

## Identifying a Corporate Action in Interface Transactions

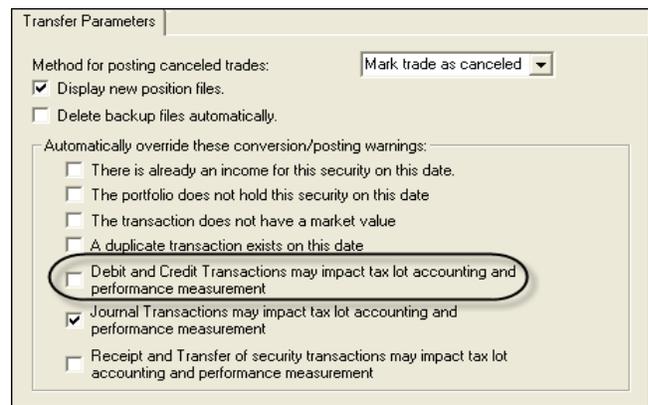
Corporate actions are usually announced a couple of days before they happen. However, if you are not aware of a corporate action ahead of time, how can you tell you have one? One way to know is to carefully look at the transactions you receive in your interface daily download from your custodian. This document shows you how to identify the transactions in the interface.

### Tip for Quickly Identifying Transactions

Generally speaking, transactions for most corporate actions appear in the interface as a credit or debit security transaction.

All custodial interfaces have a setting specifically controlling whether or not you see a warning for debit and credit transactions.

On the Transfer Parameters tab of the custodial interface settings, look at the setting called “Debit and Credit Transactions may impact tax lot accounting and performance measurement” under the Automatically override these conversion/posting warnings section.



The best practice is for this box to be unchecked. If the box is unchecked, all credit and debit transactions will show the warning message “Credit and Debit Transactions may impact tax lot accounting and performance measurement”. This is the fastest way to find the corporate action transactions, and it prevents them from automatically posting in the event you do not review the transactions.

On the other hand, if the box is checked, you will not see warnings for these transactions. It is possible that you could post transactions for corporate actions that do not handle the transaction correctly. If you decide to leave this box checked, be sure to review the transactions daily before posting them.

### How to Handle the Interface Transactions

The transactions you get from the custodial interfaces do not account for cost basis nor do they account for trade lot information such as original trade date. In most cases, you get one credit transaction into the position that does not include original trade date, cost basis or any break down of the number of shares per trade lot.

For that reason, it is best to block these transactions, and then use the Merger/Exchange or Spin-Off Wizards to more accurately account for these transactions.



To block the transactions, select the transactions on the left, and either click the Block button, or right-click on the selected transactions and choose Block from the menu, similar to the example on the right.

## Identifying a Spin Off Transaction

A spin-off is a transaction where one company is split into two or more companies. In this event, only accounts that hold the “Parent” company will see any transactions.



### On the Web

For more information about the Spin-Off Wizard, how to use it, and the resulting transactions, see [Entering a Spin Off Corporate Action](#).

Also, see our [Corporate Actions Center](#) for documents that give you the value and ratio information for widely held securities.

In the event of a spin-off, most interfaces provide you with only credit security transactions for the new security.

In most cases, the original position is not represented in transactions you receive from the custodian, only the shares of the new company. Thus, you should see credit security transactions for only the new security.

Also, in most cases, you will get a journal to cash for the cash in lieu. Most of the time, these transactions tend to be in the transaction list several days after the transaction, sometimes up to a week behind.

Status	Account Number	Activity	Portfolio	Security Type
Pending	999-0203	Credit Security	Harper, Sal	Equities
Pending	999-0205	Credit Security	vWhite, Mark	Equities
Pending	999-0208	Credit Security	Smith, Rand	Equities
Pending	999-0210	Credit Security	Brown, Han	Equities
Pending	999-0214	Credit Security	Carter, Dre	Equities
Pending	999-0302	Credit Security	Porter, Mich	Equities
Pending	999-0306	Credit Security	Zimmerman	Equities
Pending	999-0306	Credit Security	Zimmerman	Equities
Pending	999-0312	Credit Security	Phillips, Chri	Equities
Pending	999-0316	Credit Security	Porter, Mich	Equities
Pending	999-0320	Credit Security	St. James,	Equities
Pending	999-0401	Credit Security	Gibson, Ella	Equities
Pending	999-0404	Credit Security	Scott, Carol	Equities
Pending	999-0405	Credit Security	Brown, Bill	Equities
Pending	999-0405	Credit Security	Brown, Bill	Equities
Pending	999-0408	Credit Security	Allen, Mary	Equities

