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## About IPO:

### Overview

#### What is the IPO Tracking System?

The Initial Public Offering (IPO) Tracking System is a Depository Trust Company (DTC) system used to track the movement of IPO shares for a designated period in a book-entry environment. The system monitors the market activity associated with an IPO issue, including the sale- or "flipping"- of IPO shares during a stabilization/penalty-bid period and generates daily reports for the underwriters itemizing these activities. The goals of the system are to provide: automated tracking of IPOs with no disruption to the normal book-entry process; accurate, comprehensive and timely reports to the Lead Manager and Syndicate Members; and, by allowing IPOs to be distributed and tracked in a book-entry environment, the greatest possible economic efficiency.

The IPO Tracking System monitors the movement of shares residing with Brokers and Banks in different ways. For Brokers, tracked Initial Distribution shares are physically segregated from Secondary Market shares in each Broker's IPO Control Account. In order for a Broker's customer to sell Initial Distribution shares on the Secondary Market, the shares must be released from the Broker's IPO Control Account to its Free Account.

When shares are released, they are listed on the tracking reports as "flipped. " Since, for Brokers, it is not the sale of IPO Initial Distribution shares that registers them as "flipped," but the release made in preparation for that sale, "flipped" on the tracking report always indicates a potential flip. The tracking report does not indicate definitively that a Syndicate Member's customer has flipped.

*Note-* Once shares are released from the IPO Control Account, it is not possible to reverse the IPO release.

The tracking system monitors Brokers' Initial Distribution shares and the subsequent sale of those positions. It does not track any shares once they have been released from the IPO Control Account for any reason.

DTC monitors Bank shares differently. In order to allow Banks to participate in tracking more passively, the IPO Tracking System interfaces with DTC's Institutional Delivery (ID) System, which monitors the Bank's transactions systemically. Banks do not have IPO Control Accounts. Both IPO Initial Distribution and Secondary Market shares are delivered to Banks' General Free Accounts, but they are tagged in the IPO database as IPO Initial Distribution and IPO Secondary Market shares respectively.

During the IPO tracking period, Bank transactions (Primary and Secondary Market) are monitored through the ID system, and potential flips of Initial Distribution shares are reported as such on the daily reports. Tracking of all IPO shares continues until the Lead Manager terminates tracking, or until the 90-calendar-day maximum tracking period is over.

#### Who is Affected by the IPO Tracking System?

All DTC Participants are affected by the IPO Tracking System. Although a Participant may not be directly involved in a tracked offering at the time of distribution, it may receive shares that are marked for IPO tracking into its account (e. g. , as the result of an account transfer). Therefore, Participants must learn to use the appropriate IPO functions to direct IPO tracked shares or they will be unable to complete their transactions successfully. Moreover, Brokers must be prepared to recognize their IPO Control Account and to include it when balancing their internal records.

#### Who Uses the IPO Tracking System?

IPO Tracking System users act in one or more of the following roles:

- **Lead Manager:** the Broker-Dealer that organizes and leads a syndicate of underwriters in the act of purchasing and distributing the shares of an IPO to investors.
- **Co-Manager:** one of two entities acting in equal capacities as Lead Manager for a single IPO issue.
- **Co-Reporter:** one of two entities within a single firm that is acting as Lead Manager. The firm uses two Participant numbers for distribution of an IPO: one for domestic distribution and one for international distribution.
- **Correspondent:** a non-DTC Participant that uses a Clearing Agent to process transactions at DTC.
- **Syndicate Members/Selling Group:** a group of Broker-Dealers that agrees to purchase shares of a new issue from the issuer for resale to the investment public.
- **Custodian Bank:** a Bank that acts as a custodian for an Institutional customer's shares.
- **Clearing Bank:** a DTC Participant that processes transactions at DTC on behalf of a Correspondent.
- **Prime Broker:** a Broker-Dealer that acts as a custodian for an Institutional Customer or for a large Retail Customer that is set up like an Institutional Customer.
- **Clearing Broker:** a DTC Participant that processes transactions at DTC on behalf of a Correspondent.

## The Tracking Period

The tracking period is the time during which the Lead Manager instructs DTC to track an IPO issue. DTC monitors the activity of the IPO tracked issue and presents daily reports to the Lead Manager and Syndicate Members itemizing that activity. The length of the IPO tracking period is determined by the Lead Manager who has until 3:00 p.m. Eastern Standard Time (EST) two days before settlement to notify DTC of its intention to track an issue, and who subsequently may notify DTC on any day prior to 3:00 p.m. EST to end the tracking. The maximum tracking period is 90 calendar days.

A stabilization/penalty-bid period may coincide with the tracking period. This period is also established by the Lead Manager and the issuer. Stabilization indicates the Lead Manager's responsibility to stabilize the market, possibly by intervening in the market to prevent the market price of the issue from falling below the offering price. Penalty bid refers to the Lead Manager's ability to penalize Syndicate Members whose customers have flipped shares, possibly by recovering selling concessions.

Decisions made by the Lead Manager and issuer regarding the stabilization/penalty bid period have no bearing whatsoever on the tracking period. Lead Managers may track IPO issues regardless of whether or not they have established a stabilization/penalty bid period. Similarly, if a Lead Manager has implemented both a tracking period and a stabilization/penalty bid period, the Lead Manager may terminate the tracking period at any time before or after the stabilization/penalty bid period is concluded. (At 90 calendar days, however, the tracking period expires automatically. )

*Note-* Although "penalty bid" and "tracking" refer to two separate activities, in DTC's technical specifications, the terms are used synonymously.

At the close of business on the day IPO tracking is terminated, all shares residing in Brokers' IPO Control Accounts are released to their Free Accounts (if special arrangements have been made, shares may be released to a subaccount segregation location), and Bank transactions are no longer monitored.

Participants may access the tracking status of an issue over the CCF/CCFII ELISC/A files, or via the Participant Terminal System (PTS) functions GWIZ (Security Inquiry) and IPOI (Initial Public Offering Inquiry- Option 1, List of Tracked Issues).

## The IPO Database- Populating Customer-Level Detail

The IPO database stores customer-level detail for Lead Managers' and Syndicate Members' Institutional and Retail customers. The database is populated differently for Institutional and Retail customers, and Lead Managers and Syndicate Members must be aware of the procedures, options, and requirements associated with this process.

### Institutional Customers

Institutional customers are usually investment managers whose trades are executed by an Executing Broker via the ID system and whose positions are held in a Custodian Bank's Free Account or a Prime Broker's IPO Control Account.

### Customer-Level Detail for Institutional Customers

When an Initial Distribution trade settles through the ID system, customer-level detail is extracted automatically from each authorized ID trade identified with an IPO market code. The Agent Bank or Prime Broker Internal Account number and the Executing Broker's Internal Account Number for the customer must be included on the delivery instruction in order to allow the ID system to populate the database appropriately and to make the delivery. If the Internal Account number is omitted or inaccurately added, an Error Code of 91 will appear.

Error Code 91 will flag a missing Internal Account number three times. The first two, at confirm and affirm time, offer the Lead Manager or Syndicate Member time to correct the error by adding or correcting the Internal Account number; it is then possible to deliver the shares via the ID system. If the flag appears for a third time, however, at Authorization and Exception (ANE) time, the trade has already been excepted from the ID system and must be completed via the PTS Deliver Order ( DO or NDOM) function, or via CCF/CCFII or MDH. Lead Managers or Syndicate Members must then enter customer-level details into the DO screen fields in order to populate the database.

*Note-* Customer-level detail that is extracted from an ID trade (or a DO) populates the IPO database at the time the transaction is completed. The only exception is a Broker Custody delivery which populates at confirm time.

### Retail Customers

Retail customers are individual investors who purchase IPO shares through the Lead Manager or a Syndicate Member, and whose positions are held in a Broker-Dealer's IPO Control Account.

### Customer-Level Detail for Retail Clients

Lead Managers and Syndicate Members may populate the IPO database with customer-level detail for their Retail customers by entering Add Customer-Level Detail transactions (over PTS, CCF, CCFII or MDH) directly into the IPO database. This can also be performed easily at Initial Distribution by extracting customer-level details for Retail Primary Market buys from trade files and reformatting them in the IPO Add Customer-Level Detail machine-readable format for transmission via MDH/CCF/CCFII, or by entering the customer-level detail via the PTS function.

Although Lead Managers and Syndicate Members are not required to populate the IPO database with customer-level detail for Retail customers, there are several advantages to doing so. If the IPO database is not populated, the ensuing reports will not be specific and flipping will be reported on a Syndicate Member-level. The Syndicate Member's report will display the message "Customer-Level Information is Unavailable" adjacent to the flipped share quantity.

Also, certain transactions (e. g. , WTs, customer account transfers) require that customer-level detail be entered before the transactions can be processed. Lead Managers, Syndicate Members,

Clearing Brokers and Banks that have not entered customer-level detail will need to enter it in order to perform a customer account transfer or a WT.

Customer-level detail may be submitted to DTC as early as trade date. Brokers may submit reformatted trade files via CCF/CCFII/MDH or use the PTS IPO function to populate the IPO database by including customer-level detail and associated share allocations. Information may be submitted on a daily basis, and DTC accepts these files regardless of whether or not the issue is being tracked. On closing day DTC purges the IPO database of all information pertaining to non-tracked issues. After the closing date, DTC ignores customer-level detail input for non-tracked issues but continues to accept customer-level detail for tracked issues.

*Note-* Once customer-level detail has been entered for one customer in the Participant's database, it must be entered for all of that Participant's customers in order to perform subsequent transactions.

## Setting Up an Issue for Tracking

Lead Managers, Co-Managers, Co-Reporters, Syndicate Members, and Clearing Brokers can all make preparations for an IPO tracked issue before the issue closes.

### Lead Manager

Lead Managers should notify DTC as early as possible that an IPO issue is to be tracked, but must notify it in writing no later than 3:00 p.m. EST, two days before the issue closes (S-2). DTC's Security Master File includes a tracking indicator which must be on for tracking to take place. The indicator defaults to "on" for all IPO CUSIPs, but will be turned off if DTC is not notified in writing by 3:00 p.m. EST S-2 of the Lead Manager's intention to track. Tracking information is available over CCF/CCFII Eligibility files (ELISC/A) and the PTS GWIZ and IPOI (Option 1, List of Tracked Issues) functions. (Refer to Lead Manager for specific instructions. )

### Initial Distribution

After the Lead Manager distributes shares to the Syndicate Members in the "Syndicate Takedown," the Lead Manager (s) and Syndicate Members then distribute shares to their Institutional and Retail customers ("Initial Distribution"). Any of the following actions may occur at this point:

- Distribution of Institutional Shares to Institutions' custodians (Agent Banks or Prime Brokers)
- Directed Concessions (Lead Manager only)
- Oversubscriptions (Lead Manager only)
- Directed Concessions/Oversubscriptions (Lead Manager only)
- Allocation to Retail Customers

Initial Distribution deliveries require customer-level detail.

Lead Managers, Co-Managers, Co-Reporters, Syndicate Members, Clearing Brokers and Banks can set up Initial Distribution deliveries prior to the closing of the issue. These deliveries may be performed by using either DTC's ID system or the PTS functions DO or NDOM.

### Secondary Market

- Secondary Market sells can also be set up in advance by reformatting Secondary Market sell transaction files. In order to deliver Secondary Market sells, Broker-Dealers must release IPO shares from their IPO Control Accounts. Those releases can be set up as early as 6:00 a.m. EST trade date

Releases submitted on trade date will recycle until settlement date or for up to 30 calendar days depending on the recycle option selected by the Participant. The system will recycle the transactions and release positions as they become available for the duration of the recycle period. When shares are released, they are listed on the tracking reports as potential flips.

## Ending the Tracking Period

DTC ends tracking at the close of business on the 90th calendar day of tracking, or any day prior, as instructed by the Lead Manager. Shares are moved from Brokers' IPO Control Accounts to their Free Accounts, and are subject to DTC's normal collateralization rules. Activities chilled during the tracking period (e. g. , CODs and Deposits) can then be performed. On ELISC/A, the tracking indicator and end tracking date are updated to blank spaces. The PTS function GWIZ is updated to indicate that tracking for that issue has been turned off and final tracking reports are generated for the Lead Manager, Co-Managers, Syndicate Members, Clearing Agents, and primary Co-Reporters.

## IPO Tracking System Functions

### IPOU Update Functions

- **Inquiry (Option 1)** provides access to the IPOI Inquiry functions.
- **Add Customer-Level Detail (Option 2)** allows users to populate customer-level detail for Retail shares, and allows Clearing firms to populate customer-level detail for their Correspondent's Retail shares as well. It also allows Brokers and Clearing Firms to adjust Retail customer-level detail.

*Note-* Participants cannot add customer level detail for institutional customers. These customers are populated automatically by DTC's ID system.

- **Release IPO Shares to the Free Account (Option 3)** allows Brokers to release shares from their IPO Control Accounts into their Free Accounts. Brokers can release shares on a Syndicate Member level or on a customer level to their Free Accounts; Clearing Brokers can release their Correspondent Retail customers' IPO shares on a Syndicate Member (Correspondent) level or on a customer level as well.
- **Customer Account Transfer (Option 4)** allows users to transfer shares between Participants and updates customer-level detail of the Deliverer's and Receiver's accounts. Customer-level detail is required. Account transfers can be for value or for non-value.

*Note-* Participants must use this account transfer option when attempting to transfer IPO positions.

- **Customer-Level Adjustment (Option 5)** allows users to adjust customer numbers and/or share quantities.
- **Oversubscription for Lead Underwriter (Option 6)** allows the Lead Manager to move Free shares to its own IPO Control Account for oversubscription distribution. This function will generate two one-sided next-day journals: Free (-) and IPO (+).
- **IPO Pending Transactions Cancel (Option 7)** allows users to cancel "hold" releases.
- **Correspondent Position Adjustment (Option 8)** allows Clearing Agents to move positions in the IPO database among Correspondents and between themselves and Correspondents.
- **Stock Loan Release (Option 9)** allows Brokers to release shares from their IPO Control Accounts into their Free Accounts for the purpose of lending the shares. No customer account information is accepted for stock loan releases.

For additional information regarding the IPO Tracking System Update function, refer to IPOU.

### IPOI Inquiry Function

- **List of Tracked Issues (Option 1)** displays a list of all issues that are currently being tracked, the Lead Manager of each issue, and the proposed date for end of tracking for each issue.
- **Issues by Participants (Option 2)** displays a summary of tracked issues in which the Participant has position. Each role that a Participant plays is represented, e. g. , Correspondent, Syndicate Member, Prime Broker, etc.
- **Customer-Level Details by Participant-Issue (Option 3)** displays three screens that offer different levels of information:
  - **Screen 1:** displays a Participant's general customer information, regardless of which Syndicate Member delivered the shares
  - **Screen 2:** displays customer information broken down by Syndicate Member
  - **Screen 3:** provides detailed information for a specific customer. Custodian relationships for that customer are also defined.
- These screens can be used for accessing more detailed information by entering a specific customer, Executing Broker, flip, and customer-type criteria in the appropriate fields.
- **IPO Release Transaction (Option 4)** offers optional date range criteria, and lists all IPO releases in any status

For additional information on the IPO Tracking System Inquiry function, refer to IPOI.

## IPO Tracking System User's Manual Format

### Chapters

Each chapter addresses the tasks that a user in a particular role may perform (Lead Manager, Syndicate Member, Clearing Broker, etc. ). The chapters are comprehensive, providing the user with step-by-step instructions on how to perform all IPO-related tasks. Users playing multiple roles in one or many IPO offerings simultaneously should refer to multiple chapters. Each chapter includes the following:

- References to all related PTS documentation. PTS instructions that appear within this text indicate IPO-specific requirements only.
- References to CCF/CCFII and MDH appear in the sidebars on the left margin. Contact the Participant Interface Planning Department for field specifications and other requirements.
- Instructions on how to perform all tasks within that role.

A separate chapter, "Reports," describes the reports that the Lead Manager, Co-Manager, Co-Reporter, Syndicate Members, and Clearing Agents receive. The reports are produced daily and are cumulative.

### Appendices

#### Codes

Identifies Activity Codes, DO Reason Codes and ID Market Codes used in IPO Tracking.

#### Glossary

Defines DTC's vocabulary particular to IPO Tracking.

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## Product Topics:

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# Clearing Bank Procedures

## Receive Shares from the Lead Manager on Behalf of Correspondent Syndicate Members

Prior to the closing date, the Lead Manager sets up deliveries of an IPO tracked issue to its Syndicate Members using the appropriate deliver order (DO) reason codes.

By 1:15 p.m. closing date, DTC receives a call from the Lead Manager permitting the distribution of shares to Syndicate Members. DTC then delivers shares from the Lead Manager's IPO control account to the Clearing Bank's general free account, on behalf of the Bank's Correspondent Syndicate Members, in accordance with the Lead Manager's DO instructions ("Syndicate Takedown"). These shares are marked as IPO shares in the IPO database.

Clearing Banks may hold the shares or make deliveries on behalf of their Correspondent Syndicate Members.

*Note-* Throughout the tracking period, all bank transactions (Initial Distribution and Secondary Market) for the issue are monitored. All shares of the tracked issue reside in the bank's general free account and are tagged in the IPO database as either IPO shares or Free Secondary Market shares.

## Initial Distribution

Initial Distribution, the delivery of IPO shares to a Lead Manager's or Syndicate Member's customers at Agent Banks or Prime Brokers, takes place after the Syndicate Takedown.

Although Initial Distribution shares can be delivered on or after the closing date, Clearing Banks can set up Initial Distribution deliveries on behalf of their Correspondent Syndicate Members prior to receiving shares from the Lead Manager.

Initial Distribution shares are delivered by using either DTC's Institutional Delivery (ID) System or the PTS functions DO or NDOM. The Clearing Bank indicates an Initial Distribution delivery by entering the appropriate **Market Code** on the Institutional Delivery Trade Input screen for ID trades, or by entering the appropriate reason code in the **Reas** field of the Initial Public Offering Deliver Orders screen for day and night DOs.

*Note-* Initial Distribution transactions are not settled through Continuous Net Settlement (CNS).

## Distribute Shares to Agent Banks and Prime Brokers via ID

1 Enter information in the following fields of the Institutional Delivery Trade Input screen:

- **Market Code:** enter 11
- **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account (AIA) number for the customer
- **Broker Internal Account:** enter the Executing Broker's Internal Account (BIA) number for the customer

The AIA number, the BIA number, and the associated Syndicate Member are extracted from ID trades upon authorization. On closing date, the IPO database is populated.

*Note-* The Internal Account numbers are required for Initial Distribution transactions and must be entered correctly in order to ensure accurate processing of the transaction.

2 Refer to IDTI for additional ID field and processing information.

## Distribute Unaffirmed ID Shares via DO or NDOM

When a trade is unaffirmed, excepted or rejected from the ID system, the trade may be settled via option 4 of the PTS function DO, or option 6 of the PTS function NDOM.

1 Enter information in the following fields of the Initial Public Offering Deliver Orders screen:

- **Recv-Pt:** enter the receiving Agent Bank or Prime Broker's Participant number
- **Reas:** enter reason code 50
- **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account (AIA) number for the customer
- **ID Agent#:** enter the ID Agent number (*required* on all deliveries from Clearing Banks).
- **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer

The system captures the AIA number, the BIA number, and the associated Syndicate Member and populates the IPO database.

2 Refer to DO or NDOM for additional DO field and processing information.

## Update Customer-Level Information via IPOU

Customer-level detail in the IPO database can be added and/or updated via the PTS function IPOU. The following sections describe some of the activities a Clearing Bank can perform via IPOU on behalf of its Correspondent Syndicate Members.

*Note-* If customer-level detail has been added for any of a Correspondent Syndicate Member's customers, it must be added for all its customers or the Clearing Bank will not be able to perform some transactions (such as withdrawals-by-transfer (WTs), customer account transfers) for those customers.

Refer to Appendix D for additional information regarding IPOU.

## Allocate Shares to Retail Customers (Add Customer-Level Detail)

After delivering Initial Distribution shares to the Agent Banks/Prime Brokers of its Correspondent Syndicate Members' Institutional customers, Clearing Banks can allocate the shares they retain to their Correspondent Syndicate Member's Retail customers.

IPOU, option 2 allows Clearing Banks to populate the IPO database by adding their Correspondent Syndicate Members' customer-level details and share allocations.

*Note-* Banks cannot allocate shares to Institutional customers.

1 On the IPO- Tracking System Main Menu, select option 2, Add Customer-Level Detail.

2 Enter information in the following required fields on the IPO- Add Customer-Level Detail screen:

- **Corresp. Account:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
- **Internal Customer:** enter the Internal Account number of the customer

- **Share Quantity:** enter the number of whole shares, up to 13 positions
- **Sign:** enter (+) to indicate the shares should be increased

## Update Customer-Level Detail

IPOU, option 5 allows Clearing Banks to change their Correspondent Syndicate Members' customers' Internal Account numbers and reallocate a share quantity from one customer to another.

- 1 On the IPO- Tracking System Main Menu screen, select option 5, Customer-Level Adjustment.
- 2 Enter information in the following required fields of the IPO- Customer-Level Adjustment screen:

- **Corresp. Account:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
- **From Internal Customer:** enter the existing AIA number for the customer

*Note-* If a match is not found for the **From Internal Customer** field (AIA number), the transaction is rejected.

- **From BIA:** enter the existing BIA number for the customer (optional)
- **To Internal Customer:** enter the new AIA number for the customer; required if the Participant wants to change the existing number to a new number
- **Reallocated Share Quantity:** enter the number of whole shares being adjusted, up to 13 positions; required if the Participant is reallocating a share quantity from the existing internal customer to the new internal customer

*Note-* Because the system overlays the share quantity information, you must input exactly the total number of shares the **To Internal Customer** should have.

## Transfer Customer's Position Between Participants

Clearing Banks can transfer a Correspondent Syndicate Member's customer's position to another Participant without that transfer being recorded as a potential flip. For reporting purposes, the IPO database moves the original Clearing Bank's Participant number, Correspondent Syndicate Member's ID Broker-Dealer number and BIA number with each transfer of a customer's position.

Memo Segregation and Sub Account Segregated positions do not need to be released prior to attempting any customer account transfers. IPO account transfer transactions can bypass memo segregation.

Customer-level detail is required for account transfers.

*Note-* Partial transfers will not be processed.

## Transfer Customer's Position via IPOU

*Note-* Account transfers in tracked CUSIPs must be accomplished by the IPO Customer Account Transfer function and must be for the total (IPO and Secondary Market) position the customer has in its account.

- On the IPO- Tracking System Main Menu screen, select option 4, Customer Account Transfer.
- Enter information in the following fields of the IPO- Customer Account Transfer screen:

- **Corresp. Account:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
- **To Participant:** enter the receiving Participant number
- **From Internal Customer:** enter the existing AIA number for the customer

*Note-* If no match is found for the **From Internal Customer** field (AIA number), the transfer cannot be processed.

- **To Internal Customer:** enter the receiving Participant's AIA number
- **Share Quantity:** enter the number of whole shares being transferred, up to 13 positions
- **Settlement Amount:** enter the settlement amount for the account transfer; optional
- **Reason Code:** enter the Reason Code by which this account transfer is to be processed

*Note-* The following Reason Codes may be entered for Account Transfers:

**Reason Code 40-** this Reason Code will not reduce the delivering Participant's memo segregation position if the account transfer is valued; but will reduce the delivering Participant's memo segregation position by the account transfer quantity if the account transfer is free of value.

**Reason Code 88-** this Reason code will reduce the delivering Participant's memo segregation position by the quantity of the account transfer only if the account transfer is free of settlement value. Use of this Reason Code will not reduce memo segregation if the account transfer is for value.

**Reason Code 95-** this Reason Code will reduce the delivering Participant's memo segregation position by the account transfer quantity regardless of whether the account transfer is valued or free of value.

**Reason Code 97-** this Reason Code will reduce the delivering Participant's memo segregation position by the account transfer quantity regardless of whether the account transfer is valued as free of value.

**Reason Code 98-** this Reason Code will not reduce the delivering Participant's memo segregation position to transact the account transfer regardless of value.

*Note-* Account transfers of IPO and Free secondary market shares to a broker Participant will result in two DOs generated.

## Share Movement for Customer Account Transfers- Deliveries

When a Clearing Bank transfers a Correspondent Syndicate Member's customer's position to another Participant, DTC moves the shares in one of the following ways:

**Transfer position to a Bank:** All shares move to the receiving Bank's Free Account in ART. Shares marked as IPO shares in the IPO database for the Clearing Bank are marked as IPO shares in the IPO database for the receiving Bank and credited to the receiving Bank's general free account. Shares marked as Secondary Market shares in the IPO database for the delivering Bank are marked as Secondary market shares in the IPO database for the receiving Bank and credited to the receiving Bank's general free account.

**Transfer position to a Broker:** Shares marked as IPO shares in the IPO database for the Clearing Bank move to the receiving Broker's IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares marked as Secondary Market shares in the IPO database for the Clearing

Bank move to the Broker's general free account in ART. Secondary market shares are not captured in the IPO database for broker Participants.

## Share Movement for Customer Account Transfers- Receipts

Clearing Banks receive customer account transfer positions from other Participants on behalf of their Correspondent Syndicate Members in one of the following ways:

**Receive position from a Bank:** All shares move to the Clearing Bank's Free Account in ART. Shares marked as IPO shares in the IPO database for the delivering Bank are marked as IPO shares in the IPO database for the receiving Clearing Bank and credited to the receiving Bank's general free account. Shares marked as Secondary Market shares in the IPO database for the delivering Bank are marked as Secondary Market IPO shares in the IPO database for the Clearing Bank and credited to the receiving Bank's general free account.

**Receive position from a Broker:** All shares move to the general free account in ART. Shares delivered from the Broker's IPO Control Account are marked as IPO shares in the IPO database for the Clearing Bank and credited to the receiving Bank's general free account. Shares from the Broker's general free account are marked as Secondary Market shares in the IPO database for the Clearing Bank and credited to the receiving Bank's general free account.

## Secondary Market

### Secondary Market Deliveries

Free shares sold in the Secondary Market can be delivered using the current ID and DO/NDOM Codes.

The following additional information is required to process Secondary Market sales:

- Internal Account (AIA) number

*Note-* Trades with unmatched AIA numbers will be rejected. (Refer to Relaxed Editing and Resolve Internal Account Number Discrepancies in ID Sell Transactions. )

- Correspondent Syndicate Member's ID Broker-Dealer number
- Executing Broker's Internal Account (BIA) number
- ID Agent ID number

Refer to DO or NDOM for information on Deliver Orders, and IDTI for information on ID deliveries.

When delivering to other Banks (i. e. , Bank-to-Bank deliveries), the Clearing Bank enters its own Internal Account number for its customer. The receiving Bank's database is populated with a customer number matching its own Participant number. The receiving Bank may maintain its own Participant number as its account number for this customer or may adjust the number to the actual customer number. When subsequently delivering the shares, the Bank must use the account number on the database at the time of the delivery. As with any Clearing Bank's delivery, Free shares will be moved first; then, if needed, its IPO shares. If IPO shares are moved via a Bank-to-Bank delivery, the receiving Bank will receive tagged IPO shares and a flip will not be reported.

### Receive Shares from Secondary Market Buys

Shares bought on the Secondary Market reside in the Clearing Bank's general free account and are segregated in the IPO database as Secondary Market shares. For Banks, Secondary Market shares are tracked for the duration of the tracking period.

## Relaxed Editing

Clearing Banks can set up sales of their Correspondent Syndicate Members' customers' Initial Distribution shares on the Secondary Market as early as trade date. These sales, referred to as "turnaround" sales, will settle on the same day the issue closes (possibly before the IPO database has been populated).

Relaxed editing allows Clearing Banks to process Secondary Market sell transactions on settlement date without a match of the AIA number or share quantity to the IPO database. As long as the Clearing Bank itself has received sufficient shares to cover deliveries, the Clearing Bank can process sales of Correspondent Syndicate Members' customers' Initial Distribution shares on settlement date without matching customer-level detail.

As soon as the Clearing Bank receives the Initial Distribution shares:

- ID deliveries that were set up for customers between trade date and the day before settlement date (S-1) are delivered regardless of unmatched Internal Account numbers or share quantity.
- DO/NDOM deliveries set up for customers are made until 3:00 p.m. EST on settlement date, regardless of unmatched Internal Account numbers or share quantities.

After the trade settles, Banks can update the unmatched Internal Account number to the correct Internal Account number via the PTS function IPOU. (Refer to Update Customer-Level Information via IPOU. )

Each night during the relaxed editing period DTC attempts to reconcile the AIA numbers of unmatched deliveries not adjusted during the processing day. After DTC's cutoff for deliveries and prior to cutoff for the machine-readable customer-level detail files, the system automatically attempts to match the AIA numbers of made unmatched deliveries to the AIA numbers populated on the Custodian Bank's IPO database. The system attempts to reconcile these AIA number discrepancies nightly during the relaxed editing period so that DTC can report these sales correctly to Underwriters.

If a match is found, the system updates its records to accurately report the delivering customer and its associated Syndicate Member. The Custodian Bank is also identified on the report as having delivered the shares.

If a match is not found, the system is unable to identify the Syndicate Member associated with the shares and therefore reports the delivery to the Lead Underwriter as "Unknown," indicating a potential flip by a customer of an unknown Syndicate Member. The Custodian Bank is identified on the report as having delivered the shares.

Clearing Banks can view unmatched transactions that settled through relaxed editing via IPOI, option 3. The information is displayed as follows: A customer row is added displaying the unmatched Internal Account number, an "Unknown" Syndicate Member, a negative (-) Available Share Quantity, and a "flipped" quantity equal to the negative share quantity. (Refer to Make Inquiries via IPOI for additional information. )

*Note-* After the relaxed editing period, deliveries with unmatched AIA numbers will not settle.

## Resolve AIA Number Discrepancies in ID Sell Transactions

When the AIA number on a sale transaction is missing or does not match an AIA number in the IPO Tracking database, the system generates a warning message, Error 91.

Error 91 flags an unmatched Internal Account number three times:

- ID Confirmation
- ID Affirmation
- Authorization and Exception (ANE)

Error 91 also appears on machine-readable output.

When validation occurs at Authorization and Exception (ANE) time, ANE will reject the transaction if the Internal Account number is still unmatched or missing and the delivery will be excepted from automated processing.

Unmatched AIA numbers can be corrected in the IPO database prior to the settlement day cutoffs for Global processing and for Trade-for-Trade processing. This will allow the ID trade to be authorized and settle that day through the automated settlement feature of the ID system.

*Note-* The ANE inquiry function and T+ 3 hard-copy report will display a code of "F" in the status field to indicate an Initial Distribution trade that has been rejected from settlement, and an "I" to indicate a Secondary Market trade that has been rejected from settlement. The "F" code indicates that the AIA number on an IPO trade is missing, and the "I" code indicates that the AIA number is missing or does not match the AIA number as stored on the IPO database. These transactions may be reprocessed for up to 21 days.

Internal Account number discrepancies can be resolved in the following ways:

- Have the Custodian update the Internal Account number in the IPO database to match the number on the ID transaction by performing an IPO customer-level adjustment. (Refer to Update Customer-Level Detail. )
- Cancel the ID transaction and re-enter it in the ID system as per the Custodian's instructions received via the PTS function IDEM. (Refer to IDTI for additional information. )
- Have the Custodian except the ID transaction from automated settlement and enter a DO with the AIA number as it appears in the IPO database. (Refer to Distribute Shares via DO or NDOM. )

## Withdrawals-By-Transfer

If certificate denominations are available, Withdrawals-by-Transfer (WTs) of tracked issues are permitted starting on closing day via the PTS functions NWT1 (Night Withdrawal-by-Transfer) and RWT1 (Rush Withdrawal-by-Transfer), as well as via CCF and CCFII. WTs are noted as separate line items on tracking reports.

**1** Enter information in the following fields of the Night W/T Data Collection screen or the Rush Withdrawal Transfer System Add Function screen:

- **Int Cust:** enter the AIA number of the customer for whom shares are being withdrawn
- **Corr Acct:** enter the Correspondent's ID Broker-Dealer number
- **ID Agent:** enter the ID Agent Broker Dealer number; optional

*Note-* Requests for WTs must include the AIA number. Also, the customer must already exist in the IPO database or the WT is rejected.

**2** Refer to NWT1 and RWT1 for additional WT field and processing information.

DTC processes WT requests using the Clearing Bank's Secondary Market shares first. If necessary, DTC then uses IPO shares to complete a WT request.

## Stock Loans and Returns

## Stock Loan Deliveries

Clearing Banks are able to process stock loans using the appropriate DO/NDOM Reason Codes. When processing a stock loan, DTC attempts to fulfill the loan quantity with Free secondary market shares and will satisfy the balance, if necessary, with the bank's IPO shares.

All stock loans are made on an omnibus basis. No customer account numbers are tagged to stock loans. An AIA number entered in a stock loan delivery is ignored by DTC; however, the exception to this is for stock loans to banks, in which case the Participant number of the receiving Bank must be entered as the AIA number in order to allow the receiving Bank the ability to deliver borrowed shares.

All loans of IPO shares are noted as separate line items in Lead Underwriter and Syndicate Member Flipping Activity Reports and are categorized according to Participant type of lender and borrower. The quantity of loaned IPO shares is prorated across all Syndicate Members that deliver initial distribution shares to the Bank.

- Enter Reason Code 10 in the **REAS** field of the Initial Public Offering Deliver Orders screen.
- Refer to DO or NDOM for additional Deliver Order field and processing information.

