

Cost Basis Steering Committee Meeting Minutes

Date: September 28, 2010

Time: Noon – 2 p.m.

- I. Approval of August 31, 2010 meeting minutes
 - The committee approved the minutes as written

- II. DTCC Update
 - As of the meeting date about 40 firms have signed up for CBRS: 20 broker-dealers, 10 transfer agents, and 10 banks. This number is increasing every day

- III. Review issues
 - Discussion of transfer agent passing basis on a deliver order
 - The question has come up about whether transfer agents should make their Limited Participant Account (LPA) numbers eligible for CBRS. The answer is No—TAs only need to make their Transfer Agent numbers available, not their TA number
 - The logic is similar to ACATS, meaning that in the case of an ACATS transfer that settles via deliver order, firms pass the cost basis using the ACATS transaction type, not the deliver order transaction type. Similarly, while shares on a transfer agent transaction may move via deliver order, firms will pass the cost basis on the deposit or withdrawal transaction type, not the deliver order
 - Also, when the CBRS application populates the receiving firm number on the WT transaction, it uses the transfer agent number, not the LPA number
 - Third parties using CBRS
 - Firms such as correspondent brokers, employee plan administrators, service bureaus, managed account relationships, and software vendors may need to access CBRS. DTCC Product Management is working with its legal counsel to figure out how to allow this access
 - The committee discussed a Best Practice around a third party situation. Firms should be able to accept data from any type of user—the submitter of the cost basis will not necessarily be the same firm who delivered the asset
 - Best Practice for Deposits. The committee discussed the following best practice:
 - A broker sends two certificates to DTC for a total of 150 shares, a 100 share certificate for customer A, and a 50 share certificate for customer B
 - The certificate for customer A is good; the one for customer B is not good
 - The transfer agent confiscates the certificate for customer B, and sends cost basis on the certificate for customer A

- DTC eventually adjusts the position down to 100 shares instead of 150 shares
- Best Practices: when the TA sends the basis for 100 shares, do not reject; and Do not send a request for the 50 shares
- This Best Practice is the exception to the rule that the quantity passed through CBRS should equal the quantity on the asset transfer
- Open issue at DTCC: on a WT, if CBRS system rejects the cost basis record, how will the submitting broker know where to send the basis? (On the WT in CBRS, DTC looks up the receiving transfer agent number on the DTC Security Master File)
- Some firms do not want to give DTCC their bank account information when they sign up for CBRS. DTCC will look in to how to handle this issue
- Committee members asked that DTCC track how firms are using the system, and that they are using the system correctly. For example, DTCC should monitor how firms are using the Firm Reject functionality. DTCC agreed to do this monitoring

IV. **Next steps**

- The next meeting of the committee will be on Tuesday, October 26, 2010, from Noon to 2 PM eastern