

## COST BASIS SUBCOMMITTEE

### High Level Requirements

#### I – New request Certificate or DRS Issuance

1. FAST Withdrawals-by-Transfer (WTs) (certificate or DRS)	3
2. Non-FAST Withdrawal-by-Transfer (WTs) (certificate only)	4
3. Direct presentation to Agent/Issuer from street-name to customer name	6

#### II – Shares in customer name being transferred to a brokerage account

1) Certificate Deposit process (from customer name to street name DTCC)	8
2) Physical Presentation to Agent/Issuer From Customer to Street-name :	9
3) Physical presentation to Agent/Issuer - from customer to street-name and customer	10
4) RDS Restricted deposit through DTCC - from customer to street-name and customer	11
5) Physical presentation to Agent/Issuer from customer – DWAC	12

#### III – DRS withdrawal Transactions

A) Broker request full DRS position through PROFILE	14
B) Customer request full DRS position from Issuer/Agent	16
C) Customer request a specific lot in a DRS account from Issuer/Agent	17
D) Customer request a specific lot in a DRS account from Issuer/Agent and Agent must issue a certificate to comply	18
E) Customer request a specific lot in a DRS account from Broker	19

#### IV –One DTC participant to another in the DTCC DO (Deliver Order) process

A. Deliver Order DTC participant to Broker	21
--	----

#### V- DWAC Scenarios

1) DWAC withdrawal Individual account.	23
2) DWAC withdrawal multiple accounts.	24
3) DWAC deposit Individual account	25
4) DWAC deposit multiple accounts	26

## **VI. Corporate Actions: DTCC Reorg Deposits**

A) Corporate Actions: DTCC deposit (cash merger) year 1 – not constructive receipt	28
B) Corporate Actions: DTCC deposit (cash merger) (Constructive ownership deal where the issuer or agent will file a 1099-B)	29
C) Corporate Actions: DTCC deposit (cash and stock merger) (Same transfer agent on old and new corporation)	30
D) Corporate Actions: DTCC deposit (cash and stock merger) (Different transfer agent on old and new corporation)	31
E) Corporate Actions: DTCC deposit (Name and CUSIP change)	32
F) Corporate Actions: DTCC deposit (Stock Split or Spin off) (no difference from straight deposit)	33
G) Corporate Actions: DTCC deposit (Reverse split / CUSIP change )	34
H) Corporate Actions: DTCC deposit (Reverse split / CUSIP change ) (Different Agent)	35

## **VI. Foreign Deliveries: Broker to broker foreign Depository**

A) Customer request free delivery at a foreign depository	37
---	----

## **VII. Deposit rejects**

### **II – Shares in customer name being transferred to a brokerage account**

1) Certificate Deposit process (from customer name to street-name(DTCC) partial reject.	39
2) Certificate Deposit process (from customer name to street name DTCC) Multiple certificates delayed credit on one	40

**Section I – New requests : Certificate or DRS being issued**

## **Section I – New requests : Certificate or DRS being issued**

- 1) **FAST Withdrawals-by-Transfer (WTs) (Certificate or DRS)** – Customer requests a DRS position or a certificate from the broker on an issue that is FAST eligible at DTCC - Withdrawals-by-Transfer (WT) process

### **Broker**

The WT (request for DRS or certificate) is submitted via the NWT1 function on PTS, or Auto Night Withdrawal for transfer on PBS or via the CF2WTC file.

### **Unique ID**

The unique ID will be provide by the broker. The current field on PTS or PBS is the reference # and on the CF2WTC file it is in position 356 characters, In all cases this field is 37 characters, use only the first 30 characters, because that is what should carry to the 30 byte unique ID on the CBRS file. (Recommendations: Account, unique reference and possible Julian date) **(may not be this format but must be unique)**

### **DTCC**

DTCC will pass the unique ID# to the transfer agent or issuer or service provider via RSATFX file

### **Issuer / Agent**

Capture the unique ID# as it will be the same ID the participant/broker sends when sending the tax lots on the CBRS file

### **Broker**

Upon notification from DTCC that the transfer is complete, participants (brokers) would use the 30 character Unique ID on CBRS to send the cost basis data to the transfer agents.

### **DTCC CBRS Enhancement**

Since the broker does not currently pass the agent information, DTC will use the CUSIP on the CBRS file to identify the agent or issuer when passing the file

**Issue – If the agent is not CBRS eligible the broker will need to manually send cost basis after receipt of the reject. **Or the broker could look up the agent on the data management file and see if CBRS eligible before sending.****

## **Section I – New requests : Certificate or DRS being issued**

**2) Non-FAST Withdrawal by Transfer (WTs) (certificate only)** – Customer requests a certificate from the broker on an issue that is Non-FAST eligible at DTCC - Withdrawals-by Transfer (WTs) process for Non-FAST WTs

### **Broker**

The WT (request for DRS or certificate) is submitted via the NWT1 function on PTS, or Auto Night Withdrawal for transfer on PBS or via the CF2WTC file.

### **Unique ID**

The unique ID will be provided by the broker. The current field on PTS or PBS is the reference # and on the CF2WTC file it is in position 356 characters, In all cases this field is 37 characters, use only the first 30 characters, because that is what should carry to the 30 byte unique ID on the CBRS file. (Recommendations: Account, unique reference and possible Julian date) **(may not be this format but must be unique)**

### **DTCC**

DTCC will pass the unique ID# to the transfer agent or issuer or service provider via RSATFX file

### **DTCC**

DTC will print the unique ID on the transfer instructions (transfer assignment control form/fanfold) that accompanies the Cede & Co. certificate and shipment control list (SCL) to the transfer agent.

