



What is a DWAC?

DWAC is the acronym for Deposit/Withdrawal At Custodian. The DWAC transaction system run by The Depository Trust Company (a.k.a. DTC or CEDE & CO) permits brokers and custodial banks, the DTC participants, to request the movement of shares to or from the issuer's transfer agent electronically. A DWAC results in the crediting or debiting of shares to or from DTC's book-entry account on the records of the issuer maintained by the transfer agent.

How Does DWAC Work?

Only brokers can initiate transactions via the DWAC system. The broker inputs instructions requesting the movement of shares to or from the transfer agent. The transfer agent, on the other hand, can only accept or reject the instructions. Before a transaction is accepted, the Transfer Agent must receive authorizing instructions from the issuer, the shareholder or another authorized party to accept the DWAC transaction and make the necessary credits or debits to a reserve or shareholder's account to offset the transaction. Once these instructions are received, the Transfer Agent will vigilantly review the DTC DWAC terminal for the requesting transaction that has been entered by the broker/custodial bank. To be accepted, the transaction requested through the DTC DWAC system must perfectly match the instructions received by the Transfer Agent. The share amount and credit party must be exactly the same. If the transaction is accepted, the Transfer Agent then credits or debits the CEDE & CO book on the issuer's shareholder registrar. In the case of an option exercise, the offsetting transaction is a debit to the reserve. If the DWAC transaction doesn't match the documentation on file with the agent, it is not accepted and the Transfer Agent will reject the request on the DWAC system, sending a message back to the broker that the DWAC request was not processed. The Transfer Agent also generates a reject message onto the SM@RT option processing system to let the issuer know that the DWAC delivery could not be completed and why it failed.

What Must I Do To Initiate A DWAC?

DWAC's are easy to do, but do require some advance work: First, the issue must be submitted for entry into DTC's FAST automated stock transfer system. This usually requires 1 to 2 weeks lead-time. Once in the program, the transfer agent receives certificates from CEDE & CO for deposit into a FAST book position established for the issue. The transfer agent will also begin to receive daily transmissions of DWAC movements, must accept or reject them each day and must balance each FAST position daily with DTC.