



**The Depository Trust &
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A) Policy Issues

1. Mandate the exchange of 144A securities (9.1.1)

Response: 144A restricted to unrestricted are structurally elective offers. Unless the structure of such offers is set-up to be mandatory, from DTC's perspective, we will continue to treat such exchanges as voluntary actions. DTCC is not in a position to comment upon the standing instruction arrangements that are made between custodians and investment managers.

2. Utilize the prospectus as a primary source or two independent sources for notification (9.2). (Part 2 only, as Part 1 is Custodian specific)

Response: DTCC fully supports the AMF stated goal to receive the data from source, i.e. the issuers, in a standardized format, which should address the inherent complexities introduced when information is channeled through various pipes. DTCC's view is that there is only one true source for specific data that constitutes a corporate action announcement, whether this is the issuer/offeror (or their agent), stock exchange or depository. Together the data sources provide all the required data for a corporate action announcement. For example, the issuer will provide the majority of information (e.g. rates/dates and terms), the stock exchange any trading details (e.g. ex-date) and the depository with processing information (e.g. dates/details).

DTCC is actively pursuing a strategy of sourcing all corporate action data from the appropriate party and would welcome the support of the AMF in meeting this collective goal.

3. Utilize ISITC standard market guidelines related to announcements (9.2).

Response: DTCC supports the AMF position to encourage the market to follow the ISITC Corporate Action Market Guidelines related to the flow of information. Significant effort has been devoted to unifying securities standards and market practice, with the main challenge being adoption and implementation. The ISITC-led event interpretation grid (EIG), D vs. E, as well as other market practices, have been globally harmonized, removing the ambiguity of interpretation.

While DTCC fully supports these efforts, the reengineering of its corporate action system identified well over 150 data elements provided to and utilized by the industry that need to be incorporated into the message structure. This has resulted in DTCC creating "structured" narrative, nullifying the STP benefit of the message. As a result, DTCC has chosen to reverse engineer the message into XML and offer the market the choice between the enhanced ISO 15022 and XML versions.



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4. Eliminate the delivery of hard copy prospectus and replace with electronic copy (9.4.1). (Part 2 only, as Part 1 relates to 144A)

Response: DTCC fully supports the need to provide corporate action information in a truly electronic form. To support this objective, there must be agreement on what information should be provided, as it is unrealistic to expect all the contents of a prospectus to be delivered electronically. However, a link to the complete prospectus is appropriate, as this would enable the investor to read the material in its original form. The SEC has taken the lead with the passing of what is known as “access = delivery” and the support of XBRL.

DTCC is actively pursuing the best approach to gather information from the source electronically, which would include a link to the original document, and would welcome the AMF’s support as we address this proposal with the issuers and other interested parties.

5. Standard deadlines for corporate action responses are recommended as follows: Domestic DTCC expiration minus 2; Global 2 days prior to the international sub-custodian or depository deadline (9.15 and 9.16)

Response: The AMF recommendations discuss the flow between investment manager and custodian. DTC sets deadlines as close as possible to the agent cut-offs, taking into consideration the processing requirements to balance and submit. The advent of the new corporate action processing system, which it will provide flexibility to extend deadlines at an event rather than at a processor level, has not resulted in any determination of changes to existing cutoff times.

6. Asset managers should utilize two separate identifiers to reflect the whole position and fractional share of each PIK asset (9.17)

Response: In the case of PIK, DTCC does not see changes in the process when the new corporate actions processing system is implemented.

Contra CUSIPS are required for fractions due to DTC’s Account Transaction Processor (ATP) restrictions, not corporate actions. The ATP system serves as the repository for all DTC’s books and records. The move from two identifiers to one will occur when the ATP redesign is implemented, which should be on or shortly after when the corporate actions processing system redesign is implemented.

