally, the paying agent withholds an amount of tax determined by statute (statutory rate) in the local jurisdiction where the security is issued. Often, investors are resident for tax purposes in a jurisdiction that has

a tax treaty with the country of issuance of a security. For qualifying types of investors, these treaties often allow for a withholding rate less than the statutory rate.

DTC TaxRelief<sup>SM</sup> (TaxRelief) makes it possible for qualifying beneficial owners to obtain tax relief “at-source” or via an accelerated refund on certain foreign issues as a result of tax relief arrangements established with issuers, agents or the tax authorities of various countries. Obtaining benefits at-source means investors receive the income payment with the most favorable rate of tax for which they qualify deducted at the same time. The alternative to “at-source” relief would be to be taxed at the highest rate and to have to file a tax reclaim to receive the amount overpaid by the beneficial owner. TaxRelief offers an efficient alternative to manually filing error-prone hardcopy reclaim forms.

TaxRelief supports all international DTC-eligible security types including American Depositary Receipts (“ADRs”), global shares, equities, and fixed income securities for which arrangements have been established with either the respective countries’ tax authorities, agents or issuers.

## How It Works

When DTC is informed by the issuer or its agent that a tax relief opportunity exists on an upcoming income payment, DTC sends out a communication to participants via dividend announcements, announcements of active and forecast elections and in some cases a DTC Important Notice. Each communication states the issue’s CUSIP number, the tax relief country, the record and payable dates and the various tax relief entitlements for different investor types.

Elections for tax relief are submitted electronically to DTC via the Participant Browser Services (PBS) TaxRelief function or via the PTS function EDS, to receive income payments exempt from foreign tax (exempt rate), at a reduced rate of withholding (favorable rate) or at the statutory tax rate (unfavorable rate) for DTC-eligible securities for which TaxRelief is available. In making an election, a DTC participant makes certain certifications on behalf of the beneficial owner of the security in order to effect any “at- source” relief or receive an accelerated refund. In particular, the participant certifies that it has documentation supporting the election, if so required in the subject jurisdiction. See also Legal Considerations below.

DTC opens its system to accept certifications on the day after record date and undertakes to keep the window open for a minimum of five business days, if feasible. Sometimes the period is shorter due to circumstances beyond DTC’s control such as requirements of the issuer and/or agent or specific characteristics of the issue. TaxRelief allows participants to view, enter, modify or delete certifications up to the security’s instruction cutoff date.

For relief-at-source payments, participants and their customers receive in one transaction simultaneous payment of the income and the associated tax relief. For accelerated refunds, participants receive their customer’s tax relief entitlement subsequent to the initial dividend payment through DTC’s cash settlement system.

DTC also provides DTC TaxInfo<sup>SM</sup> (TaxInfo) as a source for international tax withholding and relief entitlement information. Participants can easily access DTC TaxInfo<sup>SM</sup> (the TAXI function on PTS) directly from within the TaxRelief function.

**Note:** The use of DTC TaxRelief<sup>SM</sup> may be limited by the type of security related to a particular jurisdiction (such as ADRs or bonds for example) or may be available on an issue by issue basis. DTC continues to work with other foreign tax authorities as well as issuers and agents to arrange for at-source relief (or if such relief is prohibited by applicable statutory provisions or the like, quick conditional refunds) under income tax treaties and/or the domestic law of the issuers’ country.

DTC TaxRelief<sup>SM</sup> is a sub-function of the Elective Dividend Service/EDS.

## Benefits of Using DTC TaxRelief<sup>SM</sup>

- Receive income payments net of the most favorable rates of tax your customers are entitled to, based on arrangements set up with various countries' tax authorities, or issuers or agents, as the case may be, enabling you to obtain monies that might otherwise be forfeited due to the complexity and cost of filing tax reclaims.
- Improves return on investment.
- Increases speed and accuracy in securing tax relief and eliminates the need for paper-based reclaims.
- Reduces or eliminates foreign exchange risk by removing the lag time between income payment and receipt of tax reclaim proceeds.
- Creates a secure electronic record of tax relief elections.
- Reduces or eliminates the possibility of a single income entitlement occurring via two separate payments made in two different tax years which can cause home country tax reporting and payment problems for the beneficial owner and its custodian (e.g. where the income payment precedes the return of overwithheld tax).
- Saves money by eliminating the need to finance delayed reclaim proceeds.
- Enables better, more informed investment decisions, as investors and investment advisors can calculate returns based on treaty and reduced domestic law withholding tax rates.

## Legal Considerations

Participants should be aware that use of DTC TaxRelief<sup>SM</sup> typically requires that participants be able to provide supporting documentation in the event of an audit for any certifications that they make to DTC via TaxRelief. Additionally, among other things, by making the EDS certification, participants agree that DTC has the right to reverse the tax relief obtained pursuant to such certification (and related costs) if requested by the applicable taxing authority or paying agent. Note that participants may be required by the ADR Depository, custodian banks, issuer, or applicable tax authority to submit beneficiary lists in support of their DTC TaxRelief<sup>SM</sup> certifications. Please refer to DTC TaxInfo<sup>SM</sup> and event-specific DTC Important Notices for details regarding required documentation.

## EDS Approval Process

DTC TaxRelief<sup>SM</sup> is eligible for the EDS Approval Process. Please refer to the Approval Process section in the Introduction section of this document for more information.

