

**Cost Basis Steering Committee Meeting  
Minutes**

September 6, 2011, Noon – 2 p.m.

I. Approval of August 23, 2011 Meeting Minutes

- The Committee approved the minutes as written

II. Issues discussed

- *Transfer Agent LPA number vs. TA number:* At the meeting on August 23, DTCC presented the possibility of adding the LPA number to the CBRS Master File for information purposes (example below). Broker-dealers could use the Master File to make a relationship between the LPA number and the TA number. DTCC may be able to add the LPA number to the CBRS output as well. DTCC is researching the issue, and will report back to the committee at the September 13 meeting.

CBRS Account	CBRS Account Type	CBRS Account Name	Firm Account ID	Firm Account Type	LPA #	LPA Type
1234ABCD	CBRACT	ABCD Transfer Co	1234	AGTNBR	8765	DTCPRT
5678ABCD	CBRACT	ABCD Transfer Co	2468	AGTNBR	8765	DTCPRT

- *How is Transaction Type 03 = Valued DTC DO used?* This transaction type is used in the scenario when securities in a margin account are being transferred vs. money. The money involved in this transfer is not the cost basis for the position. If the valued DO is the result of an institutional delivery (ID) trade, the cost basis should be on the ID confirm. If the valued DO is the result of moving securities in a margin account, the cost basis should transfer via CBRS. Cost basis for ID trades should not be passed through CBRS. There is a code on the valued DO which indicates that it is an ID trade.
- The committee discussed the possibility of two or three CBRS releases in 2012. DTCC will research possible timing, including a deadline for requirements for a possible Q2 release. It is expected that some requirements for system improvements will emerge after testing begins on September 30, 2011.
- The committee reviewed the Parking Lot issues and Wish List items. The revisions to both lists are reflected below. The committee also recommended the creation of a third list to keep track of the future enhancements that the committee has agreed on. This third list is included below.

III. Next Meeting: Tuesday, September 20, 2011 from Noon – 2 PM eastern

**Parking Lot**

1. **How should Transaction Type 06 = Other Depository Deliveries (e.g. FED) be used?**
2. **How should Transaction Type 07 = Physical Movement Settlement be used?** Use it for Alternative Investments? What language should be added to the record layouts to clarify?
3. **Should CBRACT be a valid transaction type for other transaction types?**
4. **Require Deliverer Customer Account Number for all transactions?**

5. **Create a universal default format for the Transfer Control Number** which can be used for all Transaction Types and all Asset Categories. One suggestion is Julian date (3 bytes) + sequence number (3 bytes) + CUSIP (9 bytes) + deliverer account number (15 bytes) [or receiver account number if deliverer account number is not available]. The “D format” follows the format below:
  - Position 1: ‘D’ = Direct Transfer Indicator
  - Position 2-5: NSCC Participant Number for the Fund
  - Position 6: Last Digit of Current Year
  - Position 7-9: Julian Date
  - Position 10-15: Unique Number (randomly-generated, sequential)
6. **Mutual funds passing cost basis on 01 = ACATS transactions for fund-controlled assets.**
7. **Best Practice about how to populate the deliverer/receiver customer account numbers for mutual fund transfers.** Ideally the underlying customer account number should be populated in these fields. If this is not possible, what best practice should the industry follow for alternatives?
8. **Should the Deliverer and Receiver Customer Account Numbers be required for Networking Transactions?**
9. **Possible edits to the Exempt Recipient Account Indicator:** If the rule could be configured to be set to Exclude All Exempt Recipient Accounts, and the Non-covered/pending indicator is 02 (non-covered account), DTCC could reject the records back before received by the Participant.
10. **Make Receiver Customer Account Number required for Conversions?**
11. **Remove Purchase/Dividend Reinvestment Indicator?**
12. **Additional rules for fixed income assets:** (The committee will review this issue as the IRS issues more guidance.)
  - a. Cost fields
  - b. New Zero Basis Indicator to point to Tax Lot Original Cost?
13. **User CUSIP issues (to be primarily addressed in Derek’s call):**
  - a. 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 its CBRS expectancy file. The submitter sends 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.
  - b. Revisit the Best Practice that a blank CUSIP value for a request for transaction type 01 = ACATS, because a blank value in the CUSIP field could be a request for an asset with a User CUSIP.
  - c. Possible programming solution: Add ACATS sequence number to CBRS record layouts (helps with User CUSIP issue)

**Future enhancements  
(agreed upon by the Committee)**

1. When the wash sale date is populated, it would always be equal or greater than the acquisition date
2. Add an edit that says Tax Lot Current Cost cannot be unknown if the lot is covered

