

## Cost Basis Steering Committee Meeting Minutes

Date: April 6, 2010

Time: Noon – 2 p.m.

- I. Approval of March 26, 2010 meeting minutes
  - The Best Practices should reflect that for WTs, the **Date Transfer was Initiated** should be the date the broker submits the WT, and the **Settlement Date of Transfer** should be the date the shares are debited from Cede & Co.'s position on the Transfer Agent's books
  - Otherwise, the committee approved the minutes as written
  
- II. Discussion of Corporate Actions and Cost Basis Processing
  - David Hands, from DTCC Product Management, talked to the group about passing cost basis on securities effected by corporate actions
  - The committee brought up questions such as Who applies the corporate action; Who would supply the unique ID number for each corporate action; and, What happens if an asset is transferred while a corporate action is in process?
  - DTCC may be able to include cost basis information in its corporate action announcements, but the open issue remains of what happens if the tax implications of the action are not available when the announcement is first released
  - DTCC will poll the Steering Committee to see who would like to participate in a sub-group that will discuss corporate action/cost basis issues

### III. Continuation of Best Practices discussion

- The committee began this discussion by talking about the following scenario:
  - Broker Red does not receive cost basis on an asset transferred from Broker Blue. The customer then moves to Broker Yellow, but Red still does not have the cost basis from Blue. How should CBRS users handle this situation?
  - The main fields involved with this issue are: **Zero Basis Indicator**, **Uncovered Reason Code**, **Acquisition Date**, **Employee Plan Shares Indicator**. The committee discussed various scenarios and possibilities, and came up with the following solution:
  - In the **Zero Basis Indicator** field, remove the value **03 = Pending**
  - Two changes to the **Uncovered Reason Code** field:
    - Change the name of the field to **Uncovered/Pending Indicator**
    - Add the value **03 = Pending**
  - In the **Employee Plan Shares Indicator** field, add the best practice that if this field is populated, a third party should provide the cost basis for the tax lot
  - The **Acquisition Date** field remains unchanged
- At this point, the committee started where we left off at the previous meeting, at the **Position Code** field on the Asset input record
  - The committee discussed the use of the **S = Short** value. DTCC will write up an example and submit it to the committee for review
- The committee moved the discussion of best practices for the cost fields to the parking lot
- No best practices needed for these fields: Disposition Method Used, Shares to Cover Short Indicator, Firm Reject Reason Code
- The committee then reviewed the firm reject and request record layouts. These layouts already had best practices in them, and the committee did not see the need for additional best practices.

### IV. Next Steps

- Committee members will look at the cost fields on both the asset and tax lot records, to see if the fields need more best practices than what is currently on the record layouts
- Our next meeting will be on Tuesday, April 13, from Noon – 2 PM eastern

**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
4. Do we need additional Best Practices be for the cost fields?