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P&S#:	7431
DATE:	JUNE 24, 2014
TO:	ALL MEMBERS
FROM:	PRODUCT MANAGEMENT, EQUITIES CLEARANCE
ATTENTION:	MANAGING PARTNER/OFFICER; OPERATIONS PARTNER/OFFICER; MANAGER P&S DEPARTMENT; MANAGER DATA PROCESSING DEPARTMENT
SUBJECT:	IMPLEMENTATION OF CORPORATE ACTION PROCESSING ON SMART/TRACK FOR CNS CORPORATE ACTIONS

In Important Notice A# 7403, P&S# 7833 dated May 5, 2014 the National Securities Clearing Corporation (“NSCC”) announced that the rule changes for the enhancements to corporate action processing through its Continuous Net Settlement (“CNS”) system have been approved by the Securities and Exchange Commission (SEC).¹ As a result, phase two implementation of these enhancements regarding corporate action processing will be implemented on **Friday, August 8, 2014**.

Below is a summary of the changes that will become effective on **August 8, 2014**:

SMART/Track for CNS Corporate Actions

- All instructions by Members for a CNS voluntary corporate action event must be entered via the new product, **SMART/Track for CNS Corporate Actions**. This includes a new submission, modification, or cancellation instruction. As a result, Members will no longer be able to submit any CNS instructions on the **SMART/Track for Corporate Action Liability Notification Service**. Although the CNS input function will be removed from this menu, existing users will continue to use the **SMART/Track for Corporate Action Liability Notification Service** to pass liability on firm to firm transactions.
- Autoroute# 02042253 (CNS Reorganization MRO) and # 02040252 (CNS Reorganization Report), which includes the existing CNS corporate action processing output information, will be discontinued. Members must use **SMART/Track for CNS Corporate Actions** to view corporate action information on mandatory and voluntary events, view their potential/final liabilities, and view their preliminary/final protects. This new product will be the only way that liability and protection information will be reported by NSCC.

¹ See Release No. 34-72029; File No. SR-NSCC-2014-03 (April 25, 2014); and Release No. 34-72307; File No. SR-NSCC-2014-06 (June 4, 2014).

- Note: Autoroute # 02042500 (CNS Reorganization Master File Report) and # 02042251 (CNS Reorganization Master File MRO) will continue to be distributed.

Restriction on Movement of Positions between CNS Sub-Accounts

- When a voluntary reorganization is being processed on a security, CNS will no longer permit the movement of positions for that security between non-reorganization sub-accounts (which include, for example, a movement from the CNS General Sub-Account “A” to the CNS Fully-Paid-for Sub-Account “E”, or vice versa) either on CNS “protect” expiration date, and when there is no protect, on expiration date of an offer.

Final Liability & Final Protection Notification

- CNS will report to short Members of their assigned final liability at the close of business on the same business day the final liability is assigned by CNS. Additionally, the long Member will be notified of their final protection in the same new timeframe.

Support of Additional Voluntary Offers

- CNS will begin to support tender/exchange offers that include an “offer to consent”. As with all corporate actions, CNS Operations will continue to review each of those events and determine which are capable of being handled by the system.

Same Day Payment on Voluntary Offers

- CNS will make payment on a voluntary offer on the same day DTC makes payment of the same offer only if that offer is paid by DTC before 2:45 p.m. eastern time

New Fee for Late Protect Submission and Liability Notification

- NSCC will allow Member to submit instructions to place a “protect” on an open fail position in CNS in order to participate in an upcoming corporate action, or to add shares to a voluntary corporate action either on CNS “protect” expiration date or, when there is no “protect” for that corporate action, on expiration date of the offer by 12:00 p.m. (noon) eastern time (“Late Protect”).
 - Members will be charged a fee of \$500 if they submit a Late Protect.
- Members will be charged the lower, standard fee set forth in NSCC’s Rules when they submit a “protect” instruction on the business day prior to CNS “protect” expiration date or, when there is no “protect” for that corporate action, on the business day prior to the expiration date of the corporate action.

Members are strongly advised to ensure they have end users set-up at their firm with the proper corporate action processing entitlements for SMART/Track for CNS Corporate Actions. For further information on entitlements or any of other changes related to this implementation, please see the NSCC Important Notices below, which are available on DTCC's website:

A# 7671 dated January 28, 2014	Discusses the purpose of the enhancements
A# 7682 dated February 13, 2014	Outlines training for the enhancements
A# 7806 dated March 24, 2014	Outlines the registration/entitlement process
A# 7809 dated March 27, 2014	Lists the roles that can be granted for the enhanced service
A# 7837 dated May 8, 2014	Discusses the implementation of optional dividends

FEES

Since **SMART/Track for CNS Corporate Actions** will be a new product under the **SMART/Track for Corporate Action Liability Notification Service**, the same monthly fee will be applied to Members for use of either or both services, *with the exception of the additional fee for Late Protect submission, noted above.*

ADDITIONAL INFORMATION

A copy of this Important Notice can be obtained from the DTCC web site at <http://www.dtcc.com>. If you have any questions regarding these enhancements, please contact your DTCC Relationship Manager or CNS Operations at (888) 382-2721, Option 2, then 2.