## Stock Loan Receipts

All shares of stock loans delivered to a Bank are credited to the receiving Bank's general free account, and are considered free Secondary Market shares. DTC updates the Bank's IPO database by using the receiving Bank's own Participant number as the default AIA number for borrowed shares.

The receiving Bank can adjust the IPO database to attach a valid customer number to the borrowed shares, or can maintain the shares with the default AIA number populated by DTC. Regardless, as with all other deliveries, when delivering borrowed shares the AIA number entered by the Bank in its delivery instruction must match the IPO database in order for DTC to process the delivery.

## Stock Loan Returns

Clearing Banks can process Stock Loan Returns on behalf of their Correspondent Syndicate Members by using the appropriate DO/NDOM Reason Codes. All stock loans are returned from the borrower's general free account.

- Enter Reason Code 20 in the **REAS** field of the Initial Public Offering Deliver Orders screen.
- Refer to DO or NDOM for additional Deliver Order field and processing information.

## Stock Loan Return Receipts

All stock loans are delivered to the lender's general free account as free Secondary Market shares in the IPO database.

## Pledges

### Pledges of Collateral

Clearing Banks can pledge shares with or without value on behalf of their Correspondent Syndicate Members via the PTS function COLL.

Refer to COLL for additional field and processing information.

Shares are moved to the Pledge (14) Account.

## Pledge Releases

All Pledge shares are returned to the Clearing Bank's general free account.

## Reclaims

### Reclaim Deliveries

DTC will automatically process a matched reclamation based on the DO transaction number and other transaction information provided until one day after settlement.

Clearing Banks can enter Matched Reclaims on behalf of their Correspondent Syndicate Members via the PTS functions ART and DO/NDOM and via CCF, CCFII and MDH.

Partial reclaims are not permitted.

*Note-* When a Clearing Bank reclaims a delivery, the reclaimed DO will be matched to the original delivery and the information in the IPO database will be reversed.

### Matched Reclaim Deliveries via ART

Matched Reclaims can be made on settlement date and the day after. These reclaims cannot be reclaimed by the original deliverer (e. g. , the Lead Manager) and are not subject to Risk Management Controls.

- Enter R to the left of the item to be reclaimed on the ATP Activity Summary screen.
- Refer to ART for additional field and processing information.

### Matched Reclaims Deliveries Via DO or NDOM

Matched Reclaims can be made on settlement date and the day after. These reclaims cannot be reclaimed by the original deliverer (e. g. , the Lead Manager) and are not subject to Risk Management Controls.

- Enter information in the following fields of SDFS Automatic Reclaim Deliver Orders screen:
  - **Trans#:** enter the transaction number of the transaction being reclaimed
  - **Reas-Code:** enter the appropriate Reason Code. (Refer to Codes in this manual for Reclaim Reason Codes. )
  - **Orig-Date-Ind:** enter T to reclaim a DO entered today or P to reclaim a DO entered on the previous business day
- Refer to DO or NDOM for additional information.

*Note-* If made during the Matched Reclaims time frame, DTC will also match Freeform Reclaims, provided the appropriate DO Reason Code and correct information is entered.

### Unmatched/Freeform Reclaim Deliveries

Reclaims must be entered Freeform via CCF/CCFII, MDH or the PTS functions DO/NDOM if:

- The reclaim transaction number cannot be matched to an original delivery
- The reclaim occurs after the Matched Reclaim deadline has passed

Clearing Banks must input transaction details in freeform, including the appropriate Deliver Order Reclaim Reason Code.

DTC treats these Reclaim transactions as original deliveries, which in turn can be reclaimed by the receiver.

## Reclaim Receipts

Initial Distribution deliveries that are reclaimed within the deadline (S through S+ 1) will be returned to the Custodian Bank's general free account. IPO shares will be marked in the IPO database.

*Note-* Clearing Banks can reclaim Unmatched/Freeform Reclaim Deliveries.

## Memo Segregation

Clearing Banks can enter Memo Segregation instructions for tracked issues using the same procedures currently used for non-tracked issues. Refer to MSEG for information on Memo Segregation instruction processing.

The share quantity in the Memo Segregation instruction will be subtracted from the combined share total of IPO and Secondary Market shares in the general free account. The resulting share total must be greater than the quantity of any Deliver Orders entered. If the quantity is less, the Deliver Orders will not be processed and will remain pending.

## Deposits

Deposits are chilled for tracked issues during the tracking period.

DWAC (Deposit/Withdrawal at Custodian) activity is permitted on a very limited basis during the tracking period, and only with the consent of the Lead Underwriter.

## Certificates On Demand (COD's)

CODs are chilled for tracked issues during the tracking period.

## Make Inquiries via IPOI

The PTS function IPOI (Initial Public Offering Tracking System Inquiry) allows Clearing Banks to make inquiries about tracked issues on behalf of their Correspondent Syndicate Members.

The following information is provided via IPOI:

- A list of all tracked IPO issues
- A summary of tracked IPO issues in which the Participant has position
- A summary of customer-level details and custodian relationships by Participant-issue
- A summary of IPO pending/canceled/released transactions
- A summary of Correspondent Syndicate Members' customer's Secondary Market share positions, obtained from Secondary Market transactions.

For additional information on the IPO Tracking System Inquiry function, refer to the Overview.

## Receive Reports

DTC prepares and distributes cumulative hard-copy reports of their tracked issues for Syndicate Members. Clearing Banks will receive reports on behalf of each of their Correspondent Syndicate Members.

- Potential flips by Retail and Institutional customers broken down by trade date and price; if more than one Syndicate Member delivered IPO shares to a customer, the flip quantity is prorated
- Separate line for WTs
- Separate lines for Stock lending activity
- Retail account transfers (showing receiving Participant number and BIA number)
- Institutional account transfers (showing receiving Participant number and BIA number)

Refer to Reports for further information.

## Clearing Bank Tasks

### Required Field Information & DTC Output

<i>Task:</i>	<i>Field Information Required:</i>	<i>DTC Output:</i>
<b>Initial Distribution To:</b>		
Agent Banks via ID	<b>Market Code:</b> Market Code 11 <b>Agent Internal Account:</b> Agent Bank's Internal Account number <b>Broker Internal Account:</b> Executing Broker's Internal Account number	<b>Activity Code:</b> 26 <b>Reason Code:</b> 49
Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part number <b>REAS:</b> Reason Code 50 <b>Int-Acct#:</b> Agent Bank's Internal Account number <b>Bkr-Acct#:</b> Executing Broker's Internal Account number	<b>Activity Code:</b> 26 <b>Reason Code:</b> 50
Prime Brokers via ID	<b>Market Code:</b> Market Code 11 <b>Agent Internal Account:</b> Prime Broker's Internal Account number <b>Broker Internal Account:</b> Executing Broker's Internal Account number	<b>Activity Code:</b> 49 <b>Reason Code:</b> 49

<b>Task:</b>	<b>Field Information Required:</b>	<b>DTC Output:</b>
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part# <b>REAS:</b> Reason Code 50 <b>Int-Acct#:</b> Prime Broker's Internal Account number <b>Bkr-Acct#:</b> Executing Broker's Internal Account number	<b>Activity Code:</b> 49 <b>Reason Code:</b> 50
<b>Customer-Level Updates:</b>		
Add Customer- Level Detail via IPOU, option 2	<b>Corresp. Account:</b> Correspondent Syndicate Member's ID Broker-Dealer number <b>Internal Customer:</b> Internal Account number <b>Share Quantity:</b> Whole number quantity <b>Sign:</b> + or- to increase or decrease shares	
Update Customer-Level Detail via IPOU, option 5	<b>Corresp. Account:</b> Correspondent Syndicate Member's ID Broker-Dealer# <b>From Internal Customer:</b> Old Internal Account number <b>To Internal Customer:</b> New Internal Account number <b>Share Quantity:</b> New whole number quantity	
<b>Secondary Market Activity:</b>		
Sale of Secondary Market shares via ID or DO/NDOM	Internal Account number Correspondent Syndicate Member's ID Broker-Dealer number BIA number ID Agent ID number	<b>Activity Code:</b> 26
Withdrawals-by-Transfer via NWT1/RWT1	<b>Corresp. Account:</b> Correspondent Syndicate Member's ID Broker-Dealer	

<i>Task:</i>	<i>Field Information Required:</i>	<i>DTC Output:</i>
	number  <b>Int Cust:</b> Internal Account number  <b>Agt ID:</b> ID Agent number; optional	
Stock Loan via DO/NDOM	<b>REAS:</b> Reason Code 10	<b>Activity Code:</b> 26
Stock Loan Return via DO/NDOM	<b>REAS:</b> Reason Code 20	<b>Activity Code:</b> 26
Account Transfer to Broker via IPOU, option 4	<b>Corresp. Account:</b> Correspondent Syndicate  Member's ID Broker-Dealer number  <b>From Internal Customer:</b> Current Internal Account number  <b>To Participant:</b> Receiving Broker's Part number  <b>To Internal Customer:</b> New Internal Account number  <b>IPO Share Quantity:</b> Number of whole IPO shares being transferred  <b>Free Share Quantity:</b> Number of whole Free shares being transferred  <b>Settlement Amount:</b> Settlement amount; optional  <b>Reason Code:</b> Appropriate Reason Code for delivery	<b>Activity Code:</b> IPO shares: 49 Free shares: 26  <b>Reason Code:</b> 40, 95 or 98
Account Transfer to Bank via IPOU, option 4	<b>Corresp. Account:</b> Correspondent Syndicate Member's ID Broker-Dealer number  <b>From Internal Customer:</b> Current Internal Account number  <b>To Participant:</b> Receiving Bank's Part number  <b>To Internal Customer:</b> New	<b>Activity Code:</b> 26  <b>Reason Code:</b> 40, 95 or 98

<i>Task:</i>	<i>Field Information Required:</i>	<i>DTC Output:</i>
	<p>Internal Account number</p> <p><b>IPO Share Quantity:</b> Number of whole IPO shares being transferred</p> <p><b>Free Share Quantity:</b> Number of whole Free shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount; optional</p> <p><b>Reason Code:</b> Appropriate Reason Code for delivery</p>	

## Clearing Broker

### Receive Shares from Lead Manager

The Lead Manager sets up deliveries of IPO shares to its Co-Managers, Co-Reporters and Syndicate Members prior to closing using the appropriate Deliver Order Reason Codes.

By 1:15 p.m. closing date, DTC receives a call from the Lead Manager permitting the distribution of shares to Syndicate Members, Co-Managers and Co-Reporters. DTC then delivers the shares from the Lead Manager's IPO Control Account to the Clearing Broker's IPO Control Account, on behalf of its Syndicate Members, in accordance with the Lead Manager's Deliver Order instructions ("Syndicate Takedown").

*Note-* Shares remain in the IPO Control Account for the duration of the tracking period unless transferred, released or distributed to Institutional customers at Agent Banks or Prime Brokers.

### Initial Distribution

Initial Distribution, the delivery of IPO shares to a Syndicate Member's Institutional customers at Agent Banks or Prime Brokers, takes place after the Syndicate Takedown.

Although Initial Distribution shares can be delivered on or after the closing date, you can set up Initial Distribution deliveries on behalf of your Correspondent Syndicate Members prior to receiving shares from the Lead Manager.

An Initial Distribution is performed by using either DTC's ID system or the PTS functions DO or NDOM. You can indicate an Initial Distribution delivery by entering the appropriate Market Code on the Institutional Delivery Trade Input Screen for ID trades, or by entering the appropriate Reason Code in the REAS field of the Initial Public Offering Deliver Orders Screen for Day and Night DOs.

*Note-* Initial Distribution transactions are not settled through CNS.

### Distribute Shares to Agent Banks and Prime Brokers

Distribute Shares via ID

*Note-* Customer-level detail is required for Initial Distribution transactions.

1 Enter information in the following fields of the Institutional Delivery Trade Input Screen:

- **Market Code:** enter Market Code 11
- **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Broker Internal Account:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. If either is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account Number Discrepancies for information on how to correct the Agent Internal Account number.

*Result-* The AIA number, BIA number and associated Syndicate Member are extracted from ID trades upon authorization. On closing date, the IPO database is populated.

2 Refer to IDTI for additional ID field and processing information.

Distribute Unaffirmed ID Trade Shares via DO or NDOM

When a trade is unaffirmed, excepted or rejected from the ID system, you can settle that trade via the PTS functions DO (Option 4) or NDOM (Option 6).

1 Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
- **REAS:** enter Reason Code 50
- **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer

*Note-* The Internal Account numbers must be entered correctly to ensure accurate processing of the transaction. DTC rejects Initial Distribution deliveries in which either number is missing.

- **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Result-* The system captures the Agent Bank/Prime Broker Internal Account number along with the BIA number and the associated Syndicate Member and populates the IPO database.

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares for Broker Custody Trades

For trades where the Executing Broker and Custodian are the same entity ("Broker Custody"), the Lead Manager "delivers" shares to its own account via DTC's ID system.

1 Follow the Initial Distribution procedures described in Distribute Shares via ID, entering your own Participant number as both the Executing Broker and the Custodian of the transaction.

*Result-* Because there is no actual movement of shares, the IPO database is populated with customer-level detail and the associated Syndicate Member upon Confirmation of Broker Custody trades.

## Update Customer-Level Information via IPOU

Customer-level detail in the IPO database can be added and/or updated via the PTS function IPOU. The following sections depict some of the activities a Clearing Broker can perform on behalf of its Correspondent Syndicate Members via IPOU.

**Warning!** If customer-level detail has been added for any of the Correspondent Syndicate Member's customers, it must be added for all its customers or you will not be able to perform subsequent transactions (e. g. , WTs, customer account transfers) for those customers.

Refer to Appendix D for additional information regarding IPOU.

### Allocate Shares to Retail Customers (Add Customer-Level Detail)

After delivering Initial Distribution shares to their Institutional customers' Prime Brokers/Agent Banks, you can allocate the shares they retain to your Correspondent Syndicate Members' retail customers.

IPOU, Option 2 allows you to populate the IPO database by adding your Correspondent Syndicate Member's customer-level details and share allocations.

*Note-* You cannot allocate shares to Institutional customers.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 2, Add Customer-Level Detail.
- 2 Enter information in the following required fields of the IPO- Add Customer-Level Detail Screen:

- **Corresp. Account:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
- **Internal Customer:** enter the Internal Account number of the customer
- **Share Quantity:** enter the number of whole shares, up to 13 positions
- **Sign:** enter (+) to indicate shares should be increased

- 3 Refer to Appendix D for additional field and processing information.

### Update Customer-Level Detail

IPOU, Option 5 allows you to correct or update your Correspondent Syndicate Member's customer Internal Account numbers and adjust the share quantities allocated to their customers.

- 1 On the IPO- Tracking System Main Menu, select Option 5, Customer-Level Adjustment.
- 2 Enter information in the following required fields of the IPO- Customer-Level Adjustment Screen:

- **Corresp. Account:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
- **From Internal Customer:** enter the existing Internal Account number of the customer
- **From BIA:** enter the existing BIA number for the customer (optional)
- **To Internal Customer:** enter the new Internal Account number of the customer; required if the Participant wants to change it
- **Reallocated Share Quantity:** enter the number of whole shares being adjusted, up to 13 positions; required if the Participant is adjusting the share quantity

*Note-* Because the system overlays the share quantity information, you must input exactly the

total number of shares the customer should have. If you are not sure of the exact total the customer should have, refer to the following section.

**3** Refer to Appendix D for additional field and processing information.

#### Update Customer-Level Detail Using the Add Customer-Level Detail Function

IPOU Option 2, Add Customer-Level Detail, provides an easy way for Brokers to adjust share quantities for their customers without knowing the total number of shares each customer should have.

This method can also be used to eliminate an old Internal Account number from the IPO database and add a new one.

**1** On the IPO Tracking system Main Menu Screen, select Option 2, Add Customer-Level Detail.

**2** Enter Information in the following required fields:

- **Corresp. Account:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
- **Internal Customer:** enter the Internal Account number of the customer
- **Share Quantity:** enter the number of whole shares, up to 13 positions, you wish to increase/decrease the account by
- **Sign:** enter (+) to indicate shares should be increased or (-) to indicate the shares should be decreased

*Result-* The system adds/subtracts the share quantities for the account and updates them accordingly.

If the share quantity for an Account number is reduced to zero, the system drops that number from the IPO database.

**3** Refer to Appendix D for additional information.

## Transfer of Customer's Position Between Participants

You can transfer your customers' positions to another Participant without that transfer being recorded as a potential flip. For reporting purposes, the IPO database moves the original Clearing Broker's Participant number and the Correspondent Syndicate Member's ID Broker-Dealer number with each transfer of a customer's position.

Memo Segregation and Sub Account Segregation positions do not need to be released prior to attempting any customer account transfers.

Customer-level detail is required for account transfers.

## Transfer Customer's Position via IPOU

- For transfers that originate in NSCC's ACATS system, Participants will be notified that an issue is tracked and will receive a trade-for-trade (Balance Order) ticket.
- The transfer must be accomplished by the IPO Customer Account Transfer function and must be for the total position the customer has in its IPO Control and Free Accounts.

**1** On the IPO- Tracking System Main Menu Screen, select Option 4, Customer Account Transfer.

2 Enter information in the following required fields of the IPO- Customer Account Transfer Screen:

- **Corresp. Account:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
- **To Participant:** enter the receiving Participant's number
- **From Internal Customer:** enter the existing Internal Account number for the customer
- **To Internal Customer:** enter the receiving Participant's Internal Account number for the customer
- **Share Quantity:** enter the number of whole shares being transferred, up to 13 positions
- **Settlement Amount:** enter the settlement amount for the account transfer; optional
- **Reason Code:** enter Reason Code by which this account transfer is to be processed

3 Refer to Appendix D for additional field and processing information.

*Result-* Transfers can also be performed using the PTS functions DO or NDOM. However, since this requires manual releases to the Free Account, these transfers will be recorded as potential flips in DTC's tracking reports.

#### Share Movement for Customer Account Transfers- Deliveries

When you transfer a Correspondent Syndicate Member's customer's position to another Participant, DTC moves the shares in one of the following ways:

- **Transfer position to a Bank:** Both IPO Control and Free Account shares move to the Bank's Free Account in ART. The IPO database marks the shares delivered from the your IPO Control Account as IPO shares. Shares delivered from your Free Account are marked as Secondary Market shares in the IPO database.
- **Transfer position to a Broker:** Shares delivered from your IPO Control Account move to the Receiving Broker's IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares delivered from your Free Account move to the Receiving Broker's Free Account in ART. These shares are not captured in the IPO database.

#### Share Movement for Customer Account Transfers- Receipts

You will receive a customer's position from another Participant in one of the following ways:

- **Receive position from a Bank:** Shares marked as IPO shares in the Bank's Free Account move to your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares marked as Secondary Market shares in the Bank's Free Account move to your Free Account in ART. These shares are not captured in the IPO database.
- **Receive position from a Broker:** Shares from the Delivering Broker's IPO Control Account move to your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares from the Delivering Broker's Free Account move to your Free Account in ART. These shares are not captured in the IPO database.

## Secondary Market

### Release Shares from the IPO Control Account for Secondary Market Sales

All Secondary Market sell transactions settle from the Free Account. In order to deliver shares sold by a Correspondent Syndicate Member's customers in the Secondary Market, those shares must first be released from the Clearing Broker's IPO Control Account to its Free Account, using the PTS function IPOU. Failure to release shares to the Free Account could result in a CNS short, or DOs for Secondary Market sales dropping in ART.

Releases can be performed on the individual customer level, by including the Internal Account number of the customer on the release, or on the Syndicate Member level. Doing releases on the individual customer level allows DTC to provide a more detailed report of flipping activity by the Syndicate Member's customers.

Releases can be submitted as early as 6:00 a.m. Eastern Standard Time (EST) trade date through settlement of the trade.

*Note-* Releases from the IPO Control Account cannot be reversed and are recorded as potential flips regardless of whether or not delivery is made.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 3, Release IPO Shares To The Free Account.
- 2 Enter information in the following required fields of the IPO- Release IPO Shares To The Free Account Screen:
  - **Corresp. Account:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
  - **Internal Customer:** enter the Internal Account number for the customer (if already identified in the IPO database)
    - The Internal Customer field (Internal Account number) is required for all Secondary Market customer transactions if customer-level detail has been added for any of your customers.
    - If an incorrect Internal Account number is entered, the shares will not be released and the subsequent Deliver Order will pend.
  - **Trade Date:** enter a valid business date in MMDDYY format
  - **Contract Price:** enter a number greater than zero in 9999999.99 format
  - **Share Quantity:** enter the number of whole shares, up to 13 positions.
- 3 Refer to Appendix D for additional field and processing information.

If you and the customer have position in the IPO database, an immediate release is processed. If your or the customer does not have position, refer to the following sections.

#### Pending Releases

You and the customer must have position in the IPO database in order for a release to be processed. If you or the customer does not have position, the release will pend ("hold") for up to 3 days after Trade Date.

If you and the customer do have position, but not enough to cover the entire release, DTC will release shares from the your account and pend the balance of the release request ("partial hold").

Participants that do not populate the IPO database with customer-level detail can use an omnibus or dummy account number. This allows for partial releases of their position as shares are sold.

#### Cancel Pending Releases

You can cancel pending releases via the PTS function IPOU.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 7, IPO Pending Transaction Cancel.
- 2 Enter information in the following fields of the IPO- Pending Transaction Screen:

- **CUSIP:** enter the issue's CUSIP number
- **Date:** enter a date range (From and To) in YYMMDD format. The default is the current date.

**3** Press the ENTER key.

*Result-* A list of pending transactions is displayed.

**4** Enter "S" to the left of the selected transaction to view details.

**5** Enter "C" (cancel) to the left of the selected transaction.

*Result-* The message "PRESS PF1/13 TO CONFIRM CANCEL" appears.

**6** Press the PF1/13 key.

*Result-* The transaction is canceled.

**7** Refer to Appendix D for additional information.

## Secondary Market Deliveries

Secondary Market deliveries are performed using the same procedures currently used for deliveries of non-tracked issues.

*Note-* The ID Agent number is required for Secondary Market DO deliveries to Prime Brokers and Agent Banks. For deliveries to Banks, the ID Agent number will default to the receiving Bank's Participant number.

## Resolve Internal Account Number Discrepancies in ID Deliveries on Sell Transactions

When the Internal Account number on a sale transaction does not match the Internal Account number in the IPO Tracking database, the system generates a warning message, Error 91.

Error 91 flags an unmatched Internal Account number three times:

- ID Confirmation
- ID Affirmation
- Authorization and Exception (ANE)

Error 91 also appears on machine-readable output.

If the Internal Account number is still unmatched when validation occurs at Authorization and Exception (ANE) time, ANE will not reject the transaction, because the system assumes the delivery will use Secondary Market shares. However, an automated release will not be generated and the delivery will pend.

Unmatched Internal Account numbers can be corrected in the IPO database prior to the settlement date cutoffs of 10:00 a.m. EST for Global processing and 2:30 p.m. for Trade-for-Trade processing. This allows the ID trade to be authorized and settle that day through the automated settlement feature of the ID system.

*Note-* The ANE inquiry function and T+ 3 hard-copy report will display a code of "F" in the status field to indicate an Initial Distribution trade that has been rejected from settlement, and an "I" to indicate a Secondary Market trade that has been rejected from settlement. The "F" code indicates that the Internal Account number on an IPO trade is missing, and the "I" code indicates that the

Internal Account number missing or does not match the Internal Account number as stored on the IPO database. These transactions may be reprocessed for up to 21 days.

You may resolve Internal Account number discrepancies in the following ways:

- Have the Custodian update the Internal Account number in the IPO database to match the number on the ID transaction by performing an IPO customer-level adjustment. (Refer to Update Customer-Level Detail. )
- Cancel the ID transaction and re-enter it in the ID system. (Refer to Deliver Shares to Agent Banks and Prime Brokers via ID. )
- Have the Custodian Except the ID transaction from automated settlement and enter a DO for the transaction with the Internal Account number as it appears in the IPO database.

## Withdrawals-by-Transfer (WTs)

If certificate denominations are available, Withdrawals-by-Transfer (WTs) of tracked issues are permitted starting on closing day via the PTS functions NWT1 (Night Withdrawal-by-Transfer) and RWT1 (Rush Withdrawal-by-Transfer), as well as via CCF/CCFII. WTs are noted as separate line items on tracking reports.

- Requests for WTs must include customer-level detail.
- The IPO database must be populated prior to requesting a WT.

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter the Internal Account number of the customer
- **Corr Acct:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
- **Agt ID:** enter the ID Agent number; optional

**2** Refer to NWT1 and RWT1 for additional WT field and processing information.

DTC processes WT requests using shares from your IPO Control Account first. DTC generates releases from your IPO Control Account to your Free Account.

- Since the IPO Tracking System records all manual releases as potential flips, Clearing Brokers should not manually release shares for WT processing.
- DTC generates releases from the Clearing Broker's IPO Control Account only if the Internal Account number already exists in the IPO database. If the Internal Account does not exist, a release will not be generated and the WT will be assumed to be from Free shares only.

## Request a WT Using Free Shares Only

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter a "dummy" Internal Account number (one that does not exist in the IPO database).

*Note-* The use of a dummy Internal Account number in the Int Cust field will default the system to use Free shares for WT processing.

- **Corr Acct:** enter the Correspondent Syndicate Member's ID Broker-Dealer number
- **Agt ID:** enter the ID Agent number; optional

2 Refer to NWT1 and RWT1 for additional WT field and processing information.

## Stock Loans and Returns

### Stock Loan Deliveries

Syndicate Members are able to process stock loans using the appropriate DO/ NDOM Reason Codes. As for all broker Participants, DTC fulfills a Syndicate Member's stock loan delivery quantity with Free Account shares only. If insufficient shares are available in the Syndicate Member's Free Account, the Participant must instruct DTC to process a Stock Loan Release to release IPO shares from its IPO Control account to its Free account for the balance.

DTC distinguishes between stock loan releases and regular releases and reports each type as separate line items on Lead Underwriter and Syndicate Member Flipping Activity Reports. All stock loan releases are categorized according to Participant type of lender and borrower.

To dissuade Participants from using the stock loan release facility for regular releases, DTC monitors the quantity of IPO shares moved to the Participant's Free account via stock loan releases versus the quantity of shares loaned by the Participant on the same day and reports discrepancies to the Lead Underwriter and appropriate Syndicate Members.

All stock loans are made on an omnibus basis. No customer account numbers are tagged to stock loans. An AIA number entered in a stock loan delivery is ignored by DTC; however, the exception to this is for stock loans to banks, in which case the Participant number of the receiving bank must be entered as the AIA number in order to allow the receiving bank the ability to deliver borrowed shares.

### Stock Loan Receipts

DTC delivers all Stock Loans to the Borrower's Free Account.

### Stock Loan Returns

You can process Stock Loan Returns by using the appropriate Reason Codes via the PTS functions DO or NDOM. All stock loan returns are delivered from the borrower's Free account.

- Enter Reason Code 20 in the REAS field of the SDFS Initial Public Offering Deliver Orders Screen.
- Refer to DO and NDOM for additional Deliver Order field and processing information.

### Stock Loan Return Receipts

All Stock Loan Returns are delivered to the lender's Free Account as Free Secondary Market shares in the IPO database.

## Pledges

### Pledges of Collateral

You can pledge shares with or without value from either their IPO Control or Free Account via the PTS function COLL.

**1** Enter the following information on of the Free Pledge Service Screen:

- **IPO:** enter "Y" if the shares are being pledged from the IPO Control Account or
- Enter "N" if the shares are being pledged from the Free Account

**2** Refer to COLL for additional field and processing information.

*Result-* Pledged IPO Control and Free Account shares are moved to the Pledge (14) account. IPO shares are segregated in the I14 Account.

## Pledge Releases

If released during the tracking period, Pledge shares are delivered back to their original accounts. In cases where both IPO and Secondary Market shares were pledged, released (Free) shares will be returned to the Free Account first up to the quantity of Free shares pledged. The balance of the shares is returned to the IPO Control Account.

If released after tracking has ended, all Pledge shares are delivered to the Free Account regardless of the account of origin.

## Reclaims

### Reclaim Deliveries

DTC will automatically process a matched reclamation based on the DO transaction number and other transaction information provided until one day after settlement.

Clearing Brokers can enter Matched Reclaims via the PTS functions ART and DO/ NDOM and via CCF, CCFII and MDH.

When you reclaim a delivery, the reclaimed DO is matched to the original delivery and the information in the IPO database is reversed.

*Note-* Partial reclaims are not permitted.

Matched Reclaim Deliveries via ART

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

**1** Enter "R" to the left of the item to be reclaimed on the ATP Activity Summary Screen.

Matched Reclaim Deliveries via DO or NDOM

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

1 Enter information in the following fields of the SDFS Automatic Reclaim Deliver Orders Screen:

- **Trans#:** enter the transaction number of the transaction being reclaimed
- **Reas-Code:** enter the appropriate Reason Code. (Refer to Codes in this Manual for Reclaim Reason Codes. )
- **Orig-Date-Ind:** enter "T" to reclaim a DO entered today or "P" to reclaim a DO entered on the previous business day.

*Note-* If made during the Matched Reclaims timeframe, DTC will also match Freeform Reclaims, provided the appropriate DO Reason Code and correct information is entered.

Unmatched/Freeform Reclaim Deliveries

Reclaims must be entered Freeform via CCF, CCF11, MDH, or the PTS functions DO or NDOM if:

- The reclaim transaction number cannot be matched to an original delivery
- The reclaim occurs after the Matched Reclaim deadline has passed

You must manually input transaction details, including the appropriate DO Reclaim Reason Code.

DTC treats these Reclaim transactions as original deliveries, which in turn can be reclaimed by the receiver.

## Reclaim Receipts

During the tracking period, Initial Distribution shares that are reclaimed within the Matched Reclaim deadline (S through S+ 1) will be returned to the account from which they originated.

Reclaims performed after the Match Reclaim deadline (S through S+ 1) will be placed in the Receiver's Free Account. These deliveries can be reclaimed.

## Memo Segregation

Although position may reside in both the IPO Control and Free Accounts, you can enter Memo Segregation instructions for tracked issues using the same procedures currently used for non-tracked issues. Memo Segregation bridges the IPO Control and Free Accounts.

The share quantity in the Memo Segregation instruction will be subtracted from the combined share total in the IPO Control and Free Accounts. The resulting share total must be greater than the quantity of any Deliver Orders entered. If the quantity is less, the Deliver Orders will not be processed and will pend.

## Deposits

Deposits are chilled for tracked issues for the duration of the tracking period.

No DWAC (Deposit/Withdrawal at Custodian) activity is permitted during the tracking period.

## Certificates-On-Demand (CODs)

CODs are chilled for tracked issues for the duration of the tracking period.

## Collateralization of IPO Shares

Shares in the IPO Control Account will be considered collateral (NA) only on the day they are received, for value, into the account. Shares received into the IPO Control Account without value will follow the normal accounting updating rules, and will be considered NA or MA depending on the SDFS Account Coding Instructions.

Shares in the IPO Control Account will not be considered collateral after the first day they are received. MA/NA intra-day moves will not be permitted.

Shares in the Free Account are subject to normal collateralization rules. Refer to the Settlement Service Guide for additional information on collateralization.

## Reconcile Customer-Level Detail with Internal Records

Clearing Brokers should reconcile the customer-level detail in the IPO database with their internal records daily using an IPOCLD machine-readable file. This file contains the Agent Bank or Prime Broker's Internal Account numbers for all of a Correspondent Syndicate Member's customers on file as well as the Executing Broker's Internal Account numbers for those customers.

Contact DTC's Participant Interface Planning Department or your Relationship Manager for assistance.

## Make Inquiries via IPOI

The PTS function IPOI (Initial Public Offering Tracking System Inquiry) allows Clearing Brokers to make inquiries on behalf of its Correspondent Syndicate Members.

The following information is provided via IPOI:

- A list of all tracked IPO issues
- A summary of tracked IPO issues in which the Participant has position
- A summary of customer-level details by Participant-issue
- A summary of IPO pending/canceled/released transactions

For additional information on the IPO Tracking System Inquiry function, refer to the Overview and Appendix E.

## Receive Reports from DTC

DTC prepares and distributes daily cumulative hard-copy reports for Syndicate Members of their tracked issues. You will receive a report for each of your Correspondent Syndicate Members. The following information is provided:

- List of potential flips by own Retail and Institutional customers.
- Potential flips by customers broken down by trade date and price; if customer used more than one Syndicate Member, the flip quantity is prorated.
- Separate line for WTs.
- Separate line for stock loans: quantity reported represents the net amount (outstanding loans less returns).
- Retail account transfers (showing the receiving Participant number).
- Institutional account transfers (showing the receiving Participant number and BIA number).

Refer to Reports for further information.