7. The industry should adopt a standard set of data attributes that constitute the “golden copy” of an event (9.14). (Part 1; for Part 2, see #9)



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Response: DTCC fully supports the AMF recommendation for corporate action announcements to be made public at the earliest opportunity. In the U.S., DTCC will address this need with issuers/offerors, and with the potential support for the SEC and stock exchanges, work towards viable solutions that meet investors' needs without creating onerous work for the issuers. Outside the U.S., DTCC has taken a lead role within the Americas by supporting the regional Depository Association (ACSDA - Americas' Central Securities Depositories Association). A newly-formed Corporate Action Working Group will identify those markets which do not conform to generally accepted standards relating to the dissemination of announcement information. In those markets that DTCC does not have direct influence, we will work within the other central depository associations, which are also actively pursuing similar goals. In fact, at the last global meeting of depositories, corporate action information was a main topic of discussion within the working sessions.

DTCC would welcome the AMF's suggestions as to the criteria for the timing of announcement, or alternatively, their support for the standards provided by G30/ISSA as initial guidelines.

Partially in response to customers' desires to process corporate actions against one set of standards, DTCC offers its GCA Validation Service to provide full, comprehensive and timely coverage on nearly 100 different corporate action events, on more than one million securities issued from 160 different markets. This data, or at least some portion of it, can serve to become the "golden copy" for key announcement detail.

B) Documentation of Corporate Actions

8. Use standardize terms as identified in the ISITC Event Interpretation Grid (9.3).

Response: Please see response provided for Recommendation #3.

9. Key data attributes must be included in all notifications, see section entitled "Complete Announcement" on page 12 for full list (9.5.2 and 9.14 part 2).

Response: DTCC agrees that the establishment of appropriate data elements for each corporate action event type is a very necessary step towards Straight Through Processing (STP) solutions. To reach this goal DTCC has supported the SIA Corporate Action Division's pursuit for data elements for M&A activity. DTCC has also supported work carried out within ISITC in relation to improving the ISO15022 Data Dictionary. Looking forward, DTCC is actively exploring the opportunities presented by XBRL Taxonomies, which will, similar to ISO15022, require the definition of data elements that should be provided, especially by the issuer community. DTCC supports the ISO WG11 initiative, which is building a cross-border Securities Data Model (ISO 19312) for the terms, definitions and relationships (TDRs) in the securities industry. In addition DTCC,



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through its GCA Validation and corporate action re-engineering initiatives, fully reviewed data element and event types and will welcome input from the AMF once the new data element listing is published.

DTCC welcomes AMF involvement that supports our Corporate Action re-engineering initiative and “Corporate Action @Source” strategy.

C) Communication Prior to the Event

10. Standardize electronic format for corporate action related market information (9.4.2)

Response: DTCC agrees with and supports this AMF recommendation. Standardization of the announcement data is the requisite first step in bringing forth true STP in corporate actions. Accurate and timely information that can be systemically communicated throughout the industry is essential to managing the cost and risk associated with the process. DTCC continues to commit significant resources, on various market standards bodies, to analyze and develop such standards. In the coming few years, DTCC will help move the industry by supporting, adopting and fully implementing such market standards as part of its day-to-day processing.

11. Standardize electronic format for elections (9.6).

Response: Our answer closely aligns with recommendation #10. DTCC is centrally, and with that, uniquely positioned to repose virtually every corporate action announcement in our industry. A structured, standardized, and templated presentation of the corporate action – event, option and payout – is included as part of our revamped corporate action announcement and processing systems. This re-engineering effort will require security firms, including custodians, to make significant changes in the way they interface with DTCC. As virtually every major bank and brokerage firm in the U.S. will be mandated to make such changes, an unprecedented opportunity exists for the industry to collectively adopt, *de facto*, DTCC’s election options as standards.

12. Issuers should advise the effective date on mergers and acquisitions 5 days prior to the event completion (9.7).

Response: DTCC fully supports the AMF position to receive timely data from the source; however, due to matters outside the issuer's control (e.g., legal & regulatory approvals), the Issuer may not know the effectiveness of their transaction 5 days prior to the event completion.

