I. Approval of October 19, 2011 Meeting Minutes

• The Committee approved the minutes as written.

II. Issues discussed

- Fees: DTCC is planning on revising the CBRS fee schedule. Lydia will distribute the Important Notice about this revised schedule to the Committee as soon as it is available. Lydia will also post the new fee schedule to the CBRS page on www.dtcc.com.
- Observations from testing: firms on the call have had issues testing with fund companies. On calls run by DTCC's Wealth Management Services Relationship Management, Lydia has heard positive feedback from funds about testing. The following questions arose from the discussion, Lydia will research the answers:

Do PTFs age to Settle Close in PSE? Is it possible to see which ones have aged? Who is on the test master file for ACATS?

DTCC will continue to discuss this issue on other calls, as well as this one, to understand how testing is going.

- Production: DTCC is proposing to change the processing date in PSE to be the same as
 the processing date in the production environment. The committee endorsed this change.
 DTCC is researching the customer impact of the change, and also discussing the change
 with the SIFMA CAT society, because the change would occur for CBRS and ACATS at
 the same time. DTCC will create a specific timeline once the research is complete.
- Lydia reminded the group that we have a December deadline for agreeing on requirements for a 2012 mid-year release for CBRS. Tentatively, that deadline is December 16. DTCC is considering an early July deployment to Production. Lydia will be able to discuss a more detailed timeline as we finalize the list of requirements. There will also most likely be a late 2012 (approximately November) release to support the passage of cost basis on fixed income assets, dependent on when the IRS issues its guidance.
- Before the meeting, a customer asked whether he can populate the Acquisition Date of Tax Lot field for noncovered lots. CBRS does not allow this, because for noncovered lots this date is not helpful information. The date could be a purchase date, but could also be the date the firm received the tax lot, or a dummy system-generated date. Often the date is not truly the acquisition date, which at minimum means it is not valuable, or at worst leads to incorrect assumptions in calculating cost basis.
- The group discussed the Best Practice that there is no need to send cost basis on a DO that is a DK. The discussion led to the following proposals:

For DOs with reason code 41: the delivering firm should not send basis, and the receiving firm should not expect cost basis

For DOs with reason code 391: the delivering firm should not send basis, and the receiving transfer agent should not expect basis.

The committee will continue to discuss this issue, especially whether there is a way to tie the delivery with reason code 390 to the response, a DO with the 391 reason code. Joan found some DOs with reason code 391 that were not a reject.

• Requirements for deliverer/receiver customer account number for Conversions. For mutual fund assets transferred from broker to broker, there's an issue of how to match the transferred asset to the CBRS record. Fund companies do not report the same control number to the receiving broker that the delivering broker reported, making it difficult for the receiving broker to match the transfer to CBRS. The delivering broker does not necessarily have the receiving broker's customer account numbers, so it can be difficult if not impossible for the delivering broker to provide the receiving broker's customer account numbers. This committee will continue to discuss the issue, and a separate subcommittee will also discuss conversion-related issues.

Potential new requirement: Require Deliverer Customer Account Number for conversions

III. Next Meeting: Tuesday, November 8, 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. **Requirements for Deliverer/Receiver Customer Account Numbers:** Should the Deliverer and Receiver Customer Account Numbers be required for Networking Transactions? Make Receiver Customer Account Number required for Conversions?
- 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. Remove Purchase/Dividend Reinvestment Indicator?
- 7. **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?
- c. Best Practice: For bonds, the Fair Market Value as of Date of Gift field should contain the original, not adjusted, market value
- 8. **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.]

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).
- 4. New exchange rate field on the Tax Lot record corresponding to the Fair Market Value (FMV) of the Date of Gift.

Closed Parking Lot issues

- 1. Should CBRACT 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 CBRACT to pass basis on an ACATS transaction, so this firm did not pursue this option. However, this situation led to the question of whether CBRACT 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 CBRACT 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.

<u>Closed 09/28/2011.</u> 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. <u>User CUSIP issue part 3, adding ACATS sequence number to CBRS record.</u> <u>Closed 10/04/2011.</u> The committee agreed to add the ACATS sequence number to the CBRS record.
- 5. New fields needed to support the passing of cost basis on a gift denominated in a foreign currency. Closed 10/11/2011. The committee agreed to add this new field to the requirements for future CBRS enhancements: 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.