## Clearing Broker Tasks: Required Field Information & DTC Output

TASK:	FIELD INFORMATION REQUIRED:	DTC OUTPUT:
<b>Initial Distribution To:</b>		
Agent Banks via ID	<p><b>Market Code:</b> Market Code 11</p> <p><b>Agent Internal Account:</b> Agent Bank's Internal Account#</p> <p><b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional</p>	<p><b>Activity Code:</b> 48</p> <p><b>Reason Code:</b> 49</p>
Agent Banks via DO/NDOM	<p><b>Recv-Pt:</b> Agent Bank's Part#</p> <p><b>REAS:</b> Reason Code 50</p> <p><b>Int-Acct#:</b> Agent Bank's Internal Account#</p> <p><b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional</p>	<p><b>Activity Code:</b> 48</p> <p><b>Reason Code:</b> 50</p>
Prime Brokers via ID	<p><b>Market Code:</b> Market Code 11</p> <p><b>Agent Internal Account:</b> Prime Broker's Internal Account#</p> <p><b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional</p>	<p><b>Activity Code:</b> 47</p> <p><b>Reason Code:</b> 49</p>
Prime Brokers via DO/NDOM	<p><b>Recv-Pt:</b> Prime Broker's Part. #</p> <p><b>REAS:</b> Reason Code 50</p> <p><b>Int-Acct#:</b> Prime Broker's Internal Account#</p> <p><b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional</p>	<p><b>Activity Code:</b> 47</p> <p><b>Reason Code:</b> 50</p>
<b>Customer-Level Updates:</b>		
Add Customer-Level Detail via IPOU, Option 2	<p><b>Corresp. Account:</b> the Correspondent Syndicate Member's ID Broker-Dealer#</p> <p><b>Internal Customer:</b> Internal Account#</p> <p><b>Share Quantity:</b> Whole number quantity</p> <p><b>Sign:</b> + or- to increase or decrease shares</p>	
Update Customer-Level	<b>Corresp. Account:</b> the	

Detail via IPOU, Option 5	<p>Correspondent Syndicate Member's ID Broker-Dealer#</p> <p><b>From Internal Customer:</b> Old Internal Account#</p> <p><b>To Internal Customer:</b> New Internal Account#; optional</p> <p><b>Reallocated Share Quantity:</b> New whole number quantity; optional</p>	
<b>Secondary Market Activity:</b>		
Release of IPO shares to Free Account via IPOU, Option 3	<p><b>Corresp. Account:</b> the Correspondent Syndicate Member's ID Broker-Dealer#</p> <p><b>Internal Customer:</b> Internal Account#</p> <p><b>Trade Date:</b> Trade date</p> <p><b>Contract Price:</b> Contract price</p>	<b>Activity Code:</b> 46
Sale of Free shares	Same as for non-tracked issues.	<b>Activity Code:</b> 26
Cancel Pending Releases via IPOU, Option 7	<p><b>CUSIP:</b> The issue's CUSIP#</p> <p><b>Date:</b> Date range (from and to) in YYMMDD format</p>	
Withdrawals-by-Transfer via NWT1/ RWT1	<p><b>Corr Acct:</b> the Correspondent Syndicate Member's ID Broker-Dealer#</p> <p><b>Int Cust:</b> Internal Account#</p> <p><b>Agt ID:</b> ID Agent#; optional</p>	
	<b>REAS:</b> Reason Code 10	<p><b>Activity Code:</b></p> <p><b>IPO shares:</b> 48</p> <p><b>Free shares:</b> 26</p> <p><b>Reason Code:</b> 10</p>
Stock Loan Return via DO/ NDOM	<b>REAS:</b> Reason Code 20	<p><b>Activity Code:</b></p> <p><b>IPO</b></p>

		<b>shares: 49</b>  <b>Free shares: 26</b>  <b>Reason Code: 20</b>
Account Transfer to Broker-IPO Shares- via IPOU, Option 4	<b>Corresp. Account:</b> the Correspondent Syndicate Member's ID Broker-Dealer#  <b>To Participant:</b> Receiving Broker's Part#  <b>From Internal Customer:</b> Current Internal Account#  <b>To Internal Customer:</b> New Internal Account#  <b>Share Quantity:</b> Number of whole shares being transferred  <b>Settlement Amount:</b> Settlement amount; optional	<b>Activity Code: 47</b>  <b>Reason Code: 40</b>
Account Transfer to Broker-Free shares- via IPOU, Option 4	<b>Corresp. Account:</b> the Correspondent Syndicate Member's ID Broker-Dealer#  <b>To Participant:</b> Receiving Broker's Part#  <b>From Internal Customer:</b> Current Internal Account#  <b>To Internal Customer:</b> New Internal Account#  <b>Share Quantity:</b> Number of whole shares being transferred  <b>Settlement Amount:</b> Settlement amount; optional	<b>Activity Code: 26</b>  <b>Reason Code: 40</b>

## Co-Manager

### Receive Shares from Primary Lead Manager

The Primary Lead Manager sets up deliveries of IPO shares to its Co-Managers, Co-Reporters and Syndicate Members prior to closing using the appropriate Deliver Order Reason Codes.

By 1:15 p.m. closing date, DTC receives a call from the Primary Lead Manager permitting the distribution of shares to the Co-Managers, Co-Reporters and Syndicate Members. DTC then delivers

shares from the Primary Lead Manager's IPO Control Account to your IPO Control Account, in accordance with the Primary Lead's Deliver Order instructions.

*Note*- Shares remain in the IPO Control Account for the duration of the tracking period unless released, transferred or distributed to Syndicate Members, or Institutional customers at Agent Banks or Prime Brokers.

This establishes your Participant number as an "Alternate Lead" for that issue in the IPO database. All subsequent share movements (e. g. , distributions, allocations and Secondary Market transactions) will be applied to the Alternate Lead's Participant number.

## Syndicate Takedowns

Prior to receiving shares in your IPO Control Accounts, you should set up deliveries for distribution of shares to their Syndicate Members ("Syndicate Takedown"). A Syndicate Takedown is performed by using Option 4 of the PTS function DO or NDOM Option 6.

*Note*- The term "Syndicate Members" refers to selling group members as well.

Co-Managers indicate a Syndicate Takedown delivery by entering the appropriate Reason Codes, as described in the following sections, in the **REAS** field of the Initial Public Offering Deliver Orders Screen.

Deliveries to Co-Reporters and Syndicate Members receive top priority in the delivery queue.

## Distribute Shares to Co-Reporter for Foreign Distribution

You can set up deliveries to their own second Participant number ("Co-Reporter") for foreign distributions.

**1** Enter information in the following fields of the Initial Public Offering Deliver Orders Screen.

- **Recv-Pt:** enter your second ("Co-Reporter") Participant number
- **REAS:** enter Reason Code 560

**2** Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares to Syndicate Members

**1** Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Syndicate Member's Participant number
- **REAS:** enter Reason Code 570
- **Corr-Acct#:** enter the Syndicate Member's Participant number

**2** Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares to Correspondent Syndicate Members

**1** Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Clearing Broker or Clearing Bank's Participant number
  - **REAS:** enter Reason Code 570
  - **Corr-Acct#:** enter the Correspondent Syndicate Member's FINS number
1. Entering the Clearing Broker/Bank's Participant number in the Recv-Pt field and the Correspondent Syndicate Member's ID Broker-Dealer number in the Corr-Acct# field will identify this as a Correspondent relationship in the IPO database. The system will validate the relationship against the Broker section of the ID Master File.
  2. If delivering to a Clearing Bank, the number entered in the Recv-Pt and Corr-Acct# fields can be the same provided that relationship exists in the Broker section of the ID Master File.

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares for Oversubscriptions

When you have less shares than you need to make your Syndicate Takedown deliveries, you can borrow or purchase shares from the Secondary Market ("Oversubscriptions").

Shares borrowed or purchased in the Secondary Market for Oversubscription Distribution will reside in your Free Account.

You have two options for delivering Oversubscribed shares:

- Move the shares back to your IPO Control Account via the PTS function IPOU (Option 6) and perform a Syndicate Takedown DO/NDOM delivery.
- Deliver the shares directly from your Free Account using the appropriate ID or DO/NDOM codes.

## Move Shares from the Free Account to the IPO Control Account

- 1 On the IPO- Tracking System Main Menu Screen, select Option 6, Oversubscription for Lead Underwriter.
- 2 Enter information in the following fields of the IPO- Oversubscription for Lead Underwriter Screen:
  - **CUSIP:** enter the issue's CUSIP number
  - **Share Quantity:** enter the number of Free shares being transferred to the IPO Control Account
- 3 Press the ENTER key.
- 4 Refer to Appendix D for additional field and processing information.

*Result-* Two one-sided next-day DO journals are generated: one to decrease Free Account shares and another to increase shares in the IPO Control Account.

- 5 Perform a Syndicate Takedown DO or NDOM delivery.

## Distribute Oversubscribed Shares to Syndicate Members via DO or NDOM

- 1 Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:
  - **Recv-Pt:** enter the Syndicate Member's Participant number

- **REAS:** enter Reason Code 540
- **Corr-Acct#:** enter the Syndicate Member's Participant number

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

*Result-* Shares move from the your Free Account to the Syndicate Member's IPO Control Account.

*Note-* Refer to Distribute Shares to Syndicate Members in this chapter for information on other distributions to Syndicate Members.

## Distribute Oversubscribed Shares to Correspondents via DO or NDOM

1 Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Clearing Bank or Clearing Broker's Participant number
- **REAS:** enter Reason Code 540
- **Corr-Acct#:** enter the Correspondent Syndicate Member's FINS number

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

*Note-* Refer to Distribute Shares to Correspondent Syndicate Members in this chapter for information on other Correspondent distributions.

## Initial Distribution

After the Syndicate Takedown, distribution to Institutional customers ("Initial Distribution") occurs as follows:

- Distribution to Agent Banks and Prime Brokers
- Directed Concessions
- Oversubscriptions
- Directed Concessions/Oversubscriptions

Although shares can be delivered on or after the closing date, you can set up your Initial Distribution deliveries prior to receiving shares into their IPO Control Account.

An Initial Distribution is performed by using either DTC's ID system or the PTS functions DO or NDOM. You can indicate an Initial Distribution delivery by entering the appropriate Market Code on the Institutional Delivery Trade Input Screen for ID trades, or by entering the appropriate Reason Code in the **REAS** field of the Initial Public Offering Deliver Orders Screen for Day and Night DOs.

*Note-* Initial Distribution transactions are not settled through CNS.

## Distribute Shares to Agent Banks and Prime Brokers

Distribute Shares via ID

*Note-* Customer-level detail is required for Initial Distribution transactions.

1 Enter information in the following fields of the Institutional Delivery Trade Input Screen:

- **Market Code:** enter Market Code 11
- **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Broker Internal Account:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. If either is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account Number Discrepancies for information on how to correct the Agent Internal Account number.

*Result-* The AIA number, BIA number and associated Syndicate Member are extracted from ID trades upon authorization. On closing date, the IPO database is populated.

**2** Refer to IDTI for additional ID field and processing information.

Distribute Unaffirmed ID Trade Shares via DO or NDOM

When a trade is unaffirmed, excepted or rejected from the ID system, you can settle that trade via the PTS functions DO (Option 4) or NDOM (Option 6).

**1** Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
- **REAS:** enter Reason Code 50
- **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer

*Note-* The Internal Account numbers must be entered correctly to ensure accurate processing of the transaction. DTC rejects Initial Distribution deliveries in which either number is missing.

- **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Result-* The system captures the Agent Bank/Prime Broker Internal Account number along with the BIA number and the associated Syndicate Member and populates the IPO database.

**2** Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares for Broker Custody Trades

For trades where the Executing Broker and Custodian are the same entity ("Broker Custody"), you "deliver" shares to your own account via DTC's ID system.

**1** Follow the Initial Distribution procedures described in Distribute Shares via ID, entering your own Participant number as both the Executing Broker and the Custodian of the transaction.

*Result-* Because there is no actual movement of shares, the IPO database is populated with customer-level detail and the associated Syndicate Member upon Confirmation of Broker Custody trades.

## Distribute Shares for Directed Concessions

You can deliver a block of IPO shares directly to a Syndicate Member's Institutional Customer, at the customer's request ("Directed Concession"). You are set up as the associated Syndicate Member in the IPO database. Directed Concessions can be distributed via DTC's ID system or via the PTS functions DO (Option 4) or NDOM (Option 6).

Directed Concession deliveries are flagged on your tracking reports with an asterisk (\*) and with the delivering custodian's Participant number. If a Directed Concession customer flips, you must check your internal records to identify the customer's Syndicate Member.

Distribute Directed Concession Shares via ID

1 Enter information in the following fields of the Institutional Delivery Trade Input Screen:

- **Market Code:** enter Market Code 51
- **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Broker Internal Account:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. If either is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account Number Discrepancies for information on how to correct the Agent Internal Account number.

2 Refer to IDTI for additional ID field and processing information.

Distribute Directed Concession Shares via DO or NDOM

1 Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
- **REAS:** enter Reason Code 530
- **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered to ensure accurate processing of the transaction. DTC rejects Initial Distribution deliveries in which either number is missing.

*Result-* The system captures the Agent Bank/Prime Broker Internal Account number along with the BIA number and the associated Syndicate Member and populates the IPO database with this information.

## Distribute Shares for Oversubscriptions

When you have less shares than it needs to make its Initial Distribution deliveries, it can purchase or borrow shares from the Secondary Market for distribution ("Oversubscription").

Shares purchased or borrowed in the Secondary Market for Oversubscription Distribution will reside in the Co-Manager's Free Account.

The Lead Manager has two options for delivering Oversubscribed shares:

- Move the shares back to its IPO Control Account via the PTS function IPOU (Option 6), and perform an Initial Distribution ID or DO/ NDOM delivery.
- Deliver the shares directly from its Free Account using the appropriate ID or DO/NDOM codes.

Move Shares From the Free Account to the IPO Control Account for Oversubscriptions

- 1 On the IPO- Tracking System Main Menu Screen, select Option 6, Oversubscription for Lead Underwriter.
- 2 Enter information in the following fields of the IPO- Oversubscription for Lead Underwriter Screen:
  - **CUSIP:** enter the issue's CUSIP number
  - **Share Quantity:** enter the number of Free shares being transferred to the IPO Control Account
- 3 Press the ENTER key.
- 4 Refer to Appendix D for additional field and processing information.
- 5 Perform an Initial Distribution DO, NDOM or ID delivery. Refer to Distribute Shares to Agent Banks and Prime Brokers via ID and Distribute Shares to Agent Banks and Prime Brokers via DO or NDOM in this chapter for information.

Distribute Oversubscribed Shares to Agent Banks and Prime Brokers via ID

- 1 Enter information in the following fields of the Institutional Delivery Trade Input Screen:
  - **Market Code:** enter Market Code 52
  - **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
  - **Broker Internal Account:** enter the Executing Broker's Internal (BIA) Account number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. If either is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account Number Discrepancies for information on how to correct the Agent Internal Account number.
- 2 Refer to IDTI for additional ID field and processing information.

*Result-* Shares move from the Co-Manager's Free Account to the Agent Bank's Free Account (and are marked as IPO shares in the database) or to the Prime Broker's IPO Control Account.

Distribute Oversubscribed Shares to Agent Banks and Prime Brokers via DO or NDOM

- 1 Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:
  - **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
  - **REAS:** enter Reason Code 540
  - **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
  - **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. DTC rejects Initial Distribution deliveries in which either number is missing.

*Result-* The system captures the AIA number along with the BIA number and the associated Syndicate Member and populates the IPO database with this information.

Shares move from the Co-Manager's Free Account to the Agent Bank's Free Account (and are marked as IPO shares in the database) or to the Prime Broker's IPO Control Account.

## Distribute Shares for Oversubscriptions/Directed Concessions

Co-Managers can deliver oversubscribed shares directly to a Syndicate Member's Institutional customer, at the customer's request ("Oversubscription/Directed Concession"), via DTC's ID system or via the PTS functions DO or NDOM. The Co-Manager is set up as the associated Syndicate Member in the IPO database.

Distribute Oversubscribed Directed Shares to Agent Banks and Prime Brokers via ID

**1** Enter information in the following fields of the Institutional Delivery Trade Input Screen:

- **Market Code:** enter Market Code 53
- **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Broker Internal Account:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. If either is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account Number Discrepancies for information on how to correct the Agent Internal Account number.

**2** Refer to IDTI for additional ID field and processing information.

*Result-* Shares move from the Co-Manager's Free Account to the Agent Bank's Free Account (and are marked as IPO shares in the database) or to the Prime Broker's IPO Control Account.

Distribute Oversubscribed Directed Shares to Agent Banks and Prime Brokers via DO or NDOM

**1** Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
- **REAS:** enter Reason Code 550
- **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer; optional

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. DTC rejects Initial Distribution deliveries in which either number is missing.

*Result-* The system captures the AIA number along with the BIA number and the associated

Syndicate Member and populates the IPO database with this information.

Shares move from the Co-Manager's Free Account to the Agent Bank's Free Account (and marked as IPO shares in the database) or to the Prime Broker's IPO Control Account.

## Update Customer-Level Information via IPOU

Customer-level detail in the IPO database can be added and/or updated via the PTS function IPOU. The following sections describe some of the activities a Co-Manager can perform via IPOU.

**Warning!** If customer-level detail has been added for any of your customers, it must be added for all your customers or you will not be able to perform subsequent transactions (e. g. WTs, customer account transfers) for those customers.

Refer to Appendix D for additional information IPOU procedures.

### Allocate Shares to Retail Customers (Add Customer-Level Detail)

After delivering Initial Distribution shares to your Institutional customers' Prime Brokers/Agent Banks, you can allocate the shares you retain to your Retail customers.

IPOU, Option 2 allows you to populate the IPO database by adding their Retail clients' customer-level details and share allocations.

*Note-* Participants cannot allocate shares to Institutional customers.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 2, Add Customer-Level Detail.
- 2 Enter information in the following required fields of the IPO- Add Customer-Level Detail Screen:

- **Internal Customer:** enter the Internal Account number of the customer
- **Share Quantity:** enter the whole number quantity, up to 13 positions
- **Sign:** enter (+) to increase shares

- 3 Refer to Appendix D for additional processing information.

### Update Customer-Level Detail

IPOU, Option 5 allows you to correct or update your customer Internal Account numbers and adjust the share quantities allocated to your customers.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 5, Customer-Level Adjustment.
- 2 Enter information in the following required fields of the IPO- Customer-Level Adjustment screen:

- **From Internal Customer:** enter the existing AIA number of the customer
- **From BIA:** enter the existing BIA number for the customer (optional)
- **To Internal Customer:** enter the new AIA number of the customer; required if the Participant wants to change the existing number to a new one
- **Reallocated Share Quantity:** enter the number of whole shares being adjusted, up to 13 positions; required if the Participant is adjusting a share quantity from existing customers to the new customer

*Note-* Because the system overlays the share quantity information, you must input exactly the total number of shares the "To Internal Customer" should have. If you are not sure of the exact total the customer should have, refer to the following section.

**3** Refer to Appendix D for additional field and processing information.

#### Update Customer-Level Detail Using the Add Customer-Level Detail Function

IPOU Option 2, Add Customer-Level Detail, provides a way for you to adjust share quantities for their customers without knowing the total number of shares each customer should have.

This method can also be used to eliminate an old Internal Account number from the IPO database and add a new one.

**1** On the IPO Tracking system Main Menu Screen, select Option 2, Add Customer-Level Detail.

**2** Enter Information in the following required fields:

- **Internal Customer:** enter the Internal Account number of the customer
- **Share Quantity:** enter the number of whole shares, up to 13 positions, you wish to increase/decrease the account by
- **Sign:** enter (+) to indicate the shares should be increased or (-) to indicate the shares should be decreased

*Result-* The system adds/subtracts the share quantities for the account and updates them accordingly.

If the share quantity for an Account number is reduced to zero, the system deletes that number from the IPO database.

**3** Refer to Appendix D for additional information.

## Transfer of Customer's Position Between Participants

You can transfer your customers positions to another Participant without that transfer being reported as a potential flip. For reporting purposes, the IPO database moves the original Syndicate Member's Participant number and BIA number with each transfer of a customer's position.

Memo Segregation and Sub Account Segregated positions do not need to be released prior to attempting any customer account transfers. IPO account transfer transactions can bypass Memo Segregation.

Customer-level detail is required for account transfers.

## Transfer Customer's Position via IPOU

1. For those transfers that originate in NSCC's ACATS system, Participants will be notified that an issue is tracked and will receive a trade-for-trade (Balance Order) ticket.
2. The transfer of shares in a tracked CUSIP must be accomplished by the IPO Customer Account Transfer function and must be for the total position the customer has in its IPO Control and Free Accounts.

**1** On the IPO- Tracking System Main Menu Screen, select Option 4, Customer Account Transfer.

**2** Enter information in the following fields of the IPO- Customer Account Transfer Screen:

- **To Participant:** enter the receiving Participant's number
- **From Internal Customer:** enter the existing AIA number for the customer
- **To Internal Customer:** enter the receiving Participant's AIA number for the customer
- **Share Quantity:** enter the number of whole shares being transferred, up to 13 positions
- **Settlement Amount:** enter the settlement amount for the account transfer; optional
- **Reason Code:** enter Reason Code by which this account transfer is to be processed

3 Refer to Appendix D for additional field and processing information.

*Result-* Transfers can also be performed using the PTS functions DO or NDOM. However, since this requires manual releases to the Free Account, these transfers will be recorded as potential flips on DTC's tracking reports.

*Note-* Account transfers of IPO and Free Secondary Market shares from a Broker Participant will result in two DOs generated.

#### Share Movement for Customer Account Transfers- Deliveries

When you transfer a customer's position to another Participant, DTC moves the shares in one of the following ways:

- **Transfer position to a Bank:** Both IPO Control and Free Account shares move to the receiving Bank's Free Account in ART. The IPO database marks the shares delivered from your IPO Control Account as IPO shares and those delivered from your Free Account are marked as Secondary Market shares in the IPO database.
- **Transfer position to a Broker:** Shares delivered from your IPO Control Account move to the receiving Broker's IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares delivered from your Free Account move to the Receiving Broker's Free Account in ART. These Free Account shares are not captured in the IPO database.

#### Share Movement for Customer Account Transfers- Receipts

You will receive a customer's position from another Participant in one of the following ways:

- **Receive position from a Bank:** Shares marked as IPO shares in the Bank's Free Account move to the your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares marked as Secondary Market shares in the Bank's Free Account move to your Free Account in ART. These Free Account shares are not captured in the IPO database.
- **Receive position from a Broker:** Shares from the delivering Broker's IPO Control Account move to your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares from the Delivering Broker's Free Account move to your Free Account in ART. These Free Account shares are not captured in the IPO database.

## Secondary Market

### Release Shares From the IPO Control Account for Secondary Market Sales

All Secondary Market sell transactions settle from the Free Account. In order to deliver shares sold by your customers in the Secondary Market, those shares must first be released from your IPO Control Account to your Free Account using the IPOU function. Failure to release shares to the Free Account could result in a CNS short or DOs for Secondary Market sales dropping in ART.

Releases can be performed on the individual customer level, by including the AIA number of the customer on the release, or on the Co-Manager (Syndicate Member) level. Doing releases on the

individual customer level allows DTC to provide a more detailed report of flipping activity by the your customers.

Releases can be submitted as early as 6:00 a.m. Eastern Standard Time (EST) trade date through the settlement of the trade.

*Note-* Releases from the IPO Control Account cannot be reversed and will be recorded as potential flips regardless of whether or not delivery is made.

**1** On the IPO- Tracking System Main Menu Screen, select Option 3, Release IPO Shares To The Free Account.

**2** Enter information in the following required fields of the IPO- Release IPO Shares To The Free Account Screen:

- **Internal Customer:** enter the AIA number of the customer (if already identified in the IPO database)
  1. The Internal Customer field (AIA number) is required for all customer transactions if customer-level detail has been added for any of your customers.
  2. If an incorrect AIA number is entered, the shares will not be released and the subsequent Deliver Order may pend.
- **Trade Date:** enter a valid business date in MMDDYY format

*Note-* DTC edits to ensure that the trade date entered is no earlier than four days prior to the issue's closing in DTC and no later than the current date. Dates entered on a release instruction that fall outside these parameters result in DTC rejecting the release instruction.

- **Contract Price:** enter a price greater than zero in 9999999.99 format
- **Share Quantity:** enter the number of whole shares, up to 13 positions

**3** Refer to Appendix D for additional field and processing information.

*Result-* If you and your customer have position in the IPO database, an immediate release is processed. If you and your customer do not have position, refer to the following sections.

#### Pending Releases

You and your customer must have position in the IPO database in order for a release to be processed. If the customer/Co-Manager does not have position, the release will pend ("hold") for up to 3 days after Trade Date or for up to 30 calendar days, depending on the recycle option selected by the Participant.

If you and your customer do have position, but not enough to satisfy the entire release, DTC will release the available shares from the customer/Co-Manager's account and pend the balance of the release request ("partial hold").

Participants that do not populate the IPO database with customer-level detail can use an omnibus or dummy account number. This allows for partial releases of their position as shares are sold.

#### Cancel Pending Releases

You can cancel pending releases via the IPOU function.

**1** On the IPO- Tracking System Main Menu Screen, select Option 7, IPO Pending Transaction

Cancel.

2 Enter information in the following fields of the IPO- Pending Transaction Screen:

- **CUSIP:** enter the issue's CUSIP number
- **Date:** enter a date range (From and To) in YYYYMMDD format. The default is the current date.

3 Press the ENTER key.

*Result-* A list of pending transactions is displayed.

4 Enter S to the left of the selected transaction to view details.

5 Enter C (cancel) to the left of the selected transaction.

*Result-* The message "PRESS PF1/13 TO CONFIRM CANCEL" appears.

6 Press the PF1/13 key.

*Result-* The transaction is canceled.

7 Refer to Appendix D for additional information.

## Secondary Market Deliveries

Secondary Market deliveries are performed using the same procedures currently used for deliveries of non-tracked issues.

*Note-* The ID Agent number must be included for Secondary Market DO deliveries to Prime Brokers and Banks. When delivering to a Bank, the ID Agent number will default to the receiving Bank's Participant number.

## Resolve Internal Account Number Discrepancies in ID Sell Transactions

When the AIA number on the sale transaction does not match an AIA number in the IPO Tracking database, the system generates a warning message, Error 91.

Error 91 flags an unmatched Internal Account number three times:

- ID Confirmation
- ID Affirmation
- Authorization and Exception (ANE)

Error 91 also appears on machine-readable output.

If the Internal Account number is still unmatched when validation occurs at Authorization and Exception (ANE) time, ANE will not reject the transaction, because the system assumes the delivery will use Secondary Market shares. However, an automated release will not be generated and the delivery will pend.

Unmatched AIA numbers can be corrected in the IPO database prior to the settlement date cutoffs of 10:00 a.m. EST for Global processing and 2:30 p.m. for Trade-for-Trade processing. This allows the ID trade to be authorized and settle that day through the automated settlement feature of the ID system.

*Note-* The ANE inquiry function and T+3 hard-copy report will display a code of "F" in the status field to indicate an Initial Distribution trade that has been rejected from settlement and an "I" to indicate a Secondary Market trade that has been rejected. The "F" and "I" codes will be displayed in cases where the Internal Account number on an IPO trade does not match the Internal Account number as stored on the IPO database. These transactions may be reprocessed for up to 21 days.

You may resolve Internal Account number discrepancies in the following ways:

- Have the Custodian update the Internal Account number in the IPO database to match the number on the ID transaction by performing an IPO customer-level adjustment. (Refer to Update Customer-Level Detail in this chapter)
- Cancel the ID transaction and re-enter it in the ID system as per the Custodian's instructions. (Refer to Distribute Shares via ID in this chapter. )
- Have the Custodian except the ID transaction from automated settlement and enter a DO with the AIA number as it appears in the IPO database.

## Withdrawals-by-Transfer (WTs)

If certificate denominations are available, Withdrawals-by-Transfers (WTs) of tracked issues are permitted starting on closing day via the PTS functions NWT1 (Night Withdrawal-by-Transfer) and RWT1 (Rush Withdrawal-by-Transfer), as well as via CCF and CCFII. WTs are noted as separate line items on tracking reports.

1. Requests for WTs must include customer-level detail.
2. The IPO database must be populated with the customer-level detail prior to requesting a WT.

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter the AIA number of the customer for whom shares are being withdrawn
- **Agt ID:** enter the ID Agent number; optional

**2** Refer to NWT1 and RWT1 for additional WT field and processing information.

*Result-* DTC processes WT requests using shares from your IPO Control Account first. DTC generates releases from your IPO Control Account to its Free Account.

1. Since the IPO Tracking System records all manual releases as potential flips, you should not manually release shares for WT processing.
2. DTC generates releases from your IPO Control Account only if the Internal Account number already exists in the IPO database. If the Internal Account number does not exist, a release will not be generated and the WT will be assumed to be from Free shares only.

## Request a WT Using Free Shares Only

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter a "dummy" AIA number (one that does not exist in the IPO database).

*Note-* The use of a dummy Internal Account number in the Int Cust field will default the system to use Free shares for WT processing.

- **Agt ID:** enter ID the Agent number; optional

2 Refer to NWT1 and RWT1 for additional WT field and processing information.

## Stock Loans and Returns

### Stock Loan Deliveries

Co-Managers are able to process stock loans using the appropriate DO/NDOM Reason Codes. As for all broker Participants, DTC fulfills a Co-Manager's stock loan delivery quantity with Free Account shares only. If insufficient shares are available in the Lead Manager's Free Account, the Participant must instruct DTC to process a Stock Loan Release to release IPO shares from its IPO Control account to its Free account for the balance.

DTC distinguishes between stock loan releases and regular releases and reports each type as separate line items on Lead Underwriter and Syndicate Member Flipping Activity Reports. All stock loan releases are categorized according to Participant type of lender and borrower.

To dissuade Participants from using the stock loan release facility for regular releases, DTC monitors the quantity of IPO shares moved to the Participant's Free account via stock loan releases versus the quantity of shares loaned by the Participant on the same day and reports discrepancies to the Lead Underwriter and appropriate Syndicate Members.

All stock loans are made on an omnibus basis. No customer account numbers are tagged to stock loans. An AIA number entered in a stock loan delivery is ignored by DTC; however, the exception to this is for stock loans to banks, in which case the Participant number of the receiving bank must be entered as the AIA number in order to allow the receiving bank the ability to deliver borrowed shares.

### Stock Loan Receipts

DTC delivers all Stock Loans to the Borrower's Free Account.

### Stock Loan Returns

You can process Stock Loan Returns by using the appropriate Reason Codes via the PTS functions DO or NDOM. All stock loan returns are delivered from the borrower's Free account.

1 Enter Reason Code 20 in the **REAS** field of the SDFS Initial Public Offering Deliver Orders Screen.

2 Refer to DO and NDOM for additional Deliver Order field and processing information.

### Stock Loan Return Receipts

All Stock Loan Returns are delivered to the lender's Free Account as Free Secondary Market shares in the IPO database.

## Pledges

### Pledges of Collateral

You can pledge shares with or without value from either their IPO Control or Free Accounts via the PTS function COLL.

1 Enter the following information on the Free Pledge Service Screen:

- **IPO:** enter Y if the shares are being pledged from the IPO Control Account
- **OR**  
Enter N if the shares are being pledged from the Free Account

2 Refer to COLL for processing information.

*Result-* Pledged IPO Control and Free Account shares are moved to the Pledge (14) Account. IPO shares are segregated in the 114 Account.

## Pledge Releases

If released during the tracking period, Pledge shares are delivered back to their original accounts. In cases where both IPO and Secondary Market shares were pledged, released (Free) shares are returned to the Free Account first, up to the quantity of Free Account shares pledged. The balance of the shares return to the IPO Control Account.

If released after tracking has ended, all Pledge shares are delivered to the Free Account regardless of what their account of origin.

## Reclaims

### Reclaim Deliveries

DTC will automatically process a matched reclamation based on the DO transaction number and other transaction information provided until one day after settlement.

You can enter Matched Reclaims via the PTS functions ART and DO/NDOM and via CCF, CCFII and MDH.

When you reclaim a delivery, the reclaimed DO will be matched to the original delivery and the information in the IPO database will be reversed.

*Note-* Partial reclaims are not permitted.

Matched Reclaim Deliveries via ART

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

1 Enter R to the left of the item to be reclaimed on the ATP Activity Summary Screen.

2 Refer to the Settlement Service Guide for additional ART field and processing information.

Matched Reclaim Deliveries via DO or NDOM

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

1 Enter information in the following fields of the SDFS Automatic Reclaim Deliver Orders Screen:

- **Trans#:** enter the transaction number of the transaction being reclaimed

- **Reas-Code:** enter the appropriate Reason Code (Refer to Codes in this Manual for Reclaim Reason Codes. )
- **Orig-Date-Ind:** enter T to reclaim a DO entered today or P to reclaim a DO entered on the previous business day

*Note-* If made during the Matched Reclaims timeframe, DTC will also match Freeform Reclaims, provided the appropriate DO Reason Code and correct information is entered.

#### Unmatched/Freeform Reclaim Deliveries

Reclaims must be entered Freeform via CCF/CCFII, MDH or the PTS functions DO/NDOM if:

- The reclaim transaction number cannot be matched to an original delivery
- The reclaim occurs after the Matched Reclaim deadline has passed

You must input transaction details Freeform, including the appropriate DO Reclaim Reason Code.

DTC treats these Reclaim transactions as original deliveries, which in turn can be reclaimed by the receiver.

### Reclaim Receipts

IPO shares that are reclaimed within the Matched Reclaim deadline (S through S+ 1) will be returned to the account from which they originated, provided the issue is still being tracked.

Reclaims performed after the Matched Reclaim deadline, or after tracking has ended, will be placed in the Receiver's Free Account. These deliveries can be reclaimed.

### Memo Segregation

Although position may reside in both the IPO Control and Free Accounts, you can enter Memo Segregation instructions for tracked issues using the same procedures currently used for non-tracked issues. Memo Segregation bridges the IPO Control and Free Accounts.

The share quantity in the Memo Segregation instruction will be subtracted from the combined share total in the IPO Control and Free Accounts. The resulting share total must be greater than the quantity of any Deliver Orders entered. If the quantity is less, the Deliver Orders will not be processed and will pend.

### Deposits

Deposits are chilled for tracked issues for the duration of the tracking period.

DWAC (Deposit/Withdrawal at Custodian) activity is permitted on a very limited basis during the tracking period and only with consent of the Lead Underwriter.

