



The Asset Managers Forum

Corporate Actions Committee

Meeting Notes – March 21, 2006

Meeting Participants:

Brian Conway, Prudential; Tina Davis, Mellon; Susan Gagney, Aetna; Steven Gale, Northern Trust; Lisa Ilaria, New York Life; Elizabeth Krow, BlackRock; Lorraine Morrison, DTCC; Scott Nihart, 40/86; Elisa Nuottajarvi, The Asset Managers Forum; George Reis, The Asset Managers Forum; Maureen Robinson, FT Information Data; Melissa Shilling, Federated; Diane Trupia, The Asset Managers Forum

Lisa Ilaria opened the meeting by summarizing the progress the committee has made to date. Lisa requested the participants to comment on the Committee's latest draft documents. In general the Committee members felt that the draft was a good start, and captured the right points, such as the 144A exchanges which are problematic across the board, particularly when securities are on loan.

Lisa also shared an invitation from STP Magazine to utilize their STP publication on a quarterly basis as a means of keeping the community informed of the committee's progress, and possibly peak industry members' interest to participate in the AMF and the Corporate Actions Committee.

Discussion on Best Practice Recommendations:

Elizabeth Krow of BlackRock (Co-Chair of Asset Manager and Custodian Subcommittee) had documented recommended best practices that she and Tina Davis of Mellon (also a Co-Chair) had developed. Together they presented the following recommended best practices related to Corporate Action processing:

1. ***Best Practice Recommendation - Mandate 144a Exchanges:*** All Committee members support this recommendation. In practice the securities are always exchanged. Several firms have already provided their custodians with standing instructions to always exchange. The time period between notification and re-registration may be very short, in which case the asset manager may have to hold off on voting until trading in these securities has been completed. Sometimes the new security may be trading under the old CUSIP which causes problems and re-work. In some cases if 144a securities are not exchanged within a specified time period, the issuer may have to pay a small fee to the individual holder. This recommendation may require a change in regulation. The Committee will contact

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the SIA (Michael Finck) as a partner in spearheading this potential regulation change. Next Steps: Lisa Ilaria will discuss with the AMF Staff and Steering Committee.

2. **Best Practice Recommendation - Follow Market Guidelines and Standards set out by ISITC/SWIFT for Corporate Actions information:** Custodians currently receive the initial corporate action information from many different sources in many different formats. ISITC is updating market practice guidelines for announcement, and promoting their use. Global custodians have largely embraced market practice guidelines, but smaller regional custodians have not. DTCC will utilize the standards in the new corporate actions system, which will be available in 2008, when their re-engineering project is carried out. Aside from format differences, automation is hindered because custodians use different option sequences for cash and stock. Also, not all custodians assign the same corporate actions codes to cash and stock, e.g., security vs. drip. It is also important that asset managers follow standards in sending instructions to custodians. There are vendors that help in mapping the different options in asset manager's systems.
3. **Best Practice Recommendation - Use Correct Industry Agreed Terms Related to Corporate Actions:** Review SMPG event interpretation grid available on the SMPG web site at <http://www.smpg.info>, under Documents, 2) Corporate Action, A. Final Global Documents, Event Interpretation Grid v 4.0.
4. **Best Practice Recommendation - Standardized Electronic Means of Disseminating Market Information from Custodian to Investment Manager:** Dissemination of market information, such as prospectuses, to asset manager's for review prior to decision should happen electronically in a standardized format. Asset managers would have to educate analysts and portfolio managers on the use of the electronic systems and standards for market information. Some asset managers get prospectuses from Bloomberg.
5. **Best Practice Recommendation - Eliminate the dissemination of prospectus for 144A issues.**
6. **Best Practice Recommendation- Standardized communications between the asset manager and custodian on the election.** Custodians do have web based applications for voting purposes, but asset managers find multiple systems cumbersome.
7. **Best Practice Recommendation - Complete announcement of Voluntary Corporate Actions:** The Committee agrees with the minimum standard data requirements that each notice should have. The following data fields are being recommended as standard:
 - a. **CUSIP/SEDOL/ISIN**
 - b. **Security Description**
 - c. **Custodian Deadline**
 - d. **Tender Deadline**
 - e. **Consent Deadline**
 - f. **Consent Details**
 - g. **Market Expiration Date**
 - h. **Rates**
 - i. **Method of payment (cash, stock or both)**
 - j. **Supporting documentation that is required (e.g. proof of being a QIB)**
 - k. **Restrictions**

1. **Proration**
 - m. **New Identifiers (exchange to new CUSIP or what is the new issue)**
 - n. **Expected Pay Date or Effective Date**

8. **Best Practice Recommendation - Updated Notification Upon Completion of Merger/Acquisition:** There are implications to trading when there is a mandatory corporate action, and the effective date is not known. Asset managers may not trade the new security until the final details are known. Custodians get this information about the same time as asset managers do, because the corporate agents or issuers do not get the information out in a timely manner. This is an at-source problem.
9. **Best Practice Recommendation - Partial Calls – Require immediate notification upon receipt of lottery results:** DTCC announces the publication date on which trading activity needs to cease to reflect custodian's position at the open of the business on publication day. DTCC sends out information as soon as it is received. Custodians get the file from DTCC, and should be able to turn it around immediately to asset managers. However, custodians need to run internal lotteries to determine who to notify. Size of positions and possible trading activity complicates matters, as does securities lending. There is no standard practice on how lottery results are run. Subcommittee members (Tina Davis, Elizabeth Krow, Melissa Shilling, Lorraine Morrison, Brian Conway, Scott Nihart, Susan Gagney) are going to examine the issue and possibly recommend a best practice for lotteries. This group will meet on Friday, March 31st at 2:00 p.m.

The next meeting date for the Corporate Actions Committee is April 4th at 2:00 p.m.