### **Issuer / Agent**

Capture the unique ID as it will be the same ID the participant/broker sends on the CBRS file

### **Broker**

Upon notification from DTCC that the transfer is complete, participants (brokers) would use the 30 character Unique ID on CBRS to send the cost basis data to the transfer agents.

### **DTCC**

- » Identify the issuer or Agent by the CUSIP number when routing the CBRS file Since the broker does not currently pass the agent information, DTC will use the CUSIP on the CBRS file to identify the agent or issuer when passing the file

**Issue – If the agent is not CBRS eligible the broker will need to manually send cost basis after receipt of the reject. Or the broker could look up the agent on the data management file and see if CBRS eligible before sending.**

Use ONLY the first 30 Bytes of the REFERENCE:

PPLXSuper - EXTRA! X-treme

File Edit View Tools Session Options Help

TABL NIGHT W/T DATA COLLECTION DATE: 03/29/10  
00000164-02 TIME: 15:39:49

TRN CD: QNTY: FRAC: 00000 TAXPAYER:  
TXWH: CUSIP: REFERENCE: 012345678901234567890123456789  
DESCR: DRS IND:

DRS TRAN: DRS NAME:  
AGT ID: INT CUST: CORR ACT:

ASSIGNMENT (NAME / ADDRESS)

1	2
3	4
5	6

DIR MAIL CD: DIRECT MAIL ADDRESS

1	2
3	4
5	6

FINGERPRINT BYPASS: N RSA BYPASS: N CITIZEN/LP:  
UIT CD UIT CUSIP ISSUE INSTRUCTIONS

QTY	DENOM	FRAC									
-----	-------	------	-----	-------	------	-----	-------	------	-----	-------	------

PENDING DEL-ORIG DT: SEQ-NO: CNTL RCD: DEL IND:  
PF1/13=UPDATE PF3/15=DEL PF5/17=REDISPLAY PF7/19=PREV PF8/20=END PF9/12=OFF

4B :00.1 05/079

## **Section I – New requests : Certificate or DRS being issued**

### **3) Direct presentation to Agent/Issuer from street-name to customer name :**

Customer requests a certificate from the broker on an issue that is not DTCC eligible

#### **Unique ID number**

The unique ID should be the same on the WT file but printed on the transfer fanfold provide by the broker. This should be up to 30 characters the broker # must also be printed on the fanfold

Recommendation: Account, unique reference and possible Julian date. (but must be unique)

#### **Broker / DTCC (If outsourced)**

Create a transfer instruction (fanfold), instructing the Issuer/ Agent to cancel the broker name (nominee name) certificate, and issue a new customer name certificate.

**The Cost Basis unique IDs should be clearly marked on the fanfold that accompanies the broker name certificate.**

Mail both the fanfold and the certificate to the issuer/transfer agent

- » Option 1 – Pass the cost basis for the customer transfer via CBRS after the transfer is complete using the CBRS unique ID Identified on the transfer instructions.
- » Option 2 – If the issuer or agent is not CBRS eligible pass cost basis via mail with the unique ID **after the transfer is complete.**

#### **Issuer / Agent**

The unique ID on the fanfold will be the same ID the participant/broker sends on the CBRS file for the newly issued certificates.

If basis is not received the transfer Agent/Issuer should use the unique ID to send a request for basis.

If paper cost basis was sent store the basis.

#### **Broker**

Upon receipt of the new certificate from the transfer agent/issuer, participants (brokers) would use the 30 character unique ID on CBRS when sending the cost basis data to the transfer agent.

**Broker Issue : If the agent is not CBRS eligible the broker will need to manually send cost basis after receipt of the reject. Or the broker could look up the agent on the data management file and see if CBRS eligible before sending.**

**II – Shares in customer name being transferred to a brokerage account**

## **II – Shares in customer name being transferred to a brokerage account**

### **1) Certificate Deposit process (from customer name to street-name(DTCC))**

Customer brings certificate to broker to deposit in a brokerage account. The broker sends the certificate to DTCC.

#### **Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

#### **Broker**

- » Add a unique ID to DAMP deposit file - Identify unique deposits aligned with the multiple certificates and create an anticipation file of cost basis at the account/certificate detail (issue – the account number in unique ID can be multiple so reference becomes a key field – Maybe a counter for each certificate)
- » Add certificate numbers without the prefix and issuance date to the DAMP deposit file, identify unique deposits at the certificate number level
- » For Branch deposits the broker needs to modify ARF to match the standard unique ID

#### **DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agents. “CBRS daily deposit file”

#### **Agent / Issuer**

- » Capture unique ID for each deposit from “CBRS daily deposit file” or Deposit ticket
- » Create CBRS at the aggregate record (deposit ticket total) but identify cost basis at the certificate level detail (provide certificate number so broker could match back)

#### **Broker**

- » May need to Unwind Unique ID to DAMP deposit anticipation file created or can match on the unique ID. A broker can locate their customer on a DAMP deposit by the certificate deposit. (if no certificate is provided on DAMP you will still receive the certificate number that was cancelled.
- » Also the certificate numbers provided back may be different from the ones presented if there are typos. The agent will pass the actual certificates

## **II – Shares in customer name being transferred to a brokerage account**

### **2) Physical Presentation to Agent/Issuer From Customer to Street-name :**

The Customer brings certificate to a broker to deposit in the brokerage account. The broker sends the certificate directly to the Agent to be put in Broker name.

