

**Cost Basis Steering Committee Meeting  
Minutes**

October 4, 2011, Noon – 2 p.m.

I. Approval of September 27, 2011 Meeting Minutes

- The Committee approved the minutes as written.

II. DTCC Update

- As of September 30, 2011, 280 companies have signed up to use CBRS: 32 banks, 100 broker-dealers, 74 fund companies, and 74 transfer agents/issuers. Of this group, 127 CBRS users have submitted to production: 20 banks, 73 broker-dealers, 0 fund companies, and 34 transfer agents/issuers.
- The code with the new CBRS enhancements was successfully migrated to the testing environment overnight on September 29, and was ready for customer input/output on September 30. Approximately 30 CBRS users tested on September 30, including five fund companies.
- Reminder: the processing date in the testing environment is one day behind the processing date in the production environment.
- DTCC is tentatively planning on two CBRS enhancement projects in 2012, one to cut to production midyear 2012, and the other at the end of the year 2012. For the project to end midyear 2012, DTCC needs requirements from the committee by December 2011.

III. Issues discussed

- Universal default format for Transfer Control Number (Parking Lot issue #2). There are two proposed formats for TCN for transactions that do not already have a clearly defined TCN format: Julian date (3 bytes) + sequence number (3 bytes) + CUSIP (9 bytes) + deliverer account number (15 bytes) [or receiver account number if deliverer account number is not available]; or the “D format” follows the format below:
  - Position 1: ‘D’ = Direct Transfer Indicator
  - Position 2-5: NSCC Participant Number for the Fund
  - Position 6: Last Digit of Current Year
  - Position 7-9: Julian Date
  - Position 10-15: Unique Number (randomly-generated, sequential)A primary difference in these formats is their length: the ‘D’ format is 15 bytes, the first format (‘Kevin’s format’) is 30 bytes. Funds have expressed the need to have a 15 byte TCN. With both formats, there remains an open issue of how both the deliverer and the receiver would know the same number. At this time, instead of framing the issue of deciding on one default for all transactions/asset types, the committee instead will discuss this issue on an asset by asset basis, starting with foreign assets. Lydia will change the parking lot issue to reflect this focus on foreign asset.
- User CUSIPs in ACATS. The committee agreed to add a field to the Asset record to contain the ACATS asset sequence number (6 bytes) to the CBRS asset input record. When a submitter uses a User CUSIP in ACATS, and subsequently CBRS, adding the ACATS asset sequence number to CBRS will help the receiver match the CBRS record back to the ACATS record with the User CUSIP. A challenge exists that some firms separate their cash and margin assets in an ACATS transfer, and some do not. It is better

if firms separate cash and margin assets in order to generate different asset sequence numbers in ACATS. If a firm bundles, the receiver of the CBRS record does not know how to apply the tax lots to the cash vs. margin assets.

- The committee discussed Parking Lot issue # 8, New fields needed to support the passing of cost basis on a gift denominated in a foreign currency. CBRS needs a new exchange rate field corresponding to the Fair Market Value (FMV) of the Date of Gift. A new currency code field is not necessary.
- The committee discussed Parking Lot issue #6, Make Receiver Customer Account Number required for Conversions? The committee agreed that the receiver customer account number should be required for conversions. The committee will revisit the discussion at the next meeting, looking at all transaction types and their customer account number requirements.
- The committee discussed Parking Lot issue #7, Remove Purchase/Dividend Reinvestment Indicator? Some committee members do not use the field, others said they use it for customer service purposes (not tax calculation purposes). The committee will revisit this issue at the next meeting.

IV. Next Meeting: Tuesday, October 11, 2011 from Noon – 2 PM eastern

### Parking Lot

1. **How should Transaction Type 06 = Other Depository Deliveries (e.g. FED) be used?**  
What fields should be required for this type? What fields need additional rules for this type? What fields need Best Practices for this type?
2. **Default format for Transfer Control Number for foreign asset transfers (Transaction Type 06 = Other Depository Deliveries).** There are two proposed formats for TCN for foreign asset transfers: Julian date (3 bytes) + sequence number (3 bytes) + CUSIP (9 bytes) + deliverer account number (15 bytes) [or receiver account number if deliverer account number is not available]; or the “D format” follows the format below:
  - Position 1: ‘D’ = Direct Transfer Indicator
  - Position 2-5: NSCC Participant Number for the Fund
  - Position 6: Last Digit of Current Year
  - Position 7-9: Julian Date
  - Position 10-15: Unique Number (randomly-generated, sequential)A primary difference in these formats is their length: the ‘D’ format is 15 bytes, the first format (‘Kevin’s format’) is 30 bytes. How will the deliverer and receiver agree on what the TCN is?
3. **Best Practice about how to populate the deliverer/receiver customer account numbers for mutual fund transfers.** Ideally the underlying customer account number should be populated in these fields. If this is not possible, what best practice should the industry follow for alternatives?
4. **Should the Deliverer and Receiver Customer Account Numbers be required for Networking Transactions?**
5. **Possible edits to the Exempt Recipient Account Indicator:** The rule could be configured to be set to Exclude All Exempt Recipient Accounts, and the Non-covered/pending indicator is 02 (non-covered account), DTCC could system reject the records.

