

# The Depository Trust Company

## Custody Service Guide

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# About Custody:

## Introduction

### Overview

This chapter describes DTC's Custody Service. Each section includes a description of the process, how it works, and the DTC interfaces by which Participants may access the Custody Service.

### About Custody

DTC's Custody Service allows a Participant to outsource to DTC servicing of physical securities. DTC's Custody Service allows the Participant to engage voluntarily in the Branch Deposit Service (BDS), Restricted Deposit Service (RDS), and New York Window (NYW) Service. By doing so, Custody Participants are able to retain control of their securities without having to handle and secure them.

The Custody Service allows a Participant to deposit: (i) securities not eligible for DTC book-entry services, including securities such as customer-registered custodial assets, restricted shares, and other DTC-ineligible securities such as certificated money market instruments (MMIs), private placements, and limited partnership interests, (ii) securities that would otherwise be eligible for DTC book-entry services but are not registered in the name of DTC's nominee, Cede & Co., and (iii) certain "non-standard assets" (as described under Eligibility below).

### Attributes of the Service

The Custody Service includes DTC services for Deposit and Safekeeping, Withdrawal, Regular Transfer, Restricted Deposits and Transfer, Reorganization, Branch Deposits, and Physical Clearance and Settlement services. The Custody Service provides:

- Security for assets in a DTC Secure vault.
- Assignment of a unique reference identification number to all securities custody deposits.
- Continuous random audit checks.
- Availability of detailed information on every certificate on deposit in the Custody Service.
- Total system reliability, including DTC's dedicated backup site.
- Choice of interface with DTC's Custody Service through CCF (batch files), MDH (real-time transaction processing), or PTS/PBS. Certain functions may become accessible via Web-based services as announced by DTC via Important Notice from time to time.
- Availability of end-of-day positions and activity reports on the same files as all other DTC positions and activities (APIBAL and DTFPART).
- Availability of images of all certificates and other documents held in custody.

### How the Service Works

For securities, DTC assigns a user CUSIP number (if one has not already been assigned by Standard & Poor's) and places the position in these securities into the Participant's segregation account (Seg 22).

Once securities are deposited into custody, the depositing Participant may:

- Withdraw securities and have them mailed to the Participant, or otherwise directed, or have the position deposited into the Participant's general free account at DTC, if eligible, for credit on the same business day.

- Ship foreign securities to global custody or overseas agents.
- Have government securities presented to various government agencies.
- Have DTC assist with research into reorganization and redemption events, and prepare securities accordingly, including automatic creation of Letters of Transmittal (LTs) and registration of new securities.
- Deposit and effect a transfer on restricted securities.
- Use DTC's New York Window (NYW) service to satisfy physical settlement transactions.

DTC's Custody Service also allows branch offices or correspondents to bypass their main offices and send securities received from their customers directly to DTC for deposit.

## Eligibility

DTC intends to make all appropriate securities eligible for its Custody Service. DTC reserves the right, in its sole discretion to refuse to accept a security or other asset for its Custody Service.

*Note-* DTC compares certificate information with the deposit instruction transmitted by the depositing Participant in the "deposit expectancy file".

Anything that can be securitized is eligible for custody including, but not limited to:

- Stocks (negotiable, non-negotiable and restricted)
- Bonds
- Open-ended mutual funds, short-term money market instruments, foreign securities, interest only, limited partnerships, promissory notes, private placements, customer-registered custodial assets.
- Gold/Silver certificates

*Note:* DTC Custody will hold certain "non-standard" type assets fully disclosed for safekeeping only. These assets include, but are not limited to, Option Agreements and Warrant to Purchase. DTC does not accept any liability should such assets be lost, stolen or destroyed. Depositing Participants assume full liability as well as responsibility for replacement of lost, stolen or destroyed fully disclosed "non-standard" assets.

## Security Numbering

If no CUSIP number exists for a deposit, the Custody department processes the deposit using a DTC-issued user-CUSIP number.

## Cent-Denominated Securities

Cent-denominated securities are eligible for the Custody Services. As with regular positions, cent positions are maintained to five decimal places under contra-CUSIPs. Before updating any transaction, the depositing Participant should ensure that the CUSIP is eligible for cents processing by checking the PTS/PBS Security Inquiry (GWIZ) function's Information screen.

## Imaging

The Custody imaging system was designed to allow a Participant to view and direct images of its inventory held at DTC.

- Each deposit ticket, certificate, and legal document is scanned.

- Each item is scanned front and back.
- Images are organized by deposit in DTC's imaging system database.
- A request for an image of a deposit through PTS/PBS will result in the display of all images associated with that particular deposit.
- The size and the position of an image can be manipulated.
- Ability to request that imaged copies of a deposit be sent to the depositing Participant via the Imaging Fax and E-mail System (IFE), which can be accessed through CUST.
- A Participant can elect to receive images via Image DropBox solution, where daily deposit images are pushed to the Participant's designated server for retrieval.

When a Participant requests images through PTS/PBS, (IFE) the images are transmitted to an image window on the same workstation or on one nearby.

For delivery to the Participant LAN environment, DTCC currently supports TCP/IP connectivity. The workstations must be running Windows 2000 or Windows XP operating system, and have a standard connection to the DTCC mainframe environment (3270 emulator with access to Supersession for internal users, and PTS/PBS for external customers). The purpose of the 3270 emulator window is to initialize the image display window and to request specific images for viewing. The image display window is not a 3270 session, but rather IWPM (external customers), or Frigid (internal users) Participant program. This window lets Participants receive, rotate, zoom in and out of an image, and perform other useful image manipulation tasks.

In order to receive images of securities from DTCC, the Participant will need a TCP/IP connection to DTCC. If the Participant already has a Frame Relay connection to DTCC and wants to use the same one for imaging, DTCC will examine capacity and advise the Participant whether response time would significantly degrade. Refer to the Fees Guide for information on connection fees.