Security Type	Equities
Activity	Credit Security
Account Number	999-0203
Portfolio	Harper, Sally
Symbol	SE
Security Description	Spectra
Credit Date	09/27/2008
Shares	12.00
Long or Short Positio	Long
Total Market Value	299.76
Original Trade Date	09/27/2008
Cost Basis	0.00
Reinvest Income	No
Reinvest Gains	No
Trade Status	Pending
Origination	Schwab
Interface Account #	999-0203
Interface File Date	09/27/2008
Notes	:SO :SPIN OFF

Status	Account Number	Trade Date	Portfolio	Security Type	Activity	Amount
Pending	999-0202	09/30/2008	Brown, Holly	Cash and	Journal	13.21
Pending	999-0203	09/30/2008	Harper, Sally	Cash and	Journal	13.21
Pending	999-0205	09/30/2008	vWhite, Mark	Cash and	Journal	13.21
Pending	999-0210	09/30/2008	Brown, Hannah	Cash and	Journal	13.21
Pending	999-0302	09/30/2008	Porter, Jessica	Cash and	Journal	13.21
Pending	999-0312	09/30/2008	Phillips, Chris	Cash and	Journal	13.21

Security Type	Cash and Money Fun
Activity	Journal
Account Number	999-0202
Portfolio	Brown, Holly
Account ID	CASH
Journal Date	09/30/2008
Journal Amount	13.21
Trade Status	Pending
Origination	Schwab
Interface Account #	999-0202
Interface File Date	09/30/2008
Notes	SE ;CIL :CASH IN



### On the Web

For more information, see [Methods for Handling Cash in Lieu for Fractional Shares](#).

## Identifying a Merger/Exchange Transaction

A merger is a transaction where two or more companies become a single company. In some cases, the investor might receive just shares in exchange for an existing position, whereas other times, the investor receives both cash and shares for an exchange. Also, the transactions you see in the interface could be different depending on whether or not the original company's security symbol changes. The scenarios below help you identify the transactions you might see in either case.



### On the Web

For more information about the various ways to use the Merger/Exchange Wizard, how to enter the correct settings for each type of exchange, and the expected transactions for each, see [Entering a Merger/Exchange Corporate Action](#).

## Identifying a Share Only Exchange

There are three possible scenarios in this situation:

- ◆ Both companies merge into one new company and symbol (ABC and XYZ both merge into DEF)
- ◆ One company is absorbed by the other (ABC holders get shares of XYZ)
- ◆ Both companies are “exchanged”, but the resulting symbol is the same as one of the original symbols (ABC holders get shares of XYZ and XYZ holders end up with a different number of shares after the exchange)

### ***Two companies merge into a new symbol***

In this situation, holders of *either* company will see credits of security transactions for the NEW symbol in their custodial interface. They should also see debits of security moving the position out of the original security.

For example, let's say that ABC and XYZ merge resulting in a new company with the symbol DEF. Any account holding ABC will get a debit out of ABC and a credit into DEF. By the same token, any portfolio holding XYZ will get also get a credit into DEF as well as a debit out of XYZ. The example on the right shows you what these transactions should look like.

	Status	Account Number	Activity	Portfolio	Security Type	Trade Date	Symbol	Quantity	Amount	Description	Account ID
1	⚠ Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/02/2009	NEWSCTY	35.00	0.00	New Security	
2	⚠ Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/02/2009	NEWSCTY	40.00	0.00	New Security	
3	⚠ Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/02/2009	ORIG-A	74.00		ORIG-A	
4	⚠ Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/02/2009	ORIG-B	58.00		ORIG-B	

### ***One company is absorbed by the other***

In this situation, only accounts that hold the security being absorbed will show credit security transactions for the existing company. Accounts holding the resulting company before the exchange do not have any transactions in the custodial interface.

For example, let's say that ABC is absorbed by XYZ. Only holders of ABC will see debit shares from ABC and credit shares into XYZ. Notice that holders of XYZ do not have any transactions listed in the example to the right.

	Status	Account Number	Activity	Portfolio	Security Type	Trade Date	Symbol	Quantity	Amount
1	⚠ Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/02/2009	NEWSCTY	40.00	0.00
2	⚠ Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/02/2009	ORIG	74.00	

**Both companies are “exchanged” for an existing symbol**

In this situation, accounts holding either security will show credit and debit transactions. The resulting transactions will be debits out of the original symbol and then credits for the new number of shares into the new symbol.