6. **Make Receiver Customer Account Number required for Conversions?**
7. **Remove Purchase/Dividend Reinvestment Indicator?**
8. **New fields needed to support the passing of cost basis on a gift denominated in a foreign currency?** CBRS may need new exchange rate and new currency code fields that correspond to the Fair Market Value (FMV) of the Date of Gift. There may be a need for these fields, but perhaps the carryover basis and the FMV would always be in the same currency.
9. **Additional rules for fixed income assets:** (The committee will review this issue as the IRS issues more guidance.)
  - a. Cost fields
  - b. New Zero Basis Indicator to point to Tax Lot Original Cost?
10. **How should Transaction Type 07 = Physical Movement Settlement be used?** Fields that may be used for Transaction Type 07 = Physical Movement Settlement: Transfer Control Number; Alternate Control Number; Receiver/Deliverer Customer Account Number; Asset Category: require certain types?; Date Transfer was Initiated/Settlement Date of Transfer; Noncovered/Pending Indicator; Acquisition Date of Tax Lot; Tax Lot Current Cost/Tax Lot Original Cost [9/27/2011: this issue has been designated as lower priority. The security types applicable to this transaction type are not currently covered by the regulations.]
11. **User CUSIP issues (to be primarily addressed in Derek's call):**
  - a. Scenario: an asset with a User CUSIP transfers from one firm to another in ACATS. The receiver sets up the asset, using its User CUSIP, in its CBRS expectancy file. The submitter sends cost basis through CBRS using its User CUSIP, which is different than the receiver's identifier. The receiver cannot match the cost basis to the asset transfer, so it marks the lot(s) as uncovered.
  - b. Revisit the Best Practice that a blank CUSIP value for a request for transaction type 01 = ACATS, because a blank value in the CUSIP field could be a request for an asset with a User CUSIP.
  - c. Possible programming solution: Add ACATS sequence number to CBRS record layouts (helps with User CUSIP issue)

**Future enhancements  
(agreed upon by the Committee)**

1. When the wash sale date is populated, it would always be equal or greater than the acquisition date .
2. Add an edit that says Tax Lot Current Cost cannot be unknown if the lot is covered.
3. Add the ACATS asset sequence number to the Asset Input record. Required for transaction type 01 = ACATS; and required for all record content indicator types (original, corrected, firm reject, request).

**Closed Parking Lot issues**

1. Should CBRACK be a valid firm type for other transaction types? Closed 09/20/2011. From minutes: Earlier this year a firm asked to join CBRS as a CBRS-only user to pass basis on ACATS transactions. CBRS does not allow type CBRACK to pass basis on an

ACATS transaction, so this firm did not pursue this option. However, this situation led to the question of whether CBRACK should be a valid submitting/contra type for more transactions than it is currently valid for today. The committee discussed this issue, and decided against making CBRACK a valid type for additional transactions: allowing CBRS-only users to submit/receive for additional transaction types may cause more breaks. If an issue arises in the future for a specific CBRS user, the committee can revisit the issue at that time. For now the issue will be moved to the "Closed Parking Lot Issues" list.

2. Should the Deliverer Customer Account Number be required for all transactions? Closed 09/20/2011. The committee agreed on a Best Practice where if the receiver of the asset provides the Deliverer Customer Account Number on the asset transfer, the submitter of the CBRS record should provide it in CBRS. The number should not be required in CBRS: it will not always be available, and there are times when the submitter of the CBRS record is not willing to provide it. This issue is now closed, and will be moved to the “Closed Parking Lot Issues” list.
3. Mutual funds passing cost basis on 01 = ACATS transactions for fund-controlled assets. Closed 09/28/2011. The committee discussed that this is a problem related to a low volume of transfers. Various service bureaus are making changes to prevent firms from transferring mutual funds that are Level 4, fund-controlled assets, which will help to reduce the potential for a firm to receive cost basis from both a firm and a fund. There may be changes to ACATS-Fund/SERV files to help address this issue as well. Groups outside the Steering Committee are working on this issue, so this is a closed issue for this committee.
4. User CUSIP issue part 3, adding ACATS sequence number to CBRS record. Closed 10/04/2011. The committee agreed to add the ACATS sequence number to the CBRS record.