

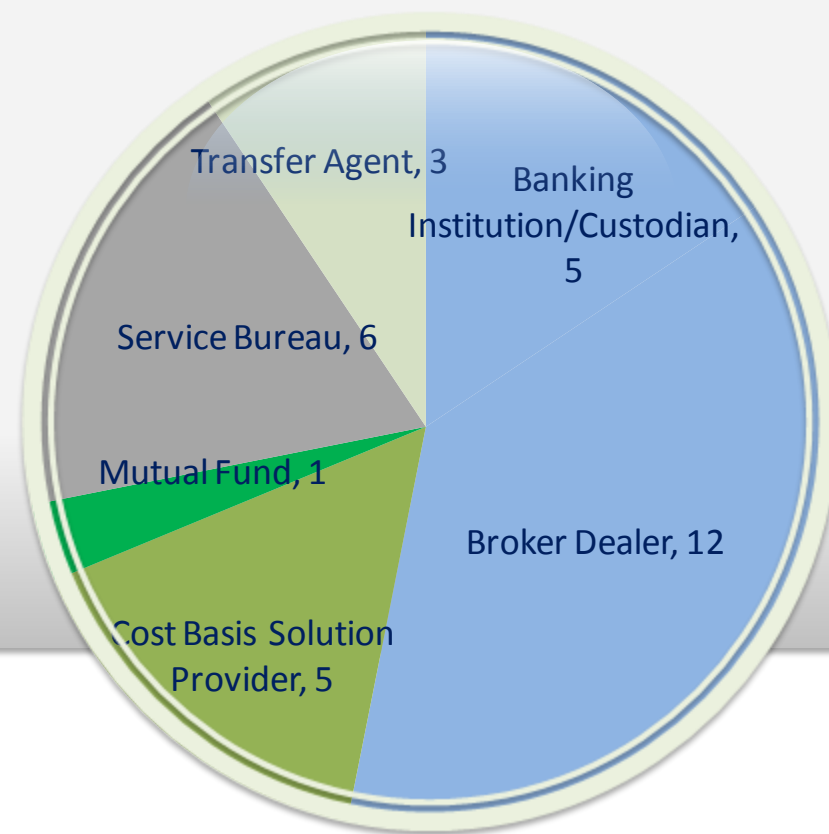


FIF Cost Basis Survey III Preliminary Report

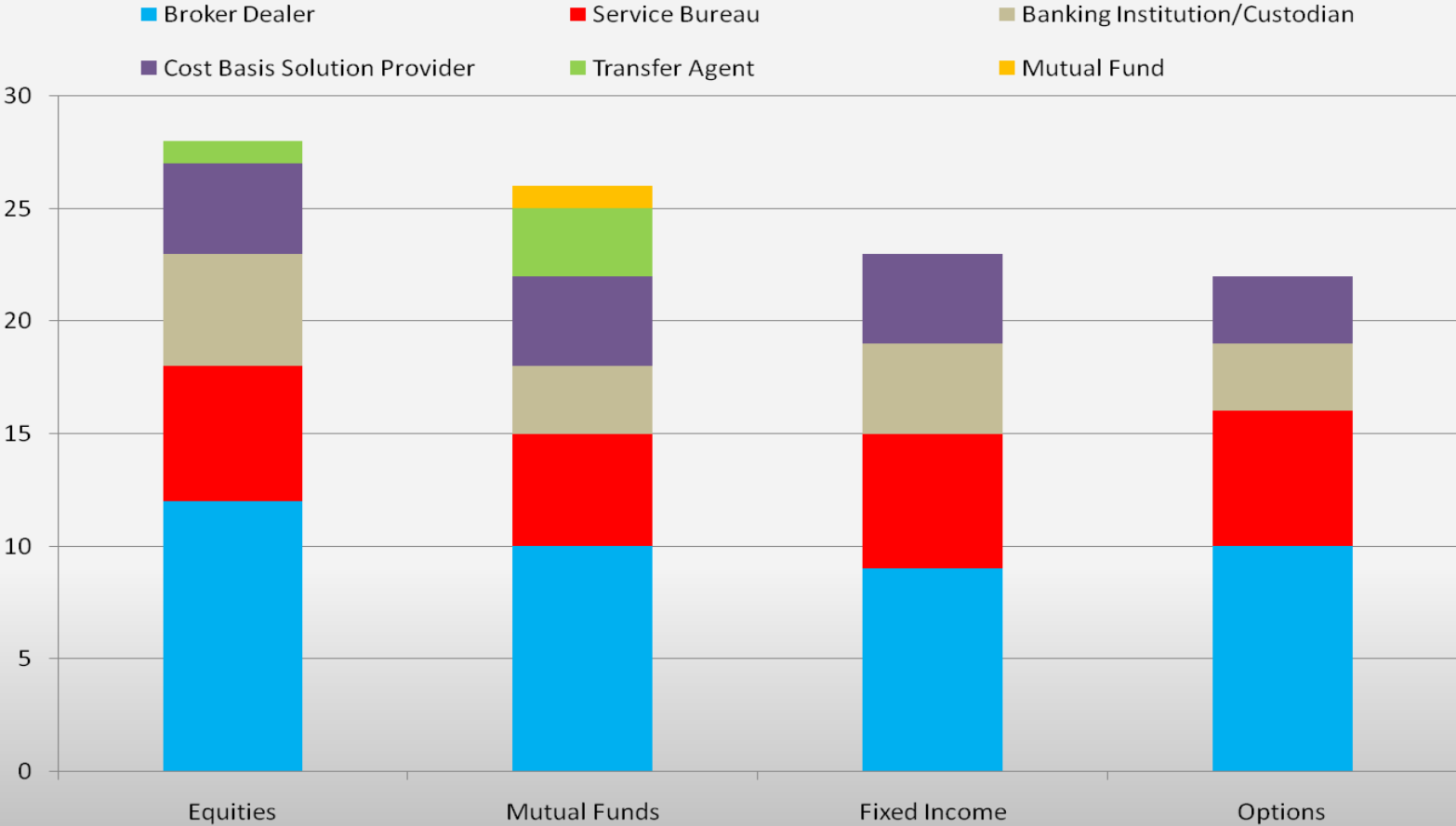
March 15, 2011

Survey Participation – 32 Firms

- Banking Institution/Custodian: Bank of America, Brown Brothers Harriman, Deutsche Bank, Wells Fargo
- Broker Dealer: Ameriprise Enterprise Investment Services, Charles Schwab, Credit Suisse, Davenport & Company, Edward Jones, E*Trade Financial, Fidelity Investments, JP Morgan, Pershing, Raymond James, Scottrade, TD Ameritrade
- Cost Basis Solution Provider: Cokala, Interactive Data, Scivantage, Wolters Kluwer
- Service Bureaus: Broadridge, Comprehensive Software Solutions, Shadow Financial, SunGard Brokerage & Clearance, Thomson Reuters BETA Systems
- Transfer Agent: BNY Mellon, Invesco Investment Services, Prudential Investments