#### **Unique ID number**

The unique ID should be the same as the one on the WT file, but printed on the transfer fanfold provide by the broker. This could be up to 30 characters the **broker # (cost basis ID)** must also be printed on the fanfold.

**ID Recommendation:** Account, unique reference and possible Julian date.

If the broker is not a CBRS participant, the broker should clearly identify that they are not a participant and provide an address on where to mail cost basis. Note : If No unique ID is provided the agent /issuer may think this is a private transaction (GIFT)

#### **Broker / DTCC (If outsourced)**

Create a transfer instruction (fanfold), instructing the Issuer/ Agent to cancel the customer name certificate, and issue a new street-name (nominee) name certificate.

**The Cost Basis unique ID and Broker # should be clearly marked on the fanfold that accompanies the customer name certificate.**

Mail both the fanfold and the certificate to the issuer/transfer agent

#### **Agent – Issuer**

- » Issue a certificate in the name of the nominee
- » Create CBRS at the aggregate record but identify cost basis at the certificate level detail (provide certificate number and unique ID so broker could match back)
- » The Broker # on the fanfold will direct the Issuer/Agent on who to pass the cost basis to.
- » Option 2 : If the issuer/agent/or broker does not utilize an electronic format for passing cost basis , the issuer/agent should return the certificate with a cost basis statement or follow a statement within 15 days.

Brokers that are not CBRS participants should provide and address to mail cost basis to.

## **II – Shares in customer name being transferred to a brokerage account**

- 3) **Physical presentation to Agent/Issuer - from customer to street-name and customer** – Customer brings 200 shares certificate to broker to deposit and sell 100 shares at the brokerage firm and gets 100 registered back to the customer. (this could be restricted)

### **Unique ID number**

The unique ID should be the same as the one on the WT file, but printed on the transfer fanfold provide by the broker. This could be up to 30 characters the **broker # (cost basis ID)** must also be printed on the fanfold.

**ID Recommendation:** Account, unique reference and possible Julian date.

If the broker is not a CBRS participant, the broker should clearly identify that they are not a participant and provide an address on where to mail cost basis. Note : If No unique ID is provided the agent /issuer may think this is a private transaction (GIFT)

### **Broker**

- » Create a transfer instruction (fanfold), instructing the Issuer/ Agent to cancel the customer name certificate, and issue a partial certificate into broker name (street-name, nominee). Or request a DWAC of the shares back.
- » **The Cost Basis unique IDs should be clearly marked on the fanfold that accompanies the customer name certificate.**
- » Create another transfer instruction (fanfold), instructing the Issuer/ Agent to issue a new customer name certificate. (no bases will be needed to pass to broker)
- » Mail both the fanfold and the certificate to the issuer/transfer agent
- » Anticipate cost basis back only on the broker-name or DWAC position.

### **Agent / Issuer**

- » Capture unique ID for the transfer fanfold instructing issuance into broker name
- » Create CBRS record at the certificate # detail for the 200 shares, but only pass cost basis for only 100 shares issued into street-name
- » For the 100 shares issued into customer name the issuer/agent should continue to maintain the cost basis.

Brokers that are not CBRS participants should provide and address to mail cots basis to.

## **II – Shares in customer name being transferred to a brokerage account**

- 4) **RDS Restricted deposit through DTCC - from customer to street-name and customer** – Customer brings 200 shares certificate to broker to deposit and sell 100 shares at the brokerage firm and gets 100 registered back to the customer. (this could be restricted)

### **Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

### **DTC outsource**

- » Create a transfer instruction (fanfold), instructing the Issuer/ Agent to cancel the customer name certificate, and issue 100 shares in DTCC nominee name or dematerialize.
- » **The Cost Basis unique IDs should be clearly marked on the fanfold that accompanies the customer name certificate.**
- » Create another transfer instruction (fanfold), instructing the Issuer/ Agent to issue a new customer name certificate. (no bases will be needed to pass to broker)
- » Mail both the fanfold and the certificate to the issuer/transfer agent

### **Agent / Issuer**

- » Capture unique ID for the transfer fanfold instructing issuance into broker name
- » Create CBRS record at the certificate # detail for the 200 shares, but only pass cost basis for only 100 shares issued into street-name
- » For the 100 shares issued into customer name the issuer/agent should continue to maintain the cost basis.

## **II – Shares in customer name being transferred to a brokerage account**

### **5) Physical presentation to Agent/Issuer from customer – DWAC –**

Customer brings 200 share certificate to a broker to deposit and sells 200 shares at the brokerage firm. Broker sends shares and request DWAC back.

#### **Unique ID number**

The unique ID should be the same as the one on the WT file, but printed on the transfer fanfold provide by the broker. This could be up to 30 characters the **broker # (cost basis ID)** must also be printed on the fanfold.

**ID Recommendation:** Account, unique reference and possible Julian date.

If the broker is not a CBRS participant, the broker should clearly identify that they are not a participant and provide an address on where to mail cost basis.  
Note : If No unique ID is provided the agent /issuer may think this is a private transaction (GIFT)

#### **Broker**

- » Create fanfold that instructs the issuer/agent to cancel certificate in customer name and DWAC the position
- » Print the unique ID on the transfer instructions (fanfold) that accompanies the customer-name certificate and mail both to the issuer/transfer agent
- » Send certificate and instructions to the agent.
- » When you enter DWAC add the unique ID from the fanfold instructions.

#### **Agent / Issuer Option 1**

- » Capture unique ID for the transfer fanfold
- » Approve DWAC request
- » Create CBRS record at the certificate # detail for the 200 shares

#### **Broker**

Put DWAC request out on DTCC system with the same unique ID as item on fanfold.

