

Cost Basis Steering Committee Meeting Minutes

Date: March 26, 2010

Time: 1 p.m. – 4 p.m.

- I. Approval of March 15, 2010 meeting minutes
 - Approved as written

- II. DTCC Update
 - DTCC is working on an Important Notice that discusses the record layouts and programming details for the CBRS enhancement. DTCC is also putting together a webcast to explain the record layouts. DTCC expects to have both of these files ready in April, and will let the committee know as soon as the files are available

- III. Mutual Fund requirements
 - The committee discussed the timing of the implementation of system changes for mutual fund transactions. The functionality of matching the Control Number in CBRS back to the FundSERV control number will not be a part of the initial implementation
 - For the initial implementation, the record layouts will include fields and values that pertain to mutual fund processing, but will not include the rules around these fields and values

- IV. Revisiting the values and rules for certain fields
 - The committee agreed to remove types 29, 30, and 31 from the **Transaction Type** field
 - Zeros in Date fields: a question came up about whether a submitter can populate a Date field with zeros. *Note as of 3/31/2010: at the meeting the answer was zeros are a valid value for this field. This was not correct. The next day I spoke with development again and they said zeros are **not** a valid value for date fields. I have updated the comments in the record layouts with this rule. – LM*
 - **Date of Gift**: the committee decided to make this field required if **Fair Market Value as of Date of Gift** is populated
 - **Disposition Method Used**: the committee added a value to this field, **06 = Select lot**
 - **Date Transfer was Initiated/Settlement Date of Transfer**: the committee decided to add transaction **01 = ACATS** to the list of transactions that require the submitter to populate one of these fields

- V. Best Practices
 - Timing for Best Practices: the committee agreed on June 1st as the date to finish the first draft of the Best Practices

- **When should a firm send the CBRS record?**
 - Original record: the day after the item settles. Otherwise, as soon as possible after settlement
 - Corrected record: within fifteen days of knowing that the record needs to be corrected
 - Reject record: within two business days, except for a certificate deposit. For a certificate deposit, if a firm receives partial shares from the Transfer Agent, wait to send the reject
 - Example of Certificate Deposit effected by a stock split with a record date of February 16th, and a pay date of March 1st:
 1. February 18: shares move from transfer agent to broker
 2. February 19: Transfer agent sends pre-split cost basis to broker-dealer
 3. March 1: Broker-dealer adjusts the position quantity and cost basis to reflect the split. The transfer agent does not need to send corrected basis
 - The committee agreed to place the issue of processing reorgs and corporate actions into the parking lot. A different group, including people directly involved in reorg and corporate action processing, will address this issue
 - For an **01 = ACATS** transaction, a firm should not submit a cost basis record until the ACATS transaction is in Sett Close status
- **What should the format be for the value in the Control Number when the securities transfer happened outside of DTCC?**
 - Before answering this question, the committee discussed the discrepancy between the format for the Control Number for transfers with Transfer Agents and the format for the same Number on the SCL Deposit Expectancy File
 - The group agreed that in both places the Number should include a 3-byte Julian Date (DDD), not a 5-byte Julian Date including year (DDYY)
 - The committee decided to put this question into the Parking Lot
- **Asset Description:** Populate this field for all transactions
- **What is the Date Transfer was Initiated/Settlement Date of Transfer for the various types of transactions?**
 - In general, the Settlement Date of Transfer is the day the position leaves the submitter's books
 - For Certificate Deposits, the Settlement Date of Transfer is the day the Transfer Agent cancelled the certificate
 - For WTs, the Date of Transfer is the date the customer was delivered off the books
 - The Settlement Date of Transfer is the day when the submitter is no longer responsible for Corporate Action processing for the transferred position
 - The definition of Date Transfer was Initiated is a Parking Lot issue
- Fields that do not need Best Practices at this time:

- Alternate Control Number; Receiving Firm Number; Receiving Firm Identifier; Receiving Firm Identifier Type; Submitting Firm Number; Submitting Firm Identifier; Submitting Firm Identifier Type; Agent for Firm Number; Receiving Firm Customer Account Number; Submitting Firm Customer Account Number; ISIN Country Code; ISIN Security Issue ID (CUSIP); ISIN Security Check Digit; Put-Call Indicator; Option Symbol; Option Expiration Date; Option Strike Price Integer; Option Strike Price Decimal; Asset Description; Asset Category; Total Position Quantity

VI. Next Steps

- Starting April 6th, the committee will meet every week on Tuesday from Noon – 2 PM eastern, at least through June, to work on the Best Practices. We will revisit the meeting time/frequency in June

Appendix:
Best Practices Parking Lot issues

1. What are the Best Practices for processing reorgs and corporate actions?
2. What should the Control Number be for securities transfers that happen outside of DTCC?
3. Define Date Transfer was Initiated and Settlement Date of Transfer