

IMPORTANT NOTICE

National Securities Clearing Corporation



A#: 7028
P&S# 6599
Date: July 14, 2010
To: ALL PARTICIPANTS
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: Changes to the new Cost Basis Reporting Service (CBRS) Record Layouts

As announced in NSCC Important Notice A#6988 (P&S#6558) dated April 30, 2010, NSCC 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. CBRS user testing is scheduled to begin in **September 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 in **December 2010**¹.

Please note that preliminary record layouts provided in NSCC's April 30, 2010 Important Notice have been changed. With the exception of changes resulting from the publication of final IRS regulations, these record layouts should now be complete for this phase of the enhancement project. This Notice describes the various changes. Subsequent Important Notices will be issued with further details regarding the service, and any participation requirements.

Specifics of the Changes to the Record Layouts

Fields on the Asset Input, Tax Lot Input, and Cost Basis Transaction MRO record layouts have changed. The table below details the changes. In the **Field** column, after each field name there is a code: **A** = Asset Input, **T** = Tax Lot Input, **O** = Cost Basis Transaction MRO record layout.

Field	Change
Record Content Indicator (A – Original/Corrected)	Changed the word 'lot' to 'position' in the note in the Comments
Receiving Firm Number (A – Original/Corrected)	Added Comments explaining which number should be used in this field

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

Receiving Firm Type (A – Original/Corrected)	<ul style="list-style-type: none"> Field is now required The code CBRACKT replaces CBR Removed NSCPRT as a valid type for transaction types 02, 03, 26, 27, 28 Added CBRACKT as a valid type for transactions types 04, 05, 06, 07 Removed CBRACKT as a valid type for transaction types 36, 37 Added rule about which firm types can receive a 41 = Direct Presentation transaction type
Submitting Firm Number (A – Original/Corrected)	Added Comments explaining which number should be used in this field
Submitting Firm Type (A – Original/Corrected)	<ul style="list-style-type: none"> Field is now required The code CBRACKT replaces CBR Removed NSCPRT as a valid type for transaction types 02, 03, 36, 37 Added CBRACKT as a valid type for submitting transaction types 04, 05, 06, 07 Removed CBRACKT as a valid type for submitting transactions 26, 27, 28 Added rule about which firm types can submit a 41 = Direct Presentation transaction type
ISIN Security Issue ID (CUSIP number) (A – Original/Corrected)	Revised rule
ISIN Security Check Digit (A – Original/Corrected)	<ul style="list-style-type: none"> Added to rule: “and ISIN Security Issue ID (CUSIP number) is populated.” Removed rule: “Required for all Transaction Types except 41 = Direct Presentation”
Put – Call Indicator (A – Original/Corrected)	Changed “applicable” to “allowed”
Option Symbol (A – Original/Corrected)	Changed “applicable” to “allowed”
Option Expiration Date (A – Original/Corrected)	Changed “applicable” to “allowed”
Option Strike Price Integer (A – Original/Corrected)	<ul style="list-style-type: none"> Field is now numeric Changed “applicable” to “allowed”
Option Strike Price Decimal (A – Original/Corrected)	<ul style="list-style-type: none"> Field is now numeric Changed “applicable” to “allowed”
Position Code (A – Original/Corrected)	<ul style="list-style-type: none"> Field is now required Removed “this field is spaces or” from rule
Total Average Cost (A – Original/Corrected)	Added Best Practice
Shares to Cover Short Indicator (A – Original/Corrected)	Added Comments

Receiving Firm Number (A – Firm Reject/Request)	Added Comments explaining which number should be used in this field
Receiving Firm Type (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Field is now required • The code CBRACT replaces CBR • Added transaction types 36 and 37 to the list of valid transactions for firm type DTCPRT • Removed NSCPRT from transaction types 02 and 03 • Added CBRACT as a valid type for receiving transaction types 04, 05, 06, 07 • Changed rule about valid transactions for type AGTNBR. New rule states: “If Transaction Type is 26 = DWAC Deposit, 27 = Certificate Deposit, 28 = DRS Profile/DO; then the Receiving Firm Type must be AGTNBR = Transfer Agent.” <i>Note: CBRACT is not a valid code for receiving these transaction types in Firm Reject and Request Asset records.</i> • Added rule about which firm types can receive a 41 = Direct Presentation transaction type
Submitting Firm Number (A – Firm Reject/Request)	Added Comments explaining which number should be used in this field
Submitting Firm Type (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Field is now required • The code CBRACT replaces CBR • Added transaction types 26 and 27 to the list of valid transactions for firm type DTCPRT • Removed NSCPRT from transaction types 02 and 03 • Added CBRACT as a valid type for submitting transaction types 04, 05, 06, 07 • Removed CBRACT as a valid type for submitting transactions 26, 27, 28 • Changed rule about valid transactions for type AGTNBR. New rule states: “If Transaction Type is 36 = DWAC Withdrawal or 37 = Withdrawal by Transfer; then the Submitting Firm Type must be AGTNBR = Transfer Agent.” <i>Note: CBRACT is not a valid code for submitting these transaction types in Firm Reject and Request Asset records.</i> • Added rule about which firm types can receive a 41 = Direct Presentation transaction type
ISIN Security Issue ID (CUSIP number) (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Revised rules • Revised Best Practice
ISIN Security Check Digit (A – Firm Reject/Request)	Added to rule: “and ISIN Security Issue ID (CUSIP number) is populated.”
Put – Call Indicator (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Changed “applicable” to “allowed” • Revised rule • Added Best Practice