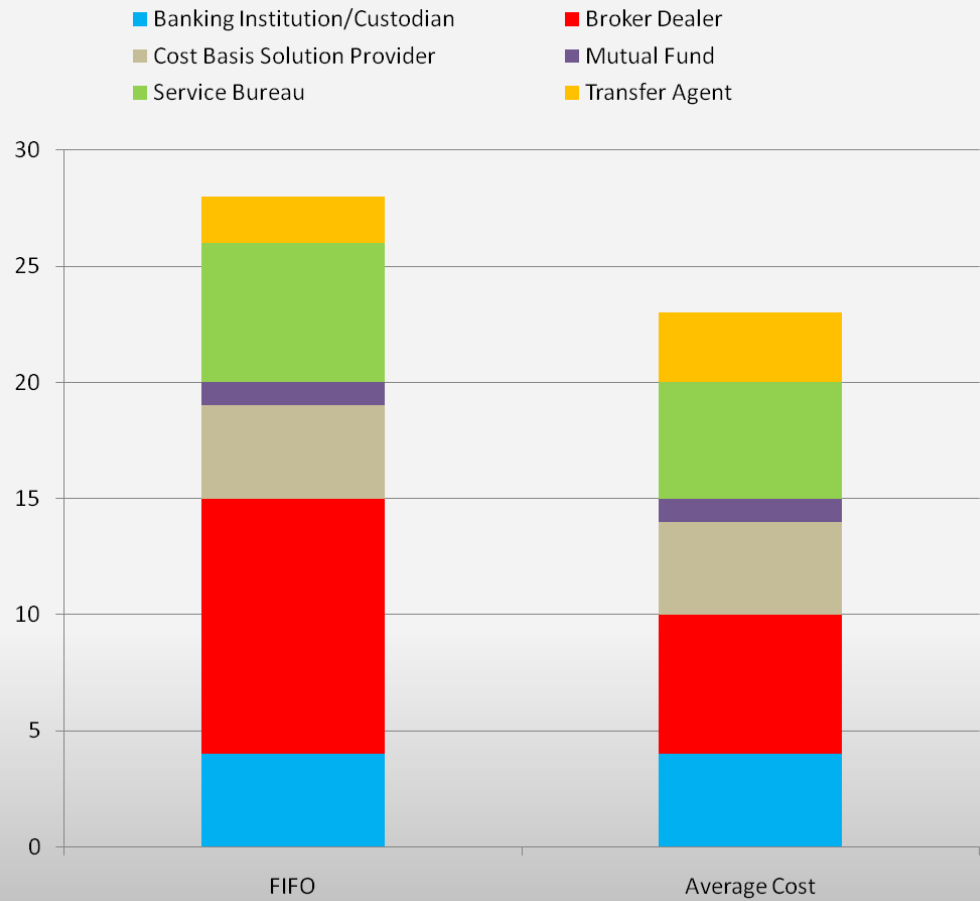
Cost Basis Systems – Security Types Support



- All participating Banking Institutions/Custodians, Broker Dealers and Service Bureaus indicated support for Equities
- Mutual Funds are supported by 84% of respondents
- Fixed Income and Options supported by all Service Bureaus and almost 80% of Broker Dealer respondents

Response Rate: 97%

Cost Basis System – Methodologies



- 92% of Broker Dealers support FIFO and 50% support Average Cost
- 80% of Cost Basis Solution Providers and Banking Institution/Custodians provide support for Average Cost and FIFO
