

Previous Meeting Notes: February 18, 2014 – Reviewed & Approved

Next Meeting Planned: March 18, 2014 Noon- 1:00 pm ET

3/4/2014 Meeting Notes:

1. The current ACATS position code for a transfer coded with Settlement Location = 35 does not require the submitter to identify if the option is a ‘Short or Long ‘position. In contrast the Cost Basis Reporting Service (CBRS) requires the identification of the position as ‘Short or Long’.

It was agreed that firms settle the options transfers at the OCC and most typically use the “Encore” OCC settlement file which contains the relevant information of ‘Short or Long’ position. Therefore, ACATS does not need to make any changes to the current file layouts.

2. The comments field on the Cost Basis Tax Lot and Asset Lot Input file for Tax Lot Original Cost and Zero Basis Indicator required modification, from the previously published version, dated 11/8/2013, to add clarification for debt instruments. Cost basis is required for debt securities, unless the basis is unknown, thus both the Tax Lot Original Cost and Zero Basis Indicator fields will be populated. Neither of the Tax Lot Original Cost or Zero Basis Indicator fields could be populated, in the event the basis is not known for a debt security and the CBRS record would not be submitted.

Tax Lot Original Cost

- If the security is a CORP, FDEB, GOVT, Gov’t Agency, MUNI or ZERO (a fixed income security) & it is a covered ; then it is a required field. ~~unless the basis is unknown.~~
- ~~If the security is a CORP, FDEB, GOVT, Gov’t Agency, MUNI or ZERO (a fixed income security), & it is covered, & the basis is unknown; then the field is not required, but can be populated. CBRS will pass the record.~~

Zero Basis Indicator

- If the security is a CORP, FDEB, GOVT, Gov’t Agency, MUNI or ZERO (a fixed income security), & it is covered, & the basis is unknown CBRS will reject the record.

3. The CBRS Steering Group agreed to change three values on the Transaction Type field for both the Cost Basis Tax Lot and Asset Input records.

Transaction Type Indicator	Old Value Name	New Value Name
06	Other Depository Deliveries (e.g.	FED

	FED) (Non-ACATS)	
09	Reserved for future use	Non-Domestic Depositories (Foreign)
10	Reserved for future use	Other

4. The above information answered a pending question of whether a new transaction type was needed for transfers at the Fed in order to match up the transaction with the counterparty's Fed ID number on the CBRS User Master File.
5. The following item has been referred to the SIFMA Cost Basis Committee to determine a best practice.

What CBRS users should expect to see in the new discount/premium fields, and related Best Practices. Some questions/issues that came up are (from meeting on 11/05/2013)

- a. Potential future edit: If the customer chooses the election not to amortize bond premium, then the Bond Premium field should not be populated.
 - b. We may need new fields for 'accrued, reported' and 'accrued, not reported'
 - c. How do we define the values in the accrual amount fields if the deliverer sends adjusted basis? (*Note: need more guidance from the IRS to resolve this issue.*)
 - d. For the market discount field, if the value passed is accrued life-to-date, is the value passed all or a part of the basis that has not already been reported?
 - e. When a customer elects to **not** include market discount in interest currently, what should a submitter populate in the market discount field?
 - f. If a customer elects in May, and transfers in July, what does the deliverer report?
 - g. When the customer elects to treat all interest as OID, what is the expectation for passing accrued interest? Does the deliverer pass accrued interest through the transfer date, and then the receiver is responsible for the calculation for the remainder of the year?
6. It is anticipated that fields being introduced in the June 2014 deployment of the CBRS Phase 4 release may require rule modifications as new IRS legislation is introduced in the future. No known rule changes are available at this time.
 7. The regulations do not specify a need for "Yield or amortization date."

An industry best practices proposal for debt securities will be presented at the next SIFMA Cost Basis meeting.