



Corporate Actions Committee

Meeting Notes - January 18, 2007

Meeting Participants:

John Flynn, J.P. Morgan Chase
Scott Nihart, 40/86 Advisors
Mary Shine, T Rowe Price
Tina Davis, Mellon Financial
Monica Wible, Federated Investors
Lorraine Morrison, DTCC
Barry Silverstein, SWIFT
Susan Gagne, Aetna
Donna Gagliano, Bank of New York
Michael Stern, Morgan Stanley Investment Management
Tony Borg, Goldman Sachs Asset Management
Beijing He, Goldman Sachs Asset Management
David Brownson, State Street IMS
Effie Lee, State Street
Deirdre Walsh, Loomis Sayles
Elisa Nuottajarvi, The Asset Managers Forum
George Reis, The Asset Managers Forum

Update on the 12/13 Board Meeting of the SIFMA (legacy SIA) Corporate Actions Division

Elisa Nuottajarvi and George Reis of the AMF visited with the Corporate Actions Division at their Board Meeting to provide a brief summary of the AMF Corporate Actions Best Practices Initiative and to solicit the Division's comments on the best practice recommendations. The Division consists of mostly broker-dealers and some custodians. Broker-dealers have a somewhat different view of the corporate actions process in that they do not have to deal with multiple custodians with various information formats. The Division supported the AMF's goal of risk reduction via streamlining and standardizing corporate actions processing. The Division advised the AMF to adopt more aggressive guidelines for response deadlines. The Division would like to work together with the AMF on some implementation projects, one possible item being promoting the complete announcement, as well as "golden copy" information of the corporate action event. The Leadership of the Division and the AMF Corporate Actions Committee plan to meet and discuss coordination further. Lorraine Morrison mentioned that she may become a Corporate Actions Division member, which would also help in coordinating the two groups' activities.

AMF Corporate Actions Committee Goals and Objectives 2007 (see attachment)

Tina Davis of Mellon summarized the Committee's goals and objectives which include the following:

- Solidify Committee Participation: Continue working with asset managers and custodians, engage more broker-dealers and vendors.
- Finalize the Best Practices Document: Incorporate comments and release during the first Quarter

- Implement Best Practice Recommendations: Prioritize implementation project and organize efforts to implement. Partner with other organizations where necessary.
- Educate the Industry on Best Practices: Include implementation projects into the educational scope.
- Recommend Best Practices for Class Actions: Engage a subcommittee to draft a best practices document.

Comments Received Relating to Best Practices Draft (see also “Summary of Comments”)

Comments were received from seven organizations, including DTCC. Tina Davis led the discussion on the comments that were received.

1. **Mandate the exchange of 144A securities (9.1.1).** The Committee should point out that an opt-out provision is needed, in case the asset manager is working around some trading issues with the 144A securities.
2. **Utilize the prospectus as a primary source or two independent sources for notification (9.2).** Comments agree with recommendation.
3. **Utilize ISITC standard market guidelines related to announcements (9.2).** Document should specify that this recommendation relates to the universal corporate action announcement. Should the Committee also support the universal corporate action reference number?
4. **Eliminate the delivery of hard copy prospectus and replace with electronic copy (9.4.1).** Agreed, except where hard copy requested by client.
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).** Comments from asset managers and broker-dealers advocate for more aggressive and more specific (the actual deadline hour) response deadlines. There may be a need to propose different deadlines based on market and action type. The Committee should create a working group to study this issue further. (Effie Lee of State Street to take the lead on this.)
6. **Asset managers should utilize two separate identifiers to reflect the whole position and fractional share of each PIK asset (9.17).** This practice is fine until the DTCC ATP 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).** Working toward a standard announcement will eventually lead to the “golden copy” of an event. The AMF should work with other organizations including ISITC and Corporate Actions Division to pursue this.
8. **Utilize standard terms as identified in the ISITC Event Interpretation Grid (9.3).** Use the EIG as a “dictionary” of common terms.
9. **Key data attributes must be included in all notifications, see section entitled “Complete Announcement” on page 12 for full list (9.5.2).** Agreed. This may be one of the first implementation projects, in coordination with other organizations.

10. **Standardize electronic format for corporate action related market information (9.4.2).** All comments agree with standardization.
11. **Standardize electronic format for elections (9.6).** Once DTCC re-engineering project is complete, there is an opportunity to standardize the format for elections across the board.
12. **Issuers should advise the effective date on mergers and acquisitions 5 days prior to the event completion (9.7).** Agreed, although not always possible due to legal and regulatory approvals.
13. **Provide asset managers with results on partial calls as soon as the results of the lottery are complete (9.8).** The AMF should focus on the issue when partial calls are available but then call lottery gets reprocessed. The AMF should also reach out to other organizations that are working on eliminating short positions.
14. **Provide asset manager with entitlement and payment date on assets that are “on loan” (9.9).** The best practices document should be more specific about a distinction between agent/third party lending and custodian’s own lending.
15. **Provide asset manager with cost basis and effective date on mandatory actions as soon as available (9.11).** Agreed.
16. **Distribute final proration announcements as early as possible (9.12).** Agreed, issuers should make this information available to DTCC, which distributes to custodian.
17. **Provide information related to how the proration factor was applied and the rounding methodology at the time of payment (9.13).** The AMF will study whether it would make sense to handle accounts individually instead of omnibus level. Individually handled accounts may be more labor intensive, but would eliminate proration problems. (Tina Davis of Mellon to lead the study effort.)

Based on the comments the Committee also agreed to add a piece on the DTCC’s Corporate Actions Hub project which was terminated a couple of years ago.

Prioritization of Implementation Projects and Next Steps

The Committee will present comments at the AMF Member Meeting on February 9th, and meet with the Corporate Actions Division leadership to engage them into implementation projects. The Committee will perform further study on response deadlines and the benefits of individual vs. omnibus accounts as it relates to proration factor and rounding methodology. Any volunteers to work on these issues should email Elisa Nuottajarvi of the AMF staff at enuottajarvi@sifma.org.

Next Meeting

The next meeting date of the committee is Monday, March 5th at 3:00 p.m. ET