### **III – DRS withdrawal Transactions**

### **III – DRS withdrawal Transactions**

- A) **Broker request full DRS position through PROFILE** – Customer requests ALL shares moved from DRS account to brokerage account to sell securities

#### **Broker**

- » Request shares via PROFILE using a unique ID number in the account number field

#### **Unique ID number**

On the Profile file : DRX1\_5 file: in position 299 the unique ID will be the 37 character ONLY USE THE FIRST 30 Characters, customer account number field.

For manual adds on the DRS Profile system: use the CUST ACCOUNT # on next page. This field is also 37 characters and the first 30 characters should be used as the unique ID.

**It is recommended that the broker make sure this field is unique.**

#### **Agent / Issuer**

- » Capture unique ID from Profile transaction
- » Approve DRS
- » Send DO to broker using the Unique ID (account number)
- » Send CBRS record using the unique ID (account number)

#### **Broker**

- » Capture unique ID from DO transaction
- » Create cost basis anticipation record from DO

#### **Agent / Issuer**

- » Send CBRS record using the unique ID

USE ONLY 30 Characters in the CUST ACCOUNT NO field

00000443CH  
SI1B

DIRECT REGISTRATION SYSTEM  
PROFILE MODIFICATION BY PARTICIPANT  
ADD REQUEST

05/10/2010  
10:41:24

CUSIP : \_\_\_\_\_ INVESTOR/DRS A/C AT TA : \_\_\_\_\_  
1ST TAX ID: \_\_\_\_\_ 2ND TAX ID : \_\_\_\_\_

CUSTOMER REGISTRATION NAME(S) :

1	_____	2	_____
3	_____	4	_____
5	_____	6	_____

PROFILE SURETY NO: \_\_\_\_\_

CUST ACCOUNT NO: \_\_\_\_\_  
PARTICIPANT NO: 00000443  
BROKER/DEALER NAME: PERSHING

TRANSFER QUANTITY: \_\_\_\_\_ (WHOLE SHARES ONLY) MOVE ALL SHARES: \_  
BROKER/DEALER CONTACT: \_\_\_\_\_ TELEPHONE: ( \_\_\_\_ ) \_\_\_\_ - \_\_\_\_\_

### **III – DRS withdrawal Transactions**

**B) Customer request full DRS position from Issuer/Agent** – Customer requests the issuer or agent moves from DRS account to brokerage account to sell securities

#### **Agent / Issuer**

- » Get customer account number and broker clearing number from customer
- » Review paperwork
- » Send DO to broker using the Unique ID (account number and date)

#### **Unique ID number**

The agent should use the brokers account # and a reference # up to 30 characters the Issuer/Agent should make sure this is number is unique ID

#### **Broker**

- » Capture unique ID from DO transaction
- » Create cost basis anticipation record from DO

#### **Agent / Issuer**

- » Send CBRS record using the unique ID

### **III – DRS with draw Transactions**

#### **C) Customer request a specific lot in a DRS account from Issuer:**

Customer requests the issuer or agent move a specific lot from their DRS account to brokerage account to sell securities

##### **Agent / Issuer**

- » Get customer account number and broker clearing number from customer
- » Review paperwork
- » Send DO to broker using the Unique ID (account number and date)

##### **Unique ID number**

The agent should use the brokers account # and a reference # up to 30 characters the Issuer/Agent should make sure this is number is unique ID

##### **Broker**

- » Capture unique ID from DO transaction
- » Create cost basis anticipation record from DO

##### **Agent / Issuer**

- » Send specific CBRS record using the unique ID (account number)

### **III – DRS withdrawal Transactions**

**D) Customer request a specific lot in a DRS account from Issuer/Agent and Agent must issue certificate to comply** – Customer requests the issuer or agent moves a specific lot from DRS account to brokerage account to sell securities

#### **Agent / Issuer**

- » Notify customer certificate must be issued to accomplish and recommend customer deposit certificate with broker after issuance
- » Review paperwork
- » Issue certificate with appropriate lots attached.

#### **Broker**

- » Receive certificate and follow Certificate deposit process.

### **III – DRS withdrawal Transactions**

- E) Customer request a specific lot in a DRS account from Broker –**  
Customer requests the Broker obtain a specific lot to sell from their DRS account held at the issuer or Agent

#### **Broker**

- » **In this scenario the broker has 2 options**
  - Refer the customer to the Issuer or Agent to process the request. In this case the customer would follow procedures from **scenario #C or D**
  - Process a full transfer request and return re-establish DRS account at Issuer or Agent with unused shares

#### **Unique ID number**

On the Profile file : DRX1\_5 file: in position 299 the unique ID will be the 37 character ONLY USE THE FIRST 30 Characters, customer account number field.

For manual adds on the DRS Profile system: use the CUST ACCOUNT # on next page. This field is also 37 characters and the first 30 characters should be used as the unique ID.

It is recommended that the broker make sure this field is unique.

#### **Agent / Issuer**

- » Capture unique ID from Profile transaction
- » Approve DRS
- » Send DO to broker using the Unique ID (account number)
- » Send CBRS record using the unique ID (account number)

#### **Broker**

- » Capture unique ID from DO transaction
- » Create cost basis anticipation record from DO
- » Capture all lots and apply lot customer request to sell trade

#### **Broker**

Re-create the WT process **section #1 scenario #1 or 2** passing the unused shares back to the issuer or Agent

**IV –One DTC participant to another in the DTCC DO (Deliver Order) process**

**IV –One DTC participant to another in the DTCC DO (Deliver Order) process**

- A) Participant A submits a Delivery to Participant B using a DTCC DO.** –  
Customer request shares be moved from one broker to another same day either with or without cash.