## Associated PTS Functions

The following PTS functions are used in association with DTC TaxRelief<sup>SM</sup>:

Use this function	To
EDS	Make elections to receive income payments net of favorable, unfavorable or exempt rate(s) of withholding tax.
DIVA	View allocations and announcement information.
SDAR	View today's allocations and anticipated allocations.

## DTC TaxRelief<sup>SM</sup> Contact Number

For more information contact DTC's Customer Help Center at (888) 382-2721.

You can access DTC's Web site at <http://www.dtcc.com/>.

# Due Bill Fail Tracking System

## About the Product

The Due Bill Fail Tracking system relieves you of the time-consuming process of issuing and redeeming due bills by facilitating the settlement of due bills on failed deliver orders (DOs).

A failed DO is one which was originally scheduled to settle on or before the record date, but instead settled after the record date. Fails sometimes result in buyers not receiving a dividend or interest payment to which they are entitled. Previously such deliveries were made with a due bill attached, usually in the form of a post-dated check or IOU. A due bill is an agreement that the seller will pay the dividend or interest to the bearer (the buyer) upon presentation.

## How the Product Works

Due Bill Fail Tracking:

- Monitors all DO activity, comparing the trade settlement date of the DO with the actual settlement date
- For failed DOs, reviews DTC's Dividend Announcement database
- Automatically generates cash and stock dividend adjustments for any failed DO requiring a due bill except for REPO, stock loan, Continuous Net Settlement (CNS), Free and Interdepository deliveries.

On the payable date, or on the day following the settlement of the trade at DTC (whichever is later), the seller receives a debit for the income due and the buyer receives a credit.

## Important Notes

The following notes apply to DTC's Due Bill Fail Tracking process:

- If you are a delivering participant, you can elect to remove a delivery from Due Bill Fail Tracking by entering an N in the **Due Bill** field on the DO.
- Due Bill Fail Tracking does not monitor stock splits, rights offerings, or optional dividend payments.
- Receiving participants have the ability to delete a pending adjustment, or change the post date of a pending adjustment, until 1:00 p.m. eastern time on the post date.

## Monitoring Period

The monitoring period for failed transactions is:

- 18 months from the payable date for corporate and municipal debt issues
- 30 days from the payable date for equity issues.

Fail monitoring begins on:

- The day following the record date for all announcements that are not subject to interim accounting
- The day following the end of the interim period for announcements with interim accounting.

## About Paired Transactions

Pairing occurs when two DOs contain the same CUSIP, quantity (original face value), trade settlement date, and settlement dollar value, and the delivering and contra-participants are reversed. DTC does not process debit and credit adjustments for settlement when underlying DOs are paired. This eliminates superfluous debit and credit adjustments that net to zero.

*Note-* Although paired transactions are not passed to settlement, you can view these items via PBS or the PTS function ADJI. Paired adjustments are identified with a P to the left of the **CUSIP** field on the applicable Detail screen.

## Using PTS to Track Fails

The PTS function ADJI provides due bill information in both summarized and detailed forms for 180 days starting:

- From the payable date for equity issues.
- From the post date for debt issues.

You can use ADJI to inquire about due bills both pending and past, and you can use ART to view the underlying DO details for sixty business days from the DO date.

## Adjustments Processing Schedule

You will receive adjustments on the payable date or on the day following the failed delivery, whichever is later. Cash in lieu (CIL) of stock dividends is adjusted on the day following the receipt of the rate, or on the day following the failed delivery, whichever is later. You can view settled fail adjustments via the DPAL and ADJI functions, and via the Dividend Reorg Cash Settlement Statement under the heading "Miscellaneous Payments/Charges."

If an issue is subject to foreign tax (withheld at the source), and DTC has established both a favorable (U. S. treaty) rate and an unfavorable rate for the issue, the adjustment is made at the favorable rate.

## Associated PTS Functions

The following PTS functions are used in association with Due Bill Fail Tracking:

Use this function	To
ART	View deliver orders with a Due Bill Fail Tracking debit or credit.
ADJI	View Due Bill Fail Tracking cash and stock debit and credit adjustments.
DIVA	View net fail positions for a particular cash or stock distribution.
SDAR	View pending Due Bill Fail Tracking adjustments for five business days in the future, settled adjustments for the previous five business days, and pending or settled adjustments for the current day.

## Due Bill Fail Tracking Contact Number

For more information about Due Bill Fail Tracking, call DTC's Customer Help Center at (888) 382-2721.

## Foreign Currency Payments (FCP)

### About the Product

Foreign Currency Payments (FCP) allows you to elect to receive periodic interest payments on all or part of your record date position for certain foreign currency denominated debt issues through DTC in U. S. dollars, or directly from the paying agent in the currency in which the issue is denominated. DTC informs you of newly added issues to the FCP service via Important Notices, which are available on our web site at [http://www.dtcc.com/legal/imp\\_notices/](http://www.dtcc.com/legal/imp_notices/).

### Benefits of using the Foreign Currency Payment Product

By using FCP, you avoid certain foreign currency fluctuations by receiving the payment in the desired currency.

### Legal Considerations

The following legal considerations apply to foreign currency payment options. Each time you submit FCP instructions via PTS, you have agreed to the following:

1. You certify that the security described in your instructions was in your DTC record date position; and
2. You authorize DTC to decrease your record date position by the quantity of that security specified in the instructions and to instruct the paying agent to pay the interest payment due on the quantity specified in the instructions in the currency in which the security is denominated.