13. Provide asset managers with results on partial calls as soon as the results of the lottery are complete (9.8).



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Response: DTC, upon receipt of the call notice, captures the position as of publication date and runs the lottery. These results are available to affected participant firms of DTC in real time via DTC's online Participant Terminal System/Participant Browser Services, with the automated data fee available in the overnight process.

14. Provide asset manager with entitlement and payment date on assets that are "on loan" (9.9)

Response: DTC has a stock loan income tracking system that tracks and monitors its Participants' stock-loan-related Deliver Order (DO) activity and automatically generates adjustments for income distributions on the income payment date. DTC tracks all DO activity identified with a valid stock loan reason code except for Continuous Net Settlement (CNS) and inter-depository deliveries. Lending participants do not have the shares in their DTC free account, therefore they cannot perform elections on stock loan positions, or participate in reorg or proxy activities through DTC.

15. Provide asset manager with cost basis and effective date on mandatory actions as soon as available (9.11)

Response: DTCC understands the importance of having correct and timely cost basis information and agrees with the recommendation that custodians should provide this information to asset managers. We recommend the use of our new "AccuBasis" cost-basis service to achieve these ends for U.S. securities when the effective date and detailed parameters of mandatory events are known.

16. Distribute final proration announcements as early as possible (9.12).

Response: DTC receives final proration rates from the Tender Agent. That information is added to our online announcement on the same day it is received. It is important to note that we do not announce a proration rate that is published in a press release, as there have been several instances where that rate was truncated (e.g., 0.125 vs. 0.1254789).

DTC asks the agent provide us with proration rate on the first day that it is publicly available to ensure a timely announcement and same day allocation (if applicable) of the entitlements. The offering company receives submissions and after the expiration, summarizes the acceptances of the offer. At this point, the company will then decide what is accepted and publish the proration factor. DTC releases this information immediately upon verification.

17. Provide information related to how the proration factor was applied and the rounding methodology at the time of payment (9.13).



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Response: DTC reviews the sources documents for the details on how the proration rate will be applied (e.g., preference to odd-lot holders) and its applicable rounding methodology. If available, we will publish that information in the comments section of the online announcement. In the vast majority of instances, the application of proration rate is available in the source documents; however, the rounding methodology is not. In the processing agreement established with the agent, DTC stipulates that the agent must provide the rounding rules when it is providing the proration rate. Once received, that information is added to DTC's announcement.

Ideally, the rounding methodology should be detailed in the source document, allowing us announce it at the onset of the offer.

DTCC's STRATEGIC INITIATIVES

1) GCA @Source Reengineering Project

The DTC reengineering project is a major initiative for DTC. The multi-year program will deliver a new, unified, end-to-end platform, which will bring sweeping changes within DTC – from new issuance underwriting through the entire asset servicing lifecycle of a security, including integration with core DTC masterfiles.

The goal is to create an integrated, common platform based on industry standards for underwriting and corporate actions through the complete asset servicing lifecycle. This effort will reduce risk and cost, while increasing flexibility and functionality, thereby improving service to our participants and the industry. The project will replace aging legacy systems that are increasingly difficult and expensive to maintain and are not able to meet the growing complex market requirements.

From a corporate action perspective, the major changes are follows:

Delivery

- Intraday availability of the announcement files

Announcement Improvements

- Publishing of all event details within one single message, in an industry-standard format
- Higher quality text
- Support for rates in multiple currencies
- Elimination of DTC “Function Codes” through the comprehensive rationalization of all event types and underlying fields, see section below
- Expanded event types, such as Class Action Lawsuits
- Creation of single corporate action event ID for the entire life of the announcement

Processing Improvements

- Elimination of the concept of “Contra CUSIPs”
- Removal of multiple “envelopes” representing multiple options
- Providing improved entitlement calculations
- Providing same day allocation for late event notifications
- Providing more detailed allocation audit trail
- Providing post-payable adjustments that will be reversed and reallocated.
- Support for security ID international numbering systems



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Customer Interface

- Providing a customer Web-based browser “dashboard” to help manage workflow

The design phase of the project is scheduled to be completed in Q2 2007. The following two years will be spent coding and testing, and this will be followed by a measured transition and rollout. The corporate action component is planned for launch in 2009.