**Unique ID number for Cost Basis**

In this case like in the ACAT process, DTCC will assign a transaction ID number that can uniquely identify the delivery. The number is 16 characters.

**Participant A**

Initiate the deliver order to DTCC , capture the IMS TID# to send cost basis

**Participant B**

Determine if the transaction is a customer receive and Capture the DTCC unique ID (IMS TID#) on the DPTFPART file or new Proprietary Input Format (DOI) and the ISO Input format.

**Participant A**

Once the transaction is complete pass the cost basis using the unique ID as the key field

**NOTES**

The reason we will use DTCC unique ID is because the DTCC field for account number is not long enough for the standard unique ID established with the issuers and agents.

## **V. DWAC Scenarios**

## V. DWAC Scenarios

### 1. DWAC withdrawal individual account.

**Broker receives instructions to DWAC shares from the brokerage individual customer account to the Issuer/agent- DWAC.** This could be a request for an individual customer to deposit shares in their existing DRIP Plan at the transfer agent, from the brokerage account plan deposit, or a private sale.

#### **Unique ID number**

The unique ID will be the DWAC Reference # 26 characters the brokerage provides **Julian Date (3 bytes: DDD) + Participant Number (5 5 bytes) + Reference ID number (number of bytes varies by type of original transaction)**

Issue: Some agents provide the broker with a reference ID which is placed in the same field. The question is if the Agent ID is ever bigger than 10 bytes. If no, we could use the first 10 bytes for the Agent ID, a space, and then the broker can either add a 15 byte unique ID or at a later date DTCC can add the IMD TID.

#### **Issuer / Agent**

Capture the unique ID# as it will be the same ID the participant/broker sends when sending the tax lots on the CBRS file

#### **Broker**

Upon notification from DTCC that the transfer is complete, participants (brokers) would use the 26 character Unique ID on CBRS to send the cost basis data to the transfer agents.

## **V. DWAC Scenarios**

### **2. DWAC withdrawal multiple accounts.**

Broker receives instructions to DWAC shares from the brokerage corporate account to the Issuer/agent– DWAC. This could be for a plan distribution or the retirement of physical shares at the issuer.

***Since the shares are coming out of the corporate account the broker should send cost basis as uncovered.***

#### **Unique ID number**

The unique ID will be the DWAC reference # **Julian Date (3 bytes: DDD) + Participant Number (5 5 bytes) + Reference ID number (number of bytes varies by type of original transaction**

Issue: Some agents provide the broker with a reference ID which is placed in the same field. The question is if the Agent ID is ever bigger than 10 bytes. If no, we could use the first 10 bytes for the Agent ID, a space, and then the broker can either add a 15 byte unique ID or at a later date DTCC can add the IMD TID.

If that is agreeable we can split the field

#### **Issuer / Agent**

Capture the unique ID# as it will be the same ID the participant/broker sends when sending the tax lots on the CBRS file

***If this plan administrator advises that the movement out of the corporate account and into multiple accounts is a covered transaction the issuer/agent should get the actual cost basis from the Plan administrator.***

#### **Broker**

Upon notification from DTCC that the DWAC is complete, participants (brokers) would use the 26 character Unique ID on CBRS to send the cost basis data to the transfer agents as an uncovered account.

## **V. DWAC Scenarios**

### **3. DWAC deposit individual account.**

Broker receives instructions to DWAC shares from the issuer/Agent to the broker– DWAC. This could be an alternative to DRS.

#### **Unique ID number**

The unique ID will be the DWAC Reference # 26 characters **Julian Date (3 bytes: DDD) + Participant Number (5 5 bytes) + Reference ID number (number of bytes varies by type of original transaction)**

**Issue:** Some agents provide the broker with a reference ID which is placed in the same field. The question is if the Agent ID is ever bigger than 10 bytes. If no, we could use the first 10 bytes for the Agent ID, a space, and then the broker can either add a 15 byte unique ID or at a later date DTCC can add the IMD TID.

**If that is agreeable we can split the field**

#### **Broker**

Submit DWAC request with a unique ID

#### **Issuer/ Agent**

Capture the unique ID# as it will be the same ID you will need to send tax lots on the CBRS file

#### **Issuer /Agent**

Upon notification from DTCC that the transfer is complete, Issuers/Agents would use the 26 character Unique ID on CBRS to send the cost basis data to the transfer agents.

## **V. DWAC Scenarios**

### **4. DWAC deposit multiple accounts.**

The Plan administrator contacts broker to move shares from the issuer /agent to the brokerage account – DWAC – Plan Administrator is requesting that shares move from the issuer or agent to a broker. This could be for employee stock purchase plans or a plan distribution. The communication starts at the plan administrator or agent.

#### **Unique ID number (May not be used)**

Julian Date 5 / Transfer type 1/ DTCC # 5 / account and reference # up to 26 characters **Julian Date (3 bytes: DDD) + Participant Number (5 5 bytes) + Reference ID number (number of bytes varies by type of original transaction)**

**Issue:** Some agents provide the broker with a reference ID which is placed in the same field. The question is if the Agent ID is ever bigger than 10 bytes. If no, we could use the first 10 bytes for the Agent ID, a space, and then the broker can either add a 15 byte unique ID or at a later date DTCC can add the IMD TID.

#### **Plan Administrator**

Communicate with agent/issuer to move shares

Communicate with broker to provide accounts

#### **Issuer or Agent**

Identify this transaction and unique ID as not needing cost basis sent.