## **Insurance and Replacement of Certificates**

DTC carries insurance relating to the replacement of certificates lost in transit or on its premises. Based on DTC's insurance coverage, it is recommended that the depositing Participant review its holdings and, when possible, submit these high value certificates for breakdowns so that the dollar value remains within DTC's insurance limits.

Prior to shipping high value certificates, when possible, arrangements are made with transfer agents or issuers to cancel these certificates before shipment. DTC limits its liability for loss with respect to high-value certificates to the Limit, as defined below; however DTC's liability for loss is not limited to the Limit to the extent that such loss is caused directly by DTC's gross negligence or willful misconduct; provided that in no event shall DTC be liable for any special, consequential, exemplary, incidental, or punitive damages in this regard. The "Limit" is defined as DTC's insurance coverage at the time of the loss in question, provided that with respect to a loss during shipment, the Limit is the lesser of DTC's insurance coverage at the time of the loss in question and \$100 million. Participants may request from time to time information regarding the Limit.

DTC has internal procedures to control, safeguard and limit the risk of potential loss of a high value certificate. For example, DTC staff will work with the depositing Participant's staff to breakdown the deposit into smaller workable denominations so that they fall within a more acceptable range of value. In addition, where possible, arrangements will be made with transfer agents/issuers to cancel these certificates prior to their shipment.

## **Shipping Insurance Valuation**

Securities held by Participants through the Custody Service are segregated from DTC's fungible mass held by Cede & Co., are not eligible for book-entry services, and cannot be used as collateral for DTC transactions.

DTC does not generally price securities held in the Custody Service. However, when DTC is instructed by a Participant to ship securities held in the Custody Service, DTC assigns a price to the securities being shipped to ensure that DTC's Limit is not exceeded when shipping certificates. If a security being shipped is also a full depository eligible security, DTC will assign the full depository eligible security's previous day's closing price, to ensure that its Limit is not being exceeded. When DTC does not have a price for a Custody Service security based on the price of a full depository eligible security, and DTC is instructed by its Participant to ship the security, DTC will assign a price as follows:

- DTC will use a default price of \$1.00 per share for equity issues and face value for debt issues (each, "Default Pricing").
- Where Default Pricing would otherwise apply, Participants may instead provide DTC with a price for DTC to assign to the security for shipping insurance valuation purposes. DTC's assignment of that price for shipping insurance valuation purposes shall not be deemed as an agreement to the price or valuation of the security, and in no event shall DTC be bound or required to use such price for this or any other purpose.

Default Pricing and Participant-provided pricing are subject to DTC's internal procedures to control, safeguard and limit the risk of potential loss of a high value certificate, as set forth above. Participants should consider use of their own insurance for high value certificates in excess of the Limit or in appropriate circumstances they deem to be appropriate, in their discretion.

## **OFAC Screening**

In compliance with the regulatory requirements set forth in the applicable provisions of the Bank Secrecy Act, US PATRIOT Act and OFAC regulations, DTCC has implemented a Bank Secrecy Act, Anti-Money Laundering and Office of Foreign Affairs (OFAC) Compliance Program.

Each evening the registration portion of the Custody Automated Inventory (AIM) file is scanned and compared to the OFAC database. The OFAP function was developed so that Participants can provide DTC with information about the registered holder of a certificate being held in its Custody vault that was screened against the OFAC file and flagged as a potential match.

*Note-* Refer to DTC Important Notice B# 8712 for guidance on responding to OFAC "Pending Review" items via the OFAP PTS/PBS function.

## Associated Products

The following table describes DTC's Custody and related services.

This product	Allows Participants to
Custody Services	<p>Outsource physical securities processing for securities that are not eligible for DTC book entry services. A Participant may:</p> <ul style="list-style-type: none"> <li>• Deposit securities that are not eligible for full depository services and may be eligible for Custody Service.</li> <li>• Withdraw and pick up securities and have withdrawals mailed to the depositing Participant or deposited into its free account for credit on the same business day, if DTC eligible.</li> <li>• Submit transfer instructions for selected certificates (regular and rush).</li> <li>• Forward foreign securities to a global custodian or ship them to an overseas agent for transfer or redemption.</li> <li>• Deposit government securities into custody and have them presented to the Treasury Department, Federal Reserve Bank of New York (FRBNY).</li> <li>• Instruct DTC to have the letterhead of the depositing Participant official facsimile signature appear on letters accompanying certificates that DTC mails to its customers.</li> <li>• Instruct DTC to clip coupons and to present them through its Coupon Collection Service (CCS).</li> </ul>
Custody Reorganization	<p>Present securities held in custody for any type of reorganization activity, including redemption and mandatory and voluntary activities. On behalf of the depositing Participant, DTC will present:</p> <ul style="list-style-type: none"> <li>• Securities held in custody that are identified as mandatory items.</li> <li>• Securities held in custody that are identified as voluntary items.</li> <li>• Securities held in custody that are identified as called or matured.</li> <li>• Certain money market instruments that are still being issued in physical form, delivering the securities to the paying agent with instructions to wire funds to the Participant.</li> </ul>
Restricted Deposit Service	<p>Deposit and transfer restricted securities that have been sold either fully or partially, or for which restrictions have been lifted, or both.</p>
Branch Deposit Service	<p>Use the Participant's internal system to capture information from its branches on physical deposits for their customers that are made directly to DTC and pass on the information to DTC. Please refer to the Deposit Service Guide for more information on the Branch Deposit (BDS) Service.</p>



This product	Allows Participants to
New York Window Service	Settle and clear receives and delivers. Same-day receipt/delivery for Direct Clearing Participants.

## Preparing to Use the Custody Service and its related services

In order to use the services included in the Custody Service, a Participant must have access to one of the following:

- The Participant Terminal System (PTS) and Participant Browser System (PBS) networks.
- Computer-to-Computer Facility (CCF or CCF II) or Mainframe Dual Host (MDH)
- MQ Messaging Protocol.

