

Cost Basis Steering Committee Meeting Minutes

Date: October 15, 2010

Time: Noon – 2 p.m.

I. DTCC Update

- As of the meeting date 82 firms have signed up to use CBRS: 55 broker-dealers, 15 transfer agents, 12 banks. About half of the current users of CBRS have signed up to use the enhanced service.
- While final regulations give some penalty relief, the regulations become law on January 1, 2011, so DTCC is continuing with its plans to implement the new CBRS code into the production environment on December 10, 2010.

II. Review issues

- The committee discussed possible best practices for sending request records, in the context of the penalty relief given by the final regulations. At this point DTCC will not publish a best practice for this issue, the decision will be made on a firm by firm basis
- The committee discussed the fact that broker-dealers do not know the counterparty on a WT transaction, and transfer agents/issuers do not have contact information for a counterparty on deposit transactions. We will continue to talk about these issues and possible solutions

The committee discussed the following excerpts from the final IRS regulations.

- p. 37: “The final regulations clarify that the transfer statement need not identify noncovered securities at the lot level...”
 - The committee said that if a submitting firm has multiple lots on its books that do not have cost basis, these lots can be combined when sending cost basis to the receiver.
 - For example, an asset transfer has 500 shares, in three lots:
 - 300 share lot with known cost basis
 - 100 share lot with unknown cost basis
 - 100 share lot with unknown cost basis
 - A submitting firm can combine the two 100 share lots with unknown basis, and send them as one tax lot, with 200 shares, in CBRS
- p. 43: “The final regulations require transfer statements to reflect all organizational actions that occur while the transferor holds custody. Therefore, the final regulations eliminate the sequential number requirement.”
 - The Number of Most Recent Corporate Action field in CBRS can now become filler
- p. 47- 48: “The final regulations require corrected reporting only when brokers receive corrected information...18 months after issuing a transfer statement.”
 - No change to CBRS

- p. 49: “The regulations on broker basis reporting under section 6045 (g) apply to: Any share of stock or any interest treated as stock in an entity organized as, or treated for Federal tax purposes as, a corporation (foreign or domestic) acquired on or after January 1, 2011....”
 - No change to CBRS
- p. 88: “A transfer statement for a noncovered security is complete if it indicates that the security is a noncovered security.”
 - No change to CBRS
- p. 112: The transfer statement must include: “if applicable, the holding period adjustment required by section 1091.”
 - No change to CBRS
- p. 114: “The transfer statement must indicate that a transferred security is borrowed if the transferor knows that the security is transferred pursuant to a lending or borrowing arrangement. The transfer statement must not report an adjusted basis if the transferor knows that the transferred security is lent or borrowed pursuant to a short sale.”
 - No change to CBRS
- Any changes to gifted and inherited? (pp. 39 – 41, 115 – 116)
 - No change to CBRS

III. Next steps

- The next meeting of the committee will be on Tuesday, October 26, 2010, from Noon to 2 PM eastern