### EDS Approval Process

FCP is eligible for the EDS Approval Process. Please refer to the Approval Process section in the Introduction section of this document for more information.

### Associated PTS Functions

The following PTS functions are used in association with FCP:

Use this function	To
EDS	View and process dividend and interest election disbursement instructions.
ADJI	View cash and stock adjustments related to DTC activities.
DIVA DPAL	View allocations and announcement information.
POS	View your positions on foreign currency securities.

Use this function	To
SDAR	View today's allocations and anticipated allocations on foreign currency-related items.

## Foreign Currency Payment Service Contact Numbers

For more information about the Foreign Currency Payment Service:

- Call DTC's Customer Help Center at (888) 382-2721
- Access DTC's Web site at <http://www.dtcc.com>.

## Inquiries

### About the Product

DTC's Inquiries product provides you with numerous avenues for solving the day-to-day questions and/or problems associated with income processing, including the use of several PTS functions. Inquiries are either announcement-related inquiries or general dividend inquiries.

### Announcement-Related Inquiries

Announcement-related inquiries include requests for information on or questions about the accuracy of:

- Record dates
- Payable dates
- Ex-dates
- Rates
- Pool factors
- Calculation methods
- Payment frequency or mode of payment.

### General Dividend Inquiries

General dividend-related inquiries include questions about the accuracy of:

- Claims
- Adjustments
- Amount of dividend or interest paid.

You can also order photocopies of record date notices, cash settlement lists, and so forth.

The following table describes some common general inquiries:

For	Inquire about
Invalid claims	Debits processed against your account for claims where the certificates held by DTC were in either your name, your customer's name, or your nominee name.

For	Inquire about
Cash adjustments	Cash adjustments other than announcement-related problems.
Coupons	Interest.
Fails	Fail tracking dividend and interest activity.
Foreign tax	Non-resident withholding tax.
Positions	Dividend or interest differences due to the amount of shares or bonds you are, or were, being paid on.
REPOs	Dividend and interest activities regarding Repurchase Agreements (REPOs).
Stock loans	Stock loan dividend and interest activities.
Stock dividend products	Dividends, splits, spinoffs, payments-in-kind, cash-in-lieu (CIL), script, reinvestments, baby bonds, optional dividends, and so forth.
WT Dividend and Interest	Dividend or interest payments relating to WT activities.

## Associated PTS Functions

The following PTS functions are used in association with Inquiries:

Use this function	To:
ART	Verify share position movements, view ATP Transaction Tickets, stock dividend payments and MMI payments.
ADJI	View reasons for cash and stock adjustments.
DIVA	View announcement information such as the record date, payable date, and rate; view additional information such as the allocation date.
DPAL	View payment information.
FFSP	See if DTC has gone to final settlement, view final figures, and view MMI CUSIPs being allocated that day.
PART	View position and daily journal history to help you research your position. You can also access ART through this function.
PINS	Submit inquiries about bond interest, dividend, and MMI payments on stock loan payments.
POS	View your stock loan and REPO positions for the past two years.
SDAR	View all allocations and adjustments for today, five days past, and five days in the future.

## Inquiries Contact Number

For more information about Inquiries, call DTC's Customer Help Center at (888) 382-2721.

# Interim Accounting

## Overview

Interim Accounting is not a Dividend product in itself, but is an important part of the Allocations product. It is necessary for you to understand how DTC processes dividends during the interim period (the time during which a trade includes the current distribution).

## Important Terms

The following are terms that will enable you to better understand DTC's Interim Accounting process:

Glossary Term	Abbreviation	Definition
Receiver		The party that receives the security (also known as the buyer).
Deliverer		The party that delivers the security (also known as the seller).
Registered holder		The party that is on the books of the issuer as owning the security.
Ex-dividend		A trade settling without the distribution.
Ex-date		The first date on which a security trades without the income distribution. Normally, the ex-date is two business days before the record date.
Due bill		A check equivalent to the distribution amount or an IOU entitling the receiver to the distribution.
Due bill period		The period of time during which a trade includes the current distribution, usually from the record date+1 up to the ex-date+2.
Interim period		DTC's term for the due bill period.
Expiration date		The date that rights expire (become worthless).
Accrual period		The period of time that asset-backed security trades settle with distribution.
Stock split		A stock distribution usually of 25 percent or more of what the shareholder owns. It usually has an ex-date of the first business day after the payable date.
Optional dividend		A dividend for which the shareholder has several options regarding how it will receive distribution (such as cash, additional shares, or a combination).

## Reasons for Interim Accounting

Normally, the registered holder of a security on the close of business on the record date is entitled to the distribution. There are times, however, when that is not the case. There are two common reasons why this could occur:

1. The registered holder of an equity issue that does not go ex-dividend in the normal way (for example, if the ex-date is after the record date) sells the security prior to the ex-date "with distribution." In this case, the buyer is entitled to the distribution.
2. For most bonds, the buyer (receiver) of the security is entitled to the interest payment on trades settling up to and including the day before the payable date, even though the buyer is not the registered holder.

