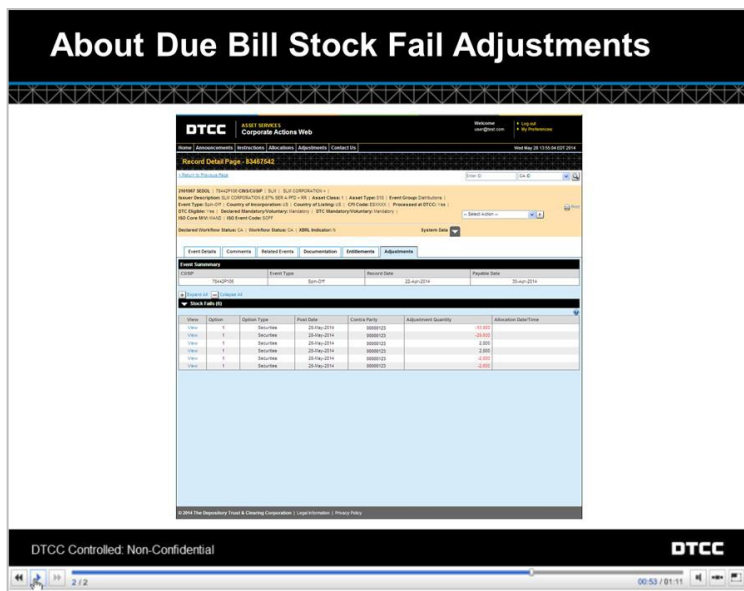


## ASSET SERVICES

### ABOUT DUE BILL STOCK FAIL ADJUSTMENTS



Due bill fail tracking stock adjustments, also called “Fails”, are individual stock debits or credits to your account for failed deliver orders (“DOs”) carrying due bills.

A stock distribution event can include stock fail adjustments for a number of reasons.

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 and handled outside of DTC between the parties impacted by the trade.

If due bill fail tracking is enabled on the original DO, the CA Web automatically generates cash and stock dividend adjustments for most failed DOs requiring a due bill.

Keep in mind that due bill fail tracking does not monitor stock splits, rights distributions, or optional dividend payments.

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 via the Adjustment table in the CA Web.

Fail adjustments that are pending or allocated appear under the “Stock Fails” twisty on the **Adjustments** tab.

An **Event Summary** at the top of the Adjustments tab shows the **CUSIP**, **Event Type**, **Record Date**, and **Payable Date** for the distribution.

The area under the Event Summary lists all adjustments to the event. This example shows you the Stock Fails table. If there were additional adjustments to this event, you'd see those here as well. These tables contain slightly different information, depending on the adjustment type.

Pairing occurs when two DOs contain the same CUSIP, quantity (for the original face value), trade settlement date, and settlement dollar value, and the delivering and contra parties are reversed.

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**Note:**

Although paired transactions are not passed to settlement, you can view these items on CA Web and PTS/PBS for historical items. Paired adjustments are identified as such within the adjustment details of the relevant event record.

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For stock fail adjustments, you can see information about the event's option that the adjustment applies to, as well as when the adjustment is scheduled to be applied to your account.

The information in this table includes:

- The **Option** number.
- The **Option Type**.
- The **Post Date**, or the date on which DTC is scheduled to apply the adjustment to your account.
- The **Contra Party**, which is the entity on the other side of this Fail.
- The **Adjustment Quantity**. Here, you can see paired items.
- The **Allocation Date/Time**. For stock fails, this happens on the payable date or on the day following the failed delivery, whichever is later.

Please note that the **Post Date** may not reflect the event's **Payable Date**: the post date is when DTC actually applies the stock adjustment. Note that the post date may, in some cases, be several days after the event's payable date.

To see additional information regarding debits and credits to be applied, click any of the **View** hyperlinks.

Each link opens a window that shows details of a stock fail adjustment.

For these adjustments, you will notice that the “prepared by” field will often read “Customer Service.” The Customer Help Center’s phone number is provided here – you can call for more information if you need it.

Here, we see that on May 28<sup>th</sup>, you were debited (or charged) 13,900 shares for a failed DO carrying a due bill entered into with contra 0123.

This fail adjustment was sent to the CA Web from DTC’s Automated Transaction Processor (“ATP”) Settlement system. You can see the ATP Record ID here as well.

In this example, the original shares will be debited from the client’s account once the fail is resolved. The client will then be able to pay the shares to the contra party that is entitled to the due bill.

However, if fail items are paired, your account will not be affected by the adjustment and you will see the notation “REASON: ITEM PAIRED.”

If the underlying DOs were not paired, the original credit would be paid to the client’s account once the fail was resolved. The client would then receive the due bill payment it was entitled to.

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**Doc Date:** 2014

**Publication Code:** CA177

**Service:** Asset Services

**Title:** About Due Bill Stock Fail Adjustments

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