

IMPORTANT

A1316

July 22, 1983

P&S 953

TO: All Participants

ATTENTION: Managing Partner/Officer, Manager Purchase &
Sales Department, Cashier, Manager Data
Processing

SUBJECT: AMERICAN TELEPHONE AND TELEGRAPH COMPANY
AND REGIONAL HOLDING COMPANIES WHEN-ISSUED
PROCESSING

This is a first of a series of notices regarding the post-trade processing of when-issued trading that will occur as a result of the divestiture of American Telephone & Telegraph Company. In mid-November, 1983, it is anticipated that When-Issued (WI) trading in the seven Regional Holding Companies (RHC's) being formed as a result of the American Telephone & Telegraph Co. (AT&T) divestiture will start. It is also anticipated that AT&T Ex-distribution (AT&T New) will also start trading When-Issued at that time. The WI trading in the seven RHC's and AT&T New will continue until mid-February 1984, a period of over three months. Heavy WI trading in the eight issues is being forecasted. In order to reduce the post-trade processing of the WI trading, NSCC is developing special procedures.

WI trades in the seven RHC's and AT&T New will compare in NSCC's WI comparison system. After comparison, trades will be routed to a special WI CNS Sub-account where the trades will be netted and marked-to-the-market. The comparing, netting and marking of the WI trades in the eight issues will permit NSCC to guarantee those trades on T+4. Normally, WI trades are not netted or guaranteed until regular way settlement date minus one.

The WI trades in the seven RHC's and AT&T New will be processed as follows:

I. COMPARISON

A. Round Lots

During the when-issued trading period, round-lot trades in the seven RHC's and AT&T New are to be submitted for comparison to the NSCC When-Issued Comparison System as any other WI trade (i.e., 1 in column 45). WI trades may be submitted separately or combined with regular way input. It should be noted that it is planned to have assigned to AT&T New when-issued a temporary CUSIP number (i.e., a CUSIP other than that assigned to AT&T Old).

B. System Trades

WI NYSE "System Trades" (i.e., DOT, OPN, etc.) in the seven RHC's and AT&T New will be processed by NSCC as any other WI System Trade.

C. Odd-Lots

WI Odd-Lot trades in the eight issues executed in the NYSE Odd-Lot System will be processed by NSCC as any other WI odd-lot trade.

D. Contracts

The WI Comparison System will produce contract lists on T+2 reporting the result of the comparison process from T+1 input. The T+1 WI contracts will also display the NYSE WI odd-lot trades, which the comparison system receives directly from the NYSE Odd-Lot System.

Trade resolution of uncomparing trades will occur using present methods (i.e., Advisory, CHC, or QTs) with results appearing on the Supplemental or As Of WI contracts.

E. Trade Adjustment

Normally, WI trades may be adjusted as long as the security remains in a WI status. However, due to the special CNS procedures, this will not be possible. To adjust (cancel) compared WI trades after T+3 in the eight issues, both parties to the trade should submit reverse trades using the CHC procedure.

II. SPECIAL "TELEPHONE" WHEN-ISSUED CNS SYSTEM

A. CNS Activity

NSCC is developing a special CNS sub-account for the purpose of recording, netting and marking-to-the-market compared WI trades in the eight issues being traded as the result of the AT&T divestiture. After comparison on T+4, WI trades in the eight companies will be routed to the Special Telephone WI CNS System. On T+5, the trades will then be netted with previous trades with the netted positions being marked-to-the-market. The CNS Settlement Amount for the Special Account will be the amount of the mark-to-the-market for that day and will be part of the daily net CNS settlement figure. There will be no CNS activity in the Special Account other than netting of trades and the calculation of the mark. Therefore, the only CNS reports generated for the Special Account will be:

- CNS Compared Trade Summary (T+4)
- CNS Accounting Summary (Daily)

Both the above will be available in machine readable form.

B. Settlement of the WI

Positions in the Special Account will be journaled into the firm's primary CNS account for settlement on the first regular way settlement date of trades in the seven RHC's and for AT&T Without Distribution. Positions in the Special Account for WI trades in AT&T New will be converted from the temporary CUSIP into the CUSIP for AT&T prior to the journaling of the position into the firm's primary account.

Further details regarding the Special Procedures of the post-trade processing of the WI trades in the seven Regional Holding Companies and AT&T New will be announced in subsequent notices.

Any questions regarding this notice should be directed to Gerry Krobisch of NSCC at (212) 248-9531 or the undersigned at (212) 248-0729.

Michael J. Kelleher
Vice President
Operations