## Without DTC's Interim Accounting

Normally, due bill processing involves the following activities:

- Trades that settle after the record date "with distribution" (those that entitle the receiver to the distribution) would have a due bill attached to them. This would be in the form of a post-dated check equal to the amount of the distribution, or an IOU stating that the receiver will receive the distribution.
- The receiver must present the due bill on the payable date to the deliverer to receive the distribution.

The period of time in which due bills are used is called the due bill period, which extends from the record date+1 up to the ex-date+2.

## With DTC's Interim Accounting

During the due bill period, DTC:

- Tracks all activity, such as trades, where the receiver is entitled to the announced distribution (cash/stock dividend or interest payment).
- Adjusts participants' record date positions, crediting the receiver and debiting the deliverer.

This ensures accurate payment on the payable date and eliminates time-consuming, costly paper processing.

*Note-* During this due bill period, all DTC activities involving the physical movement of securities are excluded from the dividend allocation. These include your deposits, withdrawals-by-transfer (WTs) and Certificates-on-Demand (CODs).

## Interim Accounting Usage

Activation of DTC's Interim Accounting process depends on the type of distribution. The following table describes the conditions under which Interim Accounting takes place:

For	Interim Accounting is used
Cash dividends	<p>When the ex-date is not normal, and DTC is aware of the ex-date prior to the payable date.</p> <p>In this case, the Interim period runs from record date+1 through close of business on ex-date+2.</p>

For	Interim Accounting is used
Stock distributions	<p>For:</p> <ul style="list-style-type: none"> <li>• All stock splits or</li> <li>• A stock distribution of less than 25 percent with an ex-date that is not normal.</li> </ul> <p>In this case, the Interim period runs from record date+1 through close of business on ex-date+2.</p> <p><i>Note-</i> Stock splits are allocated to your general free and pledged accounts on the business day following the close of the due bill period. Shares allocated to the pledged account automatically become additional collateral for the loan.</p>
Rights	<p>When the ex-date is not normal, and there is adequate time for you to submit your rights instructions to DTC for presentation to the paying agent prior to the expiration date.</p> <p>In this case, the Interim period runs from record date+1 through close of business on ex-date+2.</p> <p><i>Note-</i> If there is not adequate time for you to submit your rights instructions to DTC for presentation to the paying agent prior to the expiration date, DTC will credit your account based on your record date position. You must settle due bills outside DTC.</p>
Corporate bonds, CDs, and government bond interest	<p>Because the majority of these settle with interest up to the business day before the payable date.</p> <p>In this case, the Interim period runs from record date+1 through payable date-1.</p>
Asset-Backed Securities (ABS)	<p>As dictated by the issuer's accrual period. For example, if the accrual period ends after the record date and before the payable date, the Interim period runs from record date+1 through the end of the accrual period.</p> <p><i>Note-</i> If the accrual period ends prior to the record date, DTC will not run interim or run "reverse" interim (reverse due bill).</p>

For	Interim Accounting is used
Supplemental due bills	<p>For special large cash dividends, when the ex-date is the day after the announced payable date. In this case:</p> <ul style="list-style-type: none"> <li>• The Interim period runs from record date+1 through payable date-1</li> <li>• Allocation is made on payable date, and</li> <li>• Interim Accounting starts again on the payable date and continues on a daily basis through ex-date+2. Allocation is made on the business day following the day of delivery by crediting the money settlement account of the receiver and debiting the money settlement account of the deliverer.</li> </ul>

## New York City Record Date Mini-Interim

The Industry standard for dividend cutoff days is a maximum of two business days prior to the out-of-town record date. (DTC refers to this as the New York equivalent record date.)

Mini-interim accounting was developed to allow DTC to meet the record date deadlines when the transfer agent (TA) is located outside of New York City. Mini-interim is set up at the start of business on the first business day after the New York equivalent record date and closes at the end of business on the actual record date.

Deposits and WTs processed during the mini-interim period do not affect your position for dividend allocations. If you make a rush withdrawal-by-transfer (RWT) during the mini-interim period, your position for dividend or interest allocation is reduced. You must submit a formal claim for any dividend or interest involving certificates withdrawn as RWTs during this mini-interim period. See Claims.

Dividend allocation is made to your position based on the New York equivalent record date position, updated to include any DO movements that were made up to and including the actual record date.

## Optional Dividends

### About the Product

On selected distributions, the issuer gives the holder several distribution options (such as receiving the distribution in cash, stock, or a combination). DTC receives written correspondence from agents detailing the available options and deadlines for submitting instructions. All relevant information is passed on to you via Important Notices available on our Web site at [http://www.dtcc.com/legal/imp\\_notices/](http://www.dtcc.com/legal/imp_notices/) and scheduled PTS/PBS broadcasts.

As a DTC participant, you can make your elections via the PTS function EDS or via PBS.

### Benefits of using the Optional Dividend Service

The Optional Dividend Service allows you to avoid receiving the mandatory option the issuer has announced.

## EDS Approval Process

The Optional Dividend Service is eligible for the EDS Approval Process. Please refer to the Approval Process section in the Introduction section of this document.

## Associated PTS Functions

The following PTS functions are used in association with the Optional Dividend Service:

Use this function	To
EDS	View and process dividend and interest election disbursement instructions.
ADJI	View cash and stock adjustments related to optional dividend activities.
DIVA DPAL	View allocations and announcement information related to optional dividend activities.
POS	View your positions on optional dividend-related securities.
SDAR	View today's allocations and anticipated allocations on DTC TaxRelief <sup>SM</sup> -related items.

