

**Cost Basis Steering Committee Meeting
Minutes**

September 13, 2011, Noon – 2 p.m.

I. Approval of September 6, 2011 Meeting Minutes

- The Committee approved the minutes as written

II. Issues discussed

- *Transfer Agent LPA number vs. TA number:*

The committee decided to pursue creating a new field on the Transaction MRO that would contain the Transfer Agent's LPA number (technically, two fields would be added, the LPA Number and LPA Type (always DTCPRT)). The fields would be used for Original and Corrected records only.

The committee decided not to include the Transfer Agents' LPA numbers on the CBRS User Master File.

TAs have been using Transaction Type 02 = Free DTC DO for DRS Profile movements, in order to get around the restriction that the submitter for a 28 = DRS Profile/DO must be type AGTNBR. Once DTCC adds the LPA number to the MRO, the Best Practice will be that TAs should always use Transaction Type 28 for DRS Profile movements.

This change will not be mandatory for all CBRS users.

- Parking Lot issue discussions;

The committee discussed Parking Lot issue #1, how should transaction type 06 = *Other Depository Deliveries* be used? This type can cover Fed items, foreign items, and potentially other deliveries. The Fed provides a control number on its output files, but probably not all firms get this number from their vendors. Some committee members will research if/how this transaction type is used at their firms.

The committee also discussed Parking Lot issue #2, how should transaction type 07 = *Physical Movement Settlement* be used? Some possibilities: non-ACATS physical settlements, mutual fund certificate transfers.

Derek will bring up both of these issues on his call, and this committee will also continue to discuss them.

III. Next Meeting: Tuesday, September 20, 2011 from Noon – 2 PM eastern

Parking Lot

1. **How should Transaction Type 06 = Other Depository Deliveries (e.g. FED) be used?** Should the Deliverer/Receiver customer account numbers be required for this type?
2. **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? Should the Deliverer/Receiver customer account numbers be required for this type?
3. **Should CBRACK be a valid transaction type for other transaction types?**
4. **Require Deliverer Customer Account Number for all transactions?**
5. **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)
6. **Mutual funds passing cost basis on 01 = ACATS transactions for fund-controlled assets.**
 7. **Best Practice about how to populate the deliverer/receiver customer account numbers for mutual fund transfers.** Ideally the underlying customer account number should be populated in these fields. If this is not possible, what best practice should the industry follow for alternatives?
 8. **Should the Deliverer and Receiver Customer Account Numbers be required for Networking Transactions?**
 9. **Possible edits to the Exempt Recipient Account Indicator:** 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 system reject the records.
 10. **Make Receiver Customer Account Number required for Conversions?**
 11. **Remove Purchase/Dividend Reinvestment Indicator?**
 12. **Additional rules for fixed income assets:** (The committee will review this issue as the IRS issues more guidance.)
 - a. Cost fields
 - b. New Zero Basis Indicator to point to Tax Lot Original Cost?
 13. **User CUSIP issues (to be primarily addressed in Derek’s call):**
 - a. 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.
 - b. Revisit the Best Practice that a blank CUSIP value for a request for transaction type 01 = ACATS, because a blank value in the CUSIP field could be a request for an asset with a User CUSIP.
 - c. Possible programming solution: Add ACATS sequence number to CBRS record layouts (helps with User CUSIP issue)

**Future enhancements
(agreed upon by the Committee)**

1. When the wash sale date is populated, it would always be equal or greater than the acquisition date
2. Add an edit that says Tax Lot Current Cost cannot be unknown if the lot is covered