

IMPORTANT NOTICE

DTCC Solutions LLC



#: CBR001.10
Date: September 3, 2010
To: All current and prospective Cost Basis Reporting Service users
Attention: Managing Partner/Officer; Operations Partner/Officer; Manager, Customer Account Transfer Department; Manager, Margin Department; Manager, Data Processing Department; Manager, Mutual Funds Operations; Manager, Cashiers Department
From: Lydia Midwood
Subject: Updates to Cost Basis Reporting Service (CBRS) Project: New Account Process, New CBRS User Guide, New Cost Basis User Master File

DTCC plans to change the current Cost Basis Reporting Service (CBRS), to help the industry comply with IRS regulations that go into effect on January 1, 2011. Starting in December 2010, CBRS will be offered by DTCC Solutions LLC instead of the National Securities Clearing Corporation (NSCC). As a result of this change, the service can include users who are not NSCC participants.¹

CBRS user testing is scheduled to begin on **September 13, 2010**. At this time, testing for the existing record layouts will no longer be supported. The enhanced CBRS system is scheduled to go into production on **December 10, 2010**.

This Notice announces the following updates to the CBRS Project:

1. New Account process
2. New CBRS User Guide
3. New Cost Basis User Master File

For more Notices about CBRS, please see NSCC Important Notice #A6988, dated April 30, 2010 about record layouts and system functionality; and NSCC Important Notice #A7028, dated July 14, 2010, about updates to the record layouts. Future DTCC Solutions Important Notices will include details of user testing.

¹ Subject to approval from the U.S. Securities and Exchange Commission.

In response to customer feedback, DTCC is now offering enhanced access to all important notices via a new, Web-based subscription service. The new notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more about this new service and to set up your own DTCC RSS alerts, visit http://www.dtcc.com/subscription_form.php.

To remove your name from the former system of email notifications, send a message to unsubscribe@dtcc.com.

1. New Account Process

All financial intermediaries subject to the new IRS regulations are eligible to apply to use CBRS, including firms who are not currently members of any DTCC subsidiary. Instructions on how to open a CBRS Account, and the necessary forms, are available on DTCC's website at:

<http://www.dtcc.com/products/documentation/cs/cbrs.php>

The paperwork necessary to apply to use CBRS depends on a firm's existing relationship with DTCC. The instructions specify the forms that are required in each situation (DTC Participant, NSCC Participant, both DTC Participant and NSCC Participant, or no relationship to any DTCC subsidiary).

2. New CBRS User Guide

The New CBRS User Guide can be found at:

<http://www.dtcc.com/products/documentation/cs/cbrs.php>

The Guide discusses CBRS and its functionality, such as data input and output via a computer to computer connection, and Best Practices. Future versions of the Guide will include details about data input via WebDirect, and instructions on user testing. Please check the webpage above for future versions of the Guide.

3. Cost Basis User Master File

To assist firms in identifying eligible users, a new Cost Basis User Master File will be available on a daily basis. Firms will be able to use this file to significantly reduce or eliminate the cases when CBRS records sent to ineligible receiving firms are rejected by the system.

The record layout for the Cost Basis User Master File can be found on the DTCC website at:

<http://www.dtcc.com/products/documentation/cs/cbrs.php>

Common Data Transfer Service (CDTS) Output Identification Numbers

The Cost Basis User Master File has four CDTS output identification numbers, depending on the file type and whether the file is in the test or production environment:

| File Type | Test Number | Production Number |
|-------------------------------|--------------------|--------------------------|
| Machine Readable Output (MRO) | 02991666 | 02561666 |
| WebDirect Download | 02981667 | 02561667 |

Record Layout fields

The record layout for the Cost Basis User Master File has the following six fields:

- **CBRS User Account Number:** Each user who signs up for CBRS will be assigned a *CBRS User Account Number*. However, in most cases this is not the primary number that will identify a firm. (See *Firm Account Number* below) The Firm Account Number, which corresponds to a firm's DTC Participant Number, NSCC Participant Number, or Transfer Agent Number, is the number used in the Receiving and Submitting Firm Number fields in CBRS data input and output. The only time the CBRS User Account Number is the primary identification number of a firm is when that firm is not a DTC Participant, or an NSCC Participant, or a Transfer Agent.
- **CBRS Account Type:** the *CBRS Account Type* is the same for all CBRS users: CBRACT.
- **CBRS Account Name:** this field contains the name of the user.
- **Firm Account Number:** This is the primary number as the Receiving and Submitting Firms in CBRS data input and output (See the **Receiving and Submitting Firm Numbers** section below for more information). The Cost Basis Steering Committee, that advises DTCC on the design on the system, recommended that firms be able to use their existing DTC Participant, NSCC Participant, or Transfer Agent Numbers when processing data in CBRS. This number varies based on Firm Type:
 - When Firm Type is NSCPRT, this number is the NSCC Participant Number
 - When Firm Type is DTCPRT, this number is the DTC Participant Number
 - When Firm Type is AGTNBR, this number is the Transfer Agent Number
- **Firm Type:** Because there is some overlap between NSCC Participant Numbers, DTC Participant Numbers, and Transfer Agent Numbers, this file includes a *Firm Type* so the system can determine the type of number populated in the *Firm Account Number* field. Values:
 - AGTNBR = Transfer Agent
 - DTCPRT = DTC Participant
 - NSCPRT = NSCC Participant

Note: if a firm does not fall into any of the above three categories, then the CBRS User Account Number is its Receiving/Submitting Firm Number in CBRS, and the Firm Account Number and Firm Type fields are blank
- **CBRS Account Start Date:** the date the firm is eligible to participate in CBRS.

Receiving and Submitting Firm Numbers

Each firm that participates in CBRS is assigned a CBRS User Account Number. As mentioned above, for most users the CBRS User Account Number is not the primary number used to identify the firm in CBRS data input and output. As applicable, the CBRS User Account Number is related to an existing DTC Participant Number, NSCC Participant Number, or Transfer Agent Number based on the logic below. This relationship allows users to identify themselves and other firms using numbers with which they are already familiar.

The Receiving and Submitting Firm Number must follow the following logic:

- A firm who is a DTC Participant uses its DTC Participant Number
- A firm who is an NSCC Participant uses its NSCC Participant Number
- A firm who is both a DTC Participant and NSCC Participant uses its DTC Participant Number
- A transfer agent who has a Transfer Agent Number uses this number
- All other firms use their CBRS User Account Number

While the CBRS User Account Number will not often be the number used to identify the firm as a submitter and receiver of CBRS records, users are advised to make a note of their CBRS User Account Number for use in communicating with DTCC about system and billing inquiries.

Additional Information

A copy of this Important Notice can be obtained from DTCC's website:

http://www.dtcc.com/products/documentation/cs/cbrs_notices.php

If you have questions regarding CBRS, please call the Customer Support Hotline at 888-382-2721, option 6, then option 7, then option 2.