

## **Cost Basis Steering Committee Meeting Minutes**

Date: February 16, 2010

Time: 10:00 AM – Noon eastern time

### **I. Approval of February 10, 2010 Meeting Minutes**

- Minutes approved as written

### **II. Bulk Deposits**

- The committee began its discussion with the issue of how transfer agents and broker dealers will handle reporting cost basis on bulk deposits
- While the recommended best practice is to no longer bulk multiple customers into one deposit, broker-dealers may still choose to make bulk deposits
- If broker-dealers do a bulk deposit, they will receive multiple CBRS records with the same ‘unique’ ID number
  - While the unique ID number will be the same, the records will contain different certificate numbers
- The committee agreed to discuss this issue further in separate groups to determine the extent of the issue and how to cope with the processing of bulk deposits

### **III. Specific field questions**

- The committee discussed the year to Julian Date for control number for Direct Presentations.
  - In the previous meeting the committee had decided to add the year to the control number for transactions 26 through 37 (deposits and withdrawals)
  - In this meeting we remembered that there may not be enough room in the securities processing layouts to accommodate the two extra bytes for year
  - The control numbers had previously included the year, but subsequently the year was removed to make more room in the number for other information
  - Therefore, the Julian date for transactions 26 – 37 (deposits and withdrawals) and 41 = Direct presentation will not include the two bytes for the year
- **Settlement date of transfer**: this date is not always known, so it cannot be a required field
  - Instead, the committee decided that out of the two fields **Date transfer was initiated** and **Settlement date of transfer**; the requirement is that one of these two date fields must be populated (either one or the other, since one or the other will always be known)
  - If neither of the date fields are populated, CBRS will reject the record

- Requirements for cost fields: the committee agreed with the requirements for the cost fields as written
- **Reject reason code:** the committee agreed that this field will be optional for initial implementation
  - The record layouts had a value of **04 = SCL balance does not match certificate** for this field. This should not be a valid value. DTCC will remove the value from the list.
- **Date of gift field:**
  - CBRS will reject the record if the value in this field is not a valid date
  - If the **Gifted and Inherited indicator** is **01 = Gifted**, **Date of Gift** and **Fair market value as of date of gift** are not required
  - If **Date of gift** field is populated and **Gifted and Inherited indicator** is not **01 = Gifted**, CBRS will reject the record
  - If **Fair market value as of date of gift** field is populated and **Gifted and Inherited indicator** is not **01 = Gifted**, CBRS will reject the record
- **Zero Basis Indicator:** the record layout stated “If **Tax lot original cost** and **Tax lot current cost** are both zero and this field is blank, CBRS will reject the record”
  - This is not accurate. Original cost may not be available on an equity position. DTCC will change the rule to reflect this fact.
- New **Transaction types:** Employee Stock Purchase Plans through DRS; Incentive Stock Option share movements through DRS
  - DTCC will add these two transaction types to the record layouts as: DRS—ESPP and DRS—ISO
- Additional comments:
  - **Position code:** the rules for the relationship between the **Position code** and the **Uncovered indicator** are currently on the asset input record, but since the **uncovered indicator** is a field on the tax lot input, the rules should only be on the tax lot input
  - The committee clarified that transfer agents do not need to populate the **Partial cost basis indicator** or the **Purchase/Dividend reinvestment indicator**
  - DTCC will discuss the **Partial cost basis indicator** field with the CBRS Working Group, which is made up of current users of the service. Members of this group requested that the field stay in the record layouts, and the committee would like to revisit the issue with that group to understand how they use the field

#### IV. Next Steps

- Final meeting to sign-off on record layouts will be on Monday, February 22<sup>nd</sup>, 10 AM