### Certificates-On-Demand (CODs)

CODs are chilled for tracked issues for the duration of the tracking period.

### Collateralization of IPO Shares

Shares in the IPO Control Account will be considered collateral (NA) only on the day they are received into the account and only if received for value. Shares received into the IPO control account without value will follow the normal accounting updating rules, and will be considered NA or MA depending on the SDFS Account Coding Instructions.

Shares in the IPO Control Account will not be considered collateral after the first day they are received. MA/NA intra-day moves will not be permitted.

Shares in the Free Account are subject to normal collateralization rules.

## Reconcile Customer-Level Detail with Internal Records

You should reconcile the Customer-Level Detail in the IPO database with your internal records daily using an IPOCLD machine-readable file. This file contains the Agent Bank or Prime Broker's Internal Account numbers of all your customers on file, as well as the Executing Broker's Internal Account numbers for those customers.

Contact DTC's Participant Interface Planning Department or your Relationship Manager for assistance.

## Make Inquiries via IPOI

The PTS function IPOI (Initial Public Offering Tracking System Inquiry) allows you to make inquiries about tracked issues.

The following information is provided via IPOI:

- A list of all tracked IPO issues
- A summary of tracked IPO issues in which the Participant has position
- A summary of customer-level details by Participant-issue
- A summary of IPO pending/canceled/released transactions

For additional information on the IPO Tracking System Inquiry function, refer to the Overview and Appendix E.

## Receive Reports from DTC

DTC prepares and distributes daily cumulative hard-copy reports to the Lead Manager of its tracked issues. The following information is provided:

- List of potential flips by customers of Syndicate Members, Correspondents.
- List of own Retail and Institutional customers that potentially flipped.
- Potential flips by Directed Concessions (indicated with an\*).
- Separate line for WTs.
- Separate line for Stock Loans: quantity reported represents the net amount (outstanding loans less returns).
- Retail account transfers (showing the receiving Participant number).
- Institutional account transfers (showing the receiving Participant number and BIA).
- List of CNS short positions for Syndicate Members having long positions in their IPO Control Accounts; indicating potential sales by Syndicate Members that have not yet released shares.
- List of all CNS short positions for the CUSIP.

*Note-* Syndicate Member customer-level information is not provided in the Lead Manager's reports.

Refer to Reports for additional information and sample reports.

## Co-Manager Tasks: Required Field Information & DTC Output

TASK:	FIELD INFORMATION REQUIRED:	DTC OUTPUT:
<b>Syndicate Takedown To:</b>		
Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Syndicate Member Part.  <b>#REAS:</b> Reason Code 570  <b>Corr-Acct#:</b> Syndicate Member Part#	<b>Activity Code:</b> 47  <b>Reason Code:</b> 570
Clearing Bank of Correspondent Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Clearing Bank's Part. #  <b>REAS:</b> Reason Code 570  <b>Corr-Acct#:</b> Correspondent Syndicate Member's FINS#	<b>Activity Code:</b> 48  <b>Reason Code:</b> 570
Clearing Broker of Correspondent Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Clearing Broker's Part. #  <b>REAS:</b> Reason Code 570  <b>Corr-Acct#:</b> Correspondent Syndicate Member's FINS#	<b>Activity Code:</b> 47  <b>Reason Code:</b> 570
<b>Initial Distribution To:</b>		
Agent Banks via ID	<b>Market Code:</b> Market Code 11  <b>Agent Internal Account:</b> Agent Bank's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 48  <b>Reason Code:</b> 49
Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part#  <b>REAS:</b> Reason Code 50  <b>Int-Acct#:</b> Agent Bank's Internal Account#  <b>Bkr-Acct#:</b> Executing	<b>Activity Code:</b> 48  <b>Reason Code:</b> 50

	Broker's Internal Account#; optional	
Prime Brokers via ID	<b>Market Code:</b> Market Code 11  <b>Agent Internal Account:</b> Prime Broker's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 47  <b>Reason Code:</b> 49
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part. #  <b>REAS:</b> Reason Code 50  <b>Int-Acct#:</b> Prime Broker's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 47  <b>Reason Code:</b> 50
<b>Directed Concessions To:</b>		
Agent Banks via ID	<b>Market Code:</b> Market Code 51  <b>Agent Internal Account:</b> Agent Bank's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 48  <b>Reason Code:</b> 539
Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part. #  <b>REAS:</b> Reason Code 530  <b>Int-Acct#:</b> Agent Bank's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 48  <b>Reason Code:</b> 530
Prime Brokers via ID	<b>Market Code:</b> Market Code 51  <b>Agent Internal Account:</b> Prime Broker's	<b>Activity Code:</b> 47  <b>Reason Code:</b> 539

	Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part. #  <b>REAS:</b> Reason Code 530  <b>Int-Acct#:</b> Prime Broker's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 47  <b>Reason Code:</b> 530
<b>Oversubscriptions To:</b>		
Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Syndicate Member Part. #  <b>REAS:</b> Reason Code 540  <b>Corr-Acct#:</b> Syndicate Member Part. #	<b>Activity Code:</b> 49  <b>Reason Code:</b> 540
Clearing Banks of Correspondent Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Clearing Bank's Part. #  <b>REAS:</b> Reason Code 540  <b>Corr-Acct#:</b> Correspondent Syndicate Member's FINS#	<b>Activity Code:</b> 26  <b>Reason Code:</b> 540
Clearing Brokers of Correspondent Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Clearing Broker's Part. #  <b>REAS:</b> Reason Code 540  <b>Corr-Acct#:</b> Correspondent Syndicate Member's FINS#	<b>Activity Code:</b> 49  <b>Reason Code:</b> 540
Agent Banks via ID	<b>Market Code:</b> Market Code 52  <b>Agent Internal Account:</b> Agent Bank's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#	<b>Activity Code:</b> 26  <b>Reason Code:</b> 549

Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part. #  <b>REAS:</b> Reason Code 540  <b>Int-Acct#:</b> Agent Bank's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 26  <b>Reason Code:</b> 540
Prime Brokers via ID	<b>Market Code:</b> Market Code 52  <b>Agent Internal Account:</b> Prime Broker's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 49  <b>Reason Code:</b> 549
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part. #  <b>REAS:</b> Reason Code 540  <b>Int-Acct#:</b> Prime Broker's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 49  <b>Reason Code:</b> 540
<b>Oversubscription/Directed Concessions To:</b>		
Agent Banks via ID	<b>Market Code:</b> Market Code 53  <b>Agent Internal Account:</b> Agent Bank's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 26  <b>Reason Code:</b> 559
Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part. #  <b>REAS:</b> Reason Code 550  <b>Int-Acct#:</b> Agent	<b>Activity Code:</b> 26  <b>Reason Code:</b> 550

	Bank's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	
Prime Brokers via ID	<b>Market Code:</b> Market Code 53  <b>Agent Internal Account:</b> Prime Broker's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 49  <b>Reason Code:</b> 559
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part#  <b>REAS:</b> Reason Code 550  <b>Int-Acct#:</b> Prime Broker's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 49  <b>Reason Code:</b> 550
<b>Customer-Level Updates:</b>		
Add Customer-Level Detail via IPOU, Option 2	<b>Internal Customer:</b> Internal Account#  <b>Share Quantity:</b> Whole number quantity  <b>Sign:</b> + or- to increase or decrease shares	
Update Customer-Level Detail via IPOU, Option 5	<b>From Internal Customer:</b> Old Internal Account#  <b>To Internal Customer:</b> New Internal Account#; optional  <b>Reallocated Share Quantity:</b> New whole number quantity; optional	
<b>Secondary Market Activity:</b>		
Release of IPO shares to Free Account via IPOU, Option 3	<b>Internal Customer:</b> Internal Account#	<b>Activity Code:</b> 46

	<b>Trade Date:</b> Trade date  <b>Contract Price:</b> Contract price	
Sale of Free shares	Same as for non-tracked issues.	<b>Activity Code:</b> 26
Move Free shares to IPO Control Account for Oversubscriptions via IPOU, Option 6	<b>CUSIP:</b> The issue's CUSIP#  <b>Share Quantity:</b> Number of shares being moved	
Withdrawals-by-Transfer via NWT1/RWT1	<b>Int Cust:</b> Internal Account#  <b>Agt ID:</b> ID Agent#; optional	
Stock Loan via DO/NDOM	<b>REAS:</b> Reason Code 10	<b>Activity Code:</b> 48  <b>IPO shares:</b> 48  <b>Free shares:</b> 26  <b>Reason Code:</b> 10
Stock Loan Return via DO/NDOM	<b>REAS:</b> Reason Code 20	<b>Activity Code:</b>  <b>IPO shares:</b> 49  <b>Free shares:</b> 26  <b>Reason Code:</b> 20
Account Transfer to Broker- IPO Shares- via IPOU, Option 4	<b>To Participant:</b> Receiving Broker's Part#  <b>From Internal Customer:</b> Current Internal Account#  <b>To Internal Customer:</b> New Internal Account#  <b>Share Quantity:</b>	<b>Activity Code:</b> 47  <b>Reason Code:</b> 40

	<p>Number of whole shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount: optional</p>	
Account Transfer to Broker- Free shares- via IPOU, Option 4	<p><b>To Participant:</b> Receiving Broker's Part#</p> <p><b>From Internal Customer:</b> Current Internal Account#</p> <p><b>To Internal Customer:</b> New Internal Account#</p> <p><b>Share Quantity:</b> Number of whole shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount: optional</p>	<p><b>Activity Code:</b> 26</p> <p><b>Reason Code:</b> 40</p>
Account Transfer to Bank-IPO Shares- via IPOU, Option 4	<p><b>To Participant:</b> Receiving Bank's Part#</p> <p><b>From Internal Customer:</b> Current Internal Account#:</p> <p><b>To Internal Customer:</b> New Internal Account#</p> <p><b>Share Quantity:</b> Number of whole shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount: optional</p>	<p><b>Activity Code:</b> 48</p> <p><b>Reason Code:</b> 40</p>
Account Transfer to Bank- Free shares- via IPOU, Option 4	<p><b>To Participant:</b> Receiving Bank's Part#</p> <p><b>From Internal Customer:</b> Current Internal Account#</p> <p><b>To Internal Customer:</b> New Internal Account#</p> <p><b>Share Quantity:</b> Number of whole shares being transferred</p> <p><b>Settlement Amount:</b></p>	<p><b>Activity Code:</b> 26</p> <p><b>Reason Code:</b> 40</p>

	Settlement amount; optional	
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## Custodian Bank Procedures

### Receive Initial Distribution Shares from Lead Manager/Syndicate Members

On closing day, the Lead Manager and Syndicate Members of an IPO tracked issue deliver shares to Custodian Banks for their Institutional Customers ("Initial Distribution") via the Institutional Delivery (ID) system or Deliver Orders (DO or NDOM) . These shares are delivered to the Custodian Bank's Free Account.

Throughout the tracking period, Bank transactions for that issue are monitored through the IPO system. All shares are stored in the Bank's Free Account and are tagged in the IPO database as either IPO Initial Distribution or IPO Secondary Market shares. IPO Initial Distribution shares are broken down in the database by Syndicate Member.

When Initial Distribution shares of an IPO tracked issue are received into the Custodian Bank's Free Account, the IPO database automatically updates the Custodian Bank's IPO position in the IPO database and extracts the following customer information from the ID or DO transaction:

- Agent Internal Account (AIA) number

*Note-* If the AIA number has not been provided by the Executing Broker for an ID transaction, the Custodian Bank will receive an Error Code 91 message. (Refer to Relaxed Editing and Resolve AIA Number Discrepancies in ID Deliveries. )

- Executing Broker Internal Account (BIA) number and the associated Syndicate Member Participant number
- Number of shares allocated to that customer
- The Custodian Bank

*Note-* The ID Agent number will default to the Custodian Bank's Participant number.

### Secondary Market Activity

*Note-* Secondary Market shares can be viewed via the "Free Available" field of IPOI, Option 3, Customer-Level Detail.

### Deliver Shares for Secondary Market Sales

Custodian Banks can deliver shares for Secondary Market sales by using the PTS functions DO or NDOM, or by having the Executing Broker input the transaction via DTC's ID system.

If an Institutional customer has both IPO and Secondary Market shares, the system will use the Secondary Market shares to complete a delivery before using the IPO shares. IPO shares used to complete a delivery will be reported as potential flips.

Potential flips of Initial Distribution shares are reported as such on the daily reports to Lead managers and Syndicate Members. Tracking of all IPO shares continues until the Lead Manager terminates tracking, or until the 90-calendar-day maximum tracking period is over.

If a customer has received shares from more than one Broker-Dealer and then sells shares on the Secondary Market, the system prorates the sale among the Syndicate Members servicing that customer.

*Note-* Customer-level detail is required for all Secondary Market sales.

**Exception:** If a Custodian Bank has never received Initial Distribution shares for the tracked issue, that Bank's shares are not tracked, and customer-level detail is not required for those Secondary Market sales.

## **Deliver Shares via DO or NDOM**

Shares sold in the Secondary Market can be delivered via the PTS functions DO or NDOM using the existing DO Reason Codes.

**1** Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Int-Acct#:**  
enter the Agent Bank's Internal Account number for the customer

*Note-* The Agent Internal Account (AIA) number must be entered correctly in order to ensure accurate processing of the transaction. If the AIA number is not correct, the trade will be rejected. (Refer to Relaxed Editing for exceptions and Resolve AIA Number Discrepancies in ID Deliveries. )

- **Trade-Dt:**  
enter the Trade Date

**2** Refer to DO or NDOM for additional field and processing information.

## **Bank-to-Bank Deliveries**

When delivering to other Banks (i. e. , Bank-to-Bank deliveries), the Custodian Bank enters its own Internal Account number for its customer. The receiving Bank's database is populated with a customer number matching its own Participant number. The receiving Bank may maintain its own Participant number as its account number for this customer or may adjust the number to the actual customer number. When subsequently delivering the shares the Bank must use the account number on the database at the time of the delivery.

As with any Custodian Bank delivery, the customers' Free shares will be moved first; then, if needed, its IPO shares. If IPO shares are moved via a Bank-to-Bank delivery, the receiving Bank will receive tagged IPO shares but a flip will not be reported.

## **Receive Shares from Secondary Market Buys**

Shares bought on the Secondary Market reside in the Custodian Bank's Free Account and are segregated in the IPO database as Secondary Market shares. The Syndicate Member is not captured in the IPO database for Secondary Market transaction shares. For Banks, Secondary Market Shares are tracked for the duration of the tracking period.

## **Relaxed Editing**

Custodian Banks' customers can start setting up sales of Initial Distribution shares on the Secondary Market as early as trade date. These sales, referred to as "turnaround" sales, will settle on the same day the issue closes (possibly before the IPO database has been populated).

Relaxed editing allows Custodian Banks to process Secondary Market sell transactions on settlement date without a match of the AIA number or share quantity to the IPO database. As long as the Custodian Bank itself has received sufficient shares to cover deliveries, the Custodian Bank can process sales of Initial Distribution shares on settlement date without matching customer-level detail.

As soon as the Custodian Bank receives the Initial Distribution shares:

- ID deliveries that were set up by the Custodian Bank's customers between trade date and the day before settlement date (S-1) are delivered regardless of unmatched AIA numbers or share quantities.
- DO/NDOM deliveries set up by customers of the Custodian Bank are made until 3:00 p.m. EST on settlement day, regardless of unmatched AIA numbers or share quantities.

After the trade settles, Banks can update the unmatched AIA number to the correct Internal Account number via the IPOU PTS function. (Refer to Update Customer-Level Information via IPOU in this chapter. )

Each night during the relaxed editing period DTC attempts to reconcile the AIA numbers of unmatched deliveries not adjusted during the processing day. After DTC's cutoff time for deliveries and prior to cutoff time for the machine-readable customer-level detail files, the system automatically attempts to match the AIA numbers of made unmatched deliveries to the AIA numbers populated on the Custodian Bank's IPO database. The system attempts to reconcile these AIA number discrepancies nightly during the relaxed editing period so that DTC can report these sales correctly to Underwriters.

If a match is found, the system updates its records to accurately report the delivering customer and its associated Syndicate Member. The Custodian Bank is also identified on the report as having delivered the shares.

If a match is not found, the system is unable to identify the Syndicate Member associated with the shares and therefore reports the delivery to the Lead Underwriter as "Unknown," indicating a potential flip by a customer of an unknown Syndicate Member. The Custodian Bank is identified on the report as having delivered the shares.

Custodian Banks can view unmatched transactions that settled through relaxed editing via IPOI, Option 3. The following information is displayed: A customer is added displaying the unmatched AIA number, an "Unknown" Syndicate Member, a negative (-) Available Share Quantity, and a "flipped" quantity to the negative share quantity. (Refer to Make Inquiries via IPOI for additional information. )

*Note-* After the relaxed editing period ends, deliveries with unmatched AIA numbers will not settle. (Refer to Resolve AIA Number Discrepancies in ID Deliveries. )

## **Resolve AIA Number Discrepancies in ID Deliveries**

When the AIA number on an Initial Distribution buy transaction or a Secondary Market sell transaction is missing or does not match an AIA number in the IPO Tracking database, the system generates a warning message, Error 91.

Error 91 flags an unmatched AIA number three times:

- ID Confirmation

- ID Affirmation
- Authorization and Exception (ANE)

Error 91 also appears on machine-readable output.

When validation occurs at Authorization and Exception (ANE) time, ANE will reject the buy or sell transaction if the AIA number is still unmatched or missing, and the delivery will be excepted from automated processing.

Unmatched AIA numbers can be corrected by the Custodian Bank in the IPO database prior to the settlement day cutoffs so that the ID trade may be authorized and settle that day through the automated settlement feature of the ID system.

Custodian Banks may resolve AIA number discrepancies in three ways:

- Update the AIA number in the IPO database by performing an IPO customer-level adjustment to match to the AIA on the ID transaction. (Refer to Updating Customer-Level Detail via IPOU in this chapter. )
- Except the ID transaction from automated settlement. The Custodian Bank can then enter a DO with the AIA number as it appears in the IPO database. (Refer to Deliver Shares via DO or NDOM. )

*Note-* If a trade is excepted from ID settlement, the same customer-level detail fields must be provided for DO transactions.

- Have the Executing Broker cancel the ID transaction and re-enter it in the ID system.

The Custodian Bank can notify the Executing Broker of the correct AIA number via the PTS function IDEM.

Refer to IDEM for additional information regarding IDEM.

*Note-* The ANE inquiry function and T+ 3 hard-copy report will display a code of "F" in the status field to indicate an Initial Distribution trade that has been rejected from settlement, and an "I" to indicate a Secondary Market trade that has been rejected from settlement. The "F" code indicates that the AIA or BIA number on an IPO trade is missing, and the "I" code indicates that the AIA number is missing or does not match the AIA number as stored on the IPO database. These transactions may be reprocessed for up to 21 days.

## Update Customer-Level Information via IPOU

Customer-level detail in the IPO database can be updated via the PTS function IPOU. The following sections depict some of the activities Custodian Banks can perform via IPOU.

Refer to Appendix D for additional information regarding IPOU.

### Update Customer-Level Detail

This option allows Custodian Banks to change an existing customer Internal Account number and to reallocate a share quantity from one customer to another.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 5, Customer-Level Adjustment.
- 2 Enter information in the following fields of the IPO- Customer-Level Adjustment screen:

- From Internal Customer:  
enter the existing AIA number for the customer.

*Note-* If a match is not found for the "From Internal Customer" AIA number, the transaction is rejected.

- From BIA:  
enter the existing BIA number for the customer (optional).
- To Internal Customer:  
enter the new AIA number for the customer; required if the Participant wants to change the existing number to a new number.
- Reallocated Share Quantity field:  
enter the number of whole shares being adjusted, up to 13 positions; required if the Participant is reallocating a share quantity from the existing external customer to the new internal customer.

*Note-* Because the system overlays the share quantity information, you must input exactly the total number of shares the "To Internal Customer" should have.

- Refer to Appendix D for additional field and processing information.

## Transfer Customer' s Position Between Participants

Custodian Banks can transfer customer positions to other Participants without those transfers being reported as flips. For reporting purposes, the IPO database moves the original Syndicate Member' s Participant number and BIA number with each transfer of a customer' s position.

Memo Segregation and Sub Account Segregated positions do not need to be released prior to attempting any customer account transfers. IPO account transfer transactions can bypass memo segregation.

Customer-level detail is required for account transfers.

*Note-* Partial transfers will not be processed.

## Transfer Customer' s Position via IPOU

*Note-* Account transfers in tracked CUSIPs must be accomplished by the IPO Customer Account Transfer function and must be for the total (IPO and Secondary Market) position the customer has in its Account.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 4, Customer Account Transfer.
- 2 Enter information in the following fields of the IPO- Customer Account Transfer Screen:

- To Participant:  
enter the receiving Participant number
- From Internal Customer:  
enter the existing AIA number for the customer

*Note-* If no match is found for the "From Internal Customer" AIA number, the transfer can not be processed.

- To Internal Customer:  
enter the receiving Participant' s new AIA number
- ID Agent:  
enter the ID Agent ID number; optional
- Share Quantity:  
enter the number of whole shares being transferred, up to 13 positions
- Settlement Amount:  
enter the settlement amount for the account transfer; optional

### 3 Reason Code:

enter the Reason Code by which the account transfer is to be processed.

*Note-* The following Reason Codes may be entered for Account Transfers:

Reason Code 40- this Reason Code will not reduce the delivering Participant' s memo segregation position if the account transfer is valued; but will reduce the delivering Participant' s memo segregation position by the account transfer quantity if the account transfer is free of value.

Reason Code 88- this Reason code will reduce the delivering Participant' s memo segregation position by the quantity of the account transfer only if the account transfer is free of settlement value. Use of This Reason Code will not reduce memo segregation if the account transfer is for value.

Reason Code 95- this Reason Code will reduce the delivering Participant' s memo segregation position by the account transfer quantity regardless of whether the account transfer is valued or free of value.

Reason Code 97- this Reason Code will reduce the delivering Participant' s memo segregation position by the account transfer quantity regardless of whether the account transfer is valued as free of value.

Reason Code 98- this Reason Code will not reduce the delivering Participant' s memo segregation position to transact the account transfer regardless of value.

- Refer to Appendix D for additional information.

*Note-* Account transfers of IPO and Free secondary market shares to a broker Participant will result in two DOs generated.

## Share Movement for Customer Account Transfers- Deliveries

When a Custodian Bank transfers a customer' s position to another Participant, DTC moves the shares in one of the following ways:

**Transfer position to a Bank:** All shares move to the receiving Bank' s Free Account in ART. Shares marked as IPO shares in the IPO database for the delivering Custodian Bank are marked as IPO shares in the IPO database for the receiving Custodian Bank, and credited to the receiving bank' s Free Account. Shares marked as Secondary Market shares in the IPO database for the delivering Custodian Bank are marked as Secondary Market shares in the IPO database for the receiving Custodian Bank, and credited to the receiving bank' s Free Account in the IPO database.

**Transfer position to a Broker:** Shares marked as IPO shares in the IPO database for the Custodian Bank move to the receiving Broker' s IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares marked as Secondary Market shares in the IPO database for the

Custodian Bank move to the Broker' s Free Account in ART. Secondary Market shares are not captured in the IPO database for broker Participants.

## Share Movement for Customer Account Transfers- Receipts

Custodian Banks will receive customer account transfer positions from other Participants in one of the following ways:

**Receive position from a Bank:** All shares move to the receiving Bank' s Free Account in ART. Shares marked as IPO shares in the IPO database for the delivering Bank are marked as IPO shares in the IPO database for the receiving Custodian Bank and credited to the receiving bank' s Free account. Shares marked as Secondary Market shares in the IPO database for the delivering bank are marked as Secondary Market shares in the IPO database for the receiving Custodian Bank and credited to the receiving banks' Free Account.

**Receive position from a Broker:** All shares move to the Custodian Bank' s Free Account in ART. Shares received from the Broker' s IPO Control Account are marked as IPO shares in the IPO database for the Custodian Bank and credited to the receiving banks' Free Account. Shares received from the Broker' s Free Account are marked as Secondary Market shares in the IPO database for the Custodian Bank and credited to the receiving bank' s Free account.

## Withdrawals-by-Transfer (WTs)

If certificate denominations are available, Withdrawals-by-Transfer (WTs) of tracked issues are permitted starting on the closing day via the PTS functions NWT1 (Night Withdrawal-by-Transfer) and RWT1 (Rush Withdrawal-by-Transfer) as well as via CCF and CCFII. WTs are noted as separate line items on the tracking reports.

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer Screen:

- Int Cust:  
enter the AIA number of the customer for whom shares are being withdrawn.
- Requests for WTs must include the AIA number.
- The customer must already exist in the IPO database or the WT is rejected.
- ID Agent:  
enter the ID Agent ID number; optional.
- Refer to NWT1 and RWT1 for additional WT field and processing information.

DTC processes WT requests using the Custodian Bank' s Secondary Market shares first. If necessary, DTC uses IPO shares to complete a WT request.

## Stock Loans and Returns

### Stock Loan Deliveries

Custodian Banks are able to process stock loans using the appropriate DO/NDOM Reason Codes. When processing a stock loan, DTC attempts to fulfill the loan quantity with Free secondary market shares and will satisfy the balance, if necessary, with the bank' s IPO shares.

All stock loans are made on an omnibus basis. No customer account numbers are tagged to stock loans. An AIA number entered in a stock loan delivery is ignored by DTC; however, the exception to this is for stock loans to banks, in which case the Participant number of the receiving bank must be

entered as the AIA number in order to allow the receiving bank the ability to deliver borrowed shares.

All loans of IPO shares are noted as separate line items in Lead Underwriter and Syndicate Member Flipping Activity Reports and are categorized according to Participant type of lender and borrower. The quantity of loaned IPO shares is prorated across all Syndicate Members that deliver initial distribution shares to the bank.

- 1 Enter Reason Code 10 in the REAS field of the Initial Public Offering Deliver Orders Screen.
- 2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## **Stock Loan Receipts**

All shares of stock loans delivered to a bank are credited to the receiving bank's Free account and are considered Free secondary market shares. DTC updates the bank's IPO database by using the receiving bank's own Participant number as the default AIA number for borrowed shares.

The receiving bank can adjust the IPO database to attach a valid customer number to the borrowed shares, or can maintain the shares with the default AIA number populated by DTC. Regardless, as with all other deliveries, when delivering borrowed shares the AIA number entered by the bank in its delivery instruction must match the IPO database in order for DTC to process the delivery.

## **Stock Loan Returns**

Custodian Banks can process Stock Loan Returns by using the appropriate DO/NDOM Reason Codes. All stock loans are returned to the lender's Free account as Free secondary market shares in the IPO database. It is not necessary to include the AIA number.

- 1 Enter Reason Code 20 in the REAS field of the Initial Public Offering Deliver Orders Screen.
- 2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## **Stock Loan Return Receipts**

Stock Loan Returns are delivered to the Lender's Free Account as Free secondary market shares in the IPO database.

## **Pledges**

### **Pledges of Collateral**

Custodian Banks can pledge shares with or without value via the PTS function COLL.

Refer to COLL for field and processing information.

### **Pledge Releases**

All Pledge shares are returned to the Custodian Bank's Free Account.

## **Reclaims**

### **Reclaim Deliveries**

DTC will automatically process a matched reclamation based on the DO transaction number and other transaction information provided until one day after settlement.

Custodian Banks can enter Matched Reclaims via the PTS functions ART and DO/NDOM and via CCF, CCFII and MDH.

Partial reclaims are not permitted.

*Note-* When a Custodian Bank reclaims a delivery, the reclaimed DO will be matched to the original delivery and the information in the IPO database will be reversed.

## **Matched Reclaim Deliveries via ART**

Matched reclaims can be made on settlement date and the day after. These reclaims cannot be reclaimed by the original deliverer, and matched reclaims are not subject to Risk Management Controls.

- 1 Enter R to the left of the item to be reclaimed on the ATP Activity Summary Screen.
- 2 Refer to ART for field and processing information.

## **Matched Reclaim Deliveries via DO or NDOM**

Matched reclaims can be made on settlement date and the day after (S through S+ 1). Matched reclaims can be made on settlement date and the day after (S through S+ 1). Matched reclaims are not subject to risk management controls.

- 1 Enter information in the following fields of SDFS Automatic Reclaim Deliver Orders Screen:

- **Trans#:**  
enter the transaction number of the transaction being reclaimed.
- **Reas-Code:**  
enter the appropriate Reason Code (Refer to Codes in this Manual for Reclaim Reason Codes).
- **Orig-Date-Ind:**  
enter T to reclaim a DO entered today or P to reclaim a DO entered on the previous business day.

- 2 Refer to DO or NDOM for additional information.

*Note-* If made during the Match Reclaims timeframe, DTC will also match Freeform Reclaims provided the appropriate DO Reason Code and correct information is entered.

## **Unmatched/Freeform Reclaim Deliveries**

Reclaims must be entered Freeform via the PTS functions DO or NDOM if:

- The reclaim transaction number cannot be matched to an original delivery
- The reclaim occurs after the Matched Reclaim deadline has passed
- Custodian Banks must manually input transaction details, including the appropriate Deliver Order Reclaim Reason Code.

DTC treats these Reclaim transactions as original deliveries, which in turn can be reclaimed by the receiver.

## Reclaim Receipts

Initial Distribution deliveries that are reclaimed within the deadline (S through S+ 1) will be returned to the Custodian Bank's Free Account. IPO shares will be marked in the IPO database.

*Note-* Custodian Banks can reclaim Unmatched/Freeform Reclaim Deliveries.

## Deposits

Deposits are chilled for tracked issues during the tracking period.

DWAC (Deposit/Withdrawal at Custodian) activity is permitted on a very limited basis during the tracking period, and only with the consent of the Lead Underwriter.

## Certificates-On-Demand (CODs)

CODs are chilled for tracked issues during the tracking period.

## Make Inquiries via IPOI

The PTS function IPOI (Initial Public Offering Tracking System Inquiry) allows the Custodian Bank to make inquiries about tracked issues.

The following information is provided via IPOI:

- A list of all tracked IPO issues
- A summary of tracked IPO issues in which the Participant has position
- A summary of customer-level details by Participant-issue
- A summary of IPO pending/canceled/released transactions
- A summary of Custodian Bank customer-level secondary share position obtained from free Market trades

For additional information on the IPO Tracking System Inquiry function, refer to the Overview and Appendix E.

## Custodian Bank Tasks: Required Field Information &DTC Output

<b>Task:</b>	<b>Field Information Required:</b>	<b>DTC Output:</b>
<b>Secondary Market Activity:</b>		
Sale of Secondary Market shares via DO/NDOM	<b>Int Acct#:</b>  Agent Internal Account (AIA) number  <b>Trade Date:</b>  Trade Date	<b>Activity Code:</b>  26

	<b>Net\$ Amt:</b> Price	
Withdrawals-by-Transfer via NWT1/ RWT1	<b>Int Cust:</b> AIA number	
Stock Loan via DO/NDOM	<b>REAS:</b> Reason Code 10	<b>Activity Code:</b> 26
Stock Loan Return via DO/NDOM	<b>REAS:</b> Reason Code 20	<b>Activity Code:</b> 26
Account Transfer to Broker via IPOU, Option 4	<b>From Internal Customer:</b>  Current AIA number  <b>To Participant:</b>  Receiving Broker's Part number  <b>To Internal Customer:</b>  New AIA number  <b>ID Agent:</b>  ID Agent number; optional  <b>IPO Share Quantity:</b>  Number of whole IPO shares being transferred  <b>Free Share Quantity:</b>  Number of whole Free shares being transferred  <b>Settlement Amount:</b>  Settlement amount; optional  <b>Reason Code:</b>  Appropriate Reason Code for delivery	<b>Activity Code:</b>  IPO shares: 49  Free shares: 26  Reason Code: 40, 95 or 98
Account Transfer to Bank via IPOU, Option 4	<b>From Internal Customer:</b>	<b>Activity Code:</b> 26

	<p>Current AIA number</p> <p><b>To Participant:</b></p> <p>Receiving Bank's Part number</p> <p><b>To Internal Customer:</b></p> <p>New AIA number</p> <p><b>ID Agent:</b></p> <p>ID Agent number; optional</p> <p><b>IPO Share Quantity:</b></p> <p>Number of whole IPO shares being transferred</p> <p><b>Free Share Quantity:</b></p> <p>Number of whole Free shares being transferred</p> <p><b>Settlement Amount:</b></p> <p>Settlement amount; optional</p> <p><b>Reason Code:</b></p> <p>Appropriate Reason Code for delivery</p>	<p>Reason Code: 40, 95 or 98</p>
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## Lead Manager Procedures

### Set Up Tracked Issues With DTC

Before an issue can be tracked, you must work with DTC's Underwriting Department to make the issue DTC-eligible and set the issue up for tracking. The procedures are similar to those for non-tracked issues.

- 1 Send DTC's Underwriting Department a Prospectus and a completed Eligibility Questionnaire **10 days** prior to distribution.

*Result-* Within 48 hours, DTC will contact you to confirm that the issue can be made DTC-eligible and to provide additional instructions.

- 2 Provide the Underwriting Department with the CUSIP number (s) for the issue **seven days** prior to the distribution date.

*Result-* Once the CUSIP is received, DTC will add it to its Master File.

DTC will provide you with a denominational break down for the certificates. This will enable DTC to have a working inventory in its vault.

**3** Prepare the certificates as instructed by DTC.

**4 Confirm in writing to DTC's Underwriting Department by no later than 3:00 p.m. Eastern Standard Time (EST) S-2 that the issue is to be tracked. This should include an estimated length of tracking; the maximum is 90 calendar days. Requests for tracking will not be honored after the S-2 cutoff time.**

*Result-* The Tracking Indicator is turned on for the PTS function GWIZ and the CCF file ELISCA/C as soon as DTC makes the CUSIP eligible.

