

Cost Basis Steering Committee Meeting

Minutes

August 23, 2011, Noon – 2 p.m.

I. Approval of August 16, 2011 Meeting Minutes

- The Committee approved the minutes as written

II. Issues discussed

- *New edit:* When Original Acquisition Date for Wash Sale Adjustment is populated, it should always be equal or greater than the Acquisition Date of Tax Lot. The committee agreed that this would be a good edit to include in a future release.
- *Transaction Type for Alternative Investments:* CBRS may not need an additional specific transaction type for Alternative Investments (AIs). The suggestion is that Transaction Type 07 = Physical Movement Settlement can be used for AIs. DTCC can add language to the record layouts to clarify what this Transaction Type should be used for. This issue has been added to the parking lot.
- *Plan for future meetings:* The committee decided to use the last half hour of future meetings to discuss parking lot issues.
- *How is Transaction Type 03 = Valued DTC DO used?* This question came up from a recent CBRS Working Group call, and as a result of a conversation about Prime Brokerage processing. A valued DTC DO could be used in the situation where money is passed in exchange for shares, but this money is not necessarily the cost basis: it could be to settle margin, or as the result of moving shares from one prime broker's books to another. The committee will discuss this transaction again on a future call.
- *Best Practices for 'Exempt Recipient Accounts' indicator: should a CBRS user, who has asked not to receive basis for retirement accounts, firm reject a record for a retirement account?* The ICI CBR Task Force discussed this issue during a recent call. There was no consensus. Some users will accept, some users will suspend and require a review for acceptance or rejection, some will reject outright.
- *Required customer account number for manual mutual fund transfers:* we need to develop Best Practices around how to populate this number. Ideally the customer account number should correspond to the underlying customer's account number. If not, a user can populate this number with the firm's account number. A subgroup of this committee will get together to work on this Best Practice.
- On a recent STA call, transfer agents discussed the recommendation that TAs should make all of their TA numbers eligible for CBRS. From the same conversation, it appears that TAs have only one LPA number.
- On the same call, some TAs expressed that they consider the customer account number to be non-public information, so they do not want to include the number on a CBRS record. It could be helpful to the receiver of the CBRS to know the customer account number for additional matching criteria, but including this number is not a long term solution to solve the break that occurs when a DTC DO comes from an agent's LPA number, but the cost basis comes from the agent's TA number
- *Transfer Agent LPA number vs. TA number:* To address the break mentioned in the bullet above, DTCC presented the possibility of adding the LPA number to the CBRS Master File for information purposes. Broker-dealers could use the Master File to make a

relationship between the LPA number and the TA number. The committee asked whether if a TA provided their TA number on the input record, could DTCC provide the LPA number on the output? DTCC will research the answer.

CBRS Account	CBRS Account Type	CBRS Account Name	Firm Account ID	Firm Account Type	LPA #	LPA Type
1234ABCD	CBRACT	ABCD Transfer Co	1234	AGTNBR	8765	DTCPRT
5678ABCD	CBRACT	ABCD Transfer Co	2468	AGTNBR	8765	DTCPRT

- Manual Transfer Control Numbers for mutual fund transfers with for CBRS-only users:* The ICI CBR Task Force discussed the Transfer Control Number format discussed at the last Steering Committee meeting [Julian date (3 bytes) + sequence number (3 bytes) + CUSIP (9 bytes) + deliverer account number (15 bytes)]. They had concerns that the Julian Date did not include the year, which may cause a problem for records that are corrected the next year. Also, this 30-byte number may be too long: some people are used to a 15-byte control number. The “Supplemental User Guide for Mutual Funds” has this recommended format (the “D format”):

- Position 1: ‘D’ = Direct Transfer Indicator
- Position 2-5: NSCC Participant Number for the Fund
- Position 6: Last Digit of Current Year
- Position 7-9: Julian Date
- Position 10-15: Unique Number (randomly-generated, sequential)

While this format depends upon the fund being an NSCC member, we may be able to use a similar format for funds that are not NSCC members. This issue has been added to the Parking Lot.

III. Next Meeting: Tuesday, September 6, 2011 from Noon – 2 PM eastern

Parking Lot

- Create a universal default format for the Transfer Control Number** which can be used for all Transaction Types and all Asset Categories. One suggestion is Julian date (3 bytes) + sequence number (3 bytes) + CUSIP (9 bytes) + deliverer account number (15 bytes) [or receiver account number if deliverer account number is not available]. The “D format” follows the format below:

 - Position 1: ‘D’ = Direct Transfer Indicator
 - Position 2-5: NSCC Participant Number for the Fund
 - Position 6: Last Digit of Current Year
 - Position 7-9: Julian Date
 - Position 10-15: Unique Number (randomly-generated, sequential)
- How should Transaction Type 07 = Physical Movement Settlement be used?** Use it for Alternative Investments? What language should be added to the record layouts to clarify?
- Mutual funds may need to pass cost basis on 01 = ACATS transactions**

4. **Blank in the CUSIP field in a request record:** revisit the Best Practice that a blank CUSIP value for a request for transaction type *01 = ACATS*
5. **User CUSIP in ACATS & CBRS:** Scenario: an asset with a User CUSIP transfers from one firm to another in ACATS. The receiver sets up the asset, using its User CUSIP, in its CBRS expectancy file. The submitter sends cost basis through CBRS using its User CUSIP, which is different than the receiver's identifier. The receiver cannot match the cost basis to the asset transfer, so it marks the lot(s) as uncovered. For now CBRS has edits in place that match the CBRS records to the ACATS transfer, so this issue does not occur (as long as the CBRS record is submitted within 25 days of the ACATS transfer). In the future if/when the CBRS-ACATS edits are removed, this situation may happen more frequently
6. **Should we work towards requiring both cost fields for fixed income assets?**
7. **Should CBRACT be a valid transaction type for other transaction types?**
8. **Should the Deliverer and Receiver Customer Account Numbers be required for Networking Transactions?**

Wish List

1. Possible edits to the Exempt Recipient Account Indicator: If the rule could be configured to be set to Exclude All Exempt Recipient Accounts, and the Non-covered/pending indicator is 02 (non-covered account), DTCC could reject the records back before received by the Participant.