- All Service Bureaus facilitate FIFO and 83% pointed out support for Average Cost

Response Rate: 94%

Cost Basis System – Standing Instructions

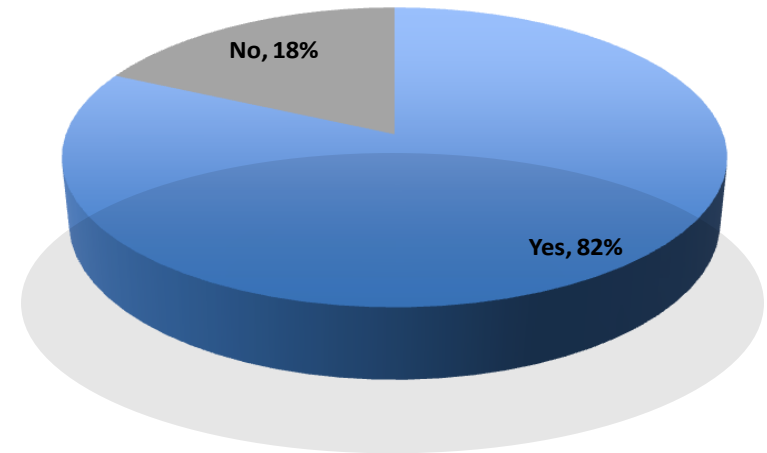
	LIFO	Highest Cost	Lowest Cost	Min Tax	Highest Cost Long-Term	Lowest Cost Long-Term	Lowest Cost Short-Term	Highest Cost Short-Term	Max Tax
Banking Institution/Custodian	3	3	1	1	2	1	1	1	1
Broker Dealer	9	8	7	5	4	4	4	3	2
Cost Basis Solution Provider	3	3	3	3	2	2	2	2	3
Mutual Fund	1	1	1	-	1	1	1	1	-
Service Bureau	4	5	4	3	3	3	3	3	2
Transfer Agent	1	1	1	1	-	-	-	-	-
Grand Total	21	21	17	13	12	11	11	10	8
Percent of Total	66%	66%	53%	41%	38%	34%	34%	31%	25%

