

Cost Basis Steering Committee Meeting Minutes

Date: April 27, 2011

Time: Noon – 2 p.m.

- I. Approval of March 14 and April 19, 2011 Meeting Minutes
 - The Committee approved both sets of minutes as written

- II. Issues discussed
 - Joe Clemente mentioned that the Daily Deposit File for TAs for Reorgs is on schedule to be released to Production on May 19, 2011
 - **Finalize Business Requirements by May 31, 2011**
 - **Open Business Requirements issues:**
 - **Should the Date of Gift field be required when the Gifted or Inherited Indicator is 01 = Gifted?** (Kevin: on page 90/91 of final regs you will see that if it is marked gifted and no gift date is provided you use the settlement date of the transfer) The committee decided that the Date of Gift *should not be required* when the lot is gifted
 - **Add “04 = Restricted” value to Uncovered/Pending Indicator?**
 - Scenario: a broker receives a CBRS asset record for 200 shares, 2 tax lots of 100 shares each. 100 shares are clean; 100 shares are restricted. The receiver needs to be able to distinguish which lot is clean and which lot is restricted so it knows how to apply the cost basis. This value will enable the submitter to tell the receiver which is which
 - Some brokers may not send cost basis on the restricted shares, but in the case where a broker does, this value is important
 - The committee decided this value should be added. The name for the value should be “04 = Certificate in Customer Name”
 - **Add rules for cost fields on Tax Lot record**
 - The group agreed that Tax Lot Current Cost is required for MFNM
 - Current or Original Cost required for fixed income: We will revisit this issue at the next meeting
 - **Confirm rules for Acquisition Date of Tax Lot field:**
 - The committee discussed the rules below at length; we will continue the discussion at the next meeting
 - If this field is populated and the Zero Basis Indicator field is 02 = Unknown, CBRS will reject the record.
 - If Tax Lot Current Cost is greater than zero, this field must be populated. Otherwise, CBRS will reject the record.
 - If this field is blank, Uncovered/Pending Indicator field must be populated. Otherwise, CBRS will reject the record.
 - **Removing ACATS edits:**
 - A subgroup is working on what the impact of removing these edits would be

- **Changes to support mutual funds**
 - The group agreed with removing the *Agent for Firm* field
- The group discussed one of the scenarios where cost basis moves from a TA to a broker: the TA used number 123 when it delivered the asset, but number 456 when it delivered the cost basis. This discrepancy caused a break on the broker side. One solution: the TA can make number 123 eligible for CBRS. The group also discussed the solution where the receiver should use criteria other than submitting firm number (assuming there is enough other criteria to have a successful match)
- The group discussed the scenario where a firm receives two separate asset records for the same Transfer Control Number and same quantity. This may happen when the asset transfer includes both margin and non-margin assets
- The group discussed an issue that was recently discovered: DTCC's Account Administration department has the ability to remove a firm from the CBRS Master File intraday. CBRS Users will not know that the firm has been removed until the CBRS Master File MRO is distributed in the evening. DTCC will look into possible solutions for this issue
- User CUSIP in ACATS & CBRS: The group discussed the use of User CUSIPs in ACATS and subsequently CBRS. Deliverers and receivers usually use different User CUSIPs. Scenario: an asset with a User CUSIP transfers from one firm to another in ACATS. The receiver sets up the asset, using its User CUSIP, in CBRS. The submitter sends a cost basis through CBRS using its User CUSIP, which is different than the receiver's identifier. The receiver cannot match the cost basis to the asset transfer, so it marks the lot(s) as uncovered. For now CBRS has edits in place that match the CBRS records to the ACATS transfer, so this issue does not occur (as long as the CBRS record is submitted within 25 days of the ACATS transfer). In the future if/when the CBRS-ACATS edits are removed, this situation may happen more frequently. We added this issue to the Parking Lot.

III. Next Steps

- Set time for next meeting: Tuesday, May 17, Noon – 2 pm eastern