## Optional Dividends Contact Numbers

For more information about the Optional Dividend Service:

- Call DTC's Customer Help Center at (888) 382-2721
- Access DTC's Web site at <http://www.dtcc.com>.

## Repurchase Agreement (REPO) Tracking System (RTS)

### About the Product

A repurchase agreement (REPO) is an agreement between two parties that allows the seller of securities to later repurchase them at an agreed-upon price. The seller usually retains the right to periodic income distributions. However, since the securities won't reside in the seller's account on record date, the seller would not be credited the periodic principal and income distributions paid on the securities. To recover these entitlements, the seller has to claim the REPO buyer. DTC's REPO Tracking System (RTS) automates claims of these entitlements by tracking the REPO transactions (deliveries) and adjusting the entitlement payments accordingly on payable date.

### How the Product Works

RTS tracks deliver orders (DOs) with REPO reason codes (codes 220-228 and 230-238) and creates memo positions for the REPO amount. The deliverer (seller) of a REPO receives a long REPO position, and the receiver (buyer) receives a short REPO position.

If you hold a long REPO net position, you will receive a credit adjustment on the payable date for any periodic principal and income distributions. If you have a short REPO net position, you will receive a debit adjustment on the payable date.

## Tax Treatment

DTC performs appropriate U.S. tax withholding and information reporting for credit adjustments that are settled with non-US Participants. See the U.S. Tax Withholding section on page 43 for more information on U.S. Tax Withholding.

## Viewing REPO Activity and Positions

You can view pending and past adjustments for a period of five business days *before* through five business days *after* the payable date via the PTS function SDAR or via PBS. You can also view scheduled adjustments for the current payable date via the PIAR function, and cancel (as the REPO buyer) adjustments to be credited to the REPO seller before 2:00 p.m. eastern time if you are authorized for the PIAC sub-function. You can also view positions and adjustments via the DPAL function, and adjustments via the ADJI function.

To view REPO positions, access the PTS function POS and select the Extended Inquiry option. To view the contra-participant, enter an S in the **Stock Loan/REPO** field.

*Note-* You can also receive Daily Activity, Composite Balances, and Detail Balances for your REPO positions via DTC's Computer-to-Computer Facility (CCF) or via PBS.

## Correcting REPO Positions

If a participant acting as a REPO seller fails to use the designated REPO reason codes, the quantity being tracked in RTS will be incorrect. You should use SLRM to correct REPOs that were entered without the REPO reason codes, and increase or decrease the REPO positions in a given security. Such entries must be affirmed by the contra-participant. See SLRM for detailed instructions and reference material.

*Note-* To enter, approve, or cancel REPO positions, you must have an authorized user ID and password. Contact your Relationship Manager for more information regarding your user ID and password.

A situation could arise where a REPO buyer (a participant with a short REPO position) may need to unilaterally instruct DTC to eliminate a REPO position, and thus cancel its future RTS principal and interest obligations for a specific security and contra-participant. To do this, submit a Letter of Instruction signed by an authorized representative of your participant organization to the Vice President of the Dividend Department at DTC. You must deliver the letter personally or send it by verified facsimile transmission to (212) 855-4809. You must also send a copy to the contra-participant.

Once it receives the letter, DTC will increase your REPO position and decrease the REPO position of the contra-participant for the specified CUSIP.

An effective date for reversal of the obligation must be specified in the letter. The effective date shall be no sooner than two days after the Vice President of Dividends receives the letter in good form. Should the payment date be less than two days after such receipt, DTC will use its best efforts to reverse the obligation before the next payment date.

You will be notified of newly entered, approved, or cancelled adjustments via REPO adjustment tickets that print on the designated PTS printer in your area.

## Correcting REPO Payments

If you have an authorized user ID and password, you can also adjust the amount of a pending or past ("historical") adjustment. This option can be accessed by placing an A next to the contra-participant on the Dividend Position Ledger Detail screen in the DPAL function. These adjustments will be processed on the post date you enter. This date must be at least equal to the payable date, and cannot be less than the following business day.

You can view these adjustments via the DPAL and ADJI functions. If the payable date falls within the next five days, or is in the past, you can also view these adjustments via the SDAR function.

A REPO buyer (a participant with a short REPO position) may need to unilaterally submit an instruction to DTC to prevent a single periodic principal and income distribution from being tracked through RTS, without affecting the tracking of any other future distributions on the security. This need usually arises when an upcoming distribution includes a principal component large enough to significantly affect the value of the collateral security of the repurchase agreement.

To do this, you must have access to the PIAR function and the specific sub-function that allows you to make cancellations/reactivations of principal and income adjustments scheduled to be credited to the REPO seller on the payable date. See PIAR for detailed instructions and reference material.

**Warning!** Both parties to the REPO transaction are responsible for settling the payment outside of RTS. For payments that are settled outside of RTS, it is the parties to the REPO transaction that are responsible for performing the appropriate U.S. tax withholding and information reporting. DTC is not responsible for processing further entries on that specific distribution nor is DTC responsible for performing the appropriate U.S. tax withholding or information reporting with respect to that transaction settled outside of RTS.