*Note-* The length of tracking can be modified at any time during the tracking period by written request from the Lead Manager.

**5** Deliver the certificates to DTC or the Custodian Bank no later than **one day** prior to the distribution date.

*Result-* DTC will examine the certificates prior to the distribution date to ensure they are in good form and to ascertain that the agreed upon specifications have been met.

**6** Provide pricing information to DTC.

## **Receive Shares from DTC Control Account for Syndicate Takedown and Initial Distribution**

Prior to 1:15 p.m. on closing date, you and the Issuer or Issuer's Agent notify DTC that the deal has closed and the shares can be released to you. DTC moves the shares from its Control Account (2153) to your IPO Control Account.

- Prior to the closing, you should set up deliveries for your Institutional customers, as well as to your Syndicate Members. These will pend until the issue closes.
- Shares remain in your IPO Control Account for the duration of the tracking period unless they are released, transferred, or distributed to Syndicate Members or Institutional customers at Agent Banks or Prime Brokers.

## **Syndicate Takedowns**

Prior to receiving shares in your IPO Control Account you should set up deliveries for distribution of shares to your Syndicate Members, Co-Managers and Co-Reporters. A Syndicate Takedown is performed by using Option 4 of the PTS function DO or Option 6 of NDOM.

*Note-* The term "Syndicate Members" includes selling group members as well.

You can indicate a Syndicate Takedown delivery by entering the appropriate Reason Codes, as described in the following sections, in the REAS field of the Initial Public Offering Deliver Orders Screen.

Deliveries to Syndicate Members, Co-Managers and Co-Reporters go to the top of the delivery queue.

## **Distribute Shares to Co-Managers and Co-Reporters**

You can set up deliveries to your own second Participant number ("Co-Reporter") for foreign distribution, or to a second Lead Manager ("Co-Manager").

*Note-* In a Co-Manager relationship the deliverer (the Lead Manager) and the Receiver have different Primary Participant numbers in the Master File Entity System. In a Co-Reporting relationship the deliverer (Lead Manager) and receiver (Lead Manager) have the same primary Participant number.

## Distribute Shares to Co-Managers

1 Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Co-Manager's Participant number
- **REAS Pt:** enter Reason Code **560**

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares to Co-Reporters

1 Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter your second ("Co-Reporter") Participant number
- **REAS Pt:** enter Reason Code **560**

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares to Syndicate Members

1 Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Syndicate Member's Participant number
- **REAS:** enter Reason Code **570**
- **Corr-Acct#:** enter the Syndicate Member's Participant number

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares to Correspondent Syndicate Members

1 Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Clearing Broker or Clearing Bank's Participant number
- **REAS:** enter Reason Code **570**
- **Corr-Acct#:** enter the Correspondent Syndicate Member's ID Broker-Dealer number

*Note-*

- Entering the Clearing Broker/Bank's Participant number in the Recv-Pt field and the Correspondent's ID Broker-Dealer number in the Corr-Acct# field will identify this as a Correspondent relationship in the IPO database. The system will validate the relationship against the Broker section of the ID Master File.

- When delivering to Clearing Banks, the numbers in the Recv-Pt and Corr-Acct# fields can be the same provided the relationship exists in the Broker section of the ID Master File.

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distributing Shares for Oversubscriptions

When you have fewer shares than you need to make your Syndicate Takedown deliveries, you can borrow or purchase shares from the Secondary Market.

Shares borrowed or purchased in the Secondary Market for Oversubscription Distribution will reside in your Free Account.

You have two options for delivering Oversubscribed shares:

- **Move** the shares back to your IPO Control Account via the PTS function IPOU (Option 6) and perform a Syndicate Takedown DO/NDOM delivery.
- **Deliver** the shares directly from your Free Account using the appropriate ID or DO/NDOM codes.

## Move Shares from the Free Account to the IPO Control Account

- 1 For Oversubscriptions on the IPO- Tracking System Main Menu Screen, select Option 6, Oversubscription for Lead Underwriter.
- 2 Enter information in the following fields of the IPO- Oversubscription for Lead Underwriter Screen:

- **CUSIP:** enter the issue's CUSIP number
- **Share Quantity:** enter the number of Free shares being transferred to the IPO Control Account

3 Press the ENTER key.

4 Refer to Appendix D, IPOU, for additional field and processing information.

*Result-* Two one-sided next-day DO journals are generated: one to decrease Free Account shares and another to increase shares in the IPO Control Account.

5 Perform a Syndicate Takedown DO or NDOM delivery.

## Distribute Oversubscribed Shares to Syndicate Members via DO or NDOM

1 Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Syndicate Member's Participant number
- **REAS:** enter Reason Code **540**
- **Corr-Acct#:** enter the Syndicate Member's Participant number

2 Refer to the DO or NDOM for additional Deliver Order field and processing information.

*Result-* Shares move from the Lead Manager's Free Account to the Syndicate Member's IPO Control Account.

*Note-* Refer to Deliver Shares to Syndicate Members in this chapter for information on other distributions to Syndicate Members.

## Distribute Oversubscribed Shares to Correspondents via DO or NDOM

1 Enter information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Clearing Bank or Clearing Broker's Participant number
- **REAS:** enter Reason Code **540**
- **Corr-Acct#:** enter the Correspondent Syndicate Member's ID Broker-Dealer number

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

*Note-* Refer to Distribute Shares to Correspondents in this chapter for information on other Correspondent Distributions.

## Initial Distribution

After the Syndicate Takedown, distribution to Institutional customers ("Initial Distribution") occurs as follows:

- Distribution to Agent Banks and Prime Brokers
- Directed Concessions
- Oversubscriptions
- Directed Concessions/Oversubscriptions

Although shares can be delivered on or after the closing date, you can set up your Initial Distribution deliveries **prior** to receiving shares into your IPO Control Account.

An Initial Distribution is performed by using either DTC's ID system or the PTS functions DO or NDOM. You can indicate an Initial Distribution delivery by entering the appropriate Market Code on the Institutional Delivery Trade Input Screen for ID trades, or by entering the appropriate Reason Code in the REAS field of the Initial Public Offering Deliver Orders Screen for Day and Night DOs.

*Note-* Initial Distribution transactions are not settled through CNS.

## Distribute Shares to Agent Banks and Prime Brokers via ID

*Note-* Customer-level detail is required for Initial Distribution transactions.

1 Enter information in the following fields of the Institutional Delivery Trade Input Screen

- **Market Code:** enter Market Code 11
- **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Broker Internal Account:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. If either is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account Number Discrepancies for information on how to correct the Agent

Internal Account number.

*Result-* The AIA number, BIA number and associated Syndicate Member are extracted from ID trades upon authorization. On closing date, the IPO database is populated.

2 Refer to IDTI for additional ID field and processing information.

## Distribute Unaffirmed ID Trade Shares to Agent Banks and Prime Brokers via DO or NDOM

When a trade is unaffirmed, excepted or rejected from the ID system, you can settle that trade via the PTS functions DO (Option 4) or NDOM (Option 6).

1 Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
- **REAS:** enter Reason Code **50**
- **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer

*Note-* The Internal Account numbers must be entered correctly to ensure accurate processing of the transaction. DTC rejects Initial Distribution deliveries in which either number is missing.

- **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Result-* The system captures the Agent Bank/Prime Broker Internal Account number along with the BIA number and the associated Syndicate Member and populates the IPO database.

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares for Broker Custody Trades

For trades where the Executing Broker and Custodian are the same entity ("Broker Custody"), you "deliver" shares to its own account via DTC's ID system.

1 Follow the Initial Distribution procedures described in Distribute Shares via ID, entering your own Participant number as both the Executing Broker and the Custodian of the transaction.

*Result-* Because there is no actual movement of shares, the IPO database is populated with customer-level detail and the associated Syndicate Member upon Confirmation of Broker Custody trades.

## Distribute Shares for Directed Concessions

You can deliver a block of IPO shares directly to a Syndicate Member's Institutional Customer, at the customer's request ("Directed Concession"). You are set up as the associated Syndicate Member in the IPO database. Directed Concessions can be distributed via DTC's ID system or via the PTS functions DO (Option 4) or NDOM (Option 6).

Directed Concession deliveries are flagged on your tracking reports with an asterisk (\*) and with the delivering custodian's Participant number. If a Directed Concession customer flips, you must check your internal records to identify the customer's Syndicate Member.

## Distribute Directed Concession Shares via ID

1 Enter information in the following fields of the Institutional Delivery Trade Input Screen:

- **Market Code:** enter Market Code **51**
- **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Broker Internal Account:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. If either is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account Number Discrepancies for information on how to correct the Agent Internal Account number.

2 Refer to IDTI for additional ID field and processing information.

## Distribute Directed Concession Shares via DO or NDOM

1 Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
- **REAS:** enter Reason Code **530**
- **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered to ensure accurate processing of the transaction. DTC rejects Initial Distribution deliveries in which either number is missing.

*Result-* The system captures the Agent Bank/Prime Broker Internal Account number along with the BIA number and the associated Syndicate Member and populates the IPO database with this information.

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares for Oversubscriptions

When you have fewer shares than needed to make the Initial Distribution deliveries, you can purchase or borrow shares from the Secondary Market for distribution ("Oversubscription").

Shares purchased or borrowed in the Secondary Market for Oversubscription Distribution will reside in your Free Account.

You have two options for delivering Oversubscribed shares:

- **Move** the shares back to your IPO Control Account via the PTS function IPOU (Option 6), and perform an Initial Distribution ID or DO/ NDOM delivery.
- **Deliver** the shares directly from your Free Account using the appropriate ID or DO/NDOM codes.

## Move Shares From the Free Account to the IPO Control Account for Oversubscriptions

- 1 On the IPO- Tracking System Main Menu Screen, select Option 6, Oversubscription for Lead Underwriter.
- 2 Enter information in the following fields of the IPO- Oversubscription for Lead Underwriter Screen:
  - **CUSIP:** enter the issue's CUSIP number
  - **Share Quantity:** enter the number of Free shares being transferred to the IPO Control Account
- 3 Press the ENTER key.
- 4 Refer to Appendix D for additional field and processing information.
- 5 Perform an Initial Distribution DO, NDOM or ID delivery. Refer to Distribute Shares to Agent Banks and Prime Brokers via ID and Distribute Shares to Agent Banks and Prime Brokers via DO or NDOM for more information.

## Distribute Oversubscribed Shares to Agent Banks and Prime Brokers via ID

- 1 Enter information in the following fields of the Institutional Delivery Trade Input Screen:
  - **Market Code:** enter Market Code **52**
  - **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
  - **Broker Internal Account:** enter the Executing Broker's Internal (BIA) Account number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. If either is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account Number Discrepancies for information on how to correct the Agent Internal Account number.

- 2 Refer to IDTI for additional ID field and processing information.

*Result-* Shares move from the Lead Manager's Free Account to the Agent Bank's Free Account (and are marked as IPO shares in the database) or to the Prime Broker's IPO Control Account.

## Distribute Oversubscribed Shares to Agent Banks and Prime Brokers via DO or NDOM

- 1 Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:
  - **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
  - **REAS:** enter Reason Code **540**
  - **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
  - **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Result-* The system captures the AIA number along with the BIA number and the associated Syndicate Member and populates the IPO database with this information.

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. DTC rejects Initial Distribution deliveries in which either number is missing.

2 Refer to DO or NDOM for additional Deliver Order field and processing information.

*Result-* Shares move from the Lead Manager's Free Account to the Agent Bank's Free Account (and are marked as IPO shares in the database) or to the Prime Broker's IPO Control Account.

## Distribute Shares for Oversubscriptions/Directed Concessions

You can deliver oversubscribed shares directly to a Syndicate Member's Institutional customer, at the customer's request ("Oversubscription/Directed Concession"), via DTC's ID system or via the PTS functions DO or NDOM. The Lead Manager is set up as the associated Syndicate Member in the IPO database.

## Distribute Oversubscribed Directed Shares to Agent Banks and Prime Brokers via ID

1 Enter information in the following fields of the Institutional Delivery Trade Input Screen:

- **Market Code:** enter Market Code **53**
- **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Broker Internal Account:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. If either is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account Number Discrepancies for information on how to correct the Agent Internal Account number.

2 Refer to IDTI for additional ID field and processing information.

*Result-* Shares move from your Free Account to the Agent Bank's Free Account (and are marked as IPO shares in the database) or to the Prime Broker's IPO Control Account.

## Distribute Oversubscribed Directed Shares to Agent Banks and Prime Brokers via DO or NDOM

1 Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
- **REAS:** enter Reason Code **550**
- **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer
- **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer

*Result-* The system captures the AIA number along with the BIA number and the associated Syndicate Member and populates the IPO database with this information.

*Note-* The Internal Account numbers must be entered correctly in order to ensure accurate processing of the transaction. DTC rejects Initial Distribution deliveries in which either number is missing.

2 Refer to DO or NDOM for additional DO field and processing information.

*Result-* Shares move from the Lead Manager's Free Account to the Agent Bank's Free Account (and marked as IPO shares in the database) or to the Prime Broker's IPO Control Account.

## Updating Customer-Level Information via IPOU

Customer-level detail in the IPO database can be added and/or updated via the PTS function IPOU. The following sections describe some of the activities a Lead Manager can perform via IPOU.

*Note-* If customer-level detail has been added for any of your customers, it must be added for all your customers or you will not be able to perform subsequent transactions (e. g. WTs, customer account transfers) for those customers.

### Allocate Shares to Retail Customers (Add Customer-Level Detail)

After delivering Initial Distribution shares to Institutional customers' Prime Brokers/Agent Banks, you can allocate the shares you retain to your Retail customers.

IPOU, Option 2 allows you to populate the IPO database by adding their Retail clients' customer-level details and share allocations.

*Note-* Participants cannot allocate shares to Institutional customers.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 2, Add Customer-Level Detail.
- 2 Enter information in the following required fields of the IPO- Add Customer-Level Detail Screen:
  - **Internal Customer:** enter the Internal Account number of the customer
  - **Share Quantity:** enter the whole number quantity, up to 13 positions
  - **Sign:** enter (+) to increase shares

3 Refer to Appendix D for additional processing information.

### Update Customer-Level Detail

IPOU, Option 5 allows you to correct or update your customer Internal Account numbers and adjust the share quantities allocated to your customers.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 5, Customer-Level Adjustment.
- 2 Enter information in the following required fields of the IPO- Customer-Level Adjustment screen:
  - **From Internal Customer:** enter the existing AIA number of the customer
  - **From BIA:** enter the existing BIA number for the customer (optional)
  - **To Internal Customer:** enter the new AIA number of the customer; required if the Participant wants to change the existing number to a new one
  - **Reallocated Share Quantity:** enter the number of whole shares being adjusted, up to 13 positions; required if the Participant is adjusting a share quantity from existing customers to the new customer

*Note-* Because the system overlays the share quantity information, you must input exactly the total number of shares the "To Internal Customer" should have. If you are not sure of the exact total the customer should have, refer to the following section.

3 Refer to Appendix D for additional field and processing information.

## Update Customer-Level Detail Using the Add Customer-Level Detail Function

IPOU Option 2, Add Customer-Level Detail, provides a way for you to adjust share quantities for their customers without knowing the total number of shares each customer should have.

This method can also be used to eliminate an old Internal Account number from the IPO database and add a new one.

1 On the IPO Tracking system Main Menu Screen, select Option 2, Add Customer-Level Detail.

2 Enter Information in the following required fields:

- **Internal Customer:** enter the Internal Account number of the customer
- **Share Quantity:** enter the number of whole shares, up to 13 positions, you wish to increase/decrease the account by
- **Sign:** enter (+) to indicate the shares should be increased or (-) to indicate the shares should be decreased

*Result-* The system adds/subtracts the share quantities for the account and updates them accordingly.

If the share quantity for an Account number is reduced to zero, the system deletes that number from the IPO database.

3 Refer to Appendix D for additional information.

## Transfer Customer's Position Between Participants

You can transfer your customers' positions to another Participant without that transfer being reported as a potential flip. For reporting purposes, the IPO database moves the original Syndicate Member's Participant number and BIA number with each transfer of a customer's position.

Memo Segregation and Sub Account Segregated positions do not need to be released prior to attempting any customer account transfers. IPO account transfer transactions can bypass Memo Segregation.

Customer-level detail is required for account transfers.

## Transfer Customer's Position via IPOU

- For those transfers that originate in NSCC's ACATS system, Participants will be notified that an issue is tracked and will receive a trade-for-trade (Balance Order) ticket.
- The transfer of shares in a tracked CUSIP must be accomplished by the IPO Customer Account Transfer function and must be for the total position the customer has in its IPO Control and Free Accounts.

1 On the IPO- Tracking System Main Menu Screen, select Option 4, Customer Account Transfer.

2 Enter information in the following fields of the IPO- Customer Account Transfer Screen:

- **To Participant:** enter the receiving Participant's number
- **From Internal Customer:** enter the existing AIA number for the customer
- **To Internal Customer:** enter the receiving Participant's AIA number for the customer

- **Share Quantity:** enter the number of whole shares being transferred, up to 13 positions
- **Settlement Amount:** enter the Settlement amount for the account transfer; optional
- **Reason Code:** enter Reason Code by which this account transfer is to be processed

3 Refer to Appendix D for additional field and processing information.

*Result-* Transfers can also be performed using the PTS functions DO or NDOM. However, since this requires manual releases to the Free Account, these transfers will be recorded as potential flips on DTC's tracking reports.

*Note-* Account transfers of IPO and Free Secondary Market shares from a Broker Participant will result in two DOs generated.

## Share Movement for Customer Account Transfers- Deliveries

When you transfer a customer's position to another Participant, DTC moves the shares in one of the following ways:

**Transfer position to a Bank:** Both IPO Control and Free Account shares move to the receiving Bank's Free Account in ART. The IPO database marks the shares delivered from your IPO Control Account as IPO shares and delivered from your Free Account are marked as Secondary Market shares in the IPO database.

**Transfer position to a Broker:** Shares delivered from your IPO Control Account move to the receiving Broker's IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares delivered from your Free Account move to the receiving Broker's Free Account in ART. These Free Account shares are not captured in the IPO database.

## Share Movement for Customer Account Transfers- Receipts

You will receive a customer's position from another Participant in one of the following ways:

**Receive position from a Bank:** Shares marked as IPO shares in the Bank's Free Account move to your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares marked as Secondary Market shares in the Bank's Free Account move to your Free Account in ART. These Free Account shares are not captured in the IPO database.

**Receive position from a Broker:** Shares from the delivering Broker's IPO Control Account move to your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares from the delivering Broker's Free Account move to your Free Account in ART. These Free Account shares are not captured in the IPO database.

## Secondary Market

### Release Shares From the IPO Control Account for Secondary Market Sales

All Secondary Market sell transactions settle from the Free Account. In order to deliver shares sold by your customers in the Secondary Market, those shares must first be released from your IPO Control Account to the Free Account using the IPOU function. Failure to release shares to the Free Account could result in a CNS short or DOs for Secondary Market sales dropping in ART.

Releases can be performed on the individual customer level, by including the AIA number of the customer on the release, or on the Lead Manager (Syndicate Member) level. Doing releases on the

individual customer level allows DTC to provide a more detailed report of flipping activity by your customers.

## Release Shares From the IPO Control Account

Releases can be submitted as early as 6:00 a.m. Eastern Standard Time (EST) trade date through the Settlement of the trade.

*Note-* Releases from the IPO Control Account cannot be reversed and will be recorded as potential flips regardless of whether delivery is made.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 3, Release IPO Shares To The Free Account.
- 2 Enter information in the following required fields of the IPO- Release IPO Shares To The Free Account Screen:

- **Internal Customer:** enter the AIA number of the customer (if already identified in the IPO database)
  - The Internal Customer field (AIA number) is required for all customer transactions if customer-level detail has been added for any of your customers.
  - If an incorrect AIA number is entered, the shares will not be released and the subsequent Deliver Order may pend.
- **Trade Date:** enter a valid business date in MMDDYY format

*Note-* DTC edits to ensure that the trade date entered is no earlier than four days prior to the issue's closing in DTC and no later than the current date. Dates entered on a release instruction that fall outside these parameters result in DTC rejecting the release instruction.

- **Contract Price:** enter a price greater than zero in 9999999.99 format
- **Share Quantity:** enter the number of whole shares, up to 13 positions

- 3 Refer to Appendix D for additional field and processing information.

*Result-* If you and your customer have position in the IPO database, an immediate release is processed. If you and your customer do not have position, refer to the following sections.

## Pending Releases

You and your customer must have position in the IPO database in order for a release to be processed. If the customer/Lead Manager does not have position, the release will pend ("hold") for up to three days after Trade Date or for up to 30 calendar days, depending on the recycle option selected by the Participant.

If you and your customer do have position, but not enough to satisfy the entire release, DTC will release the available shares from the customer/Lead Manager's account and pend the balance of the release request ("partial hold").

Participants that do not populate the IPO database with customer-level detail can use an omnibus or dummy account number. This allows for partial releases of their position as shares are sold.

## Cancel Pending Releases

You can cancel pending releases via the IPOU function.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 7, IPO Pending Transaction Cancel.
- 2 Enter information in the following fields of the IPO- Pending Transaction Screen:
  - **CUSIP:** enter the issue's CUSIP number
  - **Date:** enter a date range (From and To) in YYMMDD format. The default is the current date.
- 3 Press the ENTER key. A list of pending transactions is displayed.
- 4 Enter "S" to the left of the selected transaction to view details.
- 5 Enter "C" (cancel) to the left of the selected transaction. The message "PRESS PF1/13 TO CONFIRM CANCEL" appears.
- 6 Press the PF1/13 key. The transaction is canceled.
- 7 Refer to Appendix D for additional information.

## Secondary Market Deliveries

Secondary Market deliveries are performed using the same procedures currently used for deliveries of non-tracked issues.

*Note-* The ID Agent number must be included for Secondary Market DO deliveries to Prime Brokers and Banks. When delivering to a Bank, the ID Agent number will default to the receiving Bank's Participant number.

## About Internal Account Number Discrepancies in ID Sell Transactions

When the AIA number on the sale transaction does not match an AIA number in the IPO Tracking database, the system generates a warning message, Error 91.

Error 91 flags an unmatched Internal Account number three times:

- ID Confirmation
- ID Affirmation
- Authorization and Exception (ANE)

Error 91 also appears on machine-readable output.

**If the Internal Account number is still unmatched when validation occurs at Authorization and Exception (ANE) time, ANE will not reject the transaction, because the system assumes the delivery will use Secondary Market shares. However, an automated release will not be generated and the delivery will pend.**

Unmatched AIA numbers can be corrected in the IPO database prior to the Settlement date cutoffs of 10:00 a.m. EST for Global processing and 2:30 p.m. for Trade-for-Trade processing. This allows the ID trade to be authorized and settled that day through the automated Settlement feature of the ID system.

*Note-* The ANE inquiry function and T+3 hard-copy report will display a code of "F" in the status field to indicate an Initial Distribution trade that has been rejected from Settlement and an "I" to indicate a Secondary Market trade that has been rejected. The "F" and "I" codes will be displayed in cases where the Internal Account number on an IPO trade does not match the Internal Account number as stored on the IPO database. These transactions may be reprocessed for up to 21 days.

You may resolve Internal Account number discrepancies in the following ways:

- **Have the Custodian update** the Internal Account number in the IPO database to match the number on the ID transaction by performing an IPO customer-level adjustment. (Refer to Update Customer-Level Detail)
- **Cancel** the ID transaction and re-enter it in the ID system as per the Custodian's instructions. (Refer to Distribute Shares via ID in this chapter. )
- **Have the Custodian except** the ID transaction from automated Settlement and enter a DO with the AIA number as it appears in the IPO database.

## Withdrawals-by-Transfer (WTs)

If certificate denominations are available, Withdrawals-by-Transfers (WTs) of tracked issues are permitted starting on closing day via the PTS functions NWT1 (Night Withdrawal-by-Transfer) and RWT1 (Rush Withdrawal-by-Transfer), as well as via CCF and CCFII. WTs are noted as separate line items on tracking reports.

- Requests for WTs must include customer-level detail.
- The IPO database must be populated with the customer-level detail prior to requesting a WT.

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter the AIA number of the customer for whom shares are being withdrawn
- **Agt ID:** enter the ID Agent number; optional

**2** Refer to NWT1 and RWT1 for additional WT field and processing information.

*Result-* DTC processes WT requests using shares from your IPO Control Account first. DTC generates releases from your IPO Control Account to its Free Account.

- Since the IPO Tracking System records all manual releases as potential flips, you should not manually release shares for WT processing.
- DTC generates releases from your IPO Control Account only if the Internal Account number already exists in the IPO database. If the Internal Account number does not exist, a release will not be generated and the WT will be assumed to be from Free shares only.

## Requesting a WT Using Free Shares Only

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter a "dummy" AIA number (one that does not exist in the IPO database).

*Note-* The use of a dummy Internal Account number in the Int Cust field will default the system to use Free shares for WT processing.

- **Agt ID:** enter ID the Agent number; optional

**2** Refer to NWT1 and RWT1 for additional WT field and processing information.

## Stock Loans and Returns

### Stock Loan Deliveries

Lead managers are able to process stock loans using the appropriate DO/NDOM Reason Codes. As for all broker Participants, DTC fulfills a Lead Manager's stock loan delivery quantity with Free Account shares only. If insufficient shares are available in the Lead Manager's Free Account, the Participant must instruct DTC to process a Stock Loan Release to release IPO shares from its IPO Control account to its Free account for the balance.

DTC distinguishes between stock loan releases and regular releases and reports each type as separate line items on Lead Underwriter and Syndicate Member Flipping Activity Reports. All stock loan releases are categorized according to Participant type of lender and borrower.

To dissuade Participants from using the stock loan release facility for regular releases, DTC monitors the quantity of IPO shares moved to the Participant's Free Account via stock loan releases versus the quantity of shares loaned by the Participant on the same day and reports discrepancies to the Lead Underwriter and appropriate Syndicate Members.

All stock loans are made on an omnibus basis. No customer account numbers are tagged to stock loans. An AIA number entered in a stock loan delivery is ignored by DTC; however, the exception to this is for stock loans to banks, in which case the Participant number of the receiving bank must be entered as the AIA number in order to allow the receiving bank the ability to deliver borrowed shares.

### Stock Loan Receipts

DTC delivers all Stock Loans to the Borrower's Free Account.

### Processing Stock Loan Returns

You can process Stock Loan Returns by using the appropriate Reason Codes via the PTS functions DO or NDOM. All stock loan returns are delivered from the borrower's Free Account.

- 1 Enter Reason Code **20** in the REAS field of the SDFS Initial Public Offering Deliver Orders Screen.
- 2 Refer to DO and NDOM for additional Deliver Order field and processing information.

### Stock Loan Return Receipts

All Stock Loan Returns are delivered to the lender's Free Account as Free Secondary Market shares in the IPO database.

## Pledges

### Pledge Releases

If released during the tracking period, Pledge shares are delivered back to their original accounts. In cases where both IPO and Secondary Market shares were pledged, released (Free) shares are returned to the Free Account first, up to the quantity of Free Account shares pledged. The balance of the shares return to the IPO Control Account.

If released after tracking has ended, all Pledge shares are delivered to the Free Account regardless of what their account of origin.

## Reclaims

### Reclaim Deliveries

DTC will automatically process a matched reclamation based on the DO transaction number and other transaction information provided until one day after settlement.

You can enter Matched Reclaims via the PTS functions ART and DO/NDOM and via CCF, CCFII and MDH.

When you reclaim a delivery, the reclaimed DO will be matched to the original delivery and the information in the IPO database will be reversed.

*Note-* Partial reclaims are not permitted.

### Matched Reclaim Deliveries via ART

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

- 1 Enter "R" to the left of the item to be reclaimed on the ATP Activity Summary Screen.
- 2 Refer to ART for additional field and processing information.

### Matched Reclaim Deliveries via DO or NDOM

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

- 1 Enter information in the following fields of the SDFS Automatic Reclaim Deliver Orders Screen:
  - **Trans#:** enter the transaction number of the transaction being reclaimed
  - **Reas-Code:** enter the appropriate Reason Code (Refer to Codes for Reclaim Reason Codes. )
  - **Orig-Date-Ind:** enter "T" to reclaim a DO entered today or "P" to reclaim a DO entered on the previous business day
- 2 Refer to FFSP for additional information.

*Note-* If made during the Matched Reclaims timeframe, DTC will also match Freeform Reclaims, provided the appropriate DO Reason Code and correct information is entered.

### Unmatched/Freeform Reclaim Deliveries

Reclaims must be entered freeform via CCF/CCFII, MDH or the PTS functions DO/NDOM if:

- The reclaim transaction number cannot be matched to an original delivery
- The reclaim occurs after the Matched Reclaim deadline has passed

You must input transaction details freeform, including the appropriate DO Reclaim Reason Code.

DTC treats these Reclaim transactions as original deliveries, which in turn can be reclaimed by the receiver.

## **Reclaim Receipts**

IPO shares that are reclaimed within the Matched Reclaim deadline (S through S+ 1) will be returned to the account from which they originated, provided the issue is still being tracked.

Reclaims performed after the Matched Reclaim deadline, or after tracking has ended, will be placed in the Receiver's Free Account. These deliveries can be reclaimed.

## **Memo Segregation**

Although position may reside in both the IPO Control and Free Accounts, you can enter Memo Segregation instructions for tracked issues using the same procedures currently used for non-tracked issues. Memo Segregation bridges the IPO Control and Free Accounts.

The share quantity in the Memo Segregation instruction will be subtracted from the combined share total in the IPO Control and Free Accounts. The resulting share total must be greater than the quantity of any Deliver Orders entered. If the quantity is less, the Deliver Orders will not be processed and be pending.

## **Deposits**

Deposits are chilled for tracked issues for the duration of the tracking period.

DWAC (Deposit/Withdrawal at Custodian) activity is permitted on a very limited basis during the tracking period and only with consent of the Lead Underwriter.

## **Certificates-On-Demand (CODs)**

CODs are chilled for tracked issues for the duration of the tracking period.

## **Collateralization of IPO Shares**

Shares in the IPO Control Account will be considered collateral (NA) only on the day they are received into the account and only if received for value. Shares received into the IPO control account without value will follow the normal accounting updating rules, and will be considered NA or MA depending on the SDFS Account Coding Instructions.

Shares in the IPO Control Account will not be considered collateral after the first day they are received. MA/NA intra-day moves will not be permitted.

Shares in the Free Account are subject to normal collateralization rules.

## **Reconcile Customer-Level Detail with Internal Records**

You should reconcile the Customer-Level Detail in the IPO database with your internal records daily using an IPOCLD machine-readable file. This file contains the Agent Bank or Prime Broker's Internal Account numbers of all your customers on file, as well as the Executing Broker's Internal Account numbers for those customers.

Contact DTC's Participant Interface Planning Department or your Relationship Manager for assistance.

## Make Inquiries via IPOI

The PTS function IPOI (Initial Public Offering Tracking System Inquiry) allows you to make inquiries about tracked issues.

The following information is provided via IPOI:

- A list of all tracked IPO issues
- A summary of tracked IPO issues in which the Participant has position
- A summary of customer-level details by Participant-issue
- A summary of IPO pending/canceled/released transactions

For additional information on the IPO Tracking System Inquiry function, refer to the Overview and Appendix E.

## Notify DTC to End Tracking

Unless notified otherwise, DTC's Underwriting Department will automatically end tracking at the end of the 90 calendar-day maximum tracking period. However, you may end tracking of an IPO issue at any time before that.

- Instruct DTC's Underwriting Department **in writing** to end tracking no later than 4:00 p.m. the day tracking is to be ended. DTC will end tracking on the close of business on the specified date. Shares still residing in the IPO Control Account are moved to the Free Account and are subject to normal collateralization rules, unless prior arrangements have been made to move shares into the subaccount segregation account. Activities chilled during the tracking period (e. g. , CODs and Deposits) can be performed. The ELISCA file and PTS function GWIZ are updated to indicate that tracking for that issue has been turned off and a final tracking report is generated.

## Receive Reports from DTC

DTC prepares and distributes daily to you cumulative hard-copy reports of your tracked issues. The following information is provided:

- List of potential flips by customers of Syndicate Members, Correspondents.
- List of own Retail and Institutional customers that potentially flipped.
- Potential flips by Directed Concessions (indicated with an\*).
- Separate line for WTs.
- Separate line for Stock Loans: quantity reported represents the net amount (outstanding loans less returns).
- Retail account transfers (showing the receiving Participant number).
- Institutional account transfers (showing the receiving Participant number and BIA).
- List of CNS short positions for Syndicate Members having long positions in their IPO Control Accounts, indicating potential sales by Syndicate Members that have not yet released shares.
- List of all CNS short positions for the CUSIP.

*Note-* Syndicate Member customer-level information is not provided in your Lead Manager reports.

Refer to Reports for additional information and sample reports.

