

Cost Basis Steering Committee Meeting Minutes

Date: January 26, 2010

Time: 10 a.m. – Noon eastern time

I. Approval of previous meeting minutes

- The committee approved the January 6th minutes as written
- The committee asked for one change to the January 13th minutes:
 - At the top of page 3, the item on the **Source of basis** field specified that “the committee tentatively agreed to using two values for the field—**System** and **Shareholder**.”
 - Instead, the minutes should read “the committee is considering several different values for this field.”

II. Review of record layouts

- **Record Type:** in the new system, this field must be populated with **A** for the asset input record or **T** for the tax lot input record. If the submitter populates this field with any other value, CBRS will reject the record
- **Record Length:** the new record layouts will be longer than the current 550 bytes. The length is 1,000 bytes in the drafts of the new record layouts, but the actual record length for the new system may be even longer
- **Transaction Type:** the committee discussed the timing for programming for mutual fund transactions. While there may be some additional functionality required when mutual funds become covered securities in 2012, DTCC will include as many fields, rules, and edits as possible for mutual funds in the initial implementation of the new CBRS in 2011
- **Control Number:** the committee discussed the unique ID number necessary for transactions between brokers and transfer agents. A combination of an existing ID numbers (the ARF and DAMP ID numbers), julian date, and broker number may suffice for deposit transactions. A subset of the committee will discuss this issue and report back to the committee
- Submitting and receiving identifiers for mutual funds: the mutual fund representatives on the committee brought up the issue of needing a way to identify three categories of submitter and receiver: broker, trust, third party administrator
 - This type of functionality exists today in FundServ. DTCC will look at the way the process works in FundServ, and will use the FundServ process as a model for including the same functionality into CBRS
- **Receiving Participant Customer Account Number and Submitting Participant Customer Account Number:**
 - On transactions between brokers and transfer agents, the broker will not know the transfer agents’ account numbers. Therefore, the underlying customer account numbers will not be required for these transactions

- The mutual fund representatives on the committee will research the issue for their segment of the industry and advise the committee on their requirements for the customer account number fields
- **ISIN fields & Asset Description**
 - **ISIN** fields are required for all transactions except **41 = Direct Presentation**
 - **Asset Description** should be populated for all transactions
 - CBRS will provide a value of “Submitter ISIN” in the **Asset Description** field if the system cannot find the ISIN on its master file
- Option fields (**Put-Call Indicator, Option Symbol, Option Expiration Date, Option Strike Price Integer, Option Strike Price Decimal**)
 - These fields are applicable to transaction types **01 = ACATS, 04 = Conversions, and 06 = Other Depository Deliveries** [previous drafts of the record layouts said the fields were only applicable to ACATS]
- **Total Position Quantity:** In earlier meetings, the committee discussed editing CBRS records back to ACATS records. In this meeting the committee revisited the discussion.
 - There are many permutations of the combination of ACATS and CBRS records that make an edit difficult from a programming perspective
 - The edit may be more effective for mutual fund transfers, where there is only one CUSIP per ACATS
 - In the case of mutual fund transfers, CBRS will reject the record if the total quantity of the ACATS does not equal the total quantity passed in CBRS

- **Position Code:**
 - If **Position Code** is spaces or at least one participant on the cost basis transfer is an Agent or a Fund, set Position Code **L = Long**
 - Otherwise, Position Code must be equal to one of the valid values ('L', 'S', 'B'). If not, CBRS will reject the transaction
 - For the value **S = Short position**, if the **Total Original Cost** field is not populated, CBRS will reject the record
 - For the value **B = Borrowed**, the **Total Original Cost**, **Total Current Cost**, and **Total Average Cost** should not be populated
- **Number of most recent corporate action:** the committee revisited the discussion about the length of this field, and agreed that the leading zero was not necessary. The field will follow the format specified in the proposed regulations: Year the return is filed, followed by a three digit sequential identification number (e.g. 2013003 for the third issuer return regarding a corporate action reported in 2013)

III. Next Steps

- The committee will hold its next meeting via conference call on February 1, 2010 from 2:30 to 4:30 PM eastern time. At this meeting we will continue discussing the asset and tax lot input records