In addition, in order to submit a request to make a security or other asset eligible for deposit into the Custody Service and/or to verify whether a particular security or other asset has already been made eligible for the Custody Service (i.e., may be deposited without first separately requesting eligibility), Participants must access DTC's online custody eligibility application ("Custody Eligibility Application"), as described below.<sup>1</sup> This application is part of DTC's Underwriting System Applications ("USA") and available through DTC's online portal at <https://portal.dtcc.com>.

Participants should contact their Relationship Manager for more information.

## Medallion Programs

When processing certificates in connection with Custody Services, DTC may use a Participant's Medallion Signature Guarantee stamp(s), and Power of Attorney Release stamp(s) ("Medallions or Stamps"). DTC will not use the Medallions or Stamps except for the purpose of making negotiable Participant securities for transfer or sale in accordance with Participant's instructions (including standard instructions). Each such Medallion or Stamp provided by a Participant to DTC shall be registered in the name of the Participant and bear either the Participant name or a facsimile signature of a duly authorized officer of the Participant, and shall remain under the control of the Participant or such officer, and each use of such Medallion or Stamp by DTC shall be deemed to be done under the authority of the Participant or such duly authorized officer.

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<sup>1</sup> Prior to implementation of the Custody Eligibility Application, Participants submitted Custody eligibility requests to DTC by email only. The Custody Eligibility Application will be implemented in phases whereby Participants using the Custody Service will be migrated to use the Custody Eligibility Application to submit Custody Eligibility Requests over a period of approximately two months beginning on October 31, 2016. However, email submission of Custody Eligibility Requests will remain available to Participants as a valid method to submit Custody Eligibility Requests until the later of (i) January 31, 2017 and (ii) 30 calendar days following the date all Participants using the Custody Service have migrated to be able to submit Custody Eligibility Requests using the Custody Eligibility Application ("Final Effective Date"). On and after the Final Effective Date, DTC will no longer accept such email requests and Custody Eligibility Requests will be required to be submitted through the Custody Eligibility Application. This footnote will be deleted from this Custody Service Guide as of the Final Effective Date. The Final Effective Date will be announced via a DTC Important Notice.

During non-business hours a Participant's Medallions and Stamps held by DTC will be secured in DTC's vault.

DTC will use a control log to track the daily issuance and return of the Participant's Medallions and Stamps. Unless they are in use by DTC's staff during business hours, the Participant's Medallions and Stamps will be kept in a secured container with access to such container being controlled by DTC supervisors.

Any requests by DTC for a Medallion or Stamp replacement (due to breakage), will be made to the Participant in writing.

A Participant's Medallions and Stamps remain the property of the Participant and will be returned to the Participant promptly upon receipt of a written demand from the Participant.

DTC will indemnify and hold the Participant harmless against any claims, losses, proceedings, liabilities, judgments, damages, costs, or expenses (including, without limitation, attorneys' fees and costs) of any kind and character suffered by the Participant caused by the gross negligence or willful misconduct of DTC or its employees relating to its failure to act in accordance with these procedures as they relate to DTC's use of the Medallions and/or Stamps, including DTC's affixing stamps and medallions to certificates. Except as expressly stated above, DTC shall not have any liability of any kind (including, but not limited to, for any direct, indirect, incidental, special, consequential or punitive damages or damages for lost profits or lost opportunities and whether based upon contract, tort, warranty or otherwise) for any reason as it relates to the Medallion Program.

Any Participant utilizing DTC's Custody Service, through its duly authorized officers authorizes DTC to affix various Participant Medallions and Stamps to certificates upon instruction of the Participant (including standing instructions) in order to make such certificates negotiable for sale or transfer. The Medallions and Stamps, which will be supplied to DTC by Participant, will include signature guarantees and power of attorney release stamps. The Participant will indemnify and hold DTC harmless against all claims, losses, proceedings, judgments, costs, expenses, damages, or liabilities (including without limitation, attorneys' fees and costs) of any kind and character suffered by DTC arising out of DTC's affixing Participant stamps and medallions to those certificates in accordance with these procedures, provided, however, that Participant shall not indemnify DTC for any claims, losses, proceedings, judgments, costs, liabilities, damages or expenses (including, without limitation, attorneys' fees and costs) relating to DTC's use of the Medallions and/or Stamps that are a result of the gross negligence or willful misconduct of DTC or any of its employees or agents.

By utilizing DTC's Custody Service, the Participant represents that it has informed the underwriter of its Medallion program surety bond of DTC's authority to affix Medallions and Stamps of the Participant to certificates as set forth above and has provided such underwriter a copy hereof, and that Participant's underwriter agrees that such arrangement will not affect coverage under such bond.

# Custody Services

## About the Service

Custody Services include deposits and safekeeping, withdrawals, and transfers of securities that are eligible or, in some cases, ineligible for all of DTC's services.

DTC's Regular Custody Services provides a Participant with a convenient method for outsourcing the custody and processing of physical securities for those securities that are not eligible for DTC book-entry services. Some of the types of securities for which Participants can use these services are:

- Securities that are not eligible for full depository services
- Foreign securities
- Government securities
- Restricted securities
- Private Placements and Safekeeping

A Participant deposits the physical certificates and any accompanying documents with DTC for placement in its secure vault and DTC can then perform the physical processing on its behalf, such as transferring certificates.

A Participant may also withdraw certificates easily. DTC will mail them to the depositing Participant, or deposit the position into its general free account for credit on the same business day. The Participant may have foreign securities forwarded to a global custodian or shipped to an overseas agent. The Participant can have government securities presented to the Treasury Department or Federal Reserve Bank of New York (FRBNY). DTC will also clip coupons and present them through its Coupon Collection Service (CCS).