## Associated PTS Functions

The following PTS functions are used in association with RTS:

Use this function	To
ART	View activity associated with your REPO positions for the current day and for up to 60 previous business days.
ADJI	View REPO tracking cash debits and credits.
DPAL	View REPO positions and cash adjustments for a particular cash or stock distribution.
PIAR	View (and cancel, if you are the buyer) REPO tracking adjustments scheduled to be credited to the seller on the payable date.
POS	View net REPO positions for the previous two years.
SDAR	View pending REPO tracking adjustments for five business days in the future, settled adjustments for the previous five business days, and pending or settled adjustments for the current day.
SLRM	Increase or decrease a REPO position without a DO and approve or cancel a pending adjustment initiated by a contra-participant.

## REPO Tracking Contact Number

For more information about RTS, call DTC's Customer Help Center at (888) 382-2721.

# Rights Distribution

## About the Product

DTC's Rights Distribution product notifies participants of upcoming rights distributions and allocates those rights to participants.

## About Rights

Rights are securities that give a corporation's shareholders the right to purchase additional shares at a given price for a specific period of time. They are usually distributed when a corporation decides to have a secondary offering, releasing more shares to the public. This allows current shareholders to maintain the same percentage of stock as they currently hold.

**Warning!** You can exercise a majority of the rights you receive via PBS or the PTS function PSOP. However, DTC does not assume responsibility for exercising your rights. You must exercise the rights to which you are entitled by other means whenever the information is not available via DTC.

## Rights Notifications

DTC receives notification of rights offerings from various sources, such as:

- Rights agents
- Information agents
- Stock Exchange Notices.

DTC then notifies you of the terms of the rights offering via:

- PTS/PBS broadcasts
- The Internet
- Important Notices marked "Warning! Time Critical Transactions," available on our Web site at [http://www.dtcc.com/legal/imp\\_notices/](http://www.dtcc.com/legal/imp_notices/)

The information in the notices includes:

- Rate of distribution
- Exercise period
- Price.

## Additional Round-Ups

Based on the terms of the rights offering, you may be entitled to additional rights based on round-up provisions. If so, you can instruct DTC as to the additional number of round-up rights you require on behalf of your beneficial holders. To do this, submit the form attached to the Important Notice (called "Certification and Request for Additional Round-up Rights") to DTC's Stock Dividend department by the date specified in the Important Notice or PTS/PBS broadcast.

## Rights Allocation

DTC allocates the rights to your accounts as soon as possible after the record date. DTC credits you with the additional rights, issued pursuant to round-up requests, within one business day after DTC receives your round-up instruction.

You can view your rights allocations:

- On your daily Participant Statement
- On the Dividend/Reorganization Participant Statement
- Via the DPAL function.

## Rights Exited by DTC

If DTC's Reorganization department cannot handle the subscription of rights on your behalf, DTC will exit the rights to you. DTC will notify you via a PTS/PBS broadcast and an Important Notice as to the date and time the rights will be available for pick-up. Important Notices are available on our Web site at [http://www.dtcc.com/legal/imp\\_notices/](http://www.dtcc.com/legal/imp_notices/)

**Warning!** You must notify DTC, prior to the expiration date, if you have not received your rights.

## Canadian Rights

In most cases, Canadian rights offerings cannot be subscribed for by U. S. entities. Instead, the rights agent will attempt to sell the rights, on a best effort basis, and remit any cash proceeds to DTC. If physical rights are mailed to DTC, see Rights Exited by DTC. Rights not issued to shareholders whose recorded address is in the U. S. are held by the rights agent.

## Rights Release Requests

If permitted by the rights agent, your rights entitlements will be released to you in Canada. DTC will issue an Important Notice (available on our Web site at [http://www.dtcc.com/legal/imp\\_notices/](http://www.dtcc.com/legal/imp_notices/)) and a PTS/PBS broadcast instructing you to advise us of the number of rights you want released. When we receive your instructions, we will make the appropriate adjustments to your accounts to reflect the number of rights released to you in Canada.

For release of Canadian rights, DTC must receive your instructions by the date specified in the Important Notice and PTS/PBS broadcast. All rights release requests must be submitted on your company's letterhead. You can fax the release request to DTC's Stock Dividend processing staff at (212) 855-4544.

After transmitting the fax, you must contact DTC's Customer Help Center at (888) 382-2721 to verify that we have received your release request.

Include the following information in your release request:

- Your participant number
- Security name
- Quantity of rights you are requesting for release
- CUSIP number
- Record date
- Who the rights should be released to
- Authorizing name and signature
- Contact name and phone number.

*Note-* DTC will forward the request to the rights agent. However, you must contact the rights agent to make arrangements for delivery of the rights.

Once we receive your request, DTC will authorize the rights agent to sell all unreleased rights. Any proceeds will be distributed to you as a redemption of rights (function code 47). You must check the Dividend/Reorganization Cash Settlement List, or use the DPAL function, to verify that the activity was properly processed and recorded.

## Special Circumstances

Occasionally, rights are mailed directly to you by the issuing company or its information or subscription agent. This happens when the issuer decides to ensure that all rights material is forwarded directly to you.

In these cases, the issuer or trustee requests one of the following:

- A Security Position listing from DTC's Reorganization Proxy department
- An RDP Name and Address Nominal list from DTC's Stock Dividend department.

DTC issues an Important Notice, notifying you that the rights will not be handled by DTC and will be mailed directly to you by the issuer. Important Notices are available on our Web site at [http://www.dtcc.com/legal/imp\\_notices/](http://www.dtcc.com/legal/imp_notices/).

