



T+1 Dividend Processing FAQ:

In support of regulatory mandates to implement T+1 protocols, SIFMA has developed through consultation with industry participants the following FAQ for scenarios involving the treatment of dividends of securities in a T+1 environment. The below list of FAQs is not meant to be an exhaustive list that could be impacted by T+1 implementation and does not constitute advice as to any particular question, issue, or concern a counterparty may have in connections with any specific transaction. This list is meant to be illustrative only and counterparties to actual transactions should independently verify the accuracy of the information, expand, or modify any recommendations to reflect their own analysis and independent review of implementation rules and requirements, and consult with counsel to the extent they have any questions about implementation of T+1 mandates. Additional FAQs for scenarios not captured by the below will be published by SIFMA in due course, subject to further market participant consultation.

1) How are dividends handled for securities listed on multiple venues?

There are regular occurrences of multi-listed securities paying dividends. Each market and SEDOL may have a different settlement cycle and dividend entitlement calculation. Different listings with different SEDOLs may be segregated in a firm's stock record.

Factors that determine how dividends are processed include whether the market is ex-date based or record-date based, or whether multiple markets match calculations or not. This is largely a manual process today. Regardless of whether listings manage entitlement that matches U.S. ex-dates or not, there may be an increase in claim volume and thus manual work, for multi-listed securities.

2) How are dividends paid out on securities that are listed on multiple venues with different ex-dates?

Securities may settle T+2 in a local market while T+1 in the U.S. market. When that security, with two different ex-dates, has a dividend, this will result in the ex-date in the local market being one business day earlier than the ex-date in the U.S. Different ex-dates can lead to different implied prices depending on the settlement location and potential discrepancies on what party should receive the dividend.

It is important that Mexico, Canada, and Argentina are synchronized with the U.S. so that there is not an increase in fails. In local markets with ex-date entitlements, record-date distributions are not based on settled shares. Distributions are based on trade date. Systems will handle different SEDOLs appropriately.

There will continue to be differences and arbitrage opportunities between markets. However, typically misalignment does not necessarily have an impact on the entitlement processing because this is primarily a trading issue, and markets will automatically adjust.

3) Do you have an example of how this process will work in a T+1 environment?



An example of a security with two different ex-dates in future state would be:

- ABC, Inc. dividend is Record Date 5/03.
- In the U.S., the Ex-Date would be 5/03, based on T+1 (Ex Date would be the same day as Record Date)
- In the U.K. the Ex-Date would be 5/02 based on their T+2 cycle (Ex Date would be 1 day prior to Record Date).

Some infrastructures may plan to use different frameworks. Market participants should be aware of each CSD and Exchange's plans when managing claims.

Any multi-listing discrepancies would be reconciled by looking at the individual trade details and in which market they traded to determine entitlement. Firms may capture the ex-date based on the primary market of the security and then reconcile trade activity based on traded location to determine entitlement.

4) How will misaligned ex-dates be processed?

There will exist a manual process to reconcile and adjust for the variance in ex-dates. There are some non-U.S. markets that track entitlement by ex-date and some markets that track by record date.

Whatever the dividend entitlement, based on the ex-date and record date of a given dividend, market participants would be entitled to a dividend payment. Each market determines how firms pay dividends and how firms track trades, fails, and dividend claims. When it comes to trade entitlement in different markets for non-U.S. securities it will be base off of the market rules for the local market to track and pay the dividend claim.

5) How does dividend processing differ from when the industry moved to T+2 in 2017?

Standardization across the different regions and exchanges is important. When the U.S. settlement cycle for eligible securities moved from T+3 to a T+2 settlement cycle in 2017, the misalignment of settlement cycles may have not been as pronounced. For example, the U.K. and the European Union were already on a T+2 settlement cycle before the U.S. moved to T+2 in 2017. With the U.S. moving to T+1 on May 28, 2024, before most other markets, it appears this change will have a larger impact than the previous discrepancy because more U.S. securities clear in Europe than European securities clear in the U.S.