

Bank Depository User Group (BDUG)
SECURITIES INDUSTRY ASSOCIATION (SIA)
STP/T+1 Corporate Actions Survey



Introduction

The purpose of this survey is to obtain information from the Bank Depository community regarding Corporate Actions liability situations. The SIA STP/T+1 Corporate Actions liability working group is made up of an equal number of members from the Bank Depository community and the Brokerage community. The goal of the SIA STP/T+1 Corporate Actions liability work group is to create a level playing field for both the Bank Depository community and the Brokerage Industry.

We want to create the level playing field by reviewing the rules that govern the Bank Depository community and the Brokerage Industry group. It is understood that the same rules and regulations governing the Brokerage Industry (NYSE Rule 180, AMEX 752, NASD 5379, NASD Uniform practice code 11810) do not govern the Banking community (OCC Reg 9, SEC 387). We also understand that the role and responsibilities of the custodian as an agent for the client who is the principal is different from the relationship the Brokerage community has with its clients.

For the purpose of this document, the term “liability” is defined as the failure to deliver securities and the notice or letter sent to an organization failing to make such delivery by the contract settlement date.

We thank you for taking time in completing and returning this questionnaire to the SIA STP/T+1 Corporate Action Division Liability group. Please return your completed questionnaire by **Friday May 17th** via e-mail to:

Cindy L. Schreiner SIA STP/T+1 PMO

Cschreiner@SIA.com

Please feel free to include any additional comments or suggestions.



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QUESTIONS:

1. The term “liability” is sometimes viewed with a different connotation in the Banking Community than in the Brokerage Industry. What does this term mean to you?

2. What term would be acceptable to you relating to the notice received by your Bank regarding the failure to deliver for a trade or contract (herein referred to as a Liability Notice, a sample is attached)?

3. Does your organization accept potential liability and/or liability notices?
From:

- A Banks? (YES/NO)
B Brokers? (YES/NO)
C For Securities Lending transactions? (YES/NO)

4. Do you except returns on borrows for inclusion in a pending action? What are your Timeframes?

- A Global?
B Domestic?



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5. What is your cut off timeframe for receiving instructions from clients prior to the expiration of a Corporate Action?

- A Global?
- B Domestic?
- C In what circumstances would you provide specialized processes, or what methodology would you use in accepting instructions after your internal cut off date has passed?

6. Do you participate in the protect process to the Agent or through DTC PTOP/PSOP functions on the expiration date of a Corporate Action?

- A Direct to the Agent (YES/NO)
- B DTC PTOP/PSOP (YES/NO)

C If so, would you support a 1- or 2-day protect period in a T+1 environment?

- 1-Day Protect period (YES/NO)
- 2-Day Protect period (YES/NO)

7. Will you support the electronic delivery of liability notices via the DTCC utility? (YES/NO)

If yes, would you support passive authorization/acceptance of the electronic delivery of the liability or “failure to deliver” notice? (YES/NO)



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8. In order to create a level playing field for all parties involved in a Corporate Action liability situation, and in the best interest of the client would you support

- A An SEC rule change? (YES/NO)
- B A standard mandated liability process as part of your DTCC participant membership agreement? (YES/NO)
- C Other rule changes (please elaborate)?

9 Do you have any additional comments or concerns regarding the liability situations as defined in this document?



