

## Cost Basis Steering Committee Meeting Minutes

Date: February 10, 2010

Time: 10:00 AM – 4:00 PM eastern time

### I. Membership requirements

- DTCC discussed a draft of the membership requirements for the new CBRS. DTCC will continue to work internally and with committee members to define the requirements

### II. Approval of January 26, 2010 and February 1, 2010 Meeting Minutes

- Minutes were approved as written

### III. Specific field questions

- **Control Number** for Direct Presentation: the committee discussed increasing the Julian Date to include year. DTCC will confirm that the broker-dealers agree with this change.
- **Trust** type needed as a **Firm identifier**: this type is needed, best practices to follow
- **Agent for Firm**: the field is needed, best practices to follow. The field length will be eight bytes, which corresponds to the DTCC standard for participant numbers.
- **Asset Description** required when **ISIN Security Issue ID (CUSIP)** is blank
  - If the submitted record has no ISIN Security Issue ID (CUSIP) and no Asset Description, CBRS will reject the record.
  - The committee suggested a best practice that the Asset Description should be populated at all times. While the Description is only required when ISIN Security Issue ID (CUSIP) is blank, if the submitter follows the practice that Asset Description should always be populated, then the submitter does not need to take the extra step of checking to see whether the ISIN Security Issue ID (CUSIP) is blank
- **Date transfer was initiated**: This field needs to be a valid date, less than tomorrow. If these conditions are not satisfied, CBRS will reject the record
- **Settlement date of transfer**: CBRS will check if this date is a valid date, and if not, CBRS will reject the record
- **Position Code** value **B = Borrowed**: valid only for request records
- Rules for **Certificate number prefix** and **Certificate Number** (Tax Lot record)
  - Both the **Certificate number prefix** and **Certificate Number** fields are relevant to two transactions: **27 = Certificate Deposit** and **41 = Direct Presentation**
  - **Certificate number prefix**: Field is optional. If field is left blank when **Transaction Type** is **27 = Certificate Deposit** or **41 = Direct**

**Presentation**, CBRS will still pass the record. If field is populated for any other transaction type, CBRS will space out the field and pass the record

- **Certificate number**: required for **Transaction Types 27 = Certificate Deposit** and **41 = Direct Presentation**. If field is left blank for either of these two transaction types, CBRS will reject the record. If field is populated for any other transaction type, CBRS will space out the field and pass the record
- **Date of Gift** field (Tax Lot record): this field is optional. The date can be in the future
- **Fair market value as of date of gift** (Tax Lot record): this field is optional

#### **IV. Discussion topics**

- New **Firm Identifier Type** field
  - DTCC needs to add a **Firm Identifier Type** field to the record layouts to identify the submitters of CBRS records who have existing relationships with one or more DTCC subsidiaries. Different participants have the same number in different subsidiaries, and CBRS needs to be able to match the number with the correct participant
    - For example, the number 101 refers to company X at DTC, company Y at NSCC, and also Transfer Agent Z. The **Firm Identifier Type** field for company X will be **DTC**, for company Y will be **NSCC**, and for company Z will be **Transfer Agent**
    - The list of transaction types and corresponding **Firm Identifier Types** is attached to these minutes as an appendix

- **Cost fields**
  - Zero can be a valid value for all three cost fields (This is a change from the current CBRS rules)
  - The cost fields must be populated with zeros, they cannot be left blank. If any cost field is blank, CBRS will reject the record
  - The committee agreed to add a new field on the tax lot level: **Zero basis indicator**
    - This field will have three values: **01 = True zero, 02 = Unknown, 03 = Pending**
    - If all three cost fields are populated with zeros, and the **Zero basis indicator** is blank, CBRS will reject the record
- **ACATS quantity edit:** match only mutual fund transactions
- **Rejects:** the committee discussed which level should have reject functionality, the asset level or the tax lot level. The result of the discussion was the reject functionality should be at the asset level. The committee will develop best practices around the issue of a customer depositing certificates with a broker that a transfer agent rejects after the broker has processed the deposit
  - **Reject reason code field**
    - The committee discussed additional values for this field— SCL balance does not match certificates, CBRS quantity does not match delivered quantity
    - There will most likely be additional values for this field. At this time, the field will be optional since the values do not currently identify all the possible conditions for a reject. DTCC can refine the field in a later enhancement, after the initial implementation of the service
- **Wash Sale Disallowed Loss Amount**
  - The committee decided to remove this field. The wash sale disallowed amount value pertains to the shares that are sold, i.e. lots that are closed. If the investor purchases replacement shares, the amount is reflected in the cost of the shares that are transferred. The financial intermediary receiving the transferred shares does not need to know this amount since the closed lots are not transferred

## V. Next Steps

- The committee have two more meetings via conference call focused on the record layouts, on February 16<sup>th</sup> and February 22<sup>nd</sup>. At the February 16<sup>th</sup> meeting the committee will review the record layouts again to discuss any final changes. On the 22<sup>nd</sup>, the committee will perform a final sign-off so DTCC can pass the record layouts onto the development team

Appendix: Proposed Values for **Firm Identifier Type** field

<b>Transaction</b>	<b>Populate Firm Identifier Type with:</b>	
	<b>Submitter</b>	<b>Receiver</b>
Firm to Firm:	NSCC	NSCC
01 = ACATS	NSCC	NSCC
02 = Free DTC Deliver Order (Non-ACATS)	DTC	DTC
03 = Valued DTC Deliver Order	DTC	DTC
04 = Conversion	DTC	DTC
05 = Mutual Fund Transfer (Non-ACATS) [change of broker-dealer]	DTC	DTC
06 = Other Depository Deliveries (e.g. FED)	DTC	DTC
07 = Physical Movement Settlement	DTC	DTC
Firm & Transfer Agent:		
Agent submits/firm receives CBRS original/corrected record:		
26 = DWAC Deposit	TA	DTC
27 = Certificate Deposit	TA	DTC
28 = DRS Profile/DO	TA	DTC
29 = DWAC Deposit Reserve Shares	TA	DTC
Firm submits/agent receives CBRS original/corrected record:		
36 = DWAC Withdrawal	DTC	TA
37 = Withdrawal by Transfer (WT)	DTC	TA
Either Agent submits/firm receives or Firm submits/agent receives CBRS original/corrected record:		
41 = Direct Presentation	DTC/TA	DTC/TA
Firm & Fund (In-kind Mutual Fund Transfers):		
Fund submits/firm receives CBRS original/corrected record:		
46 = Fund to Firm Mutual Fund Transfer [via ACATS Fund/SERV]	NSCC	NSCC
Firm submits/fund receives CBRS original/corrected record:		
51 = Firm to Fund Mutual Fund Transfer [via ACATS Fund/SERV]	NSCC	NSCC
Either fund submits/firm receives or firm submits/fund receives CBRS original/corrected record:		
56 = Networking Transaction	NSCC	NSCC
57 = Manual Mutual Fund Transfer	NSCC	NSCC
Managed Account Services		
65 = placeholder for Managed Account Services transaction		

Note: record will be rejected if submitter/receiver codes do not match the rules above