## Lead Manager Tasks: Required Field Information &DTC Output

<b>TASK</b>	<b>FIELD INFORMATION REQUIRED</b>	<b>DTC OUTPUT</b>
<b>Syndicate Takedown To:</b>		
Co-Managers and Co-Reporters via DO/NDOM	<b>Recv-Pt:</b> Co-Manager/Reporter Part. #  <b>REAS:</b> Reason Code 560	<b>Activity Code:</b> 47  <b>Reason Code:</b> 560
Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Syndicate Member Part. #  <b>REAS:</b> Reason Code 570  <b>Corr-Acct#:</b> Syndicate Member Part#	<b>Activity Code:</b> 47  <b>Reason Code:</b> 570
Clearing Bank of Correspondent Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Clearing Bank's Part. #  <b>REAS:</b> Reason Code 570  <b>Corr-Acct#:</b> Correspondent Syndicate Member's FINS#	<b>Activity Code:</b> 48  <b>Reason Code:</b> 570
Clearing Broker of Correspondent Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Clearing Broker's Part. #  <b>REAS:</b> Reason Code 570  <b>Corr-Acct#:</b> Correspondent Syndicate Member's FINS#	<b>Activity Code:</b> 47  <b>Reason Code:</b> 570
<b>Initial Distribution To:</b>		
Agent Banks via ID	<b>Market Code:</b> Market Code 11  <b>Agent Internal Account:</b> Agent Bank's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 48  <b>Reason Code:</b> 49
Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part#  <b>REAS:</b> Reason Code 50  <b>Int-Acct#:</b> Agent Bank's	<b>Activity Code:</b> 48  <b>Reason Code:</b> 50

TASK	FIELD INFORMATION REQUIRED	DTC OUTPUT
	Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	
Prime Brokers via ID	<b>Market Code:</b> Market Code 11  <b>Agent Internal Account:</b> Prime Broker's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 47  <b>Reason Code:</b> 49
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part. #  <b>REAS:</b> Reason Code 50  <b>Int-Acct#:</b> Prime Broker's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 47  <b>Reason Code:</b> 50
<b>Directed Concessions To:</b>		
Agent Banks via ID	<b>Market Code:</b> Market Code 51  <b>Agent Internal Account:</b> Agent Bank's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 48  <b>Reason Code:</b> 539
Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part. #  <b>REAS:</b> Reason Code 530  <b>Int-Acct#:</b> Agent Bank's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 48  <b>Reason Code:</b> 530
Prime Brokers via ID	<b>Market Code:</b> Market Code 51	<b>Activity Code:</b> 47

TASK	FIELD INFORMATION REQUIRED	DTC OUTPUT
	<b>Agent Internal Account:</b> Prime Broker's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Reason Code:</b> 539
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part. #  <b>REAS:</b> Reason Code 530  <b>Int-Acct#:</b> Prime Broker's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 47  <b>Reason Code:</b> 530
<b>Oversubscriptions To:</b>		
Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Syndicate Member Part. #  <b>REAS:</b> Reason Code 540  <b>Corr-Acct#:</b> Syndicate Member Part. #	<b>Activity Code:</b> 49  <b>Reason Code:</b> 540
Clearing Banks of Correspondent Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Clearing Bank's Part. #  <b>REAS:</b> Reason Code 540  <b>Corr-Acct#:</b> Correspondent Syndicate Member's FINS#	<b>Activity Code:</b> 26  <b>Reason Code:</b> 540
Clearing Brokers of Correspondent Syndicate Members via DO/NDOM	<b>Recv-Pt:</b> Clearing Broker's Part. #  <b>REAS:</b> Reason Code 540  <b>Corr-Acct#:</b> Correspondent Syndicate Member's FINS#	<b>Activity Code:</b> 49  <b>Reason Code:</b> 540
Agent Banks via ID	<b>Market Code:</b> Market Code 52  <b>Agent Internal Account:</b> Agent Bank's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal	<b>Activity Code:</b> 26  <b>Reason Code:</b> 549

TASK	FIELD INFORMATION REQUIRED	DTC OUTPUT
	Account#	
Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part. #  <b>REAS:</b> Reason Code 540  <b>Int-Acct#:</b> Agent Bank's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 26  <b>Reason Code:</b> 540
Prime Brokers via ID	<b>Market Code:</b> Market Code 52  <b>Agent Internal Account:</b> Prime Broker's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 49  <b>Reason Code:</b> 549
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part. #  <b>REAS:</b> Reason Code 540  <b>Int-Acct#:</b> Prime Broker's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 49  <b>Reason Code:</b> 540
<b>Oversubscription/Directed Concessions To:</b>		
Agent Banks via ID	<b>Market Code:</b> Market Code 53  <b>Agent Internal Account:</b> Agent Bank's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 26  <b>Reason Code:</b> 559
Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part. #  <b>REAS:</b> Reason Code 550  <b>Int-Acct#:</b> Agent Bank's	<b>Activity Code:</b> 26  <b>Reason Code:</b> 550

TASK	FIELD INFORMATION REQUIRED	DTC OUTPUT
	Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	
Prime Brokers via ID	<b>Market Code:</b> Market Code 53  <b>Agent Internal Account:</b> Prime Broker's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 49  <b>Reason Code:</b> 559
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part#  <b>REAS:</b> Reason Code 550  <b>Int-Acct#:</b> Prime Broker's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 49  <b>Reason Code:</b> 550
<b>Customer-Level Updates:</b>		
Add Customer-Level Detail via IPOU, Option 2	<b>Internal Customer:</b> Internal Account#  <b>Share Quantity:</b> Whole number quantity  <b>Sign:</b> + or- to increase or decrease shares	
Update Customer-Level Detail via IPOU, Option 5	<b>From Internal Customer:</b> Old Internal Account#  <b>To Internal Customer:</b> New Internal Account#; optional  <b>Reallocated Share Quantity:</b> New whole number quantity; optional	
<b>Secondary Market Activity:</b>		
Release of IPO shares to Free Account via IPOU, Option 3	<b>Internal Customer:</b> Internal Account#	<b>Activity Code:</b> 46

TASK	FIELD INFORMATION REQUIRED	DTC OUTPUT
	<b>Trade Date:</b> Trade date  <b>Contract Price:</b> Contract price	
Sale of Free shares	Same as for non-tracked issues.	<b>Activity Code:</b> 26
Move Free shares to IPO Control Account for Oversubscriptions via IPOU, Option 6	<b>CUSIP:</b> The issue's CUSIP#  <b>Share Quantity:</b> Number of shares being moved	
Withdrawals-by-Transfer via NWT1/RWT1	<b>Int Cust:</b> Internal Account#  <b>Agt ID:</b> ID Agent#; optional	
Stock Loan via DO/NDOM	<b>REAS:</b> Reason Code 10	<b>Activity Code:</b> IPO  <b>Shares:</b> 48  <b>Free Shares:</b> 26  <b>Reason Code:</b> 10
Stock Loan Return via DO/NDOM	<b>REAS:</b> Reason Code 20	<b>Activity Code:</b> IPO  <b>Shares:</b> 49  <b>Free Shares:</b> 26  <b>Reason Code:</b> 20
Account Transfer to Broker- IPO shares- via IPOU, Option 4	<b>To Participant:</b> Receiving Broker's Part# <b>From Internal Customer:</b> Current Internal Account##  <b>To Internal Customer:</b> New Internal Account	<b>Activity Code:</b> 47  <b>Reason Code:</b> 40

TASK	FIELD INFORMATION REQUIRED	DTC OUTPUT
	<p><b>Share Quantity:</b> Number of whole shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount; optional</p>	
Account Transfer to Broker- Free shares- via IPOU, Option 4	<p><b>To Participant:</b> Receiving Broker's Part#</p> <p><b>From Internal Customer:</b> Current Internal Account#</p> <p><b>To Internal Customer:</b> New Internal Account#</p> <p><b>Share Quantity:</b> Number of whole shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount; optional</p>	<p><b>Activity Code:</b> 26</p> <p><b>Reason Code:</b> 40</p>
Account Transfer to Bank-IPO shares- via IPOU, Option 4	<p><b>To Participant:</b> Receiving Bank's Part#</p> <p><b>From Internal Customer:</b> Current Internal Account#</p> <p><b>To Internal Customer:</b> New Internal Account#</p> <p><b>Share Quantity:</b> Number of whole shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount; optional</p>	<p><b>Activity Code:</b> 48</p> <p><b>Reason Code:</b> 40</p>
Account Transfer to Bank- Free shares- via IPOU, Option 4	<p><b>To Participant:</b> Receiving Bank's Part#</p> <p><b>From Internal Customer:</b> Current Internal Account#</p> <p><b>To Internal Customer:</b> New Internal Account#</p> <p><b>Share Quantity:</b> Number of whole shares being transferred</p>	<p><b>Activity Code:</b> 26</p> <p><b>Reason Code:</b> 40</p>

TASK	FIELD INFORMATION REQUIRED	DTC OUTPUT
	<b>Settlement Amount:</b> Settlement amount; optional	

## Prime Broker

### Select IPO Control Account Release Method and Notify DTC

The Prime Broker Indicator allows you to choose between two methods of releasing shares from their IPO Control Accounts.

- Activate the indicator to elect to have the IPO Tracking system automatically release shares from the IPO Control Account to settle Secondary Market sell transactions when customer-level information matches.
- Do not activate the indicator if you do not want the IPO Tracking system to automatically release shares from the IPO Control Account to satisfy Secondary Market sell transactions. In this case you must manually release the shares by providing matching Internal Account number information. (Refer to Release Shares from IPO Control Account for Secondary Market Sales and Deliver Shares for Secondary Market Sales. )

Secondary Market shares are not tracked by the IPO Tracking system for Prime Brokers at this time.

Where necessary, complete an "IPO Release Indicator Form" indicating your preference and send it to your Participant representative. The representative will forward it to DTC's Compliance Department. Your account will be updated for the start of business the following day. Intra-day updates are not possible.

### Receive Initial Distribution Shares from Lead Manager/Syndicate Members

On closing day, the Lead Manager and Syndicate Members of an IPO tracked issue deliver shares to Prime Brokers ("Initial Distribution") via Institutional Delivery (ID) or Deliver Order (DO or NDOM). These shares are delivered to the Prime Broker's IPO Control Account.

*Note-* If the Internal Account number has not been provided by the Executing Broker, the Prime Broker will receive an Error Code 91. (Refer to Resolve Internal Account Number Discrepancies in ID Deliveries. )

Shares remain in the IPO Control Account for the duration of the tracking period unless they are transferred or released for settlement of Secondary Market sell transactions.

Potential flips of Initial Distribution shares are reported as such on the daily reports to Lead managers and Syndicate Members. Tracking of all IPO shares continues until the Lead Manager terminates tracking, or until the 90-calendar-day maximum tracking period is over.

## Secondary Market Activity

### Release Shares from the IPO Control Account for Secondary Market Sales

All Secondary Market sell transactions settle from the Free Account. In order to deliver shares sold in the Secondary Market by your customers, the shares must be released from your IPO Control Account to your Free Account, using the PTS function IPOU.

Failure to release shares to the Free Account could result in a Continuous Net Settlement (CNS) short, or DOs for Secondary Market sales dropping in ART. Releases are generated by DTC automatically or performed manually by you depending on the value of the Prime Broker Indicator. (Refer to Automatic vs. Manual Release. )

Releases can be submitted as early as 6:00 a.m. Eastern Standard Time (EST) trade date through settlement of the trade.

*Note-* Releases from the IPO Control Account cannot be reversed and are recorded as potential flips regardless of whether or not delivery is made.

#### Automatic vs. Manual Release

The release is generated automatically if:

- The Prime Broker Release Indicator is turned on, and
- The Internal Account number of the customer in the sale transaction matches the Internal Account number of the customer in the IPO database and you and your customer have sufficient shares.

*Note-* If the Internal Account number does not match an Internal Account number in the IPO database, or if there are insufficient shares to cover the release, the release will be put on "Hold. " Releases on hold will be periodically checked to see if they can be fully or partially staged. (Refer to Pending Releases. )

The release must be performed manually by the Prime Broker via the PTS function IPOU if:

- The Prime Broker Indicator is turned off, or
- The Prime Broker Indicator is turned on and the Customer Internal Account number in the IPO database does not match the Customer Internal Account number in the sale transaction.

#### Manual Releases of Shares from IPO Control Account

Releases can be submitted as early as 6:00 a.m. EST on trade date. Prime Broker releases must be made on an individual customer level and require customer-level detail. You can extract customer-level details from Trade files and reformat them into IPO machine-readable format for transmission via MDH/CCF/CCFII. You can also adjust customer-level details via the PTS function IPOU.

*Note-* Releases from the IPO Control Account are recorded as potential flips regardless of whether or not delivery is made.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 3, Release IPO Shares To The Free Account.
- 2 Enter information in the following fields of the IPO- Release IPO Shares To The Free Account Screen:

- **Internal Customer:** enter the Internal Account number of the customer identified in the IPO database

*Note-* If an incorrect Internal Account number is entered, the release will remain on hold and the subsequent Deliver Order will pend. (Refer to Pending Releases. )

- **Trade Date:** enter a valid trade date in MMDDYY format
- **Contract Price:** enter a number greater than zero in 9999999.99 format

- **Share Quantity:** enter the number of whole shares, up to 13 positions

If you and your customer have position in the IPO database an immediate release is generated. If the customer/Prime Broker does not have position, refer to the following sections.

**3** Refer to Appendix D for additional field and processing information.

#### Pending Releases

You and your customer must have position in the IPO database in order for a release to be processed. If you or your customer do not have position the release will "pend" (hold) for up to three days after Trade Date.

If you and your customer do have position, but not enough to cover the entire release, DTC will perform a partial release from the customer's account and pend the balance of the release request ("partial hold").

#### Cancel Pending Releases

You can cancel pending releases via the PTS function IPOU.

**1** On the IPO- Tracking System Main Menu Screen, select Option 7, IPO Pending Transaction Cancel.

**2** Enter information in the following fields of the IPO- Pending Transaction Screen:

- **CUSIP:** enter the issue's CUSIP number
- **Date:** enter a date range (From and To) in YYMMDD format. The default is the current date.

**3** Press the ENTER key.

*Result-* A list of pending transactions is displayed.

**4** Enter S to the left of the selected transaction to view details.

**5** Enter C (cancel) to the left of the selected transaction.

*Result-* The message "PRESS PF1/13 TO CONFIRM CANCEL" appears.

**6** Press the PF1/13 key.

*Result-* The transaction is canceled.

**7** Refer to Appendix D for additional field and processing information.

## Secondary Market Deliveries

You can deliver shares for Secondary Market sales by using the PTS functions DO or NDOM, or by having the Executing Broker input the trade via DTC's ID system.

*Note-* Customer-level detail must be included for ID, DO, or NDOM deliveries in order for a release to be generated.

## Deliver Shares via ID

Prime Brokers must instruct the Executing Broker to input the trade via ID. The following information must be included on the Institutional Delivery Trade Input Screen:

- **Broker Internal Account:** Enter the Executing Broker's Internal Account number (BIA#)
- **Agent Internal Account:** Enter the Prime Broker's Internal Account number

*Note-* The Agent Internal Account number must be entered correctly in order to ensure accurate processing of the transaction.

- **Trade Date:** enter the Trade Date

*Note-* The system generates automatic releases for ID Secondary Market sell transactions that settle via Continuous Net Settlement (CNS) if there is a match on Internal Account information in the database.

## Deliver Shares via DO or NDOM

You can deliver shares sold in the Secondary Market via the PTS functions DO or NDOM using the current DO reason codes. You must provide customer-level detail for DOs in order to generate the necessary release.

1 Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Int-Acct#:** enter the Prime Broker's Internal Account number for the customer

*Note-* The Internal Account number must be entered correctly in order to ensure accurate processing of the transaction. If the Internal Account number does not match in the IPO database the release will be put on hold. (Refer to Resolve Internal Account Number Discrepancies in ID Deliveries. )

- **Trade-Dt:** enter the Trade Date
- **Net-\$-Amt:** enter the Settlement Amount

## Deliver Shares for Broker Custody Trades

For trades where the Executing Broker and Custodian are the same entity ("Broker Custody") the Prime Broker "delivers" shares to its own account via DTC's ID system.

- 1 Follow procedures described in Deliver Shares via ID, entering your own Participant number as both the Executing Broker and the Custodian of the transaction.
- 2 Refer to IDTI for additional ID field and processing information.

## Resolve Internal Account Number Discrepancies in ID Sell Transactions

When the Internal Account number on a sale transaction is missing or does not match the Internal Account number in the IPO Tracking database, a warning message, Error 91, appears.

Error 91 flags an unmatched Internal Account number three times:

- ID Confirmation
- ID Affirmation

- Authorization and Exception (ANE)

Error 91 also appears on machine-readable output.

When validation occurs at Authorization and Exception (ANE) time, ANE will not reject the transaction if the Internal Account number is still unmatched, but a release will not be generated. Hold releases will recycle for up to three days after trade date. (Refer to Pending Releases in this chapter. )

Unmatched Internal Account numbers can be corrected in the IPO database prior to the settlement day cutoffs of 10:00 a.m. EST for Global processing and 2:30 p.m. EST for Trade-for-Trade processing. This will allow the ID trade to be authorized and settle that day through the automated settlement feature of the ID system.

*Note-* The ANE inquiry function and T+ 3 hard-copy report will display a code of "F" in the status field to indicate an Initial Distribution trade that has been rejected from settlement, and an "I" to indicate a Secondary Market trade that has been rejected from settlement. The "F" code indicates that the Internal Account number on an IPO trade is missing, and the "I" code indicates that the Internal Account number is missing or does not match the Internal Account number as stored on the IPO database. These transactions may be reprocessed for up to 21 days.

The Prime Broker can notify the Executing Broker of the correct Internal Account number via the PTS function IDEM.

Refer to IDEM for additional information.

Prime Brokers may resolve Internal Account number discrepancies in three ways:

- Update the Internal Account number in the IPO database by performing an IPO customer-level adjustment. (Refer to Update Customer-Level Detail via IPOU. )
- Except the ID transaction from automated settlement and enter a DO with the Internal Account number as it appears in the IPO database. (Refer to Deliver Shares via DO or NDOM. )

*Note-* If a trade is excepted from ID settlement, the same customer-level detail fields must be provided for DO transactions.

- Cancel the ID transaction and have the Executing Broker re-enter it in the ID system.

## Receive Shares from Secondary Market Buys

Shares bought on the Secondary Market reside in your Free Account. Secondary market shares are not tracked at this time.

## Update Customer-Level Information via IPOU

Customer-level detail in the IPO database can be added and/or updated via the PTS function IPOU. The following sections describe some of the activities a Prime Broker can perform via IPOU.

**Warning!** If customer-level detail has been added for any of your customers, it must be added for all your customers or you will not be able to perform subsequent transactions (e. g. WTs, customer account transfers) for those customers.

Refer to Appendix D for additional information IPOU procedures.

## Update Customer-Level Detail

IPOU, Option 5 allows you to correct or update your customer Internal Account numbers and adjust the share quantities allocated to your customers.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 5, Customer-Level Adjustment.
- 2 Enter information in the following required fields of the IPO- Customer-Level Adjustment screen:
  - **From Internal Customer:** enter the existing AIA number of the customer
  - **To Internal Customer:** enter the new AIA number of the customer; required if the Participant wants to change the existing number to a new one
  - **Reallocated Share Quantity:** enter the number of whole shares being adjusted, up to 13 positions; required if the Participant is adjusting a share quantity from existing customers to the new customer

*Note-* Because the system overlays the share quantity information, you must input exactly the total number of shares the "To Internal Customer" should have. If you are not sure of the exact total the customer should have, refer to the following section.

- 3 Refer to Appendix D for additional field and processing information.

## Transfer of Customer's Position Between Participants

You can transfer your customers' positions to another Participant without that transfer being reported as a potential flip. For reporting purposes, the IPO database moves the original Syndicate Member's Participant number and BIA number with each transfer of a customer's position.

Memo Segregation and Sub Account Segregated positions do not need to be released prior to attempting any customer account transfers. IPO account transfer transactions can bypass Memo Segregation.

Customer-level detail is required for account transfers.

## Transfer Customer's Position via IPOU

1. For those transfers that originate in NSCC's ACATS system, Participants will be notified that an issue is tracked and will receive a trade-for-trade (Balance Order) ticket.
2. The transfer of shares in a tracked CUSIP must be accomplished by the IPO Customer Account Transfer function and must be for the total position the customer has in its IPO Control and Free Accounts.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 4, Customer Account Transfer.
- 2 Enter information in the following fields of the IPO- Customer Account Transfer Screen:
  - **To Participant:** enter the receiving Participant's number
  - **From Internal Customer:** enter the existing AIA number for the customer
  - **To Internal Customer:** enter the receiving Participant's AIA number for the customer
  - **Share Quantity:** enter the number of whole shares being transferred, up to 13 positions
  - **Settlement Amount:** enter the settlement amount for the account transfer; optional
  - **Reason Code:** enter Reason Code by which this account transfer is to be processed

- 3 Refer to Appendix D for additional field and processing information.

Transfers can also be performed using the PTS functions DO or NDOM. However, since this requires manual releases to the Free Account, these transfers will be recorded as potential flips on DTC's tracking reports.

*Note-* Account transfers of IPO and Free Secondary Market shares from a Broker Participant will result in two DOs generated.

#### Share Movement for Customer Account Transfers- Deliveries

When you transfer a customer's position to another Participant, DTC moves the shares in one of the following ways:

**Transfer position to a Bank:** Both IPO Control and Free Account shares move to the receiving Bank's Free Account in ART. The IPO database marks the shares delivered from your IPO Control Account as IPO shares and shares delivered from your Free Account are marked as Secondary Market shares in the IPO database.

**Transfer position to a Broker:** Shares delivered from your IPO Control Account move to the receiving Broker's IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares delivered from your Free Account move to the Receiving Broker's Free Account in ART. These Free Account shares are not captured in the IPO database.

#### Share Movement for Customer Account Transfers- Receipts

You will receive a customer's position from another Participant in one of the following ways:

**Receive position from a Bank:** Shares marked as IPO shares in the Bank's Free Account move to the your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares marked as Secondary Market shares in the Bank's Free Account move to your Free Account in ART. These Free Account shares are not captured in the IPO database.

**Receive position from a Broker:** Shares from the delivering Broker's IPO Control Account move to your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares from the Delivering Broker's Free Account move to your Free Account in ART. These Free Account shares are not captured in the IPO database.

## Withdrawals-by-Transfer (WTs)

If certificate denominations are available, Withdrawals-by-Transfers (WTs) of tracked issues are permitted starting on closing day via the PTS functions NWT1 (Night Withdrawal-by-Transfer) and RWT1 (Rush Withdrawal-by-Transfer), as well as via CCF and CCFII. WTs are noted as separate line items on tracking reports.

1. Requests for WTs must include customer-level detail.
2. The IPO database must be populated with the customer-level detail prior to requesting a WT.

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter the AIA number of the customer for whom shares are being withdrawn
- **Agt ID:** enter the ID Agent number; optional

**2** Refer to NWT1 and RWT1 for additional WT field and processing information.

DTC processes WT requests using shares from your IPO Control Account first. DTC generates releases from your IPO Control Account to its Free Account.

1. Since the IPO Tracking System records all manual releases as potential flips, you should not manually release shares for WT processing.
2. DTC generates releases from your IPO Control Account only if the Internal Account number already exists in the IPO database. If the Internal Account number does not exist, a release will not be generated and the WT will be assumed to be from Free shares only.

## Request a WT Using Free Shares Only

1 Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter a "dummy" AIA number (one that does not exist in the IPO database).

*Note-* The use of a dummy Internal Account number in the Int Cust field will default the system to use Free shares for WT processing.

- **Agt ID:** enter the ID Agent number; optional

2 Refer to NWT1 and RWT1 for additional WT field and processing information.

## Stock Loans and Returns

### Stock Loan Deliveries

Prime Brokers are able to process stock loans using the appropriate DO/NDOM Reason Codes. As for all broker Participants, DTC fulfills a Prime Broker's stock loan delivery quantity with Free Account shares only. If insufficient shares are available in the Prime Broker's Free Account, the Participant must instruct DTC to process a Stock Loan Release to release IPO shares from its IPO Control account to its Free account for the balance.

DTC distinguishes between stock loan releases and regular releases and reports each type as separate line items on Lead Underwriter and Syndicate Member Flipping Activity Reports. All stock loan releases are categorized according to Participant type of lender and borrower.

To dissuade Participants from using the stock loan release facility for regular releases, DTC monitors the quantity of IPO shares moved to the Participant's Free account via stock loan releases versus the quantity of shares loaned by the Participant on the same day and reports discrepancies to the Lead Underwriter and appropriate Syndicate Members.

All stock loans are made on an omnibus basis. No customer account numbers are tagged to stock loans. An AIA number entered in a stock loan delivery is ignored by DTC; however, the exception to this is for stock loans to banks, in which case the Participant number of the receiving bank must be entered as the AIA number in order to allow the receiving bank the ability to deliver borrowed shares.

### Stock Loan Receipts

DTC delivers all Stock Loans to the Borrower's Free Account.

### Stock Loan Returns

You can process Stock Loan Returns by using the appropriate Reason Codes via the PTS functions DO or NDOM. All stock loan returns are delivered from the borrower's Free account.

- 1 Enter Reason Code 20 in the **REAS** field of the SDFS Initial Public Offering Deliver Orders Screen.
- 2 Refer to DO and NDOM for additional Deliver Order field and processing information.

## Stock Loan Return Receipts

All Stock Loan Returns are delivered to the lender's Free Account as Free Secondary Market shares in the IPO database.

## Pledges

### Pledges of Collateral

You can pledge shares with or without value from either their IPO Control or Free Accounts via the PTS function COLL.

- 1 Enter the following information on the Free Pledge Service Screen:

- **IPO:** enter Y if the shares are being pledged from the IPO Control Account
- **OR**  
Enter N if the shares are being pledged from the Free Account.

- 2 Refer to COLL for additional field and processing information.

Pledged IPO Control and Free Account shares are moved to the Pledge (14) Account. IPO shares are segregated in the I14 Account.

## Pledge Releases

If released during the tracking period, Pledge shares are delivered back to their original accounts. In cases where both IPO and Secondary Market shares were pledged, released (Free) shares are returned to the Free Account first, up to the quantity of Free Account shares pledged. The balance of the shares return to the IPO Control Account.

If released after tracking has ended, all Pledge shares are delivered to the Free Account regardless of what their account of origin.

## Reclaims

### Reclaim Deliveries

DTC will automatically process a matched reclamation based on the DO transaction number and other transaction information provided until one day after settlement.

You can enter Matched Reclaims via the PTS functions ART and DO/NDOM and via CCF, CCFII and MDH.

When you reclaim a delivery, the reclaimed DO will be matched to the original delivery and the information in the IPO database will be reversed.

*Note-* Partial reclaims are not permitted.

## Matched Reclaim Deliveries via ART

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

- 1 Enter R to the left of the item to be reclaimed on the ATP Activity Summary Screen.
- 2 Refer to the Settlement Service Guide for additional ART field and processing information.

## Matched Reclaim Deliveries via DO or NDOM

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

- 1 Enter information in the following fields of the SDFS Automatic Reclaim Deliver Orders Screen:
  - **Trans#:** enter the transaction number of the transaction being reclaimed
  - **Reas-Code:** enter the appropriate Reason Code (Refer to Codes in this Manual for Reclaim Reason Codes. )
  - **Orig-Date-Ind:** enter T to reclaim a DO entered today or P to reclaim a DO entered on the previous business day

*Note-* If made during the Matched Reclaims timeframe, DTC will also match Freeform Reclaims, provided the appropriate DO Reason Code and correct information is entered.

## Unmatched/Freeform Reclaim Deliveries

Reclaims must be entered freeform via CCF/CCFII, MDH or the PTS functions DO/NDOM if:

- The reclaim transaction number cannot be matched to an original delivery
- The reclaim occurs after the Matched Reclaim deadline has passed.

You must input transaction details freeform, including the appropriate DO Reclaim Reason Code.

DTC treats these Reclaim transactions as original deliveries, which in turn can be reclaimed by the receiver.

## Reclaim Receipts

IPO shares that are reclaimed within the Matched Reclaim deadline (S through S+ 1) will be returned to the account from which they originated, provided the issue is still being tracked.

Reclaims performed after the Matched Reclaim deadline, or after tracking has ended, will be placed in the Receiver's Free Account. These deliveries can be reclaimed.

## Memo Segregation

Although position may reside in both the IPO Control and Free Accounts, you can enter Memo Segregation instructions for tracked issues using the same procedures currently used for non-tracked issues. Memo Segregation bridges the IPO Control and Free Accounts.

Refer to the Settlement Service Guide for information on Memo Segregation instruction processing.

The share quantity in the Memo Segregation instruction will be subtracted from the combined share total in the IPO Control and Free Accounts. The resulting share total must be greater than the quantity of any Deliver Orders entered. If the quantity is less, the Deliver Orders will not be processed and will pend.

## **Deposits**

Deposits are chilled for tracked issues for the duration of the tracking period.

DWAC (Deposit/Withdrawal at Custodian) activity is permitted on a very limited basis during the tracking period and only with consent of the Lead Underwriter.

## **Certificates-On-Demand (CODs)**

CODs are chilled for tracked issues for the duration of the tracking period.

## **Collateralization of IPO Shares**

Shares in the IPO Control Account will be considered collateral (NA) only on the day they are received into the account and only if received for value. Shares received into the IPO control account without value will follow the normal accounting updating rules, and will be considered NA or MA depending on the SDFS Account Coding Instructions.

Shares in the IPO Control Account will not be considered collateral after the first day they are received. MA/NA intra-day moves will not be permitted.

Shares in the Free Account are subject to normal collateralization rules.

## **Reconcile Customer-Level Detail with Internal Records**

You should reconcile the Customer-Level Detail in the IPO database with your internal records daily using an IPOCLD machine-readable file. This file contains the Agent Bank or Prime Broker's Internal Account numbers of all your customers on file, as well as the Executing Broker's Internal Account numbers for those customers.

Contact DTC's Participant Interface Planning Department or your Relationship Manager for assistance.

## **Make Inquiries via IPOI**

The PTS function IPOI (Initial Public Offering Tracking System Inquiry) allows you to make inquiries about tracked issues.

The following information is provided via IPOI:

- A list of all tracked IPO issues
- A summary of tracked IPO issues in which the Participant has position
- A summary of customer-level details by Participant-issue
- A summary of IPO pending/canceled/released transactions

For additional information on the IPO Tracking System Inquiry function, refer to the Overview and Appendix E.

## Prime Broker Tasks: Required Field Information &DTC Output

<b>TASK:</b>	<b>FIELD INFORMATION REQUIRED:</b>	<b>DTC OUTPUT:</b>
<b>Customer-Level Updates:</b>		
Update Customer-Level Detail via IPOU, Option 5	<p><b>From Internal Customer:</b> Old Internal Account#</p> <p><b>To Internal Customer:</b> New Internal Account#; optional</p> <p><b>Share Quantity:</b> New whole number quantity; optional</p>	
<b>Secondary Market Activity:</b>		
Sale of Initial Distribution Shares via ID (Implemented by Executing Broker)	<p><b>Broker Internal Account:</b> Executing Broker's Internal Account#</p> <p><b>Agent Internal Account:</b> Agent Bank/Prime Broker's Customer Internal Account#</p> <p><b>Agent Bank:</b> ID Agent#</p> <p><b>Trade Date:</b> Trade Date</p>	<p><b>Activity Code:</b></p> <p>19 (PDQ)</p> <p>26 (Next day)</p>
Sale of Initial Distribution shares via DO/NDOM	<p><b>Int-Acct#:</b> Agent Bank/Prime Broker's Customer Internal Account#</p> <p><b>Trade Date:</b> Trade Date</p> <p><b>Net\$ Amt:</b> Price</p>	<p><b>Activity Code:</b> 26</p>
Release of IPO shares to Free Account via IPOU, Option 3	<p><b>Internal Customer:</b> Internal Account#</p> <p><b>Trade Date:</b> Trade date</p> <p><b>Contract Price:</b> Contract price</p>	<p><b>Activity Code:</b> 46</p>
Withdrawals-by-Transfer via NWT1/ RWT1	<p><b>Int Cust:</b> Internal Account#</p> <p><b>Agt ID:</b> ID Agent#; optional</p>	
Stock Loan via DO/NDOM	<p><b>REAS:</b> Reason Code 10</p>	<p><b>Activity Code:</b> 48</p> <p><b>Reason Code:</b> 10</p>
Stock Loan Return via DO/NDOM	<p><b>REAS:</b> Reason Code 20</p>	<p><b>Activity Code:</b> 49</p> <p><b>Reason</b></p>

		<b>Code:</b> 20
Account Transfer to Broker via IPOU, Option 4	<b>From Internal Customer:</b> Current Internal Account#  <b>To Participant:</b> Receiving Broker's Part. #  <b>To Internal Customer:</b> New Internal Account#  <b>Share Quantity:</b> Number of whole shares being transferred  <b>Settlement Amount:</b> Settlement amount; optional	<b>Activity Code:</b>  <b>IPO shares:</b> 47  <b>Free shares:</b> 26  <b>Reason Code:</b> 40
Account Transfer to Bank via IPOU, Option 4	<b>To Participant:</b> Receiving Bank's Part. #  <b>From Internal Customer:</b> Current Internal Account#  <b>To Internal Customer:</b> New Internal Account#  <b>Share Quantity:</b> Number of whole shares being transferred  <b>Settlement Amount:</b> Settlement amount; optional	<b>Activity Code:</b>  <b>IPO shares:</b> 48  <b>Free shares:</b> 26  <b>Reason Code:</b> 40

## Reports

Cumulative IPO Tracking reports for Lead Managers and Syndicate Members are issued daily in hard-copy format, and are distributed via DTC's DD Boxes or Interface Department. The reports are also available in machine-readable format from approximately 4:00 a.m. to 5:00 p.m. EST on the same day.

### IPO Tracking Preliminary Report- Lead Manager

The "IPO Preliminary Report of Flipping Activity for Lead Underwriter" is issued to the Lead Manager and to Co-Managers. The report identifies the Syndicate Members (including Co-Managers and Co-Reporters) whose customers potentially flipped IPO shares.