## Functions of the Service

DTC's Custody Service frees the depositing Participant from physical handling of securities that are not eligible for DTC full-service processing, or are DTC-eligible, but not registered in the name of DTC's nominee, Cede & Co. For securities deposited into the Custody Service DTC will:

- Handle transfers
- Process withdrawals, mailing certificates to the depositing Participant or depositing position into its general free account at DTC
- Deliver certificates to other agencies, including global custodian and overseas agents
- Present government securities to federal agencies
- Affix the depositing Participant's official facsimile signature and medallion guarantee stamp to securities being transferred
- Clip coupons

## Functional use of the Custody Service

First, the depositing Participant must prepare the physical certificates to be deposited, then using DTC's online system (CUST), or a CCF deposit file or MDH system, the depositing Participant must enter its custody information. The Participant may then send the certificates to DTC.

After DTC's staff has examined, electronically imaged and recorded the deposit, the physical certificates are placed in a DTC secure vault and unique reference numbers are assigned.

Once the deposit is accepted and recorded, a Participant can withdraw and transfer securities easily, issuing its instructions via the PTS/PBS function CUST or via messaging.

Note: If the Participant does not know whether a security or other asset, as applicable, is currently eligible for deposit in DTC's Custody Service, the Participant should verify the eligibility status using the online Custody Eligibility Inquiry Function through USA, as defined below. If the security or asset is not eligible then the Participant must, prior to depositing it at DTC, submit a request to DTC to make the security or asset eligible for the Custody Service using the Custody Eligibility Application as described below.

## Deposits

DTC examines deposits, reviewing the securities for negotiability as well as ensuring the accuracy of the data the Participant transmits in the "deposit expectancy file".

- A Participant may request a SIC verification at the time of deposit through DTC's Branch Deposit Service (optional service). DTC will provide a file to SIC using the Participant's FINS number and access code.
- DTC will identify and create reorg deposits when applicable.

A Participant may deposit securities or documents into custody using:

- Participant Terminal System (PTS)/Participant Browser System (PBS) functions
- Computer-to-Computer Facilities (CCF) file transmission
- Mainframe Dual Host (MDH)
- MQ Messaging Protocol

As a safekeeping service for deposited securities DTC provides:

- Security in a DTC secure vault. DTC's vault and certificate-handling practices provide for secure facilities and promote prompt and accurate securities processing. Inventories are segregated in various locations, sometimes referred to as "boxes". The depositing Participant may move certificates from one box to another to reflect changes in the status of the securities.
- Assignment of a unique reference identification number to all deposits. Each certificate received into custody is identified by customer account number. At any time the depositing Participant may update the customer's account number on certificates.
- Continuous random audit checks. Auditors for the depositing Participant or its custodial customer may occasionally require access to the custody inventory. Given appropriate notice, DTC will provide a secure space under camera surveillance where securities can be examined.
- Availability of detailed information on every certificate, including certificate number, registration, negotiability status, and restricted indicator and access to images of the Participant's certificates or documents through CUST. See Imaging.

## Items Accepted for Deposit

- Stocks (negotiable, non-negotiable, and restricted)
- Bonds
- DTC eligible securities
- DTC ineligible: open-ended mutual funds, short-term money market instruments, foreign securities, interest only, limited partnerships, promissory notes, private placements, customer-registered custodial assets.
- Gold certificates
- Non-standard assets

## Items Not Accepted

As noted in Eligibility above, DTC reserves the right, in its sole discretion, to refuse to accept a security or other asset for deposit in its Custody Service. Items not accepted include, but are not limited to, the following:

- Terminal output of stock record positions
- Vouchers or cash for airline tickets
- Legal correspondence on Participant assets
- Bank account applications
- Bills of sale
- Contracts of prevailing wage certificates
- Assignment of real estate
- Individual Retirement Accounts (IRA) statements
- Tax returns

## Trailing Document Deposits

The Participant may make a trailing document deposit, also known as a document-only deposit, by instructing DTC to append the documents to a previous Custody deposit. When the trailing documents are received, DTC will re-examine the original deposit to determine whether it is negotiable.

*Note-* DTC will not accept a document-only deposit if it is not linked to an existing Custody deposit ID.

## Foreign Securities Deposits

DTC will safe keep foreign securities, and if instructed, will forward the Participant's foreign securities to a global custodian for deposit into the Participant's account.

When DTC receives a deposit of this type, DTC's Custody staff will:

1. Examine it to verify negotiability, transferability, issue type and quantity
2. Credit the Participant's custody account
3. Send instructions and security to the agent at the Participant's request
4. Inform the Participant if the security is rejected by the agent, place it in the Participant's custody account and await the Participant's instructions whether to return the security to the Participant, Participant's branch office, or Participant's customer.

## Custody Locations

DTC uses the segregation account (Seg 22) to house custody positions. Within the segregation account there are 100 locations or a series of sub-locations, referred to as "boxes", to further differentiate the positions. The CUST function allows the depositing Participant to change its certificate box location from one box location to another, as needed.

## Custody Reject and Hold

Certificates sent for deposit to a Participant's general free account that do not meet all the requirements for regular DTC deposits because of missing documents, or certificates being in firm name, can, on the Participant's instruction, be held in DTC's Custody vault instead of being returned. The reject is reflected on the daily Participant statement.

## Coupon Clipping

As with regular DTC-eligible securities held at DTC, the Coupon Clipping Service (CCS) is available for custody-held bearer securities. The Participant may instruct DTC to clip these coupons and to present them through CCS, which provides one central location for submitting coupons and one central source of payment. This centralizes transactions for the collection of bearer municipal interest. DTC promptly allocates interest to the Participant directly, once the interest payment is funded by the paying agent.

## Withdrawals

A Participant may withdraw the certificates deposited into Custody as it would withdraw regular deposits. Four types of withdrawals are allowed.