The complicating factor, however, is the fact that the “new” symbol existed on the system before the exchange. The investors holding that security end up with a different number of shares as a result of the exchange than what they had before, and the debit/credit transactions are meant to adjust the number of shares.

	Status	Account Number	Activity	Portfolio	Security Type	Trade Date	Symbol	Quantity	Amount
1	Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/04/2009	ORIG-B	35.00	0.00
2	Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/04/2009	ORIG-B	40.00	0.00
3	Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/04/2009	ORIG-B	74.00	
4	Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/04/2009	ORIG-A	58.00	

For example, let’s say that ABC and XYZ merge, resulting in a company with a different name, but still using the symbol XYZ. The number of shares held by XYZ is different after the exchange than it was before the exchange. For holders of only XYZ, you’ll see debit security transactions for XYZ and then credit security transactions back into the XYZ position. Holders of ABC will see debit security transactions out of ABC and credits into XYZ.

The best practice for this situation is to rename the original security in the PortfolioCenter database, and then redefine the new security. Using the example above, you’d rename XYZ to XYZOLD and define XYZ again as a new security, and then block all these transactions and run the merger/exchange wizard moving the XYZ position from XYZOLD to XYZ.

**Cash in Lieu**

Also, in most cases, in addition to the journal transactions you received for the cash portion of the exchange, you will get a journal to cash for the cash in lieu. Most of the time, these transactions tend to be in the transaction list several days after the transaction, sometimes up to a week after the original transactions.

The screenshot shows a software window titled "Interface Transactions". The main table lists several transactions with the following columns: Status, Account Number, Trade Date, Portfolio, Security Type, Activity, and Amount. The first transaction is highlighted in blue.

	Status	Account Number	Trade Date	Portfolio	Security Type	Activity	Amount
1	Pending	999-0202	09/30/2008	Brown, Holly	Cash and	Journal	13.21
2	Pending	999-0203	09/30/2008	Harper, Sally	Cash and	Journal	13.21
3	Pending	999-0205	09/30/2008	White, Mark	Cash and	Journal	13.21
4	Pending	999-0210	09/30/2008	Brown, Hannah	Cash and	Journal	13.21
5	Pending	999-0302	09/30/2008	Porter, Jessica	Cash and	Journal	13.21
6	Pending	999-0312	09/30/2008	Phillips, Chris	Cash and	Journal	13.21

To the right of the table is a detailed view of the selected transaction (row 1). The details include:

- Security Type: Cash and Money Fun
- Activity: Journal
- Account Number: 999-0202
- Portfolio: Brown, Holly
- Account ID: CASH
- Journal Date: 09/30/2008
- Journal Amount: 13.21
- Trade Status: Pending
- Origination: Schwab
- Interface Account #: 999-0202
- Interface File Date: 09/30/2008
- Notes: SE ;CIL :CASH IN

## Identifying a Cash/Stock Merger

There are three possible scenarios in this situation:

- ◆ Both companies merge into one new company and symbol (ABC and XYZ both merge into DEF) and both shares and cash are exchanged for the position in ABC.
- ◆ One company is absorbed by the other (ABC holders get shares of XYZ, in addition to some cash)
- ◆ Both companies are “exchanged”, but the resulting symbol is the same as one of the original symbols (ABC holders get shares of XYZ and XYZ holders end up with a different number of shares after the exchange) and both positions get an exchange of cash and shares.

### **Two companies merge into a new symbol and you receive cash for at least one exchange**

In this situation, holders of *either* company will see credits of security transactions for the NEW symbol in their custodial interface. They should also see debits of security moving the position out of the original security, as well as journals for the amount of cash they are to receive in the transaction.

For example, let’s say that ABC and XYZ merge resulting in a new company with the symbol DEF. Any account holding ABC will get a debit out of ABC and a credit into DEF. By the same token, any portfolio holding XYZ will get also get a credit into DEF as well as a debit out of XYZ.

	Status	Account Number	Activity	Portfolio	Security Type	Trade Date	Symbol	Quantity	Amount	Description	Account ID
1	Pending	999-0805	Journal	Abbot, Joel	Cash and Mone	01/02/2009			1,662.04	Schwab Mon	MMF
2	Pending	999-0805	Journal	Abbot, Joel	Cash and Mone	01/02/2009			1,915.74	Schwab Mon	MMF
3	Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/02/2009	NEWSCTY	35.00	0.00	New Security	
4	Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/02/2009	NEWSCTY	40.00	0.00	New Security	
5	Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/02/2009	ORIG-A	74.00		ORIG-A	
6	Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/02/2009	ORIG-B	58.00		ORIG-B	

Additionally, holders of either security will see journal transactions for the cash portion of the transaction. In the event you have a portfolio owning both securities and both companies had a cash and share exchange, you could see two journal transactions – one for each original position. The example on the right shows you what these transactions should look like.

