



**Important Notice**  
The Depository Trust Company

<b>B #:</b>	20767-24
<b>Date:</b>	October 1, 2024
<b>To:</b>	All DTC Paying Agents
<b>Category:</b>	Agent Services – Distributions and Redemptions
<b>From:</b>	DTC Asset Services Product Management
<b>Attention:</b>	Issuers, Underwriters, Paying Agents, Calculation Agents, Deal Admins
<b>Subject:</b>	DTC Cash Principal Payment Methods

In an effort to make clear the types of cash-only principal and interest payments DTC can facilitate; the two principal payment methods are outlined below.

**1. Pro-Rata Pass-Through Distribution of Principal**

- a. Entitlement is determined via position captured at close of business on the corresponding record date.
- b. All holders are paid at an equal rate in amounts proportionate to their holdings at close of business on record date.
- c. No bonds are redeemed and the total position (number of bonds outstanding) is not reduced however the value of that position is reduced via a factor.
- d. Accompanying accrued interest is due for the entire outstanding position, not solely interest accrued on the amount of principal paid. If the intent is to pay accrued interest only on the principal being paid and not the total outstanding position, the CUSIP should be set up to pay principal via lottery redemption.
- e. **Effective March 31, 2025, agents must use BMA or BMA Lite to notify DTC of these event types.**

**2. Lottery Redemption**

- a. Payment is made on the condition that client position is presented or surrendered. There is no record date and record date language should not be included on redemption notices. Redemption notices containing record date language may be rejected back to the agent as invalid.
- b. Entitlement is determined via random lottery as outlined in the Redemptions Service Guide using the Publication date and possibly other factors.
- c. Those selected in the lottery are paid the redemption proceeds and their called position is removed. Holders not selected in the lottery do not receive redemption proceeds and their position is unchanged.
- d. If off-cycle, accompanying accrued interest is only due for the position that is being redeemed.
- e. **Effective March 31, 2025, agents must use RedCal or RedCal Lite to notify DTC of these event types.**

DTCC offers enhanced access to all important notices via a Web-based subscription service. The notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit [http://www.dtcc.com/subscription\\_form.php](http://www.dtcc.com/subscription_form.php).

**Please note DTCC cannot facilitate an event that mixes the two above choices.** For instance, an event that is paid pro-rata but also requires surrender and presentation of the securities cannot be facilitated at DTCC. **DTC does not support the announcement or payment of pro-rata redemptions and governing document references to pro-rata redemptions often drive confusion and should be avoided, instead clarifying between pro-rata pass-through distribution of principal or lottery redemption.**

**Please also note that once a security makes a payment via one of the above choices, the security must continue to pay principal in that manner for the life of the security; it cannot switch between the two.**

**Notes for eligibility when principal payments are intended to be paid pro-rata:**

1. The governing documents of the security should clearly indicate a "partial redemption" processed through DTC will be treated by DTC, in accordance with its rules and procedures, as a "Pro Rata Pass-Through Distribution of Principal". The phrase "pro rata" alone is **not** sufficient.
2. When submitted through DTCC's underwriting system, the underwriter must use the value "Pro Rata" and not "Lottery".
3. Each partial principal payment should be submitted as a pro-rata pass-through distribution of principal with a valid record date, rate per 1000, and ending balance factor.

If the offering materials do not appropriately identify "Pro-Rata Pass-Through Distribution of Principal" at the time of eligibility or the Agent does not provide the same identification when submitting any partial Redemption Notice, the partial redemption will be processed via a random lottery.

## **Supporting Documents**

**Operational Arrangements:** <https://www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/eligibility/operational-arrangements.pdf>

**Important Notice 6896-10:** <https://www.dtcc.com/-/media/Files/pdf/2010/6/16/6896-10.pdf>

**Important Notice 20320-24:** <https://www.dtcc.com/-/media/Files/pdf/2024/5/30/20320-24.pdf>

**Distribution Service Guide:** <https://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Service-Guide-Distributions.pdf>

**Redemption Service Guide:** <https://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Redemptions.pdf>

**DTCC Learning Center:** <https://dtcclearning.com/>