1. **Withdrawal and Pick Up:** A withdrawal and pick-up allows securities to be removed from Custody and brought to DTC's Central Delivery Department promptly to be picked up by the Participant's messenger. A Participant can withdraw any security from its Custody position by using this method, with the exception of "blocked" securities such as those subject to OFAC restrictions.
2. **Withdraw and Ship:** A Participant may instruct DTC to mail withdrawals to the Participant or directly to a customer, if so instructed accompanied by a letter on letterhead of the Participant signed by a duly authorized officer of the Participant.
3. **Withdraw and Deposit to DTC Free Position:** A Participant may request a withdrawal from custody and instruct DTC to deposit it into its DTC free account for credit on the same business day.
4. **Withdraw and Deliver at NYW:** The New York Window (NYW) provides clearance and settlement service for physical securities and related paperwork. The service allows Participants to clear and settle trades outside DTC's regular book-entry settlement services (i.e. Over the Window and NSCC Envelope Service).
5. **Withdraw and Deliver to DTC's Restricted Deposit Service:** A Participant may request a withdrawal from custody and instruct DTC to deposit it into the Restricted Deposit Service (RDS). This will allow for processing of legend removal as set forth under the RDS section below.

## Transfers

DTC's Custody Service allows a Participant to submit transfers requests for registrations changes and/or denominational breakdowns.

## Custody Transfers

As part of the transfer instruction, the instructing Participant must provide a Custody location in which to put the newly issued shares. DTC sends securities to the transfer agent the day after receiving transfer instructions and performs appropriate aging follow-up with the agents.

## Rush Transfers

DTC sends rush transfer instructions to the transfer agent by express delivery on the day after the instructions are received, unless it is for exception processing. DTC performs proof-of-delivery information the next day. Aging follow-up is initiated on day one with feedback to the requesting Participant.

## Associated PTS/PBS Functions

Use This Function	To
ART / Activity Research Tool	Obtain detail information on transactions processed by DTC and view historical information on transactions.
BDSI / Branch Deposit Inquiry	Process and view information on deposits.
CUST / Custody System	Process deposits, withdrawals, and transfers; inquire about positions, and request images.
GWIZ / CUSIP Inquiry	Obtain security information.
RDSP / Restricted Deposit Service	Process and view information on restricted deposits and transfers.
SEEK	Obtain security information.

## Eligibility Inquiry Capability

The “Custody Eligibility Inquiry Function” is available for Participants to verify whether a security or other asset is already eligible for deposit into the Custody Service. The Custody Eligibility Inquiry Function is accessible through USA on the secure Internet portal used for DTC’s online applications generally, at <https://portal.dtcc.com>. The Participant can make such an inquiry by entering certain search criteria (“Search Criteria”). The Search Criteria include CUSIP or partial CUSIP (at least 6 characters), and Security Description (at least 3 characters). Additional Search Criteria allows the Participant to narrow the results including the Security Interest Rate range, Maturity Date range, Dated Date range and Sub-Issue Type.

If a security is eligible for deposit, the Participant can proceed to deposit the Security using the process described above.

## Requesting Custody Eligibility for a Security

Custody Eligibility Requests must be submitted by Participants through the Custody Eligibility Application within USA which is accessible through the secure Internet portal generally used for DTC’s online applications, <https://portal.dtcc.com>.

Note: A Participant should contact its relationship manager with any questions it has regarding access to the DTC portal and the Custody Eligibility Application.

Custody Eligibility Requests must contain certain Data Elements and copy of the security certificate, or other relevant documentation for an asset that is not a security, as applicable, in order to be processed. Participants seeking to make multiple Custody Eligibility Requests at one time have the option to submit a spreadsheet containing the Data Elements for all the securities and other assets for which eligibility is being requested at that time.

Data Elements include CUSIP (if available); Sub Issue Type (required); Description (required); U.S./Non U.S. (This field is required for corporate debt and equity issues. For all certificates of deposit, and collateralized mortgage obligations must be U.S. issues. For municipal securities, this field is set to U.S. and is not updateable); Issuer Country of Origin (required for corporate debt and equity issue types); State of Incorporation (required for all U.S. issues), Dated Date (required for corporate debt and municipal security types); Accrual Date (required for corporate debt and municipal security types); Certificate Type (required and defaulted to R for Registered, can be updated to Bearer or Interchangeable); Maturity Date (required for corporate debt, municipal securities and warrants); Interest Rate (required for corporate debt and municipal security types); DTC Participant Number, Name of Paying Agent (required for corporate debt and municipal security

types); and Exercise Price (required for warrants). If the Participant does not enter the required Data Elements then the Custody Eligibility Application would prompt the Participant to include the missing information.

Once the Custody Eligibility Request is submitted by a Participant, DTC will validate the Data Elements. DTC will send an automated email to notify the Participant if a Custody Eligibility Request requires further review by DTC prior to adding the security or other asset, as applicable to the Custody system as eligible for deposit. DTC may require other information it deems necessary to complete its processing of a Custody Eligibility Request. If DTC requires additional information to complete its review of a Custody Eligibility Request, or otherwise identifies an issue that may affect processing of the Custody Eligibility Request (e.g., incorrect sub-issue type, OFAC issue, etc.), DTC staff will contact the Participant in this regard directly by phone and/or in writing.

If the security subject of the Custody Eligibility Request complies with the requirements set forth in these Procedures but has not been assigned a CUSIP, DTC will assign a CUSIP which the Participant may view on the Custody Eligibility Application screen. DTC will send the Participant making the Custody Eligibility Request an automated email communication to notify the Participant if the applicable security or other asset becomes eligible for Custody services.

Participants with questions regarding the above should call the DTC Underwriting Hotline phone number at 866-724-4402.

