



## Corporate Actions Conversion Weekend Statement

On September 5, 2017, the settlement cycle for most US securities will change from T+3 to T+2. The last day that T+3 trading will occur in the U.S. will be Friday, September 1, 2017. Since Monday, September 4, 2017, is a US holiday (Labor Day), Tuesday, September 5, 2017 will be the first date that trades will trade with the new T+2 settlement cycle. Through analysis performed by DTCC, in conjunction with its industry partners such as organized securities exchanges, agents, trade groups and its member firms, a number of possible issues were identified related to Distributions, such as Stock Splits and Spin Offs, and Voluntary Reorganizations, such as Tender Offers and Exchange Offers, that carry over the T+2 conversion weekend. A description of these issues as well as an overview of how DTCC would address these issues is outlined below.

### Ex-Dates on Distributions

Based on discussions with the industry, DTCC believes that "Regular Way" Distribution processing as it relates to Ex-Dates should be as follows:

- If Record Date is September 5, 2017, the Ex-Date will be August 31, 2017
- If Record Date is September 6, 2017, the Ex-Date will be September 1, 2017
- If Record Date is September 7, 2017, the Ex-Date will be September 6, 2017 – *this should be the first day applying the T+2 settlement convention to the Ex-Date process*

Based on the understanding above, September 5, 2017 should not be an Ex-Date for a Distribution carrying a "Regular Way" Ex-Date, i.e., an Ex-Date two days prior to Record Date.

"Irregular Way" or late Ex-Date Distributions such as Stock Splits and Spin Offs where the Distribution is payable on September 1, 2017 would generally have an Ex-Date ruled on the business day following the Payable Date. These "Irregular Way" Ex-Dates are determined by the organized securities exchanges. As such, a large Distribution event with a Payable Date of September 1, 2017 would normally have an Ex-Date of September 5, 2017. However, Ex-Date on September 5, 2017 would be problematic to the industry since it could result in trades that would be entitled to the Distribution and trades not entitled to the Distribution settling on the same day. DTCC has been working closely with the organized exchanges and FINRA, and all have agreed not to declare an Ex-Date on September 5, 2017.

Please see related documents below:

- [NYSE Notice on Changes Related to T+2](#)
- [NASDAQ Ex-Dividend Procedures Effective September 5, 2017 to accommodate T+2](#)
- [TMX Notice on Changes to Ex-Dividend Procedures](#)

In the event an Ex-Date is ruled on September 5, 2017, NSCC will suspend the event security from its Continuous Net Settlement (CNS) system and its multilaterally netted guaranteed balance order process, and mark the security as NSCC SPL trade-for-trade (TFT). TFT transactions are not guaranteed by NSCC. This update, should it be required, will likely occur on the close of business August 31, 2017.

This will be done to avoid having “Regular Way” (RW) T+3 trades executed and received on September 1, 2017 (which will be entitled to the Distribution) from being netted with trades received on September 5, 2017 (which will not be entitled to the Distribution). Although these trades will not be multilaterally netted across trade dates, they can still be bilaterally netted between counterparties and reported as such on NSCC’s Consolidated Trade Summary (CTS) Cycle 1 output issued on September 5, 2017. If bilateral netting occurs for trades executed on both September 1, 2017 and September 5, 2017, the two Members can view their specific trades via the NSCC CTS Dashboard to unwind the net, if claims processing is necessary.

### **Voluntary Reorganization Events Expiring on September 1, 2017 with Guarantee of Delivery Features**

Certain Voluntary Reorganization events such as Tender Offers and Exchange Offers provide what are known as Guarantee of Delivery features. These features allow investors to participate in the offer even if they do not have position in their account to instruct upon on Expiration Date. This is also known as the Cover/Protect process and allows the investor to “protect” a position that they have not yet received into their account. Generally, the Cover/Protect feature is used when the protecting firm intends to place a trade in the market to buy position to participate in the offer. The position received into the firm’s account during the protect period is then used to “cover” that protect. The period between the Expiration Date of the offer and the time to cover that protect (Cover/Protect Expiration Date) typically follows the settlement cycle for that market.

Voluntary Reorganization events with Expiration Date of Friday, September 1, 2017 and a three day Cover/Protect window expiring on Thursday, September 7, 2017 could be problematic to firms trying to pass liability to cover trade positions. Securities Transfer Agents, Securities Issuers and their Counsel should try to avoid having Voluntary Reorganization events expiring on September 1, 2017 with Guarantee of Delivery features. It should also be noted that once the Settlement Cycle is changed to T+2 on September 5, 2017, future Voluntary Reorganization events with Guarantee of Delivery features are expected to change to two days after offer Expiration Date, in line with the standard settlement cycle.

In the event a Voluntary Reorganization offer with Guarantee of Delivery features expires on September 1, 2017, NSCC will suspend the event security from its CNS and multilaterally netted guaranteed balance order process and mark the security as NSCC SPL trade-for-trade (TFT). TFT transactions are not guaranteed by NSCC. This update, should it be required, will likely occur on the close of business August 31, 2017.

Also, as referenced in DTCC’s [T+2 Conversion Guide](#), NSCC’s CNS system will not support Voluntary Reorganization events over the T+2 conversion period. Securities subject to Voluntary Offers that would require Member instruction input between Monday, August 28, 2017 and Friday, September 8, 2017 will be exited from the CNS system.