

## Cost Basis Steering Committee Meeting Minutes

- I. Approval of October 26, 2010 and November 9, 2010 meeting minutes
  - Both sets of minutes are approved as written
  
- II. DTCC Update
  - As of the meeting date 145 firms have signed up to use CBRS: 89 broker-dealers, 37 transfer agents, 19 banks. 61 out of 65 users of the current CBRS have signed up to use the new system (94%). Two current users feel that they are not subject to the regulations so they will not use the new service. DTCC relationship managers are reaching out to the two remaining current users to make sure they will be signed up for the new service
  - 42 firms have started testing the new CBRS
  - WebDirect training started today, November 30. Sessions are scheduled to continue through mid-January, and may go even longer if demand is high
  - The Cost Basis User Master File is now available in Production. The file is generated at night, and includes all users eligible for CBRS as of the next business day. For now the file includes only test accounts: the first night that the file will contain real data is the night of December 9, since the first day any firm can be eligible for Production is December 10
  
- III. Issues to discuss
  - **Wash sale issues** Is the *Original Acquisition Date for Wash Sale Adjustment* field needed? Does CBRS need a Wash Sale Indicator on the tax lot input record? The committee decided to keep the *Original Acquisition Date* field, and not to add a Wash Sale Indicator—the date field can act as the indicator. In the future, as a Best Practice, we may want to choose a fictitious date to place in this field that will tell the receiver of the record that the lot is a wash sale
  - **Adding the Cost Basis Control Number to the input file.** A customer requested that the Cost Basis Control Number (the unique number assigned to every asset record by the CBRS application—not the Transfer Control Number) be added to the asset input record for Corrected and Firm Reject records. The customer asked for this functionality to help identify a particular asset within an ACATS transfer (ACATS has similar functionality in place today). The committee discussed this suggestion, and determined that this additional number is not necessary. There are other data on the tax lot that will help distinguish one lot from another.
    - Another reason this suggestion may not work is because it would require firms to store the Cost Basis Control Number
    - ACATS users would be the only firms helped by this change. The group discussed a Best Practice for sending CBRS on an ACATS transaction: if you are sending a correction for multiple asset records for the same CUSIP, send all records for that CUSIP
  - **2011 enhancements for CBRS**
    - Upload. Enables users to upload data to CBRS via WebDirect instead of typing in each individual lot

- Contact information in WebDirect. Allows users to add and maintain cost basis contact information to help with issues that need to be resolved over the phone. The committee asked if this contact data could be stored in the Cost Basis User Master File. DTCC will ask the question and bring the answer back to the committee
- Populate the *Receiving Firm Type* field based on transaction type, where possible. Some transaction types only have one receiving firm type. Where this happens, CBRS could automatically populate the receiving firm type field
- Add value to the *Uncovered/Pending Indicator*: '04 = Restricted'. This additional value was discussed at the previous committee meeting
- Remove *Number of Most Recent Corporate Action* field. Field is no longer needed, based on final IRS regulations
- Changes to support mutual funds. Based on ICI meetings and industry discussions, the following changes are needed to support the passage of cost basis on mutual fund assets:
  - Make the *Alternate Control Number* field required for transaction types 46 and 51
  - Make the *Total Average Cost* field conditional
  - May need an additional indicator on the Master File to say whether a firm wants to send/receive cost basis for retirement accounts (this is an open issue for the committee to revisit in the future)

IV. Next steps

- The next committee meeting will be on December 14, 2010, Noon to 1 PM eastern