

Cost Basis Steering Committee Meeting Minutes

July 26, 2011, Noon – 2 p.m.

I. Approval of June 21, 2011 Meeting Minutes (revised as of June 27, 2011)

- The Committee approved the minutes as written

II. DTCC Update

- As of July 25, 2011, 265 companies have signed up to use CBRS: 31 banks, 98 broker-dealers, 61 mutual fund companies, and 75 transfer agents
- As of June 30, 2011, 118 companies have submitted data to production: 19 banks, 68 broker-dealers, and 31 transfer agents
- DTCC discussed a proposed tiered pricing structure, that includes a cap. The impetus for this change arises from the large number of records that may go through the system as a result of a conversion. A related issue came up: firms are using the AIT service to pass cost basis files. DTCC will discuss this issue and come up with some suggestions on how to address it
- DTCC posted updated CBRS record layouts to its website, and released an Important Notice about these layouts, on June 17, 2011. The changes are scheduled to be available in the participant testing environment on September 30, 2011, and in the production environment on November 18, 2011. DTCC expects to send out the Important Notice about testing on July 26 or July 27, 2011

III. Issues discussed

- The group revisited the issue of the scenario when an Equity Transfer Agent/Issuer passes basis on a TA-initiated deliver order. Many agents have signed up to use CBRS with their agent number (type AGTNBR), but on a TA-initiated deliver order, the shares come from the TA's limited participant DTC number (type DTCPRT). Type 28 = DRS Profile/DO only allows type AGTNBR to submit. TAs can use transaction type 02 = Free DTC Deliver Order to pass basis on these transfers: this type allows a DTCPRT type to submit. The group discussed the solution where the firm number the basis comes from should be the firm number the shares come from—the limited participant DTC number in this scenario. TAs who do not already have this number eligible for CBRS would need to submit additional forms to use it. The TAs will discuss the workflow in their subgroup to determine whether this solution works for them.
- *Should zeros be a valid value for the Total Quantity field in the Asset record?* No. The committee agreed that zeros should not be a valid value for the Total Quantity Field on the Asset record, and also should not be valid for the Tax Lot Quantity Field on the Tax Lot record.
- The group discussed the possibility of adding the letters 'CATS' to the beginning of the Fund/SERV control number in the ACATS Fund/SERV Statistics file. Currently in Fund/SERV the fund companies know the control number as beginning with 'CATS', but these four letters are stripped off by ACATS and reported on the ACATS Fund/Serv Statistics file without them (with 'CATS' the control number has 15 bytes, ACATS reports the last 11 bytes of this number). The group discussed various solutions involving changes on the broker-dealer side or the fund side. In order to make the ACATS Fund/SERV report consistent with Fund/SERV for current and future users of

CBRS, the committee is leaning towards DTCC's making the change to the report. DTCC will discuss this solution with SIFMA's Customer Account Transfer (CAT) division. It is important to note that this change would affect all ACATS Fund/SERV transactions, not just PTF transactions. The change could tentatively be made by the end of 2011

- The group discussed the addition of the "Exempt Recipient Accounts" indicator to the CBRS Master File. For this year's release, "Exempt Recipient Accounts" in this context refers to retirement accounts. Many firms and funds want to receive cost basis for retirement accounts; but, there are some funds that do not want to receive basis for retirement accounts. This field will allow a CBRS user to indicate whether they want retirement accounts excluded from the basis they receive. The field values mean the following:
 - Y: Exclude retirement accounts from basis sent to this user
 - N: Do not exclude retirement accounts from basis sent to this user

The field may be expanded in future releases.

IV. Next Meeting: Wednesday, August 3, 2011, 10 to 11 AM eastern