### **One company is absorbed by the other and you receive cash for the security being absorbed**

In this situation, only accounts that hold the security being absorbed will show credit security transactions for the existing company. Accounts holding the resulting company before the exchange do not have any transactions in the custodial interface. You should also see Journal transactions for the cash portion of the exchange.

For example, let’s say that ABC is absorbed by XYZ. Only holders of ABC will see debit shares from ABC and credit shares into XYZ. Also, notice the journal transactions for cash – these transactions represent the cash portion of the exchange of the ABC shares. Notice that holders of XYZ do not have any transactions listed in the example to the right.

	Status	Account Number	Activity	Portfolio	Security Type	Trade Date	Symbol	Quantity	Amount
1	Pending	999-0805	Journal	Abbot, Joel	Cash and Mone	01/02/2009			1,662.04
2	Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/02/2009	NEWSCTY	40.00	0.00
3	Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/02/2009	ORIG	74.00	

**Both companies are “exchanged” for an existing symbol and you receive cash for at least one security**

In this situation, accounts holding either security will show credit and debit transactions. The resulting transactions will be debits out of the original symbol and then credits for the new number of shares into the new symbol. Also, if there is cash exchanged for one or both securities, you will also see journal transactions for the cash portion of the exchange. If both securities are being exchanged for both shares and cash, you could see two journal transactions – one for each position.

	Status	Account Number	Activity	Portfolio	Security Type	Trade Date	Symbol	Quantity	Amount
1	Pending	999-0805	Journal	Abbot, Joel	Cash and Mone	01/04/2009			1,662.04
2	Pending	999-0805	Journal	Abbot, Joel	Cash and Mone	01/04/2009			1,915.74
3	Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/04/2009	ORIG-B	35.00	0.00
4	Warning	999-0805	Credit Security	Abbot, Joel	Equities	01/04/2009	ORIG-B	40.00	0.00
5	Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/04/2009	ORIG-B	74.00	
6	Warning	999-0805	Debit Security	Abbot, Joel	Equities	01/04/2009	ORIG-A	58.00	

The complicating factor, however, is the fact that the “new” symbol existed on the system before the exchange. The investors holding that security end up with a different number of shares as a result of the exchange than what they had before, and the debit/credit transactions are meant to adjust the number of shares.

For example, let’s say that ABC and XYZ merge, resulting in a company with a different name, but still using the symbol XYZ. The number of shares held by XYZ is different after the exchange than it was before the exchange. For holders of only XYZ, you’ll see debit security transactions for XYZ and then credit security transactions back into the XYZ position. Holders of ABC will see debit security transactions out of ABC and credits into XYZ.

The best practice for this situation is to rename the original security in the PortfolioCenter database, and then redefine the new security. Using the example above, you’d rename XYZ to XYZOLD and define XYZ again as a new security, and then block all these transactions and run the merger/exchange wizard moving the XYZ position from XYZOLD to XYZ.

**Cash in Lieu**

Also, in most cases, in addition to the journal transactions you received for the cash portion of the exchange, you will get a journal to cash for the cash in lieu. Most of the time, these transactions tend to be in the transaction list several days after the transaction, sometimes up to a week after the original transactions.

Interface Transactions								Close	
	Status	Account Number	Trade Date	Portfolio	Security Type	Activity	Amount		
1	Pending	999-0202	09/30/2008	Brown, Holly	Cash and	Journal	13.21		
2	Pending	999-0203	09/30/2008	Harper, Sally	Cash and	Journal	13.21		
3	Pending	999-0205	09/30/2008	White, Mark	Cash and	Journal	13.21		
4	Pending	999-0210	09/30/2008	Brown, Hannah	Cash and	Journal	13.21		
5	Pending	999-0302	09/30/2008	Porter, Jessica	Cash and	Journal	13.21		
6	Pending	999-0312	09/30/2008	Phillips, Chris	Cash and	Journal	13.21		

Security Type	Cash and Money Fun
Activity	Journal
Account Number	999-0202
Portfolio	Brown, Holly
Account ID	CASH
Journal Date	09/30/2008
Journal Amount	13.21
Trade Status	Pending
Origination	Schwab
Interface Account #	999-0202
Interface File Date	09/30/2008
Notes	SE ;CIL :CASH IN