#### **Broker**

- » Receive list of account numbers and reference #s from issuer or agent to move shares into the brokerage account.
- » Request total shares via DWAC using unique.

#### **Agent / Issuer**

- » Moves form treasury shares/ plan shares to broker via DWAC
- » Since the shares are moving out of a Corporate account, send the CBRS record as uncovered

#### **Plan Administrator**

Determine if the transaction is covered if yes, establish unique ID with broker  
Pass cost basis via CBRS using the unique Identifier and brokerage account

## **VI Corporate Actions: DTCC Reorg Deposits**

GENERAL RULE : IF A CERTIFICATE IS NEEDED TO BE PRESENTED FOR A REORG CORPORATE ACTION THE COST BASIS WILL NOT HAVE BEEN ADJUSTED FOR THE NEW CORPORATE ACTION. IT WILL BE THE RECEIVING FIRM THAT WILL HAVE TO ADJUST THE BASIS EVEN IF IT IS MOVING TO A DRS ACCOUNT. IF A BROKER RECEIVES THE NEW CUSIP, IT DOES NOT NEED TO ADJUST THE POSITION. IF A BROKER RECEIVES THE OLD CUSIP, IT DOES NEED TO ADJUST THE POSITION.

**A) Corporate Actions: DTCC deposit (cash merger) year 1 – not constructive receipt**

Customer brings certificate to broker to for redemption on a cash merger.

**Corporate Action Terms**

Company A : is undergoing a full a cash merger for \$10.00 per share.

**Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

**Broker**

- » Add a unique ID to DAMP deposit file - Identify unique deposits aligned with the multiple certificates and create an anticipation file of cost basis at the account/certificate detail (issue – the account number in unique ID can be multiple so reference becomes a key field – Maybe a counter for each certificate)
- » Add certificate numbers without the prefix and issuance date to the DAMP deposit file, identify unique deposits at the certificate number level
- » For Branch deposits the broker needs to modify ARF to match the standard unique ID
- » Deposit shares under CUSIP undergoing cash merger

**DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agents. CBRS Deposit Expectancy File

**Agent / Issuer**

- » Capture unique ID for each deposit from CBRS Deposit Expectancy File or Deposit ticket
- » Create CBRS at the aggregate record (deposit ticket total) but identify cost basis at the certificate level detail (provide certificate number so broker could match back)

**Broker**

- » Capture Cost basis from Issuer/agent
- » Report merger proceeds and cost basis on the 1099-b if covered.

**B) Corporate Actions: DTCC deposit (cash merger) (Constructive ownership deal where the issuer or agent will file a 1099-B)**

Customer brings certificate to broker to for redemption on a cash merger and the issuer or agent has already sent the IRS the cost basis and proceeds.

**Corporate Action Terms**

Company A : is undergoing a full a cash merger for \$10.00 per share.

**Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

**Broker**

- » Add a unique ID to DAMP deposit file - Identify unique deposits aligned with the multiple certificates and create an anticipation file of cost basis at the account/certificate detail (issue – the account number in unique ID can be multiple so reference becomes a key field – Maybe a counter for each certificate)
- » Add certificate numbers without the prefix and issuance date to the DAMP deposit file, identify unique deposits at the certificate number level
- » For Branch deposits the broker needs to modify ARF to match the standard unique ID
- » Deposit shares under CUSIP undergoing cash merger

**DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agents. CBRS Deposit Expectancy File

**Agent / Issuer**

- » Capture unique ID for each deposit from CBRS Deposit Expectancy File or Deposit ticket
- » Create CBRS at the aggregate record (deposit ticket total)
- » Mark the transaction uncovered taxes paid through Agent
- »

**Broker**

- » Capture Cost basis from Issuer/agent
- » Do not Report merger proceeds and cost basis on the 1099-b since already reported.

### **C) Corporate Actions: DTCC deposit (cash and stock merger) (Same transfer agent on old and new corporation)**

Customer brings certificate to broker to deposit on a company that underwent a cash and stock merger

#### **Corporate Action Terms**

Company A : is undergoing a merger that will return 1 share company B and cash for \$10.00 per share.

#### **Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

#### **Broker**

- » Add a unique ID to DAMP deposit file - Identify unique deposits aligned with the multiple certificates and create an anticipation file of cost basis at the account/certificate detail (issue – the account number in unique ID can be multiple so reference becomes a key field – Maybe a counter for each certificate)
- » Add certificate numbers without the prefix and issuance date to the DAMP deposit file, identify unique deposits at the certificate number level
- » For Branch deposits the broker needs to modify ARF to match the standard unique ID
- » Deposit shares under the OLD CUSIP that is undergoing the cash and stock merger

#### **DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agents.
- » Today it is believed that DTCC sends the file and the SCL under the new cusip.
- »

#### **Agent / Issuer**

- » Capture unique ID for each deposit from file or Deposit ticket
- » Create CBRS at the aggregate record (deposit ticket total) and send cost basis to the broker under the OLD CUSIP.
- » Do not add the new reorg identifier to the OLD CUSIP.
- » Indicate whether taxes have been reported

#### **Broker**

- » Capture Cost basis from Issuer/agent
- » Convert the old CUSIP cost basis to the NEW using the exchange rates and impact on cost found on the company website.

## **D) Corporate Actions: DTCC deposit (cash and stock merger) (Different transfer agent on old and new corporation)**

Customer brings certificate to broker to deposit on a company that underwent a cash and stock merger

### **Corporate Action Terms**

Company A : is undergoing a merger that will return 1 share company B and cash for \$10.00 per share.

