

Cost Basis Steering Committee Meeting Minutes

Date: February 1, 2010

Time: 2:30 – 4:30 PM eastern time

I. Review of record layouts: Asset Input, continued

- The discussion today began where the previous meeting ended, at the **Shares to cover short indicator** field on page 11 of the Asset Input record layout
- **Shares to cover short indicator:** field will default to No
- **Reject reason code:** the committee needs to define the values for this field. We discussed two possibilities: wrong transfer agent; and, right transfer agent, but unknown transaction. The committee will revisit the values for this field at the next meeting
- **Currency code:** the committee revisited the discussion of whether this field is necessary at the Asset level
 - While the regulations require all cost amounts to be passed in USD, the DTCC development team mentioned that all systems they build allow for the possibility of entering values in different currencies
 - The committee felt that the need to pass amounts in other currencies is not necessary, and further if the option to pass other currencies exists, other problems may occur
 - The committee decided to leave enough filler in the appropriate place for a currency field, in case the need for the field arises in the future
- At this point in the discussion, the committee reviewed the Asset Input record layout again, but this time discussed the fields and their corresponding rules for the **Reject** and **Request** record types
- The following fields are required for a **Reject** or **Request** record:
 - Record type
 - Record length
 - Record content indicator
 - Transaction type
 - Control Number
 - Receiving Firm Identifier
 - Receiving Firm Participant Number (except when **Record Content Indicator** is **04 = Request record**, and the transaction is **26 = DWAC Deposit**, **27 = Certificate Deposit**, **28 DRS Profile/DO**, or **29 = DWAC Deposit Reserve Shares**)
 - Submitting Firm Identifier
 - Submitting Firm Participant Number
 - ISIN Security Issue ID (CUSIP) (not required for transaction type **01 = ACATS**)
 - Asset Description is required if ISIN Security Issue ID is blank
 - Settlement date of transfer
- **Total position quantity** is not required for Reject or Request records, but best practices will recommend sending the quantity on these records

- **Reject reason code:** the committee needs to decide on the values for this field. Today's discussion included two suggestions:
 - **Wrong receiver**, e.g. Transfer agent does not know the CUSIP
 - **Correct receiver, but unknown transaction**, e.g. the Transfer Agent knows the CUSIP but does not recognize the underlying transaction for which the cost basis was sent

II. Review of record layouts: Tax Lot Input

- Because of the similarities of the fields in the beginning of the Asset Input and Tax Lot Input record layouts, the discussion of the Tax Lot Input record layout began with the **Certificate Number** field on page 8
- **Certificate Number:** required only for transaction type **27 = Certificate Deposit**
- **Source of basis:** the committee changed the status of this field to optional. Mutual Funds and Transfer Agents do not need the field
- **Uncovered reason code:** the committee stated that this field is critical. Therefore, we decided on the following rules:
 - If **Acquisition date** is blank and this field is left blank, reject the record
 - Reject the record if submitter enters a value other than **01 = Uncovered lot** or **02 = Shareholder**
 - If **Acquisition date** is populated and this field is populated with something other than **01 = Uncovered lot** or **02 = Shareholder**, then space out the field
- **Gifted or Inherited indicator** rules:
 - If **Date of gift** is populated and this field is blank, reject the record
 - Reject the record if submitter enters a value other than **01 = Gifted** or **02 = Inherited**
- **Date of gift** rule:
 - If **Gifted or Inherited indicator** is populated and this field is left blank, reject the record

- **Fair market value as of date of gift** rules:
 - This field is required if **Gifted or Inherited indicator** is **01 = Gifted**; the field is optional is **Gifted or Inherited indicator** is **02 = Inherited**
 - If **Gifted or Inherited indicator** is **01 = Gifted** and this field is blank, reject the record
- **Position code**: The committee decided this field should be optional
 - The instructions for the record layouts should include that the **B = Borrowed** value indicates that the delivery created a short on the submitter's books
- **Acquisition date of tax lot**: The committee decided the field should not accept a value of **VARIOUS** for this field. Instead, a date of **0001/01/01** will represent the word "various"
 - This field will no longer accept a future date as a valid value
- **Exchange rate** rule:
 - If **ISO Currency Code** is USD and the submitter populates this field, reject the record
- **Number of most recent corporate action** field should be on the tax lot level, not the asset level
- Fields not specifically mentioned in these minutes did not need additional rules as of the time of this discussion

III. Securities with more than one transfer agent

- Some ADRs have more than one transfer agent. For these securities CBRS cannot perform a look-up to determine the transfer agent from the CUSIP. DTCC proposed the following solution to the problem, and the committee agreed:
 - When **Transaction Type** is **36 = DWAC Withdrawal**, if CBRS cannot find a transfer agent for the given CUSIP, the submitter needs to populate the **Receiving Participant Number** field. If the **Receiving Participant Number** field is blank and CBRS cannot find the corresponding transfer agent, CBRS will reject the record