## **Custody Reorganization**

### **About the Service**

Custody Reorganization supports positions held in custody that are the subject of current or past corporate actions. Under the service, DTC works with the Participant to identify securities that are the subject of a current or past reorganization. The selected Custody and Branch positions are routed to a special Custody Reorganization box location. DTC then determines the cash and/or stock proceeds the Participant is entitled to, taking into account multiple corporate actions that may have affected the securities in question. After the securities are presented, DTC performs appropriate follow-up with the agent.

All DTC securities in custody are imaged (refer to Imaging). When securities are moved to the DTC or Participant research box, the certificates are imaged and status information is available online.

### **Attributes of the Service**

As with Regular Custody Services, the Custody Reorganization product frees the Participant from the physical handling of certificates deposited at DTC. In addition, for securities that are the subject of a reorganization event, Custody Reorganization provides:

- Online routing of positions to special box locations for processing
- Calculation of the Participant's cash and/or stock proceeds
- Assistance with research into reorganization and redemption activities
- Automatic generation of Letters of Transmittal
- Automatic registration of new certificates
- Follow-up until all proceeds have been collected.



## How the Product Works

To participate in DTC's Custody Reorganization service, access DTCC's Web site at <https://login.dtcc.com/dtcorg> to obtain and sign the following agreements:

- Custody Reorganization agreement
- Third party check deposit agreement.

Once agreements are in place, a Participant can deposit securities for Custody Reorganization services in one of three ways:

1. DTC-initiated sweep (move) - This allows DTC to monitor all or some of the Participant's custody inventory, as per the box locations assigned "sweepable" and move it to the Mandatory Reorg Prep box.
2. Custody Deposit - This allows DTC to direct the Participant's customers' branch deposits to the Custody Reorganization Prep box.
3. Participant-initiated box movement - This allows the Participant to use the CUST function to move securities from any custody box location to the Custody Reorganization Prep box.

After processing, DTC follows up with the agent, allocates payment once it is received from the agent, and routes all completed stock entitlements to a Custody Reorganization Hold Box. From there, the Participant can move them to the box location of their choice within Custody, or instruct DTC to send them to the Participant's customer.

## Reorganization and Redemption Activities

All DTC Reorganization and Redemption activity types are eligible for Custody Reorganization services. These include, but are not limited to:

- Cash mergers
- Stock/stock mergers
- Stock/cash mergers
- Partial calls
- Liquidations
- Full calls
- Maturities
- Warrants
- Conversions
- Rights offerings
- Reverse splits
- Tenders
- Short-term maturities.

## Mandatory Reorganizations

A Participant can move to the Mandatory Reorg Prep box securities that are already in custody in one of two ways:

1. Designate custody box locations as "sweepable" (moveable), allowing DTC to automatically make a daily comparison of all positions to the RIPS database and identify all mandatory items and then to move those items to the Mandatory Reorg Prep box.

2. Designate custody box locations as "nonsweepable." A Participant can then decide at any time to transmit a message instructing DTC to sweep (move) the securities to the Mandatory Reorg Prep box.

Once securities are moved to the Mandatory Reorg Prep box, the system automatically generates Letters of Transmittal (LTs). The LT shows the name and address of the agent and the cash or stock proceeds to which a Participant is entitled. The LT further instructs the agent to pay cash proceeds to DTC and to register the new certificates in the same Participant's or customer name as that of the old securities.

*Note-* A Participant will not be charged for rejects resulting from DTC error. DTC will correct and resubmit, at no charge to the Participant, any rejects that can be corrected.

## **Voluntary Reorganizations**

The voluntary portion of the Custody Reorganization product applies to conversions, warrants, tenders, and rights. DTC has designated a special voluntary box location for these items. During the life of a conversion or warrant, a Participant can submit instructions for custody positions through the PTS/PBS functions WARR (warrants) and RCNV (conversions).

Currently, a Participant cannot give instructions on custody positions for tenders and rights offerings through PTOP and PSOP. The Participant should move its custody position to the free account, and if the securities are DTC-eligible, follow the same instructions as those for regular reorg tenders and rights offerings. If the securities are non-negotiable, restricted or if the offer is not being handled by DTC, DTC will accept hard-copy LTs.

## **Short-Term Maturity**

Certificated bankers acceptances, municipal Variable Rate Demand Obligations (VRDO), institutional certificates of deposit (CD), and certain other instruments held in custody must be presented to the paying agent on the scheduled payable date, not before. The short-term component of Custody Reorganization is designed to help the Participant comply with these requirements.

When DTC receives short-term maturity certificates into custody, the payable date and other relevant payment details are captured at the individual certificate level. DTC produces a short-term redemption payment projection report daily, detailing certificates with payable dates that are within the next 5 business days, and sends it to the Participant to be balanced. Securities shown on the projection report are automatically routed to the Participant's Short-Term Maturity Prep box. DTC then arranges for the securities to be delivered to the paying agent on the payable date along with a system-generated LT instructing the agent to wire the proceeds to the bank account that is designated. It is the Participant's responsibility to inform DTC if there are errors on the projection report.

## **Reorganization and Redemption Research**

DTC's staff tracks certificates from issuance date to the current date in order to determine reorganizations or redemption events and their associated entitlements. DTC attempts to contact the current exchange or redemption agent if one is available to verify status in this regard, as applicable.

The Participant can move an issue into the Custody Reorg Prep box even if the issue does not have an existing DTC RIPS envelope. DTC will research the issue and will either create an envelope or move the position to the Participant's research or reject box. If the latter, DTC will explain why the envelope cannot be created.

Reasons include:

- Offer expired
- Security is worthless or bankrupt
- Escheatment
- Agent cannot be located.

## Agent Follow-up, Collection and Payment

Custody Reorganization also has the following features:

- Agent follow-up on Custody Reorganization presentations. (Note: No allocation of entitlement is processed before it is received from the agent.)
- Payment of cash entitlement (cash mergers, cash-in-lieu, and cash dividends) are allocated through the existing reorganization settlement system and identified as custody allocations.
- All completed stock entitlements are routed to the Custody Reorganization Hold Box (Box 949). The Participants are responsible for moving the securities to a final location (DTC free, Custody vault).

