

Previous Meeting Notes: August 16, 2014 – Reviewed & Approved

Next Meeting Planned: September 30, 2014 Noon- 1:00 pm ET

9/23/2014 Meeting Notes

The Cost Basis Steering Group discussed to the following:

- A. Best Practices for the use of fixed income fields. Ellen Bocina circulated a table after the meeting and below is the version that would appear in the CBRS User Guide.

Market Discount			
Situation	Include Market Discount in Income Election	Market Discount	Current Cost <i>Note: Should not include wash sale adjustments or disallowed carryover amount</i>
Election to include market discount in income currently is not made	No	Amount should be 0.00 Market Discount is deferred.	Current Cost should not include any accretion of Market Discount
Election to include market discount in income currently is made	Yes	Amount should reflect the accreted Market Discount from acquisition date to settlement date of transfer.	Current Cost should include the amount of accreted Market Discount from from acquisition date to the settlement date of transfer
Election to include market discount in income currently is revoked	No	Amount should reflect the accreted MarketDiscount from the settlement date of acquisition to the date of revocation	Current Cost should include the accreted Market Discount from settlement date of acquisition to the date of revocation

Treat All Interest as OID Election is Made (Election to include market discount in income currently is presumed) **	Yes or No Because current inclusion is presumed with the AI Income as OID election, the election may be populated with either Y or N.	Amount should reflect the Market Discount accreted through the settlement date of the transfer	Current Cost should include the amount of accreted Market Discount from settlement date of acquisition to the settlement date of transfer
Revocation of All OID Election - Does not allow for revocation of current inclusion	Yes	Amount should reflect the accreted Market Discount through the settlement date of the transfer	Current Cost should only reflect the amount accreted through the settlement date of transfer
Default of debt instrument purchased at a market discount Current Inclusion election is not made	No	Amount should be 0.00	Current Cost should not include any accretion of Market Discount
Default of debt instrument purchased at a market discount - Current Inclusion election is made	Yes	Amount should reflect the accreted Market Discount through the settlement date of the transfer	Current cost should reflect the Market Discount amount accreted through the settlement date of the transfer
Default of debt instrument purchased at a market discount All OID election is made	Yes or No Because current inclusion is presumed with the AI Income as OID election, the election may be populated with either Y or N.	Amount should reflect the accreted Market Discount through the settlement date of the transfer	Current cost should reflect the Market Discount amount accreted through the settlement date of the transfer

** If the election to include income currently is *not* made, there is no additional impact if the All Income as OID election is made

Bond Premium

Situation	Amortize Bond Premium Election	Bond Premium	Current Cost <i>Note: Should not include wash sale adjustments or disallowed carryover amount</i>
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Broker Default to Amortize	Yes	Amount should reflect amortized Bond Premium from acquisition date to the date of the last interest payment (last interest payment date since amortization is only allocable to interest payments)	Current Cost adjusted for the amount of amortized Bond Premium from acquisition date to the date of last interest payment (i.e. last interest payment date since amortization is only allocable to interest payments)
Client Notification to not amortize	No	For bonds purchased in the year the election is made or thereafter, this amount should be 0.00. For bonds purchased in a year prior to the election, this amount should be the amount of amortized Bond Premium from the settlement date of acquisition to the date of the notification to not amortize	For bonds purchased in the year the election is made or thereafter, Current Cost should be unadjusted for any Bond Premium For bonds purchased in a year prior to the election, Current Cost should be adjusted by the amount of amortized premium from the date of acquisition to the date of the notification to not amortize
Revocation of notification to not amortize	Yes	Amount of amortization from the date of revocation to the settlement date of transfer	Current Cost adjusted for the amount of Bond Premium amortized from the date of revocation to the settlement date of transfer
Interest as OID election = Y **	Yes	Amortization amount through the settlement date of the transfer (Because All income as OID is on an accrual basis, amortization is done daily, not based on interest payment dates)	Current Cost includes amortization amount through the settlement date of the transfer (Because All income as OID is on an accrual basis, amortization is done daily, not based on interest payment dates)
Default of debt purchased at a Bond Premium with the default to amortize	Yes	Amount of amortized Bond Premium from settlement date of acquisition to the date of the last interest payment received	Cost adjusted for the amount of amortized Bond Premium from date of acquisition to the date of the last interest payment received

