

Cost Basis Steering Committee Meeting Minutes

Date: May 11, 2010

Time: Noon – 2 p.m.

- I. Approval of April 20, 2010 meeting minutes
 - The committee approved the minutes as written

- II. Field revisions and questions
 - **Gifted or Inherited** indicator: The committee discussed the situation that occurs when an asset is inherited, and subsequently gifted. The committee suggested that the holding period should be long term even if an inherited asset is gifted. The thought is that this is a rare situation—all of the following events would have to happen in less than one year: a person dies, the estate settles, the security is given to a beneficiary, the beneficiary gifts the security, and the receiver sells the security. The committee decided to put this issue in the parking lot until the IRS issues more guidance
 - The committee discussed the fact that the Receiving and Submitting Firm Identifier Type has been removed from the record layouts. DTCC development decided this field was not necessary. One thing to note is that a firm who is both a DTC Participant and NSCC Member will need to pick which number to use as their identifier in CBRS.
 - Note: When a firm who is a member of both NSCC and DTC signs up for CBRS, it will designate which number it will use as its Receiving/Submitting Firm Number and Firm Type. Regardless of which subsidiary the firm chooses as its identifier, it can receive records for all types of transactions. For example, let's say firm 123 is a member of both NSCC and DTC. The firm chooses to be known as an NSCC participant in CBRS, which means its identifying number and type are 00000123 NSCPRT. This firm can submit and receive cost basis for DTC transactions such as 03 = Valued Deliver Orders, or 36 = DWAC Withdrawal, even though they have chosen an NSCC designation in CBRS.

- III. Questions arising from the CBRS Working Group
 - *Which fields, when changed, should prompt the submitter to send a corrected record?* The committee decided that any field that has been changed should be sent as a correction. The logic is that if the data element is important enough to be changed, it should be important enough to re-send
 - *How will testing work?* The committee discussed various possibilities for testing. Users should test with each other, but it is an open issue about how users will locate test partners. DTCC will discuss the options for testing internally, and then discuss the options with the committee

IV. Review Best Practices Issues

- *What are the Best Practices for processing reorgs and corporate actions?* A separate subcommittee will meet to discuss Best Practices for processing reorgs and corporate actions
- *What are the Best Practices for conversions?* A separate subcommittee will meet to discuss Best Practices for processing conversions
- *What should the Transfer Control Number be for securities transfers that happen outside of DTCC?* The broker-dealer/transfer agent working group is discussing the number for direct presentations, and Derek Yen's broker-dealer group will discuss the number for transactions involving broker-dealers
- *Define **Date Transfer was Initiated** and **Settlement Date of Transfer*** The committee has already defined the Settlement Date of Transfer. The Date Transfer was Initiated will probably not often be known or populated. This field is included in the record layouts because the IRS regulations state that it should be provided if known. Firms can decide individually whether they want to populate this field

V. Next Steps

- Our next meeting will be on Tuesday, May 18, from 1 PM – 2 PM eastern

Parking Lot issues

1. What happens when an asset is inherited, and then later gifted? (from meeting on 5/11: waiting for further guidance from the IRS to resolve this issue)