

**Cost Basis Steering Committee Meeting
Minutes**

Date: March 14, 2011
Time: Noon – 2 p.m.

I. DTCC Update

- As of 2/28/2011, 93 firms submitted records to CBRS in Production. 15 of these firms are banks, 65 are broker-dealers, and 13 are transfer agents
- As of 2/28/2011, 198 firms have signed up to use the service: 30 banks, 98 broker-dealers, and 70 transfer agents. 78 of these firms have tested. Note: Many of these firms use service bureaus, and service bureaus do not necessarily test for all of their clients. Also, many of these firms have signed up to use CBRS via WebDirect, and anecdotally, these customers do not plan on testing
- DTCC is planning two CBRS related projects in 2011:
 - New upload functionality, enabling users to upload data from an Excel spreadsheet to CBRS via WebDirect. This project's planned completion date is 6/30/2011
 - Changes related to supporting the passage of cost basis on mutual fund transfers, and other product improvements. DTCC plans to complete this second project by the end of the year

II. Issues discussed

- The mutual fund representatives on the committee are working on completing their business requirements. Jeff, Kathy, Yana, and Lydia will meet next week to talk about these requirements
- The committee decided to make the following changes to the cost fields in 2011:
 - Remove all cost fields from the asset record
 - DTCC will remove these fields and replace them with filler
 - *Tax Lot Current Cost* field will be required for Asset Category MFNM
 - Either *Tax Lot Original Cost* or *Tax Lot Current Cost* will be required for fixed income Asset Categories
- *Zero Basis Indicator/Acquisition Date of Tax Lot*:
 - On the *Zero Basis Indicator* field, remove the rule that says, "If the **Tax Lot Current Cost** is greater than zero and this field is populated, CBRS will space out this field and pass the record."
 - On the *Acquisition Date of Tax Lot* field, add a rule that says, "If the **Zero Basis Indicator** is 02 = Unknown, and this field is populated, CBRS will space out this field and pass the record."
 - Lydia will research the edits that occur between the *Tax Lot Current Cost*, the *Zero Basis Indicator*, and the *Acquisition Date of Tax Lot* fields
- The committee discussed whether an additional value of 04 = Restricted should be added to the *Uncovered/Pending Indicator*, and decided against adding the new value
 - While the committee decided that the added value is not necessary, the industry should agree on a best practice that brokers should not pass cost basis on physical safekeeping items that are held in the customer's name
- DTCC will change the comment on the *Uncovered/Pending Indicator* field to: "If the field is left blank, the receiver will considered the lot covered if the *Position Code* is

L = Long. If the *Position Code* is S = Short, the covered status of the position is not determined until the shares are acquired.”

- Removing ACATS edits: the committee is leaning towards removing these edits. A smaller subcommittee will discuss what the impact on the mutual fund companies would be, if any, if the edits are removed
- DTCC will make changes to the record layouts (both asset and tax lot) to clarify the meaning of submitting and receiving firm, firm type, and customer account number fields
- DTCC will be removing the Julian Date and Participant Number from the unique identifier on the Daily Deposit File for Transfer Agents. The planned date for this change is May. DTCC will issue an Important Notice about the change in the near future. Also, the Reorg Daily Deposit File is expected to be produced beginning in May

III. Next steps

- The next meeting will be on Tuesday, April 19, 2011, Noon to 2 PM eastern