### **Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

### **Broker**

- » Add a unique ID to DAMP deposit file - Identify unique deposits aligned with the multiple certificates and create an anticipation file of cost basis at the account/certificate detail (issue – the account number in unique ID can be multiple so reference becomes a key field – Maybe a counter for each certificate)
- » Add certificate numbers without the prefix and issuance date to the DAMP deposit file, identify unique deposits at the certificate number level
- » For Branch deposits the broker needs to modify ARF to match the standard unique ID
- » Deposit shares under the OLD CUSIP that is undergoing the cash and stock merger

### **DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agent who is processing the reorg event.
- » Today it is believed that DTCC sends the file and the SCL under the new cusip.
- »

### **Agent / Issuer**

- » Capture unique ID for each deposit from file or Deposit ticket
- » Create CBRS at the aggregate record (deposit ticket total) and send cost basis to the broker under the OLD CUSIP.
- » Do not add the new reorg identifier to the OLD CUSIP.
- » Indicate whether taxes have been reported

### **Broker**

- » Capture Cost basis from Issuer/agent
- » Convert the old CUSIP cost basis to the NEW using the exchange rates and impact on cost found on the company website.

### **E) Corporate Actions: DTCC deposit (Name and CUSIP change)**

Customer brings certificate to broker to for deposit on a company that underwent a straight name change.

#### **Corporate Action Terms**

Company A : is undergoing a name Change to company B.

#### **Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

#### **Broker**

- » Add a unique ID to DAMP deposit file - Identify unique deposits aligned with the multiple certificates and create an anticipation file of cost basis at the account/certificate detail (issue – the account number in unique ID can be multiple so reference becomes a key field – Maybe a counter for each certificate)
- » Add certificate numbers without the prefix and issuance date to the DAMP deposit file, identify unique deposits at the certificate number level
- » For Branch deposits the broker needs to modify ARF to match the standard unique ID
- » Deposit shares under the NEW CUSIP.

#### **DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agents.

#### **Agent / Issuer**

- » Capture unique ID for each deposit from CBRS Deposit Expectancy File or Deposit ticket Create CBRS at the aggregate record (deposit ticket total) and send cost basis to the broker under the NEW CUSIP.

#### **Broker**

- » Capture Cost basis from Issuer/agent

**F) Corporate Actions: DTCC deposit (Stock Split or Spin off) (no difference from straight deposit)**

Customer brings certificate to broker to for deposit on a company that underwent a stock split

**Corporate Action Terms**

Company A : is undergoing a 2 for 1 stock split. For every one share issued a customer will receive 1 new share.

**Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

**Broker**

- » Add a unique ID to DAMP deposit file - Identify unique deposits aligned with the multiple certificates and create an anticipation file of cost basis at the account/certificate detail (issue – the account number in unique ID can be multiple so reference becomes a key field – Maybe a counter for each certificate)
- » Add certificate numbers without the prefix and issuance date to the DAMP deposit file, identify unique deposits at the certificate number level
- » For Branch deposits the broker needs to modify ARF to match the standard unique ID

**DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agents.

**Agent / Issuer**

- » Capture unique ID for each deposit from CBRS Deposit Expectancy File or Deposit ticket Create CBRS at the aggregate record (deposit ticket total) and send cost basis to the broker under the same CUSIP.

**Broker**

- » Capture Cost basis from Issuer/agent for each certificate

### **G) Corporate Actions: DTCC deposit (Reverse split and CUSIP change )**

Customer brings certificate to broker to for deposit on a company that underwent a reverse split and cusip change

#### **Corporate Action Terms**

Company A : is undergoing a reverse split that will return 1 share company B for every 2 shares presented

#### **Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

#### **Broker**

- » Add a unique ID to DAMP deposit file - Identify unique deposits aligned with the multiple certificates and create an anticipation file of cost basis at the account/certificate detail (issue – the account number in unique ID can be multiple so reference becomes a key field – Maybe a counter for each certificate)
- » Add certificate numbers without the prefix and issuance date to the DAMP deposit file, identify unique deposits at the certificate number level
- » For Branch deposits the broker needs to modify ARF to match the standard unique ID
- » Deposit shares under the OLD CUSIP that is undergoing the cash and reverse split

#### **DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agents.
- » Today it is believed that DTCC sends the file and the SCL under the new cusip.
- »

#### **Agent / Issuer**

- » Capture unique ID for each deposit from CBRS Deposit Expectancy File or Deposit ticket (they may differ)
- » Create CBRS at the aggregate record (deposit ticket total) and send cost basis to the broker under the OLD CUSIP.
- » Do not add the reorg identifier to the OLD CUSIP.

#### **Broker**

- » Capture Cost basis from Issuer/agent
- » Convert the old CUSIP cost basis to the NEW using the exchange rates and impact on cost found on the company website.

## **H) Corporate Actions: DTCC deposit (Reverse split and CUSIP change ) (Different Agent)**

Customer brings certificate to broker to for deposit on a company that underwent a reverse split and cusip change

### **Corporate Action Terms**

Company A : is undergoing a reverse split that will return 1 share company B for every 2 shares presented

### **Unique ID number**

For DAMP the Unique ID will be the 15 byte field sent to DTCC (Position 49 on the CF2DEP file)

For Branch deposit it should be the 16 byte (ARF # ). It is important that brokers make these IDs unique

### **Broker**

- » Add a unique ID to DAMP deposit file - Identify unique deposits aligned with the multiple certificates and create an anticipation file of cost basis at the account/certificate detail (issue – the account number in unique ID can be multiple so reference becomes a key field – Maybe a counter for each certificate)
- » Add certificate numbers without the prefix and issuance date to the DAMP deposit file, identify unique deposits at the certificate number level
- » For Branch deposits the broker needs to modify ARF to match the standard unique ID
- » Deposit shares under the OLD CUSIP that is undergoing the cash and reverse split

### **DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agents. Today it is believed that DTCC sends the file and the SCL under the new cusip.

