T+2 SETTLEMENT: ARE YOU READY?
Introductions

Jessica Laddon, CEP, Sr. Relationship Manager – Computershare

Kathleen Martell, CEP, Sr. Analyst, Executive Compensation – Ball Corporation
Agenda

› T+2 Change Explained
› Timeline
› Why T+2?
› Industry Preparation and Impacts
› Computershare Equity Plan Changes
› Computershare Employee Stock Purchase Plan Changes
› Issuer Considerations
T+2 Change Explained

› The SEC has adopted an amendment to shorten the settlement cycle in the United States for most security transactions from 3 business days to 2 business days

› Implementation date= September 5, 2017
Timeline

1995
SEC Rule Mandates T+3 Settlement from T+5

2012
European Commission decides to move to T+2

2008
Global Financial Crisis spurs regulation to mitigate systemic risk

2012
DTCC analyzes the cost, benefits, and challenges

2014
EU countries convert to T+2

Q2-2016
SEC Published final rule changes and effective dates

March 22, 2017
SEC Adopts T+2 Settlement Cycle for Securities Transactions

2014
Broad industry support leads to the creation of the Industry Steering Committee

Q1-2017
Firms complete internal build and commence industry testing

Sept 5, 2017
T+2 implemented
Why T+2?

› Reduce Risk

› Reduce Liquidity Demands

› Global Settlement Harmonization

› Alignment with EU

› Process improvements
Industry Preparation

1. **Legal and Regulatory**
   - Industry Steering Committee established that meets regularly with regulators and providers to update the industry and progress
     - Computershare has been an active member of this committee

2. **Development and Internal Testing**
   - T+2 Industry Deloitte Playbook
     - Identifying impacts and updating timing handoffs
   - Computershare’s plans operations and systems are on schedule to be fully prepared for the shift to T+2.

3. **Industry Wide Testing**
   - Testing is critical to successful implementation of T+2
   - Brokers testing with DTCC during industry wide testing

4. **Implementation**
   - September 5, 2017
Industry Impact

› Primary impact is on the Brokerage Community

› Reviewed processes that could be impacted
  - Purchases
  - Sales
  - Dividends, Ex-Dividend Date
  - Corporate Actions

› Resources
  - Utilize the industry documents: white paper, T+2 Playbook, industry test plans to assist firms' preparation

  › [WWW.STAI.ORG](http://WWW.STAI.ORG)
  › [WWW.UST2.COM](http://WWW.UST2.COM)
Industry Changes Identified

› Potential System Changes
  - Settlement Tables
  - Funds Disbursement Files
  - DTCC
  - 3rd party Vendor Interfaces

› Documentation
  - Issuer Plan Document
  - Internal Procedures and Call Scripts
  - External Output

› Behavior Changes
  - Issuer and Brokers – DWAC
  - Timing of funding
Computershare Equity Plan

› Participant:
  - Participant proceeds from option exercises or RSU Sell All Transaction will be released one day earlier
    › US Dollars: T+2 instead of T+3
    › Proceeds issued via foreign currency will be issued to participants T+4 instead of T+5
    › Although not under regulation, RSU lapse processes/Share Withholding currently fall in line with T+2 timing
  - Internal call center scripts and plan communications will be updated to reflect earlier settlement
  - No change to timing of Transaction advices as they are triggered upon finalization of transaction

› Administration:
  - Option cost and tax wires will be sent one day earlier to your payroll on T+2. These wires will be received later in the day than currently
  - Any adjustments to transactions must be received from clients no later than T+1 by 10AM ET
  - CPU will provide DWAC request to Transfer Agent (if CPU is not the TA) one day earlier
  - No change to timing of Transaction Export information which is currently sent nightly on trade date for clients who receive this daily
Computershare Employee Stock Purchase Plan

- **Participant**:
  - Open Market Share purchases will be settled 1 day earlier therefore shares will be available sooner
  - Original Issuance Plans will continue to settle upon receipt of shares
  - Participant proceeds for sales will be released one day earlier
    - US Dollars: T+2 instead of T+3
    - Proceeds issued via foreign currency will be issued to participants T+4 instead of T+5
  - Dividend Reinvestments on ESPP shares will be settled one day earlier
  - Internal call center scripts and plan communications will be updated to reflect earlier settlement
  - No change to timing of Transaction advices as they are triggered upon finalization of purchase or sale, not settlement

- **Administration**:
  - CPU will provide DWAC request to Transfer Agent (if CPU is not the TA) one day earlier
  - No change to process/timing of approval for Original Issuance Plans
Issuer Considerations

› Begin internal and external discussions
  - What players and topics need to be included in conversations
    › Payroll concerns (i.e. IRS deposit deadline)
    › Treasury concerns (i.e. Dividend Ex-Dates)

› Employee communications
  - Is this a good time for an educational push
  - Definitely a good time to review print or electronic educational materials that make mention of the settlement period

› Automation and process improvements
  - “Wiggle Room” is going away!
  - Timely updates from business partners for HRIS and Payroll systems
  - Schedule reports to run automatically
  - Review of FMV rule
Questions
Contact Information

Jessica Laddon, CEP
Senior Relationship Manager
Computershare
jessica.laddon@computershare.com

Kathleen Martell, CEP,
Sr. Analyst, Executive Compensation
Ball Corporation
kmartell@ball.com