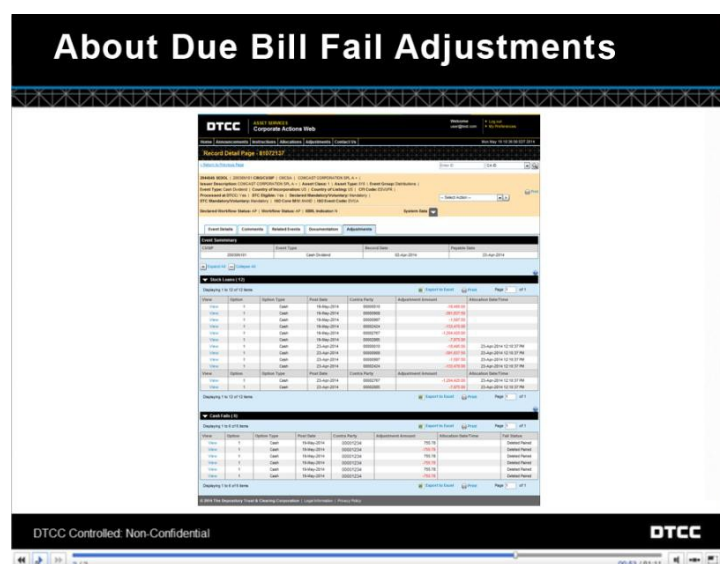


## ASSET SERVICES

### ABOUT DUE BILL FAIL ADJUSTMENTS



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

A cash distribution event can include cash 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 “Cash 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 Stock Loan and Cash Fails tables. 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 participants 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 cash 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 Amount**. Here, you can see that all items have been paired.
- The **Allocation Date/Time**. For cash fails, this happens on the payable date or on the day following the failed delivery, whichever is later.
- **Fail Status**, which will appear if pairing occurred as “Deleted Paired.” DTC does not process debit and credit adjustments for settlement when the underlying DOs are paired. This eliminates redundant debit and credit adjustments that net to zero.

Please note that the **Post Date** may not reflect the **Payable Date**: the post date is when DTC actually applies the adjustment. Note that the post date may, in some cases, be several days after the 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 cash 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 April 30<sup>th</sup>, you were credited \$755.78, the cash equivalent of 3359 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 ATP Settlement system. You can see the ATP Record ID here as well. The notation “Reason: ITEM PAIRED” means that the underlying DOs are paired. If you look on the Cash Fails table, you’ll see that the client also shows a debit for the same amount: “-755.78”.

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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