

MEMO# 25256

June 7, 2011

The Depository Trust And Clearing Corporation (DTCC) Cost Basis Reporting Service (CBRS) Offered By DTCC Solutions

[25256]

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TO: BDAC COST BASIS REPORTING TASK FORCE No. 13-11
BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 32-11
BROKER/DEALER ADVISORY COMMITTEE No. 33-11
COMPLIANCE ADVISORY COMMITTEE No. 4-11
INTERNAL AUDIT ADVISORY COMMITTEE No. 6-11
OPERATIONS COMMITTEE No. 20-11
SMALL FUNDS COMMITTEE No. 23-11
TAX COMMITTEE No. 34-11
TRANSFER AGENT ADVISORY COMMITTEE No. 43-11 RE: THE DEPOSITORY TRUST AND
CLEARING CORPORATION (DTCC) COST BASIS REPORTING SERVICE (CBRS) OFFERED BY
DTCC SOLUTIONS

As you may know, in 2008 Congress enacted legislation requiring brokers and mutual funds to complete mandatory cost basis reporting ("CBR") for securities including mutual fund shares. [\[1\]](#) The Internal Revenue Service issued final regulations on the cost basis reporting requirements in October 2010, which are effective for mutual fund shares acquired on or after January 1, 2012. [\[2\]](#)

One of the most significant new requirements under the legislation is the new transfer reporting rules. The Depository Trust and Clearing Corporation (DTCC) has enhanced its Cost Basis Reporting Service (CBRS) to give financial firms and other market participants the ability to automate the transfer of customer cost basis information from one firm to another on any asset transfer. The system provides a centralized communications hub that mitigates risk, promotes standardization and helps financial intermediaries, including mutual funds; meet their regulatory requirements in an efficient and cost effective manner.

All financial firms subject to the IRS cost basis regulations are eligible to apply to use the

DTCC's CBRS, including firms who are not currently members of any service offered by one of DTCC's affiliate companies. Detailed information on CBRS, including how to subscribe and a supplemental user guide for mutual funds utilizing CBRS, may be found on DTCC's website at: <http://www.dtcc.com/products/documentation/cs/cbrs.php>.

Financial firms that intend to take advantage of the service must submit a new user agreement regardless of whether they are a current NSCC participant. DTCC is encouraging financial firms to submit the required documentation at their earliest convenience. Funds that plan to utilize the service should contact their mutual fund transfer agent services provider, as well as their DTCC relationship manager to expedite the application process. Funds and their service providers also should establish plans that will allow sufficient time for testing with other counterparties prior to year end, to ensure readiness for the January 1, 2012 compliance date.

Kathleen C. Joaquin
Director - Operations & Distribution

endnotes

[1] The legislation amended Internal Revenue Code section 1012 (see sections 1012 (a) - (d)) and section 6045 (see section 6045(g)) and added new sections 6045A and 6045B.

[2] A web link to the final regulations and other valuable information on cost basis reporting may be found on the ICI's cost basis reporting resource page at: http://www.ici.org/policy/tax/cost_basis_reporting.

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