Option Symbol (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Changed “applicable” to “allowed” • Revised rule • Added Best Practice
Option Expiration Date (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Changed “applicable” to “allowed” • Revised rule • Added Best Practice
Option Strike Price Integer (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Field is now numeric • Changed “applicable” to “allowed” • Revised rule • Added Best Practice
Option Strike Price Decimal (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Field is now numeric • Changed “applicable” to “allowed” • Revised rule • Added Best Practice
Asset Description (A – Firm Reject/Request)	Added rule
Asset Category (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Field is now conditional • Added rule
Total Position Quantity (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Field is now conditional • Added rule
Date Transfer was Initiated (A – Firm Reject/Request)	Added Best Practices
Settlement Date of Transfer (A – Firm Reject/Request)	Added Best Practices
Position Code (A – Firm Reject/Request)	<ul style="list-style-type: none"> • Field is now conditional • Revised and added rules • Added Best Practice
Shares to Cover Short Indicator (A – Firm Reject/Request)	Added Comments
Firm Reject Reason Code (A – Firm Reject/Request)	Corrected “Issuer Transaction” to read “Issuer/Transfer Agent” in Comments
Receiving Firm Number (T)	<ul style="list-style-type: none"> • Field is now conditional • Added Comments explaining which number should be used in this field
Receiving Firm Type (T)	<ul style="list-style-type: none"> • Field is now required • The code CBRACKT replaces CBR • Removed NSCPRT as a valid type for receiving transaction types 02, 03, 26, 27, 28 • Added CBRACKT as a valid type for receiving transaction types 04, 05, 06, 07 • Removed CBRACKT as a valid type for receiving transaction types 36, 37 • Added rule about which firm types can receive a 41 = Direct Presentation transaction type
Submitting Firm Number (T)	Added Comments explaining which number should be used in this field

Submitting Firm Type (T)	<ul style="list-style-type: none"> Field is now required The code CBRACKT replaces CBR Removed CBRACKT as a valid type for submitting transactions 01, 02, 03, 26, 27, 28, 36, 37 Removed NSCPRT as a valid type for submitting transactions 02, 03, 36, 37 Added CBRACKT as a valid type for submitting transaction types 04, 05, 06, 07 Added rule about which firm types can submit a 41 = Direct Presentation transaction type
ISIN Security Issue ID (CUSIP Number) (T)	Revised rule
ISIN Security Check Digit (T)	<ul style="list-style-type: none"> Added to rule: “and ISIN Security Issue ID (CUSIP number) is populated.” Removed rule: “Required for all Transaction Types except 41 = Direct Presentation”
Put/Call Indicator (T)	Changed “applicable” to “allowed”
Option Symbol (T)	Changed “applicable” to “allowed”
Option Expiration Date (T)	Changed “applicable” to “allowed”
Option Strike Price Integer (T)	<ul style="list-style-type: none"> Field is now numeric Changed “applicable” to “allowed”
Option Strike Price Decimal (T)	<ul style="list-style-type: none"> Field is now numeric Changed “applicable” to “allowed”
Certificate Number (T)	Added CBRACKT to rule
Taxes Reported by Issuer/Transfer Agent (T)	NEW FIELD <i>Note: the filler after this field is now one byte shorter</i>
Gifted or Inherited Indicator (T)	<ul style="list-style-type: none"> Added new value: 03 = Inherited then Gifted Changed rules to accommodate this new value
Fair Market Value as of Date of Gift (T)	<ul style="list-style-type: none"> Added Comments Added Best Practice
Position Code (T)	<ul style="list-style-type: none"> Field is now required Changed rule
Acquisition Date of Tax Lot (T)	19010101 replaces 00010101 as the date to use for various or unknown
Original Acquisition Date for Wash Sale Adjustment (T)	Added Best Practice
Tax Lot Original Unit Price (T)	Added Best Practice
System Reject Reason (O)	<ul style="list-style-type: none"> Changed value 06 to Invalid ACATS Information Changed former value 06 to value 10 = Invalid Physical Sequence – Tax Lot invalid with Asset Input reject or request
TO Taxes Reported by Issuer/Transfer Agent Status (O)	NEW FIELD <i>Note: the addition of this new field shifted bytes 115 through 131, and reduced the filler at byte 131 to 21 bytes, now starting at byte 132</i>
TO Taxes Reported by Issuer/Transfer Agent (O)	NEW FIELD <i>Note: the filler after this field has been reduced by one byte</i>

Additional Information

A copy of this Important Notice can be obtained from NSCC's web site at <http://www.nsc.com> in the Important Notice section. If you have questions regarding CBRS, please contact your DTCC Relationship Manager or the Enterprise Service Center at 888-382-2721, option 6, then option 7, then option 2.