## Custody Reorganization Boxes

Six box locations are associated with Custody Reorganization; all locations appear as Seg 22 sub accounts:

1. 934: Participant Research (rejects from transfer agent also included)
2. 936: Conversion and Warrant
3. 938: DTC Research
4. 939: Mandatory and Voluntary Reorg Prep
5. 949: Completed Reorganization Hold
6. 953: Short-Term Maturity Prep
7. 955: At Agent

## Associated PTS/PBS Functions

Use this function	To
ART / Activity Research Tool	Obtain detailed information on transactions processed by DTC and view historical information on transactions.
BDSI / Branch Deposit Inquiry	Process and view information on deposits.
CUST / Custody System	Process deposits, withdrawals and transfers; inquire about positions; and request images.
GWIZ / CUSIP Inquiry	Obtain information about a specific security.
RCNV/ Reorg conversions	Submit conversion instructions for custody positions.
RDSP / Restricted Deposit Service	Process and view information on restricted deposits and transfers.
RIPS / Reorganizations	Obtain information on corporate announcements.
SEEK	Obtain security information.
WARR / Warrants Subscriptions	Submit warrant instructions for custody positions.

# Restricted Deposit Service

## About the Service

The Restricted Deposit Service (RDS) allows Participants to deposit and effect a transfer on certain restricted securities. The RDS unit handles the following types of items:

- Full sale
- Partial sale
- Gift
- Custody only
- Legend removal
- Breakdown.

## Attributes of the Service

Using RDS offers the Participant the following benefits:

- Outsourcing of labor-intensive handling, shipping, and follow-up associated with restricted transfer processing
- Early credit to Participant's general free account on sold shares through the FAST system
- A separate Seg account for deposits that initially fail DTC's examination for negotiability and require additional documents, such as a stock power
- Ability to view comments about the Participant's deposit and transfer status through the PTS/PBS function RDSP
- Ability to request that imaged copies of a deposit via the Imaging Fax and E-mail System (IFE), which can be accessed through RDSP.

## Making a Restricted Deposit

1. Use the PTS/PBS function RDSP to enter information such as CUSIP number, total quantity, quantity sold, and registration instructions about the restricted deposits. DTC receives the information and an RDS ticket generates automatically on the Participant's printer.
2. Send the physical securities, the RDS ticket, Opinion of Counsel letter (if applicable) authorizing removal of the restriction, and any other necessary documentation to the RDS unit. If the shares are on file at DTC, the Custody department will deliver them to the RDS unit for processing.
3. The RDS unit then submits the deposit to the transfer agent.

*Note-* To expedite transfer turnaround time and avoid potential delays or rejects by transfer agents, DTC advises Participants to make arrangements to obtain Opinion of Counsel letters and include them with their deposits.

## Security Re-registration

The following details how the RDS unit facilitates the re-registration of various types of restricted deposits:

- **Full sale:** All shares are registered in the name of Cede &Co. or added to the Fast Automated Stock Transfer (FAST) balance.
- **Partial sale:** Sold shares are registered in the name of Cede &Co. or added to the FAST balance, and the unsold portion is registered in the customer's name.

- **Legend removal:** DTC works with the transfer agent/custodian to have restricted legends removed from certificates and have the shares registered in the name of Cede & Co. (and added to the FAST balance where applicable).
- **Gift:** The shares are re-registered as instructed by the customer.
- **Breakdown:** New certificates remain restricted in the original customer's name.
- **Custody only:** All shares are registered only in the customer's and/or firm's name.

*Note-*

1. Only DTC-eligible issues can be registered in the name of Cede & Co. Custody-Only issues require transfer instructions.
2. Re-registered certificates may be mailed directly to the Participant's customer. DTC uses Priority Overnight Service to facilitate the delivery and tracking of packages.

## Keep in Mind

- Transfer and mailing instructions are required at the time the deposit is made.
- The Participant can update or delete deposits while the deposit is in pending status.
- The Participant cannot amend the total quantity of the deposit or the CUSIP number.
- The Participant can amend transfer instructions or restricted deposit types, or increase the sold portion on a partial share.
- All amendments must be approved by DTC and the transfer agent.

## Processing Restricted Deposits

When the RDS unit receives the restricted deposit, the securities are imaged and examined for CUSIP, quantity, and negotiability. The unit ensures that the securities have been properly endorsed, the correct stamps have been affixed, and all manifested documents are received. If a deposit is deemed non-negotiable, DTC will immediately notify the Participant of the missing documents. DTC will hold the deposit for the Participant at the Participant's request until the Participant sends the necessary documents.

After DTC credits the Participant's account, unique transfer instructions are generated. These instructions specify that the sold portion of the deposited securities should be registered in unrestricted form to DTC's nominee name, Cede & Co., and that the unsold portion should be registered in the customer's name or as instructed, but only in compliance with the Opinion of Counsel.

## Restricted Transfers

Restricted deposits and their transfer instructions are hand delivered or sent by courier service to the transfer agent. When the transfer agent receives the transfer, DTC staff begins following up with the agent on the status of the item.

RDS transfers can be processed as "rush" or "non-rush" items. For rush items, agent follow-up begins on the second business day following the deposit. For regular non rush items deposited with the Opinion of Counsel letter, agent follow-up begins on the third business day following the deposit. For items deposited without the Opinion of Counsel letter, follow-ups begin on the seventh business day following the deposit. The status of the open transfer and the name of the DTC contact are posted on RDSP and the status is available for Participant review. The status includes a history of the transfer agent's responses, including dates and appropriate names. The role of the transfer agent and its responsibility for the transfer of restricted securities remain unchanged.