2) GCA VS WAVES Project

Supplementing the U.S.-centric DTC “Re-engineering” project, above, DTCC has also made a significant IT investment in the Global Corporate Action Validation Service (GCA VS).

GCA VS currently provides validated, or “scrubbed,” corporate actions data on about 1.5 million securities globally, across equities and fixed income. Data is compiled by GCA VS from a number of corporate actions sources (including data providers, company prospectus, exchanges, etc) and validated by DTCC’s staff before being sent out to clients. The service publishes its data in both a proprietary format and also in ISO15022, and aims to drive STP for its clients. Last year, the service worked in 15 different languages across its offices in New York, London and Shanghai, and tracked about 900,000 corporate actions across 160 countries.

In September 2006, we successfully completed the migration of the GCA VS core “scrubbing” application to a new IT platform. The new system, which has been named “WAVES” (Worldwide Announcement, Validation and Enrichment System), allows the service to effortlessly scale as the number of clients increases while improving customer service and processing performance.

Customer Service

- Permits the configuration of announcement requirements at the event, market and security type level
- Improved exception management
- Improved vendor corporate action event matching logic

Processing Performance

- Improvement in processing times for vendor and client data files
- Ensure scalability for GCA VS client growth

3) Harmonization of Feeds, Formats, Events and Fields



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DTCC is currently defining the long-term vision for all of DTCC's corporate action announcements – spanning the publication feeds, formats, events and all of the underlying fields. We are undertaking a comprehensive harmonization exercise where we rationalize all the event types and fields across DTC, GCA VS and ISO15022.

Drafts of the new format and file specifications will be published in early 2007, and we are planning to have the new feeds available in early 2008.

The new feeds will be published from the WAVES system and will initially be made available as an option to GCA VS customers. The new feeds will comprise every field needed for DTC processing for the U.S. market, as well as all non-U.S. fields currently published as part of the GCA VS service. By 2008, all DTC customers of corporate actions data will be migrated to the GCA VS platform and have all feeds available to GCA VS customers.

These new feeds will be published in two formats: first in ISO15022, where all non-ISO15022 standard fields, such as specific fields needed for DTC processing, will be fielded in text blocks within the MT564 message, with spillover to MT568 as necessary. Secondly, the feed will be publishing in XML, where all fields will be appropriately tagged. The receipt of either format will be at the choice of the DTC or GCA VS client.

Over time, these two feeds will become the sole publication feeds from DTC and GCA VS, and all of the current DTC legacy files (e.g., DIVANN, REDEM, REORG, MUNANN and the current GCA proprietary file) will be discontinued. This timetable should give all existing DTC and GCA VS clients sufficient time to map to one of the two new layouts being published from the WAVES system.

The change recognizes the need for standardization and is being made to help drive customer's internal STP rates.

4) Corporate Action Data Sourcing

DTCC is clarifying its overall data sourcing strategy for corporate actions. The overarching principle is that data should be sourced, wherever possible, directly from the source of the announcement data itself.

We expect to see benefits by upgrading the existing IT interfaces with agents and exchanges; however, we believe the greatest impact will come from reinforcing our



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direct links with the issuers. To this end, we are actively pursuing an XBRL solution in line with the SEC's approach for effective issuer disclosure.

The cornerstone to establishing better issuer connectivity is the existing "DTC Operational Arrangements" (OA) memorandum. The OA defines the formal procedures that issuers must adhere to in order to notify DTCC of corporate actions. We recognize that the OA is currently out of date and needs to be updated. These revisions are already under way, and the aim is to produce a coherent stand-alone document that reflects the new harmonized event types/fields, and:

- Defines precisely the data elements, per event type, that need to be communicated to DTCC
- Defines the timeliness of the communication to DTCC, in relation to the events' key dates
- Defines the format and communication mechanism from the issuer to DTCC
- Defines the financial penalties to the issuer, if the issuer is non-compliant.

We are expecting the new OA to be drafted by Q2 2007.