- More than half of survey respondents support LIFO, Highest Cost and Lowest Cost
- Max Tax is least supported
- Max Gain was an additional standing instruction supported by a Broker Dealer. Other respondents commented on developing new standing instructions based on client request

Clients Ability to Modify/Export Cost Basis Data

	Changes will be allowed for non-covered assets	No changes will be allowed	Other
Banking Institution/Custodian	1	1	1
Broker Dealer	8	-	2
Cost Basis Solution Provider	1	-	2
Mutual Fund	-	-	1
Service Bureau	2	-	4
Transfer Agent	1	-	2
Grand Total	13	1	12
Percent of Total	50%	4%	46%

Ability to export Cost Basis data



Other Comments (by respondents not selecting “Changes will be allowed for non-covered assets” or “No changes will be allowed”)

As a service bureau, we provide interfaces that could be made available to anyone by the broker dealers who are our clients. We are not aware of any of our clients allowing their clients to update cost basis directly. As far as we know, brokers are limiting access to direct updates to back office and, in some cases, front office staff.

Updates are entitlement based where back office users can update cost basis at a deeper level than an advisor of end client

The changes will be allowed through the Admin Module of the Cost Basis Engine.

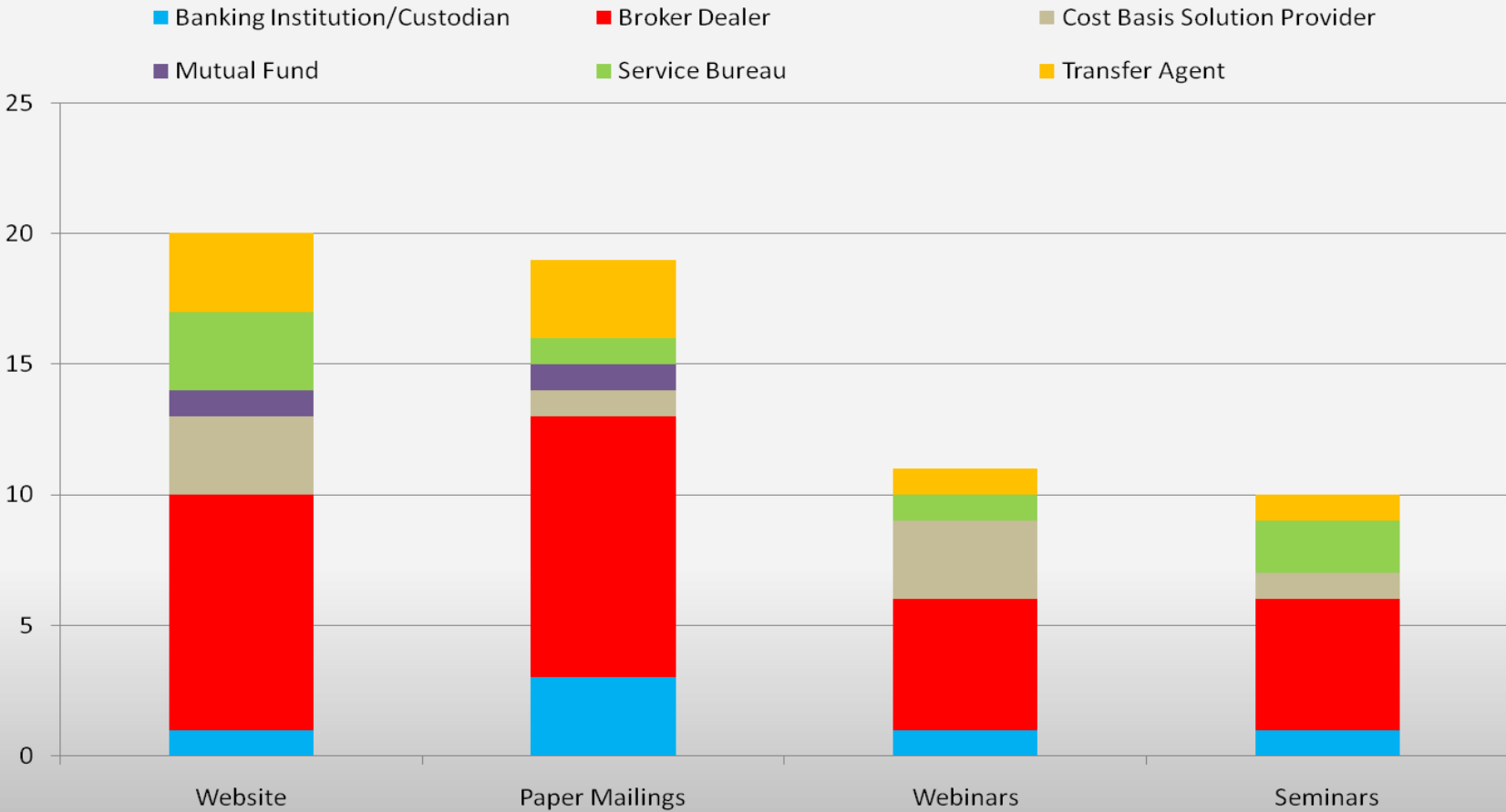
Changes for non-covered assets will be handled thru home office department, based off requests received from clients.