It also identifies Clearing Agents and Correspondent accounts. Trades made on the same day, at the same price, by customers of the same Syndicate Member are aggregated. The report is cumulative.

*Note-* In a Co-Reporting relationship, the Lead Manager uses two Participant numbers for distribution of an IPO: one for domestic distribution, and one for international distribution. The primary in the relationship receives the report.

This report does not include customer-level detail. To find out which of their customers have potentially flipped, Lead Managers and Co-Managers must refer to their Syndicate Member reports. (Refer to "IPO Tracking Preliminary Report- Syndicate Member" in this chapter. )

## Fields

- **CUSIP:** the CUSIP number of the tracked issue.
- **Description:** the name of the tracked issue.
- **Tracking Period Start Date:** the start of tracking (closing date of the issue).
- **Tracking Period End Date:** the projected end of tracking.

## Columns

- **Synd. /Part. Number** displays the following:  
**Syndicate Member's Participant Number:** The Participant number of a Syndicate Member.  
In the case of shares that have been transferred **from one Participant custodian to another Participant custodian, this number is the Participant number of the Syndicate Member.**  
In the case of a Directed Concession, **this number represents the receiving customer's custodian's Participant number, and is marked with an asterisk (\*).**  
In the case that a Directed Concession **customer flips, the Lead Manager must refer to its internal records to identify the Customer's Syndicate Member.**  
"Unknown" to "Relaxed Editing" in the Secondary Market Section of Chapter 2 or 3. )  
*Asterisk (\*)*  
**An asterisk next to a number in the Syndicate/Participant number column indicates a potential flip by a Directed Concession customer. In this case the number listed is the receiving custodian's Participant number. If a Directed Concession customer flips, the Lead Manager must check its internal records to identify the Customer's Syndicate Member.**  
**Synd. /Part. Description:** the name of the Participant listed in the Synd. /Part. Number column.  
**Correspondent Account Number:** the ID Broker-Dealer number identifying the Correspondent in the ID system. This, in conjunction with the Participant number of the Clearing Agent (listed in the Synd. /Part. Number field), identifies the Syndicate Member.

*Note-* If, due to relaxed editing, the Syndicate Member cannot be identified and appears as "Unknown" on the Lead Manager's report, the Agent Bank is identified in the Correspondent Account Number field as having delivered the Initial Distribution shares.

- **Trade Date:** the date of the transaction in *YYMMDD* format as captured from the DO/ID transaction or the IPO release.
- **Price:** the price calculated from the net amount appearing on the DO or ID transaction, or on the IPO release.
- **Share Type:** Displays the types of transactions for three categories: Unknown Syndicate Member, Syndicate Member, and Grand Total for the CUSIP.
- Share Type for "Unknown" Syndicate Members lists the following for each unknown Syndicate Member:
  - **Total Flipped:** total of all potentially flipped shares for an unknown Syndicate Member.
  - **Total Stock Loan:** the net amount of stock loans showing outstanding loans less loan returns for an unknown Syndicate Member.
  - **Total Withdrawal:** total will always be zero.
  - **Total CNS Short:** total will always be zero.
  - **Unknown Grand Total Flipped:** net amount of shares flipped for unknown Syndicate Members.
  - **Unknown Grand Total Stock Loan:** net amount of stock loans for unknown Syndicate Members.
  - **Unknown Grand Total Withdrawal:** total will always be zero.
- Share Type for Syndicate Member. The following may be listed for each Syndicate Member:

- **SL Inst Unmatch Release:** the quantity of the Syndicate Member's stock loan releases for Institutional customers that exceeded the total quantity of shares used for stock loan deliveries. This quantity should be added to the SL Custodian To Lead or SL Custodian To Other categories since, had the custodian delivered the shares in a timely fashion, it would represent an increase in this Syndicate Member's IPO shares loaned by the Custodian.
- **SL Retail Unmatch Release:** the quantity of the Syndicate Member's stock loan releases for Retail customers that exceeded the total quantity of shares used for stock loan deliveries. This quantity should be added to the SL Firm To Lead or SL Firm To Other categories since, had the custodian delivered the shares in a timely fashion, it would represent an increase in this Syndicate Member's IPO shares loaned by the Custodian.
- In the case in which a Syndicate Member's customer transfers its accounts to another Participant (via IPOU, Option 4, Customer Account Transfer) the movement is not reported as a potential flip. For reporting purposes the IPO database moves the original Syndicate Member's Participant number and customer BIA number with each transfer of a customer's position.

*Note-* Account transfers performed via PTS function DO or NDOM (Reason Code 40) are reported as potential flips since IPO shares must first be released to the Free Account before processing the transfers, and DTC reports releases as potential flips.

- In the case in which a customer receives shares from multiple Broker-Dealers and a sale occurs: the system prorates the sale among the Syndicate Members servicing that customer.

*Note-* Shares potentially flipped on the same day at the same price are aggregated.

- **Total Flipped:** total of all shares potentially flipped for a Syndicate Member.
- **Total Stock Loan:** net amount of stock loans for a Syndicate Member showing outstanding loans less returns.
- **Total Withdrawal:** total amount of IPO shares used to satisfy WTs.
- **Total CNS Short:** total CNS short position for each Syndicate Member that has a long position in its IPO Control account. Indicates sales by Syndicate Member's customers that are possibly not reflected by releases to enable settlement of those sales.
- Grand Total of Shares for the CUSIP. These totals appear at the end of the report:
  - **Total CNS Short Shares for CUSIP:** lists the present aggregate total of all CNS short shares for the CUSIP for all Participants, regardless of whether or not they are Syndicate Members.
  - **Grand Total Flipped:** the grand total of potentially flipped shares for the CUSIP.
  - **Grand Total Stock Loan:** the grand total of stock loans for the CUSIP, showing outstanding loans less loan returns.
  - **Grand Total Withdrawal:** the grand total of IPO shares used to satisfy WTs for the CUSIP.
  - **Number of Shares:** the number of shares loaned, withdrawn-by-transfer, CNS short, or potentially flipped.

## IPO Tracking Preliminary Report- Syndicate Member

An "IPO Preliminary Report of Flipping Activity for Syndicate Member" is issued daily to each Syndicate Member. The cumulative report identifies the Secondary Market transactions for each of the Syndicate Member's Institutional and Retail customers and includes any available customer-level detail. Clearing Agents receive separate Syndicate Member reports for each of their Correspondent Syndicate Members. Lead Managers and Co-Managers also receive a Syndicate Member report detailing their customers' potential flipping activities. In a Co-Reporting relationship (the Lead Manager uses two Participant numbers for distribution of an IPO, i. e. , one for domestic

distribution and one for international distribution), the primary in the relationship receives the report. The activity of a Co-Reporter is reported like that of a Syndicate Member on the Lead Manager's Report.

## Fields

- **CUSIP:** the CUSIP number of the tracked issue.
- **Description:** the name of the tracked issue.
- **Lead Underwriter:** the Participant number of the Lead Manager of the tracked issue.
- **Name:** the name of the Lead Manager of the tracked issue.
- **Tracking Period Start Date:** the start of tracking (closing date of the issue).
- **Tracking Period End Date:** the projected end of tracking. Issues can be tracked for a maximum of 90 calendar days.

*Note-* Correspondent Syndicate Members are identified at the top of the report. The Correspondent's ID Broker-Dealer number is listed below its Clearer's Participant number.

## Columns

- **Customer Number:** the Custodian's Internal Account (AIA) number for the Syndicate Member's Institutional customer at the Agent Bank or Prime Broker, or the Syndicate Member's Internal Account number (BIA) for Retail customers.  
*Customer Level Information is Unavailable*  
In the case where the Syndicate Member has not populated the IPO database with customer-level detail for Retail customers, the customer cannot be identified for potentially flipped shares.
  - **Broker Inter. Acct. :** The Syndicate Member's BIA number for its Institutional customer at a Custodian Bank or Prime Broker, or the Syndicate Member's BIA for its Retail customer. (For Retail customers, this number will be the same as the Customer Number. )
  - **ID Agent:** the number in the ID system identifying Agent Banks.
  - **Acct. Trans. to Part. :** indicates a transfer of position from one Participant to another. Transfers implemented via IPOU, Option 4, Customer Account Transfer, are not reported as potential flips.

For *Retail* customers that transferred, the report indicates the receiving party's Participant number. Once a Retail customer transfers, the customer's new Internal Account number is proprietary information. However, DTC continues to display the customer's original BIA number.

For *Institutional* customers that transferred, the report indicates the receiving party's Participant number. The original BIA number is still displayed. Once an Institutional customer transfers, the customer's new Custodian Bank/Prime Broker Internal Account number is proprietary information.

*Note-* If an account transfer is performed using the PTS function DO or NDOM (Reason Code 40), it must be released manually from the IPO Account to the Free Account, and those releases will mark the shares as potential flips in DTC's tracking reports.

- **Customer Type:** indicates whether the customer is Institutional or Retail.

### *Institutional Customers*

Large investors such as insurance companies, retirement systems, etc. , whose trades are executed by an Executing Broker via the ID system and whose positions are held in a Custodian Bank's Free Account or in a Prime Broker's IPO Control Account.

### *Retail Customers*

Individual investors who purchase IPO shares through the Lead Manager or a Syndicate Member, and whose positions are held in a Broker-Dealer's IPO Control Account.

*Note-* In order to receive a complete description of potential flipping activity, Lead Managers and Syndicate Members must populate the IPO database with customer-level detail for their Retail clients. If the IPO database is not populated, the Syndicate Member's report will display the message "Customer-Level Information is Unavailable" adjacent to the flipped share quantity.

- **Trade Date:** the date of the transaction in *YYMMDD* format as captured from the DO/ID transaction or the IPO release.
- **Price:** the price calculated from the net amount appearing on the DO or ID transaction, or the IPO release.
- **Share Type:** Displays the type of transaction. This column lists for each customer:
  - **Flipped:** Total of shares potentially flipped by the Customer.
  - In the case in which a Syndicate Member's customer transfers its accounts to another Participant (via IPOU, Option 4, Customer Account Transfer): the movement is not reported as a potential flip. For reporting purposes, the IPO database moves the original Syndicate Member's Participant number and customer BIA number with each transfer of a customer's position.

*Note-* If an account transfer is performed using the PTS function DO or NDOM (Reason Code 40), it must be released manually from the IPO Account to the Free Account, and those releases will mark the shares as potential flips in DTC's tracking reports.

**In the case of releases:** the IPO tracking system captures flips for Brokers when shares are released from a Broker's IPO Control Account to prepare for delivery of a Secondary Market sale. Since the release, not the actual settlement indicates a flip, flips on the Report should be considered potential flips.

Releases can be performed on the individual customer level, by including the Internal Account number of the customer on the release instruction, or on the Syndicate Member level. Releases performed on the Syndicate Member level are reported on that level. The Syndicate Member's report displays the message "Customer-level Information is Unavailable" along with the potentially flipped shares.

For Banks, flips are captured when shares marked as IPO Initial Distribution shares are delivered to satisfy Secondary Market sells.

*Note-* Shares potentially flipped on the same day at the same price by the same customer are aggregated.

- **Withdrawal:** lists the shares used to satisfy WTs by the Syndicate Member's customers.
- **SL Firm To Lead:** stock loans in which the Syndicate Member was the lender and the Lead Underwriter was the borrower.
- **SL Firm To Other:** stock loans in which the Syndicate Member was the lender and a Participant other than the Lead Underwriter was the borrower.
- **SL Custodian To Lead:** stock loans in which custodians (whether an original custodian or one receiving shares as a result of an account transfer) were the lender and the Lead Underwriter was the borrower. The Syndicate Member is reported for these loans since it is the Syndicate Member that originally delivered the IPO shares to the lending custodian.
- **SL Custodian To Other:** stock loans in which custodians (whether an original custodian or one receiving shares as a result of an account transfer) were the lenders and Participants other than the Lead Underwriter were the borrower. The Syndicate Member is reported for these loans since it is the Syndicate Member that originally delivered the IPO shares to the lending custodian.

- **SL SM Borrows:** only reported when a Syndicate Member long in IPO shares nonetheless borrows shares in the tracked CUSIP (Free or IPO) from another Participant. The quantity reported is the entire quantity of shares borrowed.
- **SL SM IPO To Free Realloc:** the quantity reported is the Syndicate Member's portion of IPO shares distributed to a custodian used to replace free secondary market shares previously loaned out by the bank but which the bank instead needs to satisfy a customer's delivery transaction. This reported quantity reflects an increase in the number of the Syndicate Member's IPO shares issued by custodians.
- **SL SM Free To IPO Realloc:** Free shares used to replace IPO shares of a loan because the IPO shares are needed for a delivery transaction. The quantity reflects the Syndicate Member's portion of the IPO shares originally reported as a stock loan flip by a custodian but which have been reallocated to satisfy the Syndicate Member's/custodian's customer's delivery transaction (a regular flip). Since the customer's flip will be reported under the Flipped category, this SL SM Free To IPO Realloc quantity should be subtracted from one of the quantities reported as IPO shares loaned by custodians (SL Custodian To Lead or SL Custodian To Other categories) in order to avoid double-counting.
- **SL Flip to IPO Realloc:** The quantity reflects the Syndicate Member's portion of IPO shares originally reported as a stock loan flip transacted by a custodian but which have been reallocated to satisfy the Syndicate Member's/custodian's delivery transaction (a regular flip). (See SL SM Realloc below. ) Since the customer's flip will be reported under the Flipped category, this SL SM Free To IPO Realloc quantity should be subtracted from one of the quantities reported as IPO shares loaned by custodians (SL Custodian To Lead or SL Custodian to Other categories) in order to avoid double-counting.
- **SL SM Realloc:** the quantity of the Syndicate Member's IPO shares reallocated to a stock loan flip at a custodian because another Syndicate Member at the Custodian was reallocated out of the original loan quantity. This quantity should be added to the SL Custodian To Lead, SL Custodian To Other, SL Firm To Lead or SL Firm To Other categories since it represents an increase in this Syndicate Member's IPO Shares loaned by the custodian.
- **SL Inst Unmatch Release:** the quantity of the Syndicate Member's stock loan releases for Institutional customers that exceeded the total quantity of shares used for stock loan deliveries. This quantity should be added to the SL Custodian To Lead or SL Custodian To Other categories since, had the custodian delivered the shares in a timely fashion, it would represent an increase in this Syndicate Member's IPO shares loaned by the Custodian.
- **SL Retail Unmatch Release:** the quantity of the Syndicate Member's stock loan releases for Retail customers that exceeded the total quantity of shares used for stock loan deliveries. This quantity should be added to the SL Firm To Lead or SL Firm To Other categories since, had the custodian delivered the shares in a timely fashion, it would represent an increase in this Syndicate Member's IPO shares loaned by the Custodian.
- **Total Retail: Flipped:** the total number of shares potentially flipped by the Syndicate Member's Retail customers.
- **Total Retail: Withdrawal:** the total amount of IPO shares used to satisfy WTs by the Syndicate Member's Retail customers.
- **Total Institutional: Flipped:** the total number of shares potentially flipped by the Syndicate Member's Institutional customers.
- **Total Institutional: Withdrawal:** the total amount of IPO shares used to satisfy WTs by the Syndicate Member's Institutional customers.
- **Grand Total: Flipped:** total of all shares potentially flipped by the Syndicate Member's customers.
- **Grand Total: Withdrawal:** the total amount of IPO shares used to satisfy the WTs by the Syndicate Member's customers.

**Number of Shares:** the total number of shares transferred, potentially flipped, or withdrawn-by-transfer.

## Final Reports

When the Lead Manager notifies DTC that the tracking period is over, DTC issues final reports to the Lead Manager, Co-Managers, Syndicate Members, Clearing Agents, and primary Co-Reporters. These cumulative versions of the daily reports reflect the full history of the tracked issue, and indicate that the tracking period has ended.

This is the last report Participants receive for the tracked CUSIP.

## Syndicate Member

### Receive Shares from Lead Manager

The Lead Manager sets up deliveries of IPO shares to its Co-Managers, Co-Reporters and Syndicate Members prior to closing using the appropriate Deliver Order Reason Codes.

By 1:15 p.m. closing date, DTC receives a call from the Lead Manager permitting the distribution of shares to Co-Managers, Co-Reporters and Syndicate Members. DTC then delivers shares from the Lead Manager's IPO Control Account to each Syndicate Member's IPO Control Account, in accordance with the Lead Manager's Deliver Order instructions ("Syndicate Takedown").

*Note-* Shares remain in the IPO Control Account for the duration of the tracking period unless transferred, released or distributed to Institutional customers at Agent Banks or Prime Brokers.

### Initial Distribution

Initial Distribution, the delivery of IPO shares to a Syndicate Member's Institutional customers at Agent Banks or Prime Brokers, takes place after the Syndicate Takedown.

Although Initial distribution shares can be delivered on or after the closing date, you can set up their Initial Distribution deliveries prior to receiving shares from the Lead Manager.

An Initial Distribution is performed by using either DTC's ID system or the PTS functions DO or NDOM. You can indicate an Initial Distribution delivery by entering the appropriate Market Code on the Institutional Delivery Trade Input Screen for ID trades, or by entering the appropriate Reason Code in the **REAS** field of the Initial Public Offering Deliver Orders Screen for Day or Night DOs.

*Note-* Initial Distribution transactions are not settled through CNS.

### Distribute Shares to Agent Banks and Prime Brokers

Distribute Shares via ID

*Note-* Customer-level detail is required for Initial Distribution transactions.

**1** Enter information in the following fields of the Institutional Delivery Trade Input Screen:

- **Market Code:** enter Market Code 11
- **Agent Internal Account:** enter the Agent Bank or Prime Broker's Internal Account number for the customer

*Note-* The Internal Account number must be entered correctly in order to ensure accurate processing of the transaction. If it is missing, or entered incorrectly, an error code of 91 will appear on the Confirmation and Affirmation tickets. Refer to Resolve Internal Account

Number Discrepancies for information on how to correct the Internal Account number.

- **Broker Internal Account:** enter the Executing Broker's Internal Account (BIA) number for the customer; optional

*Note-* The Executing Broker Internal Account number (BIA#) is optional. However, there are several advantages to entering this information: the BIA provides more detailed reporting of flipping activity; and this information can easily be extracted from CCF, CCFII and MDH trade files.

The Internal Account number, the BIA number and the associated Syndicate Member are extracted from ID trades upon authorization. On closing date, the IPO database is populated.

**2** Refer to IDTI for additional ID field and processing information.

Distribute Unaffirmed ID Trade Shares via DO or NDOM

When a trade is unaffirmed, excepted or rejected from the ID system, you can settle that trade via the PTS functions DO (option 4) and NDOM (option 6).

**1** Enter the information in the following fields of the Initial Public Offering Deliver Orders Screen:

- **Recv-Pt:** enter the Agent Bank or Prime Broker's Participant number
- **REAS:** enter Reason Code 50
- **Int-Acct#:** enter the Agent Bank or Prime Broker's Internal Account number for the customer

*Note-* The Internal Account number must be entered correctly to ensure accurate processing of the transaction.

- **Bkr-Acct#:** enter the Executing Broker's Internal Account (BIA) number for the customer; optional

*Note-* The Executing Broker Internal Account number (BIA#) is optional. However, there are several advantages to entering this information: the BIA provides more detailed reporting of flipping activity; and this information can easily be extracted from CCF, CCFII and MDH trade files.

The system captures the Agent Bank/Prime Broker Internal Account number along with the BIA number and associated Syndicate Member and populates the IPO database.

**2** Refer to DO or NDOM for additional Deliver Order field and processing information.

## Distribute Shares for Broker Custody Trades

For trades where the Executing Broker and Custodian are the same entity ("Broker Custody") you "deliver" shares to your own account via DTC's ID system.

- 1** Follow the Initial Distribution procedures described in Distribute Shares via ID, entering your own Participant number as both the Executing Broker and the Custodian of the transaction.
- 2** Because there is no actual movement of shares, the IPO database is populated with customer-level detail and the associated Syndicate Member upon Confirmation of Broker Custody trades.

## Update Customer-Level Information via IPOU

Customer-level detail in the IPO database can be added and/or updated via the PTS function IPOU. The following sections describe some of the activities you can perform via IPOU.

**Warning!** If customer-level detail has been added for any of your customers, it must be added for all your customers or you will not be able to perform subsequent transactions (e. g. WTs, customer account transfers) for those customers.

Refer to Appendix D for additional information IPOU procedures.

## Allocate Shares to Retail Customers (Add Customer-Level Detail)

After delivering Initial Distribution shares to Institutional customers' Prime Brokers/Agent Banks, you can allocate the shares you retain to your Retail customers.

IPOU, Option 2 allows you to populate the IPO database by adding their Retail clients' customer-level details and share allocations.

*Note-* Participants cannot allocate shares to Institutional customers.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 2, Add Customer-Level Detail.
- 2 Enter information in the following required fields of the IPO- Add Customer-Level Detail Screen:
  - **Internal Customer:** enter the Internal Account number of the customer
  - **Share Quantity:** enter the whole number quantity, up to 13 positions
  - **Sign:** enter (+) to increase shares

- 3 Refer to Appendix D for additional processing information.

## Update Customer-Level Detail

IPOU, Option 5 allows you to correct or update your customer Internal Account numbers and adjust the share quantities allocated to your customers.

- 1 On the IPO- Tracking System Main Menu Screen, select Option 5, Customer-Level Adjustment.
- 2 Enter information in the following required fields of the IPO- Customer-Level Adjustment screen:
  - **From Internal Customer:** enter the existing AIA number of the customer
  - **From BIA:** enter the existing BIA number for the customer (optional)
  - **To Internal Customer:** enter the new AIA number of the customer; required if the Participant wants to change the existing number to a new one
  - **Reallocated Share Quantity:** enter the number of whole shares being adjusted, up to 13 positions; required if the Participant is adjusting a share quantity from existing customers to the new customer

*Note-* Because the system overlays the share quantity information, you must input exactly the total number of shares the "To Internal Customer" should have. If you are not sure of the exact total the customer should have, refer to the following section.

- 3 Refer to Appendix D for additional field and processing information.

## Update Customer-Level Detail Using the Add Customer-Level Detail Function

IPOU Option 2, Add Customer-Level Detail, provides a way for you to adjust share quantities for their customers without knowing the total number of shares each customer should have.

This method can also be used to eliminate an old Internal Account number from the IPO database and add a new one.

1 On the IPO Tracking system Main Menu Screen, select Option 2, Add Customer-Level Detail.

2 Enter Information in the following required fields:

- **Internal Customer:** enter the Internal Account number of the customer
- **Share Quantity:** enter the number of whole shares, up to 13 positions, you wish to increase/decrease the account by
- **Sign:** enter (+) to indicate the shares should be increased or (-) to indicate the shares should be decreased

The system adds/subtracts the share quantities for the account and updates them accordingly.

If the share quantity for an Account number is reduced to zero, the system deletes that number from the IPO database.

3 Refer to Appendix D for additional information.

## Transfer of Customer's Position Between Participants

You can transfer your customers positions to another Participant without that transfer being reported as a potential flip. For reporting purposes, the IPO database moves the original Syndicate Member's Participant number and BIA number with each transfer of a customer's position.

Memo Segregation and Sub Account Segregated positions do not need to be released prior to attempting any customer account transfers. IPO account transfer transactions can bypass Memo Segregation.

Customer-level detail is required for account transfers.

## Transfer Customer's Position via IPOU

1. For those transfers that originate in NSCC's ACATS system, Participants will be notified that an issue is tracked and will receive a trade-for-trade (Balance Order) ticket.
2. The transfer of shares in a tracked CUSIP must be accomplished by the IPO Customer Account Transfer function and must be for the total position the customer has in its IPO Control and Free Accounts.

1 On the IPO- Tracking System Main Menu Screen, select Option 4, Customer Account Transfer.

2 Enter information in the following fields of the IPO- Customer Account Transfer Screen:

- **To Participant:** enter the receiving Participant's number
- **From Internal Customer:** enter the existing AIA number for the customer
- **To Internal Customer:** enter the receiving Participant's AIA number for the customer
- **Share Quantity:** enter the number of whole shares being transferred, up to 13 positions
- **Settlement Amount:** enter the settlement amount for the account transfer; optional
- **Reason Code:** enter Reason Code by which this account transfer is to be processed

3 Refer to Appendix D for additional field and processing information.

Transfers can also be performed using the PTS functions DO or NDOM. However, since this requires manual releases to the Free Account, these transfers will be recorded as potential flips on DTC's tracking reports.

*Note-* Account transfers of IPO and Free Secondary Market shares from a Broker Participant will result in two DOs generated.

#### Share Movement for Customer Account Transfers- Deliveries

When you transfer a customer's position to another Participant, DTC moves the shares in one of the following ways:

- **Transfer position to a Bank:** Both IPO Control and Free Account shares move to the receiving Bank's Free Account in ART. The IPO database marks the shares delivered from your IPO Control Account as IPO shares and those delivered from your Free Account are marked as Secondary Market shares in the IPO database.
- **Transfer position to a Broker:** Shares delivered from your IPO Control Account move to the receiving Broker's IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares delivered from your Free Account move to the Receiving Broker's Free Account in ART. These Free Account shares are not captured in the IPO database.

#### Share Movement for Customer Account Transfers- Receipts

You will receive a customer's position from another Participant in one of the following ways:

- **Receive position from a Bank:** Shares marked as IPO shares in the Bank's Free Account move to the your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares marked as Secondary Market shares in the Bank's Free Account move to your Free Account in ART. These Free Account shares are not captured in the IPO database.
- **Receive position from a Broker:** Shares from the delivering Broker's IPO Control Account move to your IPO Control Account in ART and are marked as IPO shares in the IPO database. Shares from the Delivering Broker's Free Account move to your Free Account in ART. These Free Account shares are not captured in the IPO database.

## Secondary Market

### Release Shares From the IPO Control Account for Secondary Market Sales

All Secondary Market sell transactions settle from the Free Account. In order to deliver shares sold by your customers in the Secondary Market, those shares must first be released from your IPO Control Account to your Free Account using the IPOU function. Failure to release shares to the Free Account could result in a CNS short or DOs for Secondary Market sales dropping in ART.

Releases can be performed on the individual customer level, by including the AIA number of the customer on the release, or on the Syndicate Member level. Doing releases on the individual customer level allows DTC to provide a more detailed report of flipping activity by the your customers.

Releases can be submitted as early as 6:00 a.m. Eastern Standard Time (EST) trade date through the settlement of the trade.

*Note-* Releases from the IPO Control Account cannot be reversed and will be recorded as potential flips regardless of whether or not delivery is made.

**1** On the IPO- Tracking System Main Menu Screen, select Option 3, Release IPO Shares To The Free

Account.

2 Enter information in the following required fields of the IPO- Release IPO Shares To The Free Account Screen:

- **Internal Customer:** enter the AIA number of the customer (if already identified in the IPO database)
  1. The Internal Customer field (AIA number) is required for all customer transactions if customer-level detail has been added for any of your customers.
  2. If an incorrect AIA number is entered, the shares will not be released and the subsequent Deliver Order may pend.
- **Trade Date:** enter a valid business date in MMDDYY format

*Note-* DTC edits to ensure that the trade date entered is no earlier than four days prior to the issue's closing in DTC and no later than the current date. Dates entered on a release instruction that fall outside these parameters result in DTC rejecting the release instruction.

- **Contract Price:** enter a price greater than zero in 9999999.99 format
- **Share Quantity:** enter the number of whole shares, up to 13 positions

3 Refer to Appendix D for additional field and processing information.

If you and your customer have position in the IPO database, an immediate release is processed. If you and your customer do not have position, refer to the following sections.

#### Pending Releases

You and your customer must have position in the IPO database in order for a release to be processed. If the customer/Syndicate Member does not have position, the release will pend ("hold") for up to 3 days after Trade Date or for up to 30 calendar days, depending on the recycle option selected by the Participant.

If you and your customer do have position, but not enough to satisfy the entire release, DTC will release the available shares from the customer/Syndicate Member's account and pend the balance of the release request ("partial hold").

Participants that do not populate the IPO database with customer-level detail can use an omnibus or dummy account number. This allows for partial releases of their position as shares are sold.

#### Cancel Pending Releases

You can cancel pending releases via the IPOU function.

1 On the IPO- Tracking System Main Menu Screen, select Option 7, IPO Pending Transaction Cancel.

2 Enter information in the following fields of the IPO- Pending Transaction Screen:

- **CUSIP:** enter the issue's CUSIP number
- **Date:** enter a date range (From and To) in YYMMDD format. The default is the current date.

3 Press the ENTER key.

*Result-* A list of pending transactions is displayed.

4 Enter S to the left of the selected transaction to view details.

5 Enter C (cancel) to the left of the selected transaction.

*Result-* The message "PRESS PF1/13 TO CONFIRM CANCEL" appears.

6 Press the PF1/13 key.

*Result-* The transaction is canceled.

7 Refer to Appendix D for additional information.

## Secondary Market Deliveries

Secondary Market deliveries are performed using the same procedures currently used for deliveries of non-tracked issues.

*Note-* The ID Agent number must be included for Secondary Market DO deliveries to Prime Brokers and Banks. When delivering to a Bank, the ID Agent number will default to the receiving Bank's Participant number.

## Resolve Internal Account Number Discrepancies in ID Sell Transactions

When the AIA number on the sale transaction does not match an AIA number in the IPO Tracking database, the system generates a warning message, Error 91.

Error 91 flags an unmatched Internal Account number three times:

- ID Confirmation
- ID Affirmation
- Authorization and Exception (ANE)

Error 91 also appears on machine-readable output.

If the Internal Account number is still unmatched when validation occurs at Authorization and Exception (ANE) time, ANE will not reject the transaction, because the system assumes the delivery will use Secondary Market shares. However, an automated release will not be generated and the delivery will pend.

Unmatched AIA numbers can be corrected in the IPO database prior to the settlement date cutoffs of 10:00 a.m. EST for Global processing and 2:30 p.m. for Trade-for-Trade processing. This allows the ID trade to be authorized and settle that day through the automated settlement feature of the ID system.

*Note-* The ANE inquiry function and T+3 hard-copy report will display a code of "F" in the status field to indicate an Initial Distribution trade that has been rejected from settlement and an "I" to indicate a Secondary Market trade that has been rejected. The "F" and "I" codes will be displayed in cases where the Internal Account number on an IPO trade does not match the Internal Account number as stored on the IPO database. These transactions may be reprocessed for up to 21 days.

You may resolve Internal Account number discrepancies in the following ways:

- Have the Custodian update the Internal Account number in the IPO database to match the number on the ID transaction by performing an IPO customer-level adjustment. (Refer to Update Customer-Level Detail)

- Cancel the ID transaction and re-enter it in the ID system as per the Custodian's instructions. (Refer to Distribute Shares via ID)
- Have the Custodian except the ID transaction from automated settlement and enter a DO with the AIA number as it appears in the IPO database.

## Withdrawals-by-Transfer (WTs)

If certificate denominations are available, Withdrawals-by-Transfers (WTs) of tracked issues are permitted starting on closing day via the PTS functions NWT1 (Night Withdrawal-by-Transfer) and RWT1 (Rush Withdrawal-by-Transfer), as well as via CCF and CCFII. WTs are noted as separate line items on tracking reports.

1. Requests for WTs must include customer-level detail.
2. The IPO database must be populated with the customer-level detail prior to requesting a WT.

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter the AIA number of the customer for whom shares are being withdrawn
- **Agt ID:** enter the ID Agent number; optional

**2** Refer to NWT1 and RWT1 for additional WT field and processing information.

DTC processes WT requests using shares from your IPO Control Account first. DTC generates releases from your IPO Control Account to its Free Account.

1. Since the IPO Tracking System records all manual releases as potential flips, you should not manually release shares for WT processing.
2. DTC generates releases from your IPO Control Account only if the Internal Account number already exists in the IPO database. If the Internal Account number does not exist, a release will not be generated and the WT will be assumed to be from Free shares only.

## Request a WT Using Free Shares Only

**1** Enter information in the following fields of the Night W/T Data Collection Screen or the Rush Withdrawal Transfer System Add Function Screen:

- **Int Cust:** enter a "dummy" AIA number (one that does not exist in the IPO database).

*Note-* The use of a dummy Internal Account number in the Int Cust field will default the system to use Free shares for WT processing.

- **Agt ID:** enter ID the Agent number; optional

**2** Refer to NWT1 and RWT1 of the PTS Manual for additional WT field and processing information.

## Stock Loans and Returns

### Stock Loan Deliveries

Syndicate Members are able to process stock loans using the appropriate DO/NDOM Reason Codes. As for all broker Participants, DTC fulfills a Syndicate Member's stock loan delivery quantity with Free Account shares only. If insufficient shares are available in the Syndicate Member's Free Account, the Participant must instruct DTC to process a Stock Loan Release to release IPO shares from its IPO Control account to its Free account for the balance.

DTC distinguishes between stock loan releases and regular releases and reports each type as separate line items on Lead Underwriter and Syndicate Member Flipping Activity Reports. All stock loan releases are categorized according to Participant type of lender and borrower.

To dissuade Participants from using the stock loan release facility for regular releases, DTC monitors the quantity of IPO shares moved to the Participant's Free account via stock loan releases versus the quantity of shares loaned by the Participant on the same day and reports discrepancies to the Lead Underwriter and appropriate Syndicate Members.

All stock loans are made on an omnibus basis. No customer account numbers are tagged to stock loans. An AIA number entered in a stock loan delivery is ignored by DTC; however, the exception to this is for stock loans to banks, in which case the Participant number of the receiving bank must be entered as the AIA number in order to allow the receiving bank the ability to deliver borrowed shares.