### **Agent / Issuer**

- » Capture unique ID for each deposit from CBRS Deposit Expectancy File or Deposit ticket (they may differ)
- » Create CBRS at the aggregate record (deposit ticket total) and send cost basis to the broker under the OLD CUSIP.
- » Do not add the reorg identifier to the OLD CUSIP.

### **Broker**

- » Capture Cost basis from Issuer/agent
- » Convert the old CUSIP cost basis to the NEW using the exchange rates and impact on cost found on the company website.

**VI. Foreign Deliveries: Broker to broker foreign Depository**

## **VI. Foreign Deliveries: Broker to broker foreign Depository**

A) Customer request free delivery at a foreign depository: Delivering entity and receiving entity attempt to match delivery instructions at a foreign depository.

### **Unique ID number for Cost Basis**

In this case unlike ACATS or DTCC DO's there is no common number assigned to the delivery that the receiver and the deliverer get from the depository, so we will attempt to match cost basis on the fields that we settle with, and the receiving account number.

Recommended Unique ID : depository ID (Euroclear) , receiving firms depository account (like 00443 at DTCC), actual settlement date (mmddyy) (date transaction will hit bookkeeping), receiving account # (optional)

Note: In some transactions the receiving account is unknown or incorrect, in these cases you should match on the unique ID less the accounts and utilize the CUSIP/ISIN/SEDOL and quantity.

### **Delivering Entity**

Initiate the delivery to the foreign depository as done today, as an additional best practice always maintain the receiving brokers customer account number.

### **Receiving Entity**

Initiate the matching receive with the foreign depository, Determine if the transaction is a customer receive and if it is capture the unique ID from your settlement system. Additional matching will be required at the quantity and CUSIP/ISIN/SEDOL

### **Delivering Entity**

Once the transaction is complete pass the cost basis using the unique ID as the key field

### **Receiving Entity**

Attempt to capture cost basis and apply to delivery, on the unique ID and quantity and ISIN . Additional matching will be required at the quantity and CUSIP/ISIN/SEDOL

**VII. Deposit rejects**

## Shares in customer name being transferred to a brokerage account

- 1) Certificate Deposit process (from customer name to street-name(DTCC) partial reject. Broker combines many certificates to one DTCC deposit tic and sends to DTCC.

### Unique ID number

See deposit scenario

### Broker or DTCC if Full Service deposit

- » Sends multiple certificates to DTCC for processing under one DAMP deposit or Branch deposit

### DTC Step 1

- » Send anticipation files with certificate numbers to transfer agents and forwards stock certificates to Issuer or Agent.

### Agent / Issuer

- » Capture unique ID for each deposit at the deposit ticket total
- » Review certificates, cancel valid certificates reject invalid certificates.  
**Choice A :** Create CBRS at the aggregate record (deposit ticket total) but identify cost basis at the certificate level detail (provide certificate number so broker could match back) for rejected certificates send a Pending indicator.  
**Choice B:** Subtract the rejected certificate quantity from the total deposit and sent the CBRS at the asset level for that amount, but list the individual certificates numbers at the tax lot level

Return incomplete certificate or reject notice to DTCC.

### Broker

Will need to be prepared for either scenario in both cases the deposit anticipation needs to be adjusted, In Choice B you should not reject the CBRS record for invalid quantity. You should accept the lesser and adjust the deposit amount this may create unique ID issues

### DTC Step 2

- » Adjust brokers deposit quantity and either return certificate or paperwork.

### Broker

Upon receipt of the rejected deposit adjust the anticipation

Questions – Do you reset the clock for another 15 days when you receive initial CBRS with less qty or pending record

## Shares in customer name being transferred to a brokerage account

- 2) **Certificate Deposit process (from customer name to street name DTCC) Multiple certificates delayed credit on one:** Broker combines many certificates to one DTCC deposit tic and sends to DTCC.

### **Unique ID number**

See deposit scenario

### **Broker or DTCC if Full Service deposit**

- » Sends multiple certificates to DTCC for processing under one DAMP deposit or Branch deposit

### **DTC Step 1**

- » Send anticipation files with certificate numbers to transfer agents and forwards stock certificates to Issuer or Agent.

### **Agent / Issuer**

- » Capture unique ID for each deposit at the deposit ticket total
- » Review certificates, cancel valid certificates pending questionable certificates.

**Choice A:** Create CBRS at the aggregate record (deposit ticket total) but identify cost basis at the certificate level detail (provide certificate number so broker could match back) for pending certificates send a Pending indicator.

**Choice B:** Subtract the pending certificate quantity from the total deposit and send the CBRS at the asset level for that amount, but list the individual certificates numbers at the tax lot level

### **CHOICE # 3 Process certificates as ready and provide credit or delay credit to all are complete**

### **Broker**

Will need to be prepared for either scenario in both cases the deposit anticipation needs to be adjusted, In Choice B you should not reject the CBRS record for invalid quantity. You should accept the lesser and adjust the deposit amount this may create unique ID issues

### **Broker**

Upon receipt of the second rejected deposit adjust the anticipation

Questions – Do you reset the clock for another 15 days when you receive initial CBRS with less qty or pending record