Corrections will be reviewed and underlying basis will be changed by the firm if appropriate. No on-line changes from customers will be accepted.

Changes to basis may be maintained by a representative of the transfer agent.

Response Rate: 81%, 88%

Customer Education – Medium used



- 61% of respondents use website and paper mailings for customer education. Broker dealers utilize paper mailings more than website
- 33% of respondents use webinars and seminars for customer education



Response Rate: 81%

Cost Basis Education – Training Challenges

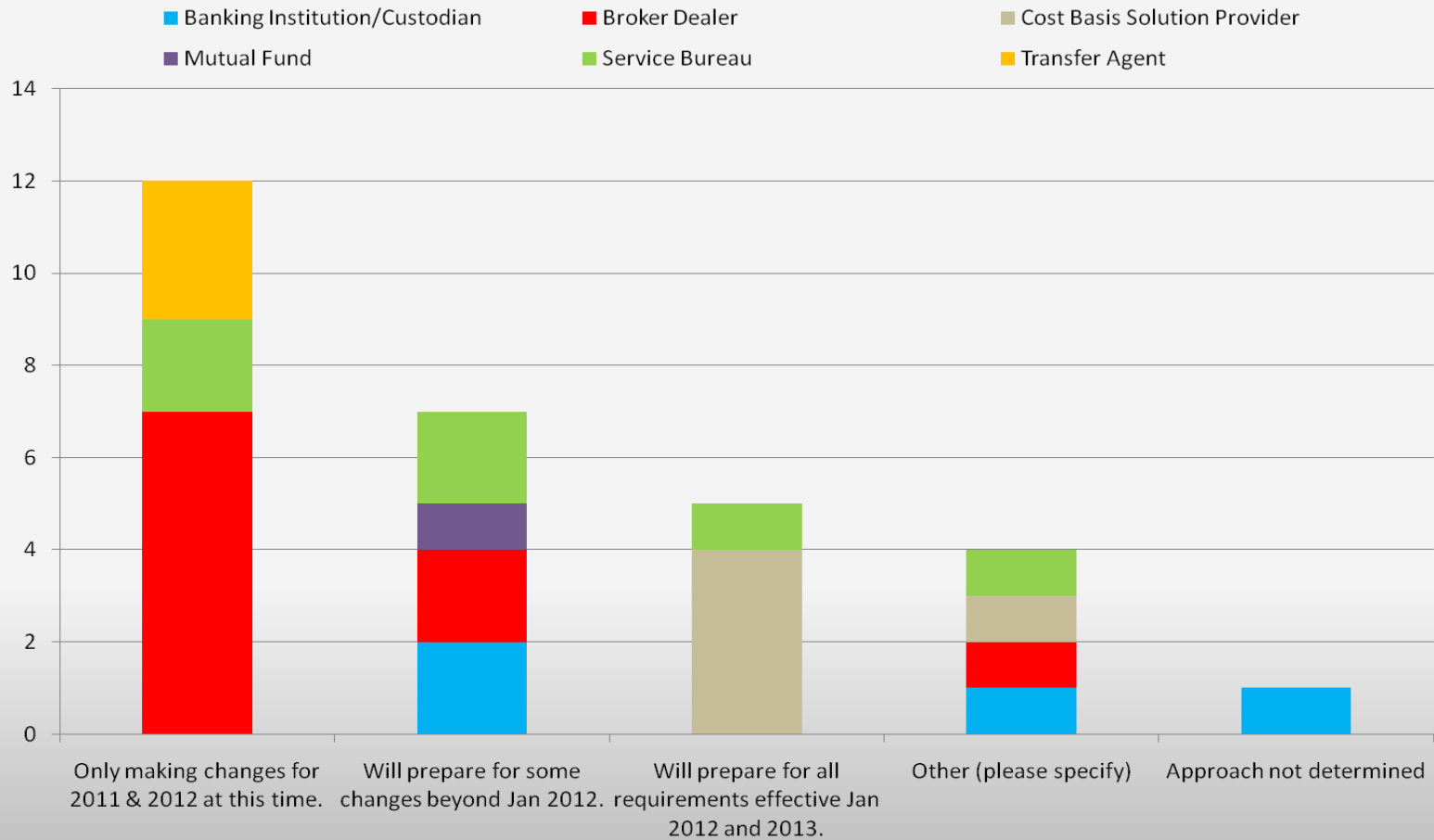
	Gifts	Inheritance	All topics treated equally	Transfers	Lot Selection	S-Corp Reporting	Basis Calculation	Covered Securities	Effective Date
Banking Institution/Custodian	2	2	2	1	1	1	1	-	-
Broker Dealer	6	5	2	3	5	4	2	4	2
Cost Basis Solution Provider	2	2	3	2	1	2	1	1	1
Mutual Fund	-	-	1	-	-	-	-	-	-
Service Bureau	3	3	2	3	1	1	2	-	-
Transfer Agent	2	2	1	1	-	-	-	-	-
Grand Total	15	14	11	10	8	8	6	5	3
Percent of Total	56%	52%	41%	37%	30%	30%	22%	19%	11%

- Over 50% of respondents listed Gifts and Inheritance as challenging topics from a training perspective
- Wash sales, corporate action adjustments, employee plans were additional topics identified as being more challenging
- Effective Date and Covered Securities were considered the least challenging training topics