## Stock Loan Receipts

DTC delivers all Stock Loans to the Borrower's Free Account.

## Stock Loan Returns

You can process Stock Loan Returns by using the appropriate Reason Codes via the PTS functions DO or NDOM. All stock loan returns are delivered from the borrower's Free account.

- 1 Enter Reason Code 20 in the REAS field of the SDFS Initial Public Offering Deliver Orders Screen.
- 2 Refer to DO and NDOM of the PTS Manual for additional Deliver Order field and processing information.

## Stock Loan Return Receipts

All Stock Loan Returns are delivered to the lender's Free Account as Free Secondary Market shares in the IPO database.

## Pledges

### Pledges of Collateral

You can pledge shares with or without value from either their IPO Control or Free Accounts via the PTS function COLL.

- 1 Enter the following information on the Free Pledge Service Screen:
  - **IPO:** enter Y if the shares are being pledged from the IPO Control Account  
OR  
Enter N if the shares are being pledged from the Free Account
- 2 Refer to COLL for additional field and processing information.

Pledged IPO Control and Free Account shares are moved to the Pledge (14) Account. IPO shares are segregated in the I14 Account.

## Pledge Releases

If released during the tracking period, Pledge shares are delivered back to their original accounts. In cases where both IPO and Secondary Market shares were pledged, released (Free) shares are returned to the Free Account first, up to the quantity of Free Account shares pledged. The balance of the shares return to the IPO Control Account.

If released after tracking has ended, all Pledge shares are delivered to the Free Account regardless of what their account of origin.

## Reclaims

### Reclaim Deliveries

DTC will automatically process a matched reclamation based on the DO transaction number and other transaction information provided until one day after settlement.

You can enter Matched Reclaims via the PTS functions ART and DO/NDOM and via CCF, CCFII and MDH.

When You reclaim a delivery, the reclaimed DO will be matched to the original delivery and the information in the IPO database will be reversed.

*Note-* Partial reclaims are not permitted.

Matched Reclaim Deliveries via ART

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

**1** Enter R to the left of the item to be reclaimed on the ATP Activity Summary Screen.

Matched Reclaim Deliveries via DO or NDOM

Matched Reclaims can be made on settlement date and the day after. These reclaims can not be reclaimed by the original deliverer and are not subject to risk management controls.

**1** Enter information in the following fields of the SDFS Automatic Reclaim Deliver Orders Screen:

- **Trans#:** enter the transaction number of the transaction being reclaimed
- **Reas-Code:** enter the appropriate Reason Code (Refer to Codes in this Manual for Reclaim Reason Codes. )
- **Orig-Date-Ind:** enter T to reclaim a DO entered today or P to reclaim a DO entered on the previous business day

*Note-* If made during the Matched Reclaims timeframe, DTC will also match Freeform Reclaims, provided the appropriate DO Reason Code and correct information is entered.

Unmatched/Freeform Reclaim Deliveries

Reclaims must be entered Freeform via CCF/CCFII, MDH or the PTS functions DO/NDOM if:

- The reclaim transaction number cannot be matched to an original delivery
- The reclaim occurs after the Matched Reclaim deadline has passed

You must input transaction details Freeform, including the appropriate DO Reclaim Reason Code.

DTC treats these Reclaim transactions as original deliveries, which in turn can be reclaimed by the receiver.

## **Reclaim Receipts**

IPO shares that are reclaimed within the Matched Reclaim deadline (S through S+ 1) will be returned to the account from which they originated, provided the issue is still being tracked.

Reclaims performed after the Matched Reclaim deadline, or after tracking has ended, will be placed in the Receiver's Free Account. These deliveries can be reclaimed.

## **Memo Segregation**

Although position may reside in both the IPO Control and Free Accounts, you can enter Memo Segregation instructions for tracked issues using the same procedures currently used for non-tracked issues. Memo Segregation bridges the IPO Control and Free Accounts.

Refer to the Settlement Service Guide for information on Memo Segregation instruction processing.

The share quantity in the Memo Segregation instruction will be subtracted from the combined share total in the IPO Control and Free Accounts. The resulting share total must be greater than the quantity of any Deliver Orders entered. If the quantity is less, the Deliver Orders will not be processed and will pend.

## **Deposits**

Deposits are chilled for tracked issues for the duration of the tracking period.

DWAC (Deposit/Withdrawal at Custodian) activity is permitted on a very limited basis during the tracking period and only with consent of the Lead Underwriter.

## **Certificates-On-Demand (CODs)**

CODs are chilled for tracked issues for the duration of the tracking period.

## **Collateralization of IPO Shares**

Shares in the IPO Control Account will be considered collateral (NA) only on the day they are received into the account and only if received for value. Shares received into the IPO control account without value will follow the normal accounting updating rules, and will be considered NA or MA depending on the SDFS Account Coding Instructions.

Shares in the IPO Control Account will not be considered collateral after the first day they are received. MA/NA intra-day moves will not be permitted.

Shares in the Free Account are subject to normal collateralization rules. Refer to the Settlement Service Guide for additional collateralization information.

## Reconcile Customer-Level Detail with Internal Records

You should reconcile the Customer-Level Detail in the IPO database with your internal records daily using an IPOCLD machine-readable file. This file contains the Agent Bank or Prime Broker's Internal Account numbers of all your customers on file, as well as the Executing Broker's Internal Account numbers for those customers.

Contact DTC's Participant Interface Planning Department or your Participant Services representative for assistance.

## Make Inquiries via IPOI

The PTS function IPOI (Initial Public Offering Tracking System Inquiry) allows you to make inquiries about tracked issues.

The following information is provided via IPOI:

- A list of all tracked IPO issues
- A summary of tracked IPO issues in which the Participant has position
- A summary of customer-level details by Participant-issue
- A summary of IPO pending/canceled/released transactions

For additional information on the IPO Tracking System Inquiry function, refer to the Overview and Appendix E.

## Receive Reports from DTC

DTC prepares and distributes daily to you cumulative hard-copy reports of tracked issues. The following information is provided:

- List of potential flips by own Retail and Institutional customers.
- Potential flips by customers are broken down by trade date and price; for customers using more than one Syndicate Member, flipped quantities are prorated.
- Separate line for WTs.
- Separate line for stock loans: quantity reported represents the net amount (outstanding loans less returns).
- Retail account transfers (showing the receiving Participant number).
- Institutional account transfers (showing the receiving Participant number and BIA number).

Refer to Reports for further information.

## Syndicate Member Tasks: Required Field Information & DTC Output

<b>TASK:</b>	<b>FIELD INFORMATION REQUIRED:</b>	<b>DTC OUTPUT:</b>
<b>Initial Distribution To:</b>		
Agent Banks via ID	<b>Market Code:</b> Market Code 11 <b>Agent Internal Account:</b> Agent Bank's Internal Account# <b>Broker Internal Account:</b>	<b>Activity Code:</b> 48 <b>Reason Code:</b> 49

	Executing Broker's Internal Account#; optional	
Agent Banks via DO/NDOM	<b>Recv-Pt:</b> Agent Bank's Part#  <b>REAS:</b> Reason Code 50  <b>Int-Acct#:</b> Agent Bank's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 48  <b>Reason Code:</b> 50
Prime Brokers via ID	<b>Market Code:</b> Market Code 11  <b>Agent Internal Account:</b> Prime Broker's Internal Account#  <b>Broker Internal Account:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 47  <b>Reason Code:</b> 49
Prime Brokers via DO/NDOM	<b>Recv-Pt:</b> Prime Broker's Part#  <b>REAS:</b> Reason Code 50  <b>Int-Acct#:</b> Prime Broker's Internal Account#  <b>Bkr-Acct#:</b> Executing Broker's Internal Account#; optional	<b>Activity Code:</b> 47  <b>Reason Code:</b> 50
<b>Customer-Level Updates:</b>		
Add Customer-Level Detail via IPOU, Option 2	<b>Internal Customer:</b> Internal Account#  <b>Share Quantity:</b> Whole number quantity  <b>Sign:</b> + or- to increase or decrease shares	
Update Customer-Level Detail via IPOU, Option 5	<b>From Internal Customer:</b> Old Internal Account#  <b>To Internal Customer:</b> New Internal Account#; optional  <b>Share Quantity:</b> New whole number quantity; optional	
<b>Secondary Market Activity:</b>		
Sale of Free shares	Same as for non-tracked issues.	<b>Activity Code:</b> 26
Release of IPO shares to Free Account via IPOU,	<b>Internal Customer:</b> Internal	<b>Activity Code:</b> 46

Option 3	Account#  <b>Trade Date:</b> Trade date  <b>Contract Price:</b> Contract price	
Withdrawals-by-Transfer via NWT1/ RWT1	<b>Int Cust:</b> Internal Account#  <b>Agt ID:</b> ID Agent ID#; optional	
Stock Loan via DO/NDOM	<b>REAS:</b> Reason Code 10	<b>Activity Code:</b>  <b>IPO shares:</b> 48  <b>Free shares:</b> 26  <b>Reason Code:</b> 10
Stock Loan Return via DO/NDOM	<b>REAS:</b> Reason Code 20	<b>Activity Code:</b>  <b>IPO shares:</b> 49  <b>Free shares:</b> 26  <b>Reason Code:</b> 20
Account Transfer to Broker- IPO Shares- via IPOU, Option 4	<b>To Participant:</b> Receiving Broker's Part#  <b>From Internal Customer:</b> Current Internal Account#  <b>To Internal Customer:</b> New Internal Account#  <b>Share Quantity:</b> number of whole shares being transferred  <b>Settlement Amount:</b> Settlement amount; optional	<b>Activity Code:</b> 47  <b>Reason Code:</b> 40
Account Transfer to Broker- Free shares- via IPOU, Option 4	<b>To Participant:</b> Receiving Broker's Part#  <b>From Internal Customer:</b> Current Internal Account#  <b>To Internal Customer:</b> New Internal Account#	<b>Activity Code:</b> 26  <b>Reason Code:</b> 40

	<p><b>Share Quantity:</b> number of whole shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount; optional</p>	
Account Transfer to Bank-IPO Shares- via IPOU, Option 4	<p><b>To Participant:</b> Receiving Bank's Part#</p> <p><b>From Internal Customer:</b> Current Internal Account#</p> <p><b>To Internal Customer:</b> New Internal Account#</p> <p><b>Share Quantity:</b> number of whole shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount; optional</p>	<p><b>Activity Code:</b> 48</p> <p><b>Reason Code:</b> 40</p>
Account Transfer to Bank-Free shares- via IPOU, Option 4	<p><b>To Participant:</b> Receiving Bank's Part#</p> <p><b>From Internal Customer:</b> Current Internal Account#</p> <p><b>To Internal Customer:</b> New Internal Account#</p> <p><b>Share Quantity:</b> number of whole shares being transferred</p> <p><b>Settlement Amount:</b> Settlement amount; optional</p>	<p><b>Activity Code:</b> 26</p> <p><b>Reason Code:</b> 40</p>

## **IPO Appendix:**

### **Appendix A**

#### **Syndicate Prioritization**

Deliveries for an IPO tracked issue are prioritized in the following order:

#### **Co-Managers/Co-Reporters**

Delivery to Co-Managers/Co-Reporters via DO/NDOM Reason Code:

- 560  
Co-Manager/Co-Reporter

#### **Syndicate Members**

Delivery to Syndicate Members via DO/NDOM Reason Code:

- 570  
Syndicate Takedown

#### **Affirmed ID Syndicate Trades**

Delivery to Agent Banks/Prime Brokers via ID Market Codes:

- 11  
Initial Distribution
- 51  
Directed Concessions
- 52  
Oversubscriptions
- 53  
Oversubscriptions/Directed Concessions

#### **Unaffirmed ID Syndicate Trades Performed via DO/NDOM**

Delivery to Institutional clients at Prime Broker/Agent Bank via DO/NDOM Reason Codes:

- 50  
Initial Distribution
- 530  
Directed Concessions
- 540  
Oversubscriptions
- 550  
Oversubscriptions/Directed Concessions

#### **Secondary Market ID Trades**

Secondary Market deliveries with ID Market Codes **other than** 11, 51, 52, 53

## Secondary Market DO/NDOM Trades

Secondary Market deliveries with DO/NDOM Reason Code:

- 30  
Delivery Versus Payment

## Appendix B

### GLOSSARY

<b>Agent Bank</b>	See Custodian Bank.
<b>Agent Bank Number</b>	The number identifying banks in DTC's ID system. Also referred to as: <ul style="list-style-type: none"> <li>• Agent Bank Identifier</li> <li>• ID Agent Bank Identifier</li> <li>• IPO Agent Bank Identifier</li> <li>• ID Agent Bank Number</li> </ul>
<b>Agent Bank Identifier</b>	See Agent Bank Number.
<b>Agent Internal Account (AIA) Number</b>	The number used by the Custodian Bank or Prime Broker to identify its customer. Also referred to as the Internal Account number.
<b>Balance Order Ticket</b>	NSCC output indicating a firm's remaining long or short positions after a day's transactions have been netted.
<b>Broker Custody Trade</b>	Trade in which the Executing Broker and the Custodian are the same entity.
<b>Broker Internal Account (BIA) Number</b>	Number used by the Executing Broker (Syndicate Member) to identify its customer.
<b>Clearing Agent</b>	DTC Participant (Bank or Broker) that processes transactions at DTC on behalf of a non-DTC Participant.
<b>Closing Date</b>	Date on which an issue "closes": the Issue's shares are distributed by the Lead Manager and Syndicate Members to Retail and Institutional investors.
<b>CNS (Continuous Net Settlement)</b>	The Net Settlement System employed by the National Securities Clearing Corporation (NSCC) to settle IPO Secondary Market transactions.
<b>Co-Lead</b>	See Co-Manager.
<b>Co-Manager</b>	One of two entities acting in equal capacities as Lead Manager. Co-Manager relationships often allow different Participants to handle domestic and international portions of an IPO.

<b>Co-Reporter</b>	Underwriter (Lead Manager) uses two Participant numbers for distribution of an IPO (e. g. , one for domestic distribution and one for international distribution).
<b>Correspondent</b>	Non-DTC Participant that uses a DTC Participant as a Clearing Agent to process transactions at DTC.
<b>Correspondent Account Number</b>	The number used by a Clearing Broker-Dealer or Clearing Bank to identify its correspondent.
<b>CUSIP Number</b>	The unique nine-digit identifier of an issue.
<b>Custodian Bank</b>	Bank that holds shares for an Institutional customer; shares are "in custody" for that customer.
<b>Customer Account Transfer</b>	The movement of a customer's position from one Participant to another.
<b>Customer-Level Detail</b>	For transaction processing purposes, the Internal Account number of a Participant's customer. In IPOI, Option 3, additional customer details include: the allocated share quantity; the available share quantity; the flipped share quantity; the customer's Custodian and Executing Broker (Syndicate Member).
<b>Directed Concession</b>	Delivery of a block of IPO shares from the Lead Manager directly to a Syndicate Member's Institutional customer (delivery is to the customer's Agent Bank or Prime Broker), at the Institution's request. The Syndicate Member gets the benefit of the selling concession. The Lead Manager is set up as the associated Syndicate Member in the IPO database.
<b>Executing Broker</b>	Broker-Dealer that executes a buy or sell order.
<b>Flipping</b>	The sale of Initial Distribution securities in the Secondary Market during the stabilization/penalty-bid period.
<b>Free Account</b>	General DTC Participant Account. For Brokers, all shares of non-tracked issues, as well as Secondary Market shares of tracked issues, reside there (unless pledged, loaned, etc. ). For Banks, all shares, including tracked IPO shares, reside there.
<b>Green Shoe</b>	The right of the Lead Manger to purchase a certain amount of additional shares (usually equal to 15% of Initial Distribution amount) from the Issuer at an agreed upon price within a certain time period (usually 30 days).
<b>ID Agent Bank Identifier</b>	See Agent Bank Number.
<b>ID Agent Bank Number</b>	See Agent Bank Number.
<b>ID Affirmation</b>	DTC output indicating the Custodian's

	affirmation (agreement) of the details of a trade.
<b>ID Broker-Dealer Number</b>	The number used to identify a Broker-Dealer in DTC's ID System.
<b>ID Confirmation</b>	DTC output outlining the details of a trade entered into the ID system.
<b>Initial Distribution Shares</b>	Shares delivered from the Lead Manager or Syndicate Members to their customers. Shares are considered Initial Distribution shares until they are sold in the Secondary Market.
<b>Institutional Customer</b>	Large Investors, such as Insurance Companies, Retirement Funds, etc. Positions are held by an Agent Bank or Prime Broker.
<b>Internal Account Number</b>	Number used by an Agent Bank, Prime Broker or Executing Broker to identify its customer.
<b>Investment Manager</b>	See Institutional Customer.
<b>IPO Agent Bank Identifier</b>	See Agent Bank Number.
<b>IPO Control Account</b>	Account established for Brokers to separate tracked IPO shares during the tracking period.
<b>IPOI</b>	PTS inquiry function that provides information including: list of tracked issues; list of tracked issues in which the Participant has position; customer-level details; and the status of IPO Control Account releases.
<b>IPOU</b>	PTS update function that allows Participants to perform transactions with their IPO shares including: releasing shares to their Free Accounts; canceling pending transactions; moving shares from the Free Account to the IPO Control Account for Oversubscriptions; customer account transfers; adding customer-level details; adjusting customer-level details; adjusting Corresp. Positions; releasing IPO shares for stock lending; and accessing the Inquiry (IPOI) function.
<b>Lead Manager</b>	The firm that organizes and leads a syndicate of underwriters in the act of purchasing and distributing the shares of an initial public offering to investors.
<b>Matched Reclaim</b>	Return of a delivery, made no later than the day after settlement date, that DTC matches to the original delivery.
<b>Memo Segregation</b>	Control mechanism that prevents securities, residing in either the Participant's IPO Control Account or its Free Account, that have been fully paid for by the Participant's customer from being accessed for normal activity. Only certain types of activities may reduce this position.
<b>Oversubscription</b>	Lead Manager commits to selling more

	shares than have been issued and must purchase or borrow shares in the Secondary Market to fulfill its Syndicate Takedown and Initial Distribution obligations.
<b>Oversubscription/Directed Concession</b>	Lead Manager delivers oversubscribed shares directly to a Syndicate Member's Institutional customer (delivery is to the customer's Agent Bank or Prime Broker), at the customer's request. The Syndicate Member gets the benefit of the selling concession. The Lead Manager is set up as the associated Syndicate Member in the IPO database.
<b>Penalty-Bid Period</b>	Established time period in which the Lead Manager has the right to penalize Syndicate Members for their customers' flipping activity.
<b>Primary Market</b>	The Initial Distribution of shares of an IPO: the delivery of shares from the Lead Manager and Syndicate Members to their customers.
<b>Prime Broker</b>	A broker-dealer acting as a Custodian for an Institution or a large Retail customer that is set up like an Institution.
<b>Reclaim</b>	The return of a delivery by the Receiver.
<b>Relative Block Number (RBN)/Transaction Number</b>	Identification number of a trade processed via CCF/CCFII, MDH or PTS. This, along with other CCF transaction information, (including the Deliverer, the Receiver, the CUSIP number, the dollar value and the settlement value) is used by DTC to effect a matched reclaim of a specific delivery.
<b>Relaxed Editing</b>	Feature of the IPO tracking system that allows a Secondary Market sell transaction to be settled by the Custodian Bank without an Agent Internal Account number match or sufficient position.
<b>Retail Customer</b>	An individual investor.
<b>Risk Management Controls</b>	Features (Net Debit Caps and Collateral Monitor) used to provide protection to all DTC Participants against the inability of one or more Participants to settle its net settlement obligation. Net Debit Caps are meant to assure liquidity while the collateral monitor assures sufficient collateral to avoid generalized losses if a failure is due to insolvency.
<b>Scrubbing</b>	The IPO Tracking System process that adjusts the Internal Account number in order to reduce the number of unmatched Internal Account numbers on sale transactions. The incoming Internal Account number is left-aligned and stripped of all insignificant characters, including leading zeros. Only letters (A- Z) and numbers (0- 9) remain within the scrubbed Internal Account number. Any incoming Internal Account

	number that, when scrubbed, results in all spaces is treated as if the Internal Account number was not entered and is edit rejected. All internal processing by the IPO Tracking system occurs against the scrubbed version of the Internal Account number. The original Internal Account number is stored in the IPO Transaction database, and is returned to the Participant on output copies of Deliver Orders (DOs), ID Confirms, IPO Customer Allocations, IPO Account Transfers, IPO Releases and IPO Customer-Level Adjustments.
<b>Secondary Market</b>	Where shares of a new issue are bought and sold after Initial Distribution.
<b>Selling Group</b>	Entity that markets an Initial Public Offering that is not a part of the Syndicate.
<b>Settlement Date</b>	Date on which a trade settles.
<b>Stabilization Period</b>	Duration of time that the Lead Manager is responsible for maintaining the price of a new issue.
<b>Stock Loan</b>	The loaning of shares from one Participant to another.
<b>Stock Loan Return</b>	The return of loaned shares from the Borrower back to the Lender.
<b>Syndicate Member</b>	One of a group of Broker-Dealers that agrees to purchase a New Issue of securities from the issuer for resale to the investment public.
<b>Trade Date</b>	Date on which a trade is executed.
<b>Trade-For-Trade Ticket</b>	NSSC output containing deliver or receive instructions for transactions that are ineligible for CNS processing.
<b>Turnaround Sell</b>	To buy on Primary Market and sell in Secondary Market on the same day. Both trades settle on the same day.
<b>Withdrawal-by-Transfer (WT)</b>	The withdrawal of physical certificates from DTC for re-registration. The certificates are transferred out of DTC's nominee name, Cede &Co. , to a Participant or customer name.

## Appendix C

### CODES

#### Deliver Order Reason Codes

REASON CODE	DESCRIPTION
10	Stock Loan

11	<p>Stock Loan Reclaim-DK</p> <p>Receiver reclaims a Stock Loan delivery: the Receiver "doesn't know" the trade.</p>
12	<p>Stock Loan Reclaim-Wrong Quantity</p> <p>Receiver reclaims a Stock Loan delivery: the wrong quantity of shares was delivered.</p>
13	<p>Stock Loan Reclaim-Wrong Security</p> <p>Receiver reclaims a Stock Loan delivery: the wrong security was delivered.</p>
14	<p>Stock Loan Reclaim-Wrong Money</p> <p>Receiver reclaims a Stock Loan delivery: the money charged is incorrect.</p>
16	<p>Stock Loan Reclaim-Account Information Missing</p> <p>Receiver reclaims a Stock Loan delivery: additional account information is needed to identify the original delivery.</p>
17	<p>Stock Loan Reclaim-Due Bill Missing</p> <p>Receiver reclaims a Stock Loan delivery: the due bill is missing.</p>
20	<p>Stock Loan Return</p>
21	<p>Stock Loan Return Reclaim-DK</p> <p>Receiver reclaims a Stock Loan Return delivery: the Receiver "doesn't know" the trade.</p>
22	<p>Stock Loan Return Reclaim-Wrong Quantity</p> <p>Receiver reclaims a Stock Loan Return delivery: the wrong quantity of shares was delivered.</p>
23	<p>Stock Loan Return Reclaim-Wrong Security</p> <p>Receiver reclaims a Stock Loan Return delivery: the wrong security was delivered.</p>
24	<p>Stock Loan Return Reclaim-Wrong Money</p> <p>Receiver reclaims a Stock Loan Return delivery: the money charged is incorrect.</p>
26	<p>Stock Loan Return Reclaim-Account Information Missing</p> <p>Receiver reclaims a Stock Loan Return delivery: additional account information is needed to identify the original delivery.</p>
27	<p>Stock Loan Return Reclaim-Due Bill Missing</p> <p>Receiver reclaims a Stock Loan Return delivery: the due bill is missing.</p>
30	<p>Delivery versus Payment</p>

40	Transfer of Customer Account
49	Initial Distribution via ID
50	Initial Distribution:  Lead Manager and Syndicate Members Deliver to Agent Banks or Prime Brokers for Institutional customers. Shares are moved from the Lead Manager's or Syndicate Member's IPO Control Account to a Prime Broker's IPO Control Account, or to an Agent Bank's Free Account.
51	New Issue Reclaim-DK  Receiver reclaims an Initial Distribution delivery: the Receiver "doesn't know" the trade.
52	New Issue Reclaim-Wrong Quantity  Receiver reclaims an Initial Distribution delivery: the wrong quantity of shares was delivered.
53	New Issue Reclaim-Wrong Security  Receiver reclaims an Initial Distribution delivery: the wrong security was delivered.
54	New Issue Reclaim-Wrong Money  Receiver reclaims an Initial Distribution delivery: the money charged is incorrect.
56	New Issue Reclaim-Account Information Missing  Receiver reclaims an Initial Distribution delivery: additional account information is needed to identify the original delivery.
57	New Issue Reclaim-Due Bill Missing  Receiver reclaims an Initial Distribution delivery: the due bill is missing.
530	Directed Concession Delivery:  Lead Manager delivers a block of IPO shares directly to a Syndicate Member's Institutional customer (at its Agent Bank or Prime Broker), at the Institution's request. Shares are moved from the Lead Manager's IPO Control Account to a Prime Broker's IPO Control Account, or to an Agent Bank's Free Account (and are marked as IPO shares in the IPO database).
531	Directed Concession Reclaim-DK  Receiver reclaims a Directed Concession delivery: the Receiver "doesn't know" the delivery.
532	Directed Concession Reclaim-Wrong Quantity  Receiver reclaims a Directed Concession delivery: the wrong quantity of shares was delivered.

533	<p>Directed Concession Reclaim-Wrong Security</p> <p>Receiver reclaims a Directed Concession delivery: the wrong security was delivered.</p>
534	<p>Directed Concession Reclaim-Wrong Money</p> <p>Receiver reclaims a Directed Concession delivery: the money charged is incorrect.</p>
536	<p>Directed Concession Reclaim-Need Account Information</p> <p>Receiver reclaims a Directed Concession delivery: additional account information is needed to identify the original delivery.</p>
537	<p>Directed Concession Reclaim-Due Bill Missing</p> <p>Receiver reclaims a Directed Concession delivery: the due bill is missing.</p>
539	ID Directed Concession delivery.
540	<p>Oversubscription delivery:</p> <p>Delivery from the Lead Manager's Free Account to Syndicate Member's or Prime Broker's IPO Control Account, or to an Agent Bank's Free Account (and marked as IPO shares in the IPO database).</p>
541	<p>Oversubscription Reclaim-DK</p> <p>Receiver reclaims an Oversubscription delivery: the Receiver "doesn't know" the delivery.</p>
542	<p>Oversubscription Reclaim-Wrong Quantity</p> <p>Receiver reclaims an Oversubscription delivery: the wrong quantity of shares was delivered.</p>
543	<p>Oversubscription Reclaim-Wrong Security</p> <p>Receiver reclaims an Oversubscription delivery: the wrong security was delivered.</p>
544	<p>Oversubscription Reclaim-Wrong Money</p> <p>Receiver reclaims an Oversubscription delivery: the money charged is incorrect.</p>
546	<p>Oversubscription Reclaim-Account Information Missing</p> <p>Receiver reclaims an Oversubscription delivery: additional account information is needed to identify the delivery.</p>
547	<p>Oversubscription Reclaim-Due Bill Missing</p> <p>Receiver reclaims an Oversubscription delivery: the due bill is missing.</p>
549	ID Oversubscription Delivery
550	Oversubscription/Directed Concession Delivery:

	Lead Manager delivers oversubscribed shares directly to a Syndicate Member's Institutional customer (at its Agent Bank or Prime Broker), at the Institution's request. Shares are moved from the Lead Manager's IPO Control Account to a Prime Broker's IPO Control Account, or to an Agent Bank's Free Account (and are marked as IPO shares in the IPO database).
551	Oversubscription/Directed Concession Reclaim-DK  Receiver reclaims an Oversubscription/Directed Concession delivery: the Receiver "doesn't know" the delivery.
552	Oversubscription/Directed Concession Reclaim-Wrong Quantity  Receiver reclaims an Oversubscription/Directed Concession delivery: the wrong quantity of shares was delivered.
553	Oversubscription/Directed Concession Reclaim-Wrong Security  Receiver reclaims an Oversubscription/Directed Concession delivery: the wrong security was delivered.
554	Oversubscription/Directed Concession Reclaim-Wrong Money  Receiver reclaims an Oversubscription/Directed Concession delivery: the money charged is incorrect.
556	Oversubscription/Directed Concession Reclaim-Account Information Missing  Receiver reclaims an Oversubscription/Directed Concession delivery: additional account information is needed to identify the delivery.
557	Oversubscription/Directed Concession Reclaim-Due Bill Missing  Receiver reclaims an Oversubscription/Directed Concession delivery: the due bill is missing.
559	ID Oversubscription/Directed Concession Delivery
560	Co-Manager/Co-Reporter Delivery (IPO Foreign Distribution):  Lead Manager delivers shares to a second Lead Manager (Co-Manager) or to its own second Participant number (Co-Reporter).
561	Co-Manager/Co-Reporter Delivery Reclaim-DK  Receiver reclaims a Co-Manager/Co-Reporter delivery: the Receiver "doesn't know" the delivery.
562	Co-Manager/Co-Reporter Delivery Reclaim-Wrong Quantity  Receiver reclaims a Co-Manager/Co-Reporter delivery: the wrong quantity of shares was delivered.
563	Co-Manager/Co-Reporter Delivery Reclaim-Wrong Security  Receiver reclaims a Co-Manager/Co-Reporter delivery: the wrong security was delivered.

564	Co-Manager/Co-Reporter Delivery Reclaim-Wrong Money  Receiver reclaims a Co-Manager/Co-Reporter delivery: the money charged is incorrect.
566	Co-Manager/Co-Reporter Delivery Reclaim-Account Information Missing  Receiver reclaims a Co-Manager/Co-Reporter delivery: additional account information is needed to identify the delivery.
567	Co-Manager/Co-Reporter Delivery Reclaim-Due Bill Missing  Receiver reclaims a Co-Manager/Co-Reporter delivery: the due bill is missing.
570	Syndicate Takedown  Delivery of shares from Lead Manager's IPO Control Account to Syndicate Members' IPO Control Accounts.
571	Syndicate Takedown Reclaim-DK  Receiver reclaims a Syndicate Takedown delivery: the Receiver "doesn't know" the delivery.
572	Syndicate Takedown Reclaim-Wrong Quantity  Receiver reclaims a Syndicate Takedown delivery: the wrong quantity of shares was delivered.
573	Syndicate Takedown Reclaim-Wrong Security  Receiver reclaims a Syndicate Takedown delivery: the wrong security was delivered.
574	Syndicate Takedown Reclaim-Wrong Money  Receiver reclaims a Syndicate Takedown delivery: the money charged is incorrect.
576	Syndicate Takedown Reclaim-Account Information Missing  Receiver reclaims a Syndicate Takedown delivery: additional account information is needed to identify the delivery.
577	Syndicate Takedown Reclaim-Due Bill Missing  Receiver reclaims a Syndicate Takedown delivery: the due bill is missing.

## ID Trade Input Market Codes and Information Warning Codes

*Note-* Market Codes are used for trade input. Market Codes should not be confused with Reason or Activity Codes.

MARKET CODE	DESCRIPTION
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11	Syndicate Takedown  Lead Manager delivers shares to its Co-Managers, Co-Reporters and Syndicate Members.
51	Directed Concession  Lead Manager delivers shares directly to a Syndicate Member's Institutional customer (at its Agent Bank or Prime Broker), at the Institution's request.
52	Oversubscription  Lead manager delivers shares from its Free Account to a Syndicate Member's or Prime Broker's IPO Control Account or an Agent Bank's Free Account (shares are marked as IPO shares in the IPO database).
53	Oversubscription/Directed Concession  Lead Manager delivers oversubscribed shares directly to a Syndicate Member's Institutional customer (at its Agent Bank or Prime Broker), at the Institution's request.
<b>WARNING CODE</b>	<b>DESCRIPTION</b>
91	Unmatched Agent Internal Account number. This warning code will appear on ID Confirmation and Affirmation output.

### DTC Output Activity and Reason Codes

ACTIVITY CODE	REASON CODE	DESCRIPTION
26		Stock Loan Returns of IPO shares to a Bank
26	10	Bank Stock Loan of IPO shares Stock Loans of Free shares
26	20	Stock Loan Returns of Free shares
26	40	Broker transfers a customer's Free shares to Broker  Broker transfers a customer's Free shares to Bank  Bank transfers a customer's Free shares to Broker  Bank transfers a customer's Free shares to Bank  Bank transfers a customer's IPO shares to Bank
26	49	Agent Bank Initial Distribution ID delivery  Prime Broker Initial Distribution ID delivery

26	50	Agent Bank Initial Distribution DO/NDOM delivery  Prime Broker Initial Distribution DO/NDOM delivery
46		Release of shares from a Broker's IPO Control Account to its Free Account via IPOU
47	40	Broker transfers a customer's IPO shares to another Broker
47	49	Syndicate Member delivers Initial Distribution shares to a Prime Broker via ID
47	50	Syndicate Member delivers Initial Distribution shares to a Prime Broker via DO/NDOM
48	10	Broker Stock Loan of IPO shares
48	40	Broker transfers a customer's IPO shares to a Bank
48	49	Syndicate Member delivers Initial Distribution shares to an Agent Bank via ID
48	50	Syndicate Member delivers Initial Distribution shares to an Agent Bank via DO/NDOM
49	20	Stock Loan Return of IPO shares to a Broker
49	40	Bank transfers IPO shares to a Broker