

## Cost Basis Steering Committee Meeting Minutes

Date: June 8, 2010

Time: Noon – 2 p.m.

- I. Approval of May 11, 2010 meeting minutes
  - The committee approved the minutes as written
  
- II. DTCC Update
  - The webcast about the record layouts should be available in the next week
  - The User Guide, including Best Practices, is in draft form. DTCC will circulate the draft to the Steering Committee
  - The committee discussed the proposed fee structure for the new system. DTCC presented the pricing methodology, which is based on the regulations and who benefits from sending and receiving the data. There was a general direction of pricing, including the proposed \$100 threshold: firms that accumulate less than \$100 in fees for a given month may not be charged
  
- III. Review Best Practices issues
  - **How to populate the *Acquisition Date of Tax Lot* field when the date is unknown**
    - The committee reviewed the notes from the previous CBRS Working Group call where this question came up. The committee decided on the following recommendations for the two scenarios:
      - A. When the acquisition date and the cost basis are both unknown
        1. Populate the **Uncovered/Pending Indicator** field with the appropriate value for the lot. Populating this field will tell the receiver that the lot is uncovered or pending.
        2. **Do not** populate the any date or cost fields
        3. Populate the **Zero Basis Indicator** with the value **02 = Unknown**
      - B. When the acquisition date is unknown and the cost basis is known (assumed uncovered)
        1. Populate the **Uncovered/Pending Indicator** field with the appropriate value for the lot. Populating this field will tell the receiver that the lot is uncovered or pending.
        2. Best Practices suggest you can a date of 01/01/0001\* (**00010101** in CBRS record layout format) to signify an unknown date.
        3. Populate the cost field(s) as applicable

\*Note— the date 01/01/0001 can mean different things:

- If the lot is uncovered, 01/01/0001 can mean various dates or unknown date
- If the lot is covered, 01/01/0001 means various dates

- **Fair Market Value as of date of gift, when higher than carryover basis:**  
The committee decided that firms should store both the FMV and the carryover basis, regardless of whether the FMV is greater than the donor's cost. The section of the IRS regulations that discusses this issue is on p. 97
- **Inherited, and then gifted shares:** the committee recommended a third value for the **Gifted/Inherited Indicator, 03 = Inherited, then gifted.** DTCC will discuss the possibility of adding this field with our development area and report back to the committee
- **Firm Number and Type:** DTCC needs to create an internal relationship between a firm's new CBRS number and its existing DTC, NSCC, or Transfer Agent number. Some firms will have the same number in DTC and NSCC. 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. Firms will be able to use the CBRS User Master File to check which designation the receiving party is using
  - This workflow is problematic for firms who do not want to program to use the CBRS Master File
  - One possible solution is for all DTC members to use the DTC designation (DTCPRT)
  - DTCC will explore possible solutions internally, and report back to the committee

#### IV. Next Steps

- The next meeting will be on June 22<sup>nd</sup> from Noon – 2 PM eastern time