Response Rate: 88%

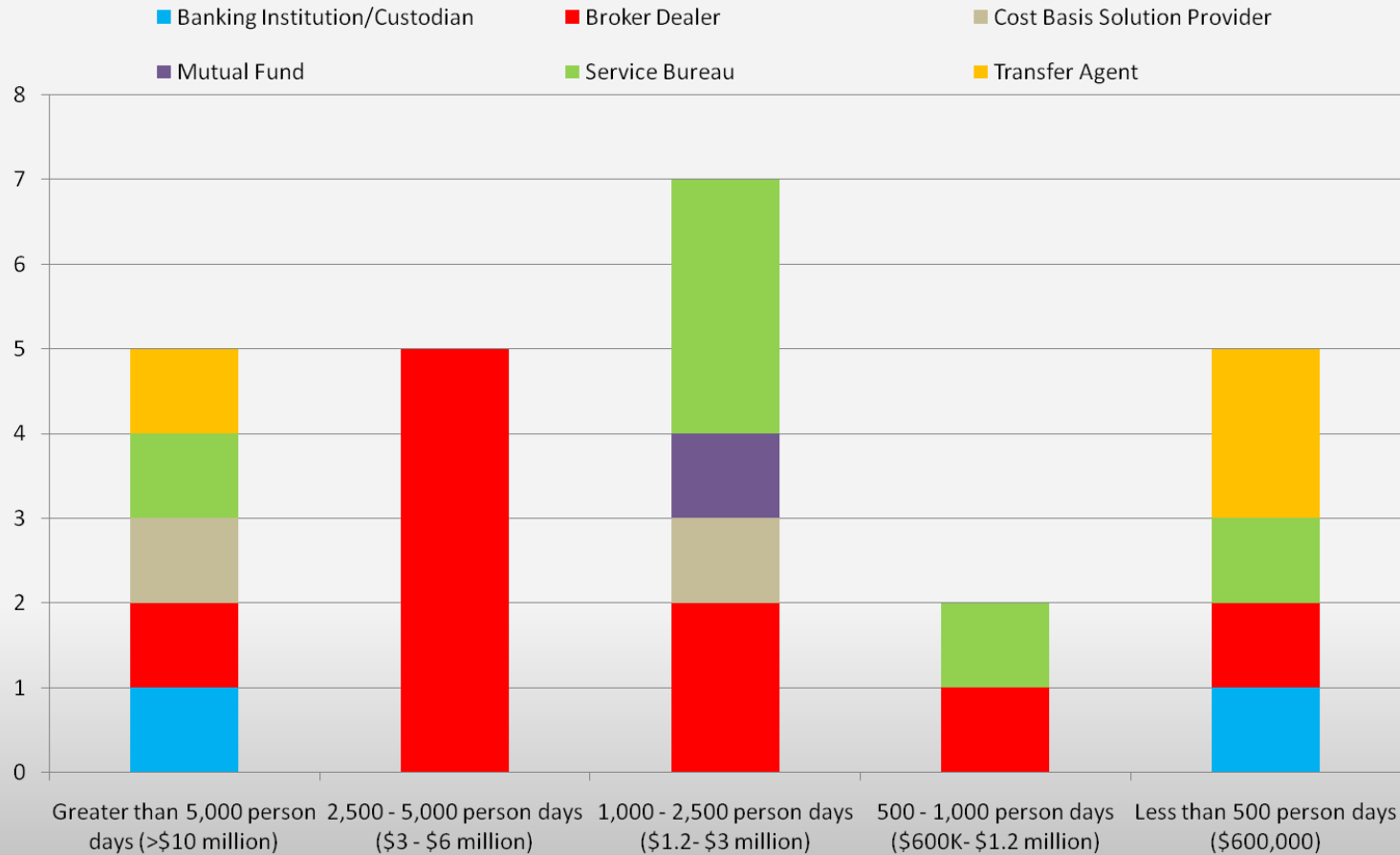
Getting Ready for 2012 – Mutual Funds & DRPs



- Over 65% of respondents are currently preparing for 2011 and 2012 changes
- Less than 25% of respondents considering changes beyond Jan 2012

