

MEMO# 25014

March 8, 2011

Conference Call to Discuss Cost Basis Reporting and Transfers -- March 22 at 3:00 pm ET

[25014]

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TO: BDAC COST BASIS REPORTING TASK FORCE No. 5-11
BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 16-11
BROKER/DEALER ADVISORY COMMITTEE No. 14-11
OPERATIONS COMMITTEE No. 9-11
SMALL FUNDS COMMITTEE No. 11-11
TAX COMMITTEE No. 12-11
TRANSFER AGENT ADVISORY COMMITTEE No. 18-11 RE: CONFERENCE CALL TO DISCUSS
COST BASIS REPORTING AND TRANSFERS -- MARCH 22 AT 3:00 PM ET

We will have a conference call on Tuesday, March 22nd, 2011, at 3:00 pm ET to discuss cost basis reporting and issues arising when a customer who has an average cost election in place transfers his or her account from one broker to another. Under current law, it is unclear whether the original broker must transfer to the receiving broker (i) the individual lot history, including cost basis, or (ii) average cost.

For example, assume a shareholder opens an account directly with Fund A in 2012 by purchasing 100 shares at \$10 per share. Upon opening the account, the shareholder affirmatively elects to use average cost. The fund's policy is to extend the average cost revocation period until the first redemption. In 2013, the shareholder purchases an additional 100 shares at \$15 per share. In 2014, the shareholder transfers the account to Broker X. There have been no redemptions from the account, so the shareholder's revocation period is still open. The question is whether Fund A sends to Broker X: (i) 200 shares with an average basis of \$12.50 per share; or (ii) 100 shares with a basis of \$10 per share and 100 shares with a basis of \$15 per share.

The dial-in number for the call is 800-988-9540 and the passcode is 21803. If you wish to participate in the call, please contact Ezella Wynn (202/218-3560 or ewynn@ici.org) to ensure that we have sufficient conference lines available.

Karen Lau Gibian
Associate Counsel

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