The Participant can also submit amended instruction requests through RDSP if, for example, the Participant receives authorization to increase the quantity of shares sold. If the securities have not

been transferred, DTC contacts the transfer agents on the Participant's behalf and will modify the instructions. Additionally, delivery instructions can be amended.

A Participant using the Custody Service can access its Custody account through RDSP or by requesting a Custody withdrawal with delivery instructions to the RDS unit. All restricted functions are available to the Participant including the ability to either return unsold shares to Custody or have them mailed directly to the customer.

If the security is designated 'Custody Service Only' and is therefore not eligible for regular DTC deposit, the RDS unit can still fulfill the request for sale, legend removal, re-registration, or breakdown via the Custody Only option. The shares may not be registered to Cede & Co.

DTC-eligible securities held in Custody that are designated and 'Chilled for Deposit' can also be processed through the RDS Custody option, as long as the Participant can locate a valid transfer agent.

## RDS Accounting

When DTC accepts a deposit, the Participant's segregated account is credited as follows:

- Deposits that are deemed non-negotiable by DTC will be held in the 22-250 account (PERD) until either the missing documents are deposited or other instructions are provided.
- Deposits accepted to transfer will be posted to two different accounts:
  1. Securities being re-registered to Cede & Co. (full shares, sold portions of partial sales, or legend removals) are credited to the 22-251 account.
  2. Customer transfers (unsold portions of partial sales, gifts, breakdowns, or Custody-Only options) are credited to the 22-252 account.
- Upon transfer, FAST-eligible securities are added to DTC's FAST balance by the agent. The 22-251 position will then move to the 10 (free) account, allowing the Participant access to the shares. All share positions in the 22-252 account are reduced when received from the agent. The remaining eligible issues that are non-FAST must be returned from the agent before DTC reduces the 22-251 account to the free account, making the shares available.

## Associated PTS/PBS Functions

The following PTS/PBS functions are used in association with the Restricted Deposit Service:

Use this function	To
ART / Activity Research Tool	Obtain details of transactions processed by DTC and historical information on transactions.
BDSI / Branch Deposit Inquiry	View branch deposit information.
CUST / Custody System	Process custody deposits, withdrawals, and transfers; inquire about positions; and request images for custody items.
GWIZ / CUSIP Inquiry	View information about a specific security.
RDSP / Restricted Deposit Service	Process and view information on restricted deposits and transfers.
SEEK	Obtain security information.

## New York Window Service

## About The Service

The New York Window Service (NYW) provides clearance services for the settlement of physical securities and related paperwork. The service allows firms to clear and settle trades outside DTC's regular book-entry settlement services. Some of the trades that might clear through the NYW are securities that are not DTC-eligible, restricted securities, and mutual fund re-registration letters.

Participants can withdraw securities as well as arrange for deliveries and receives via the NYW.

## Attributes of the Service

- Withdraw securities from Custody
- Have the Participant's current day's certificates delivered to the Participant
- Deliver securities from DTC's vault via messenger or via the Envelope Settlement Services (ESS)
- Receive securities via messenger and NSCC's Envelope Settlement Service (ESS)
- Facilitates physical ACATS transfers between Participants using the Custody Service<sup>2</sup>

The NYW also handles deliveries and receives for Direct Clearing Participants that do not use DTC for custody of their physical assets.

## How the Service Works

A Participant can use the NYW for physical settlement and clearance of all positions held in custody at DTC.

The Participant can submit instructions via the PTS/PBS CUST function to arrange for the deliveries of securities from the DTC vault to the NSCC Envelope Settlement Services (ESS).

## Physical Settlement and Clearance

DTC provides physical settlement and clearance for all positions held in Custody through the New York Window (NYW). The Participant can withdraw securities from custody and have its messenger pick them up at the Central Delivery window. The Return to Firm service also offered by the NYW allows the Participant to have some or all of a current day's certificates returned at the Participant's request.

The NYW has a messenger service for deliveries and pick-ups related to its processing. The Participant can use these messengers for duties associated with securities processing.

## Deliveries

The NYW service allows the Participant to make deliveries directly from DTC's Custody vault.

The NYW uses the Envelope Settlement Service (ESS) or makes deliveries by messenger "Over the Window" (OTW). The Participant gives instructions to make a delivery. If the delivery is eligible for ESS, the NYW prepares a credit list, puts the securities in an envelope and delivers it to NSCC's window. The Participant can submit delivery instructions through the CUST function, which links the NYW and the Custody Vault.

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<sup>2</sup> ACATS is a service of NSCC.

If a delivery cannot be made through ESS or if a firm is not eligible for ESS, deliveries are processed OTW. A receive and a delivery of OTW securities between two NYW Participants can take place as an internal cross-activity. The securities remain at the NYW.

*Note-* All money settlement transactions processed as OTW items are performed outside of DTC, including if the delivery is between two DTC Participants. To ensure a delivery, DTC must receive all settlement delivery instructions by 9:30 a.m. in order to meet industry cutoffs.

## **Receives**

The NYW also uses ESS for receives. NYW messengers pick up ESS envelopes from NSCC's window and deliver them to the NYW. The contents are checked and the securities are keyed into the NYW system.

All items received, both receives versus payment (RVP) and free receives, are booked into Custody the same day, shipped to another location, or turned around for same-day delivery according to the instructions given for the receive. Receives are examined for negotiability and reclaimed if necessary.

If a receive cannot be made through ESS and if a firm is not eligible for ESS, receives are processed OTW. A receive and a delivery of OTW securities between two NYW Participants can take place as an internal cross-activity. The securities remain at the NYW.

## **Direct Clearing Participants**

The NYW can accommodate physical receives and delivers for Direct Clearing Participants that do not use DTC for custody.

DTC supports the use of the NYW for Direct Clearing Participants. All securities received are automatically mailed to the Participants the same day.