** If the client elects to not amortize Bond Premium, there is no additional impact if the All Income as OID election is made

Acquisition Premium		
Situation	Acquisition Premium	Current Cost <i>Note: Should not include wash sale adjustments or disallowed carryover amount</i>
No Applicable Election	<p>Amount of acquisition premium accreted from the settlement date of acquisition through the settlement date of transfer</p> <p>For OID bonds purchased at par or at a bond premium, this amount should be 0.00 or equal to the amount of accrued OID</p>	<p>Cost adjusted for the amount of acquisition premium accreted from the settlement date of acquisition through the settlement date of transfer</p> <p>For OID bonds purchased at par or at a bond premium, this amount should be 0.00</p>
Default of debt purchased at an acquisition premium	<p>Amount of acquisition premium accreted from the settlement date of acquisition through the settlement date of transfer</p>	<p>Cost adjusted for the amount of acquisition premium accreted from the settlement date of acquisition through the settlement date of transfer</p>

Accrued Original Issue Discount (OID)			
Situation	Interest as OID Election	Accrued OID	Current Cost <i>Note: Should not include wash sale adjustments or disallowed carryover amount</i>

<p>Election to treat all income as OID is not made</p>	<p>No</p>	<p>Amount of OID accreted from the settlement date of acquisition through the settlement date of transfer</p> <p>For OID Bonds purchased at par or at a bond premium, this amount should either be 0.00 or equal to the amount of acquisition premium</p>	<p>Current Cost adjusted for amount of OID accreted from the settlement date of acquisition through the settlement date of transfer</p> <p>For OID Bonds purchased at par or at a bond premium, there is no basis adjustment for OID (OID = Acquisition premium so they offset each other)</p>
<p>Election to treat all income as OID is made</p>	<p>Yes</p>	<p>Amount of OID accreted from the settlement date of acquisition through the settlement date of transfer</p> <p>The amount should <i>not</i> include interest payments, accretion of Market Discount, Bond Amortization or amortization of Acquisition Premium</p>	<p>Current Cost should be adjusted by the amount of accreted OID</p>
<p>Default of debt issued at an Original Issue Discount</p>		<p>Amount of OID accreted from the settlement date of acquisition through the settlement date of transfer</p>	<p>Amount of OID accreted from the settlement date of acquisition through the settlement date of transfer</p>

<p>Last Adjustment Date</p>	<p>The date as of which the last basis adjustment was made to account for Bond Premium, acquisition premium, Market Discount or OID</p> <p>For OID bonds purchased at a premium, this date should be the last date as of which the bond premium was amortized (Acquisition premium and OID nets to 0.00 so the relevant date is the last interest payment date used for amortization of bond premium)</p> <p>For OID bonds purchased at a market discount where market discount is deferred, this date should be the settlement date of the transfer as this is the last date as of which OID was accreted</p> <p>In the instance where the current inclusion election was revoked, this date should reflect the date of revocation (i.e. when accretion of market discount stopped)</p> <p>In all other instances, this should be the settlement date of the transfer</p>
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<p>Disallowed Carryover Offset</p>	<p>The amount of amortized Bond Premium to be carried over to the date of disposition (The cost basis should NOT be adjusted by this amount).</p> <p>This occurs in the instance where debt purchased at a bond premium is not amortized and then in a later year, the client revokes the decision.</p>
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<p>Wash Sale Adjustment Amount</p>	<p>Amount of disallowed loss added to the cost basis</p>
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<p>Suggestions for File Layout for other impacted fields</p>	
<p>FMV as of date of gift</p>	<p>For bonds, should be unadjusted for amortization or accretion. Basis adjustments should be made for all other security types</p>