*Note-* It is important that you notify DTC of any name or address changes that could affect the accurate delivery of the rights.

## Associated PTS Functions

The following PTS functions are used in association with Rights Distribution:

Use this function	To
RIPS	View rights subscription terms (such as expiration date) and appropriate reorganization contact.
PSOP	Exercise rights.
DIVA	View announcement information related to a rights offering.
ART	View your positions and activity adjustments.

## Rights Distribution Contact Number

For more information on the announcement of rights distributions and allocations or on participant rights subscriptions, call DTC's Customer Help Center at (888) 382-2721.

## Stock Loan Income Tracking System

### About the Product

In a stock loan agreement, the lender of the security is entitled to recover from the borrower any income distributions paid on the loaned security. The Stock Loan Income Tracking System allows DTC to track the lender's (deliverer's) position on these securities.

### How the Product Works

The Stock Loan Income Tracking System tracks deliver orders (DOs) with certain reason codes (codes 10-29) and adjusts your position accordingly. When a stock loan DO is created, the lender receives a stock loan long position and the borrower receives a stock loan short position on the security. If you hold a long stock loan net position, you receive credit adjustments on the payable date for periodic income distributions. If you have a short stock loan net position, you receive debit adjustments on the payable date.

## Payments that are Not Tracked

The Stock Loan Income Tracking System tracks cash dividend and interest payments. The following are not tracked:

- Stock dividends
- Rights distributions
- Optional dividends
- Spin-offs.

If a stock split is allocated, all of your stock loan positions are increased for the split, but there are no payments. Similarly, your positions are adjusted for mandatory reorganization activities.

*Note-* If you are the lending participant, you don't have the shares in your free account, therefore you cannot perform elections on stock loan positions, or participate in voluntary reorganization or proxy activities.

## Tax Treatment

DTC performs the appropriate U.S. tax withholding and information reporting for credit adjustments that are settled with non-US participants. See the U.S. Tax Withholding section on page 43 for more information on U.S. Tax withholding. Canadian dividend and interest payments are settled at the exempt rate (100 percent). Other foreign distributions are settled at the most favorable rate available to DTC. If you have stock loan agreements that call for a rate that differs from those described here, you and the contra-participant must settle the difference outside DTC. The adjustment mechanism described in Correcting P & I Payments on Stock Loan Positions can be used for this purpose.

## Viewing Stock Loan Activity and Positions

You can view pending and past adjustments for a period of five days *before* to five days *after* the payable date via PBS or the PTS function SDAR. You can also view positions and adjustments via the DPAL function, and adjustments via the ADJI function.

*Note-* You can view your stock loan positions and the contra-participant via the POS function.

## Correcting Stock Loan Positions

You can increase or decrease your stock loan positions via the SLRM function. The change you enter is then subject to confirmation by the contra-participant. Use SLRM to correct stock loan DOs that were entered with reason codes other than 10 through 29.

*Note-* To enter, approve, or cancel stock loan adjustments, you must have an authorized user ID and password. Contact your Relationship Manager for more information regarding your user ID and password.

If you have short stock loan positions and don't have access to the SLRM function, you can instruct DTC to cancel future stock loan debit adjustments for a specific CUSIP and contra-participant. To do

this, submit a Letter of Instruction signed by an authorized representative of your participant company to the Vice President of the Dividend department at DTC. You must deliver the letter personally or send it by verified facsimile transmission to (212) 855-4809. You must also send a copy to the contra-participant.

Once it receives the letter, DTC will increase your stock loan position and decrease the stock loan position of the contra-participant for the specified CUSIP.

You will be notified of newly entered, approved, or cancelled adjustments via stock loan adjustment tickets that print on the designated PTS printer in your area.

## Correcting P & I Payments on Stock Loan Positions

If you have an authorized user ID and password, you can create cash adjustments to a pending or past ("historical") stock loan adjustment. This option can be accessed by entering an A next to the contra-participant on the Dividend Position Ledger Detail screen (via the DPAL function).

You can credit or debit yourself against the same contra-participant, or a different one. These adjustments will be processed on the post date you enter. This date must be the payable date or later, and cannot be less than the following business day.

These adjustments will appear on your Participant Statement and can be viewed via the DPAL function, and via the ADJI function. If the payable date falls within the next five business days, or is in the past, you can also view these adjustments using the SDAR function.

If you have a short stock loan position, you can instruct DTC to exclude a specific distribution from tracking without affecting the tracking of future distributions. To do this, submit a Letter of Instruction signed by an authorized representative of your Participant company to the Vice President of the Dividend department at DTC. You must deliver the letter personally or send it by verified facsimile transmission to (212) 855-4809. You must also send a copy to the contra-participant.

DTC accepts Letters of Instruction from two days before the distribution date until 11:30 a.m. eastern time on the distribution payable date. Upon receipt, DTC processes a cash adjustment on the distribution payable date that offsets the original stock loan tracking entry.

**Warning!** Both parties to the stock loan transaction are responsible for settling the payment outside of DTC's Stock Loan Income Tracking System. For payments that are settled outside of DTC's Stock Loan Income Tracking System, it is the parties to the stock loan transaction that are responsible for performing the appropriate U.S. tax withholding and information reporting. DTC is not responsible for processing further entries on that specific distribution nor is DTC responsible for performing the appropriate U.S. tax withholding or information reporting with respect to those stock loan transactions that are settled outside of DTC's Stock Loan Income Tracking System.

