

Amendment to ISLA Best Practice for Operational Processes for Securities Lending Transactions

**The following section has been amended (blackline)

Section 3 VII. CORPORATE EVENT MANAGEMENT

Actions to take during timeline of the event

On Ex-1, CA teams at both counterparties should notify collateral teams of the event to ensure price adjustments in the market do not prompt incorrect returns of collateral.

Specifically, on JPY stock split events the market price will drop significantly on ex-date prompting the collateral team to be mispriced against the number of shares posted. Teams should not return the collateral but take action to ensure that positions are priced accurately, either by:

- i. performing a price adjustment by dividing the new price by the new number of shares, or
- ii. maintain the pre-split (Ex-1) price until the new positions are booked. It should be noted that by maintaining the price throughout the event, this may result in inaccurate exposures and billing accruals.

Restrictions may be placed on the asset from Ex to PD at the lenders discretion

Both counterparties should record the new entitlements on record date plus one without delay. Depending on the event, (parent) loans may be required to be bilaterally closed.

Once recorded and reconciled, the new collateral price can be applied and adjustments made back to normal market practices and internal processes.

If pay date is after books closed date; new entitlement shares should remain pending on record date plus one and settled on pay date. T

he beneficial owner will send the recipient a notification once the new entitlements have been settled.

Both counterparties should notify their collateral teams when closing and creating loan positions from the corporate action. Please refer to the Section 4: Collateral of this paper for further details.

The full paper *ISLA Best Practice for Operational Processes for Securities Lending Transactions* can be found at the ISLA website