

B #:	16609-22
Date:	March 9, 2022
To:	All Participants
Category:	Securities Processing Updates
From:	Asset Services Product Management
Attention:	Officers / Cashiers / Operations Managers
Subject:	Deposit / Withdrawal At Custodian (DWAC) Overview

Background

DTC's Deposit / Withdrawal At Custodian (DWAC) function enables Participants to make electronic book-entry deposits and withdrawals into and out of their DTC book-entry account using the FAST Transfer Agent as the distribution point for the FAST-eligible securities. The FAST system eliminates the movement of physical securities certificates for transfers of securities registered in the name of DTC's nominee, Cede & Co, on the transfer agent's books, resulting in efficiencies, risk mitigation and cost savings to Participants.

DTC and its FAST transfer agents electronically reconcile the results of Participants' deposit and withdrawal activities on a daily basis. Last year DTC Participants processed over two million DWAC transactions and the number has been increasing year-over-year.

DWAC is used by DTC Participants for a variety of purposes. Primarily, it is used to create and take down positions of various securities such as Unit Investment Trusts (UITs), Exchange Traded Funds (ETFs), American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs), Special Processing Acquisition Companies (SPACs), and global corporate bonds.

DTC's clients also use DWAC to interact directly with a transfer agent to process transactions outside of DTC. Some use it to transact corporate actions, such as mandatory or voluntary reorgs, and/or redemption processing for calls and maturities. It is sometimes used to cleanse restricted legends from certificates and then move the position to DTC, as well as various other transactions.

In the DWAC process, much of the interaction is between the requesting DTC Participant and the transfer agent for the security. Once they come to an agreement and the Participant has provided the necessary requirements (signatures, documents, certificates, contracts, etc.), the Participant submits the transaction to DTC. This can be done via three channels:

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- CF2 DWX file
- PDWC function on PTS
- Part Direct Deposit/Withdrawal function on PBS

If a DWAC transaction is submitted for a security that is valued at \$0.99 or less, the requesting Participant must provide the name of the registered holder. The cutoff time for DTC to receive and update a DWAC request is 5:15 p.m. eastern time.

Once the transactions are received at DTC, they are sorted by transfer agent and made available for approval or rejection. FAST transfer agents can receive the DWAC transactions via three channels:

- DWAPnn file, available every half-hour,
- CDWC on PTS
- TA Direct Deposit / Withdrawal on PBS.

Approvals or rejections can be done via PTS or PBS. The cutoff time for an agent to approve or reject a DWAC request is 5:30p.m. eastern time.

DWAC DEPOSITS

When a transfer agent approves a DWAC Deposit, the client's general free account (10 account) is increased by the quantity of the transaction and DTC's Cede & Co FAST Balance is increased by a like amount. There is no PEND option for DWAC Deposits at the individual request level. If the request is not approved by close of business, it will drop, and the client will have to reenter the transaction.

Clients have the option to request all DWAC Deposit transactions pend for three business days if they are not approved same day by the transfer agent. This avoids the need to reenter the previously unapproved request. DTC also provides its clients with an option to have the shares received into their account via a DWAC Deposit automatically moved to memo seg.

DWAC WITHDRAWALS

When a DWAC Withdrawal request is successfully received at DTC, the shares are segregated versus a "21" activity in the requesting client's general free account (10 account) This prevents those shares from being used for any other purpose. When the transfer agent approves the DWAC Withdrawal request, the shares are deleted from the client's general free account and the Cede FAST Balance at the agent is reduced by a like amount.

Clients also have the option at the individual transaction level to have their DWAC Withdrawals pend up to three business days, if not approved by the transfer agent on Day 1.

LOOKING AHEAD

A multi-year initiative to modernize DTC's Securities Processing platforms is well underway. The new functionality will be web-based, utilizing distributed ledger technology and state-of-the-art programming languages.

We are currently reviewing DWAC and preparing a blueprint for the new platform. We welcome and encourage your input as we move forward. Let us know what works well for you, where your pain points are and any suggestions you may have for improvement.

Questions and comments regarding DTC's DWAC function may be directed to Joe Clemente, Securities Processing Product Manager, at (813) 470-1228 / jpclemente@dtcc.com.