## Associated PTS Functions

The following PTS functions are used in association with the Stock Loan Income Tracking System:

Use this function	To
ART	View activity associated with your stock loan positions, for the current day and for up to 60 previous business days.
ADJI	View stock loan tracking cash debits and credits.
DPAL	View stock loan positions and cash adjustments for a particular cash or stock distribution.

Use this function	To
POS	View net stock loan positions for the previous two years.
SDAR	View pending stock loan tracking adjustments for five business days in the future, settled adjustments for the previous five business days, and pending or settled adjustments for the current day.
SLRM	Increase or decrease a stock loan position without a DO, approve or cancel a pending adjustment initiated by a contra-participant.

## Stock Loan Tracking Contact Number

For more information about the Stock Loan Income Tracking System, call DTC's Customer Help Center at (888) 382-2721.

## U.S. Tax Withholding

### About the Product

The U.S. Tax Withholding Service (UTW) is available to non-U.S. Participants, including subaccounts of U.S. participants.

UTW allows non-withholding qualified intermediaries to make elections on U.S. source income payments at all favorable withholding rates available to countries that have tax treaties with the U.S. (treaty rate) as well as at the maximum statutory withholding rate (30%), and the exempt rate (0%). A qualified intermediary (QI) is any non-US intermediary (or non-US branch of a U.S. intermediary) that has entered into a qualified intermediary withholding agreement with the IRS. Non qualified intermediaries (NQIs) cannot make elections to secure reductions in applicable maximum statutory withholding rates. All U.S. source payments made to NQI users will be withheld at the maximum statutory rate. U.S. source payments to non-US Participants that have provided a Form W-8BEN may be paid at a reduced rate of withholding depending on the certifications associated with the Form W8-BEN.

### How it Works

As a U.S. tax withholding agent, DTC:

- Provides certain users of the service with access to the US Tax Withholding menu item on the EDS function
- Notifies non-US Participants of taxable events
- Informs non-withholding QI users of the "election window" during which they must send withholding rate instructions to the depository; the election window generally extends from one day after the record date ("record date +1") to one day before the payable date ("payable date -1")
- Pays U.S. source dividends or interest to non-US Participants on the payable date, net of appropriate withholding tax
- Prepares settlement statements that will reflect the gross dividend amount, tax amounts withheld at each designated rate and net dividends paid
- Remits tax funds to the IRS on a weekly schedule
- Prepares and sends the appropriate year-end 1042-S tax forms to non-US Participants

U.S. Tax Withholding is a subfunction of the Elective Dividend Service (EDS).

## Benefits of Using U.S. Tax Withholding

Users of the UTW receive U.S. source payments net of the applicable taxes on payable date. DTC remits the taxes to the IRS and provides appropriate yearend reporting on Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding) prior to March 15 following the end of the calendar year. It is not necessary for users to segregate positions into separate subaccounts by tax rate pool. All positions may be maintained in one account. Prior to payable date, a non-withholding QI user instructs DTC to withhold at various tax rates by moving shares to the appropriate tax rates in the tax matrix on the UTW function.

## Legal Considerations

Users must submit to DTC a valid W-8 form as follows:

- W-8 BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding to be submitted by any non-U.S. person or corporation who is the beneficial owner of the income.
- W-8 ECI, Certificate of Foreign Person's Claim for Exemption From Withholding on Income Effectively Connected With the Conduct of a Trade or Business in the United States to be submitted by any non-U.S. person or corporation who is the beneficial owner of the income and claims that the income is effectively connected with conduct of a trade or business within the United States.
- Form W-8 EXP, Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding to be submitted by any foreign government, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession if such entity is claiming exemption from withholding under section 115(2), 501(c), 892, or 895, or claiming a reduced rate of withholding under section 1443(b).
- Form W-8 IMY, Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding to be submitted by any entity that is an intermediary, whether QI or NQI, a withholding foreign partnership, a withholding foreign trust, or a flow-through entity.

These forms are available on the IRS website at <http://www.irs.gov/formspubs/index.html?portlet+3>

Users must also execute a letter appointing DTC as their withholding agent and enter into a Withholding Agent agreement.

Every non-U.S. entity seeking membership in the depository must complete a valid W-8 form whether or not DTC acts as a withholding agent on their behalf. The form must be (1) valid for the type of entity; (2) filled out completely; and (3) signed by an authorized signatory of the entity. Forms may expire after 3 years at which time DTC will solicit a new form. Each entity having a deposit in the DTC Participants Fund must submit a W-8 BEN. U.S. branches of foreign banks must also submit the appropriate W-8 form.

## Associated PTS Functions

The table below lists the PTS functions you can use to access information related to U.S. Tax Withholding:

Use this function	To
EDS	View and process dividend and interest election disbursement instructions.
DIVA	View allocations and announcement information related to U.S.

Use this function	To
	Tax Withholding (UTW) activities.
SDAR	View today's allocations and anticipated allocations on UTW income payments with details on the amount of tax withheld at each tax rate.

## Associated Record Layouts

You may access record layouts at:

<http://www.dtcc.com/products/documentation/asset/ccf.php>

## U.S. Tax Withholding Contact Number

For more information contact DTC's Customer Help Center at (888) 382-2721.