Due Bill Processing – U.S. Perspective
Its All About Entitlement

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What is a Due Bill?

- A Due Bill is an agreement that the seller will pay the dividend or interest due to the buyer upon presentation after trade settlement
- In our current world, due bill tracking is done programmatically. Book-entry messages are now considered the norm as due bill "substitutes" for securities transferred over Fedwire and DTCC

Due Bill Tracking Period

- In the context of corporate actions, the period during which remittances to investors are due
- For equities, the period of time between Record Date and two days after the Ex-Date (also called Due Bill Date) is called the Due Bill Tracking Period
- For bonds, the period of time between Record Date and Payable Date is called the Due Bill Tracking Period

How is the Due Bill Period Tracked?

Now vs. then

- Systems are built to recognize equities and fixed income products that have the various Due Bill periods
- We adjust client entitlement internally
- DTCC settlement system adjusts entitlement at the firm level accordingly
- At settlement our internal and external positions have been adjusted and match

How is the Due Bill Period Tracked?

Now vs Then

- Prior to automation, trade activity was manually tracked by each broker
- Trades were cleared by physical receipt of securities and a due bill had to accompany certificates or trades would be rejected
- Paper claim forms had to be mailed to the seller, along with the due bill form

Ex - Dividend - Stock

Last Day Stock trades With dividend

Ex-Dividend price reduced

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Record Date

Payable Date

Due Bill Period

Fixed Income - Bonds

Record Date

Beneficiary Date
trades that settle
on or before this date
entitlement to buyer

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Payable Date

Due Bill Period

Impact on the Business

Pre Automation

- Manual tracking of trade/fail activity
- Manual claiming of funds was commonplace
- Extensive physical back up was required
- Due bill process was lengthy
- Due bill claims did not have a minimum amount
- Claims were honored by physical checks

Solution = Change = Automation

- At the mercy of contra brokers compliance
- Risk
- Subject to error
- Accounting difficulties
- Process could be long and drawn-out
- Need for constant follow-up and no tracking mechanism
- Industry raised the need for an automated solution

Depository Trust Clearing
Due Bill Fail Tracking System

- The Due Bill Fail Tracking system was built
- Relieves the time consuming process of issuing and redeeming due bills by facilitating the settlement of due bills on failed deliver orders

How It Works

- Monitors all delivery order activity
- Automatically generates cash and stock adjustments for any delivery order which would have previously required a due bill
- Adjustment activity can be viewed online by brokers for all DTCC/Fed adjustments
- On the payable date, or on the day following the settlement of the trade, the seller receives a debit for the income due and the buyer receives a credit

Impact on the Business

Post Automation

- We experience little to no issues with the system
- Automation is cost effective
- Significant decrease in manual intervention
- More timely resolution of monies/securities
- Transactions are "paperless"
- More centralized clearing (DTCC/Fed)
- Physical deliveries still require manual Due Bill processing
- Risk reduction

Conclusion

- Automation of the Due Bill process has assisted our investors by maintaining a more accurate position for securities when there is a distribution
- It has allowed the Operations staff to focus resources on other aspects of the business

Thank You

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