Response Rate: 91%

2011 Preparation – Costs

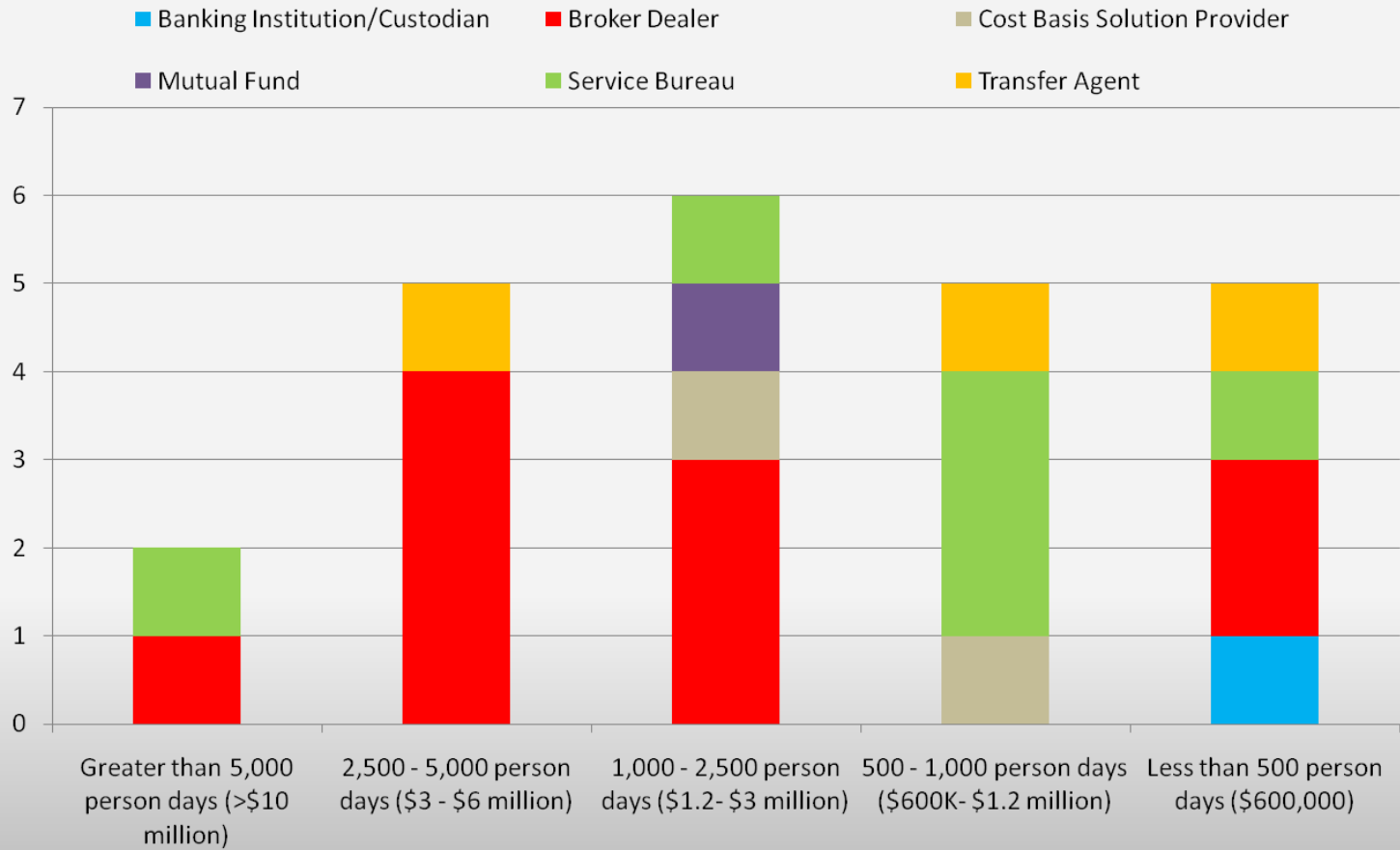


- Survey participants estimated total cost for 2011 compliance (25 participants): **\$106,400,000**
- Broker Dealer/Banking Institution/Custodian Cost (12 participants): **\$58,400,000**
- Service Bureau Cost (6 participants): **\$20,800,000**
- Cost Basis Solution Provider Cost (2 participants): **\$13,000,000**

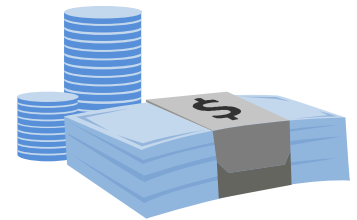


Response Rate: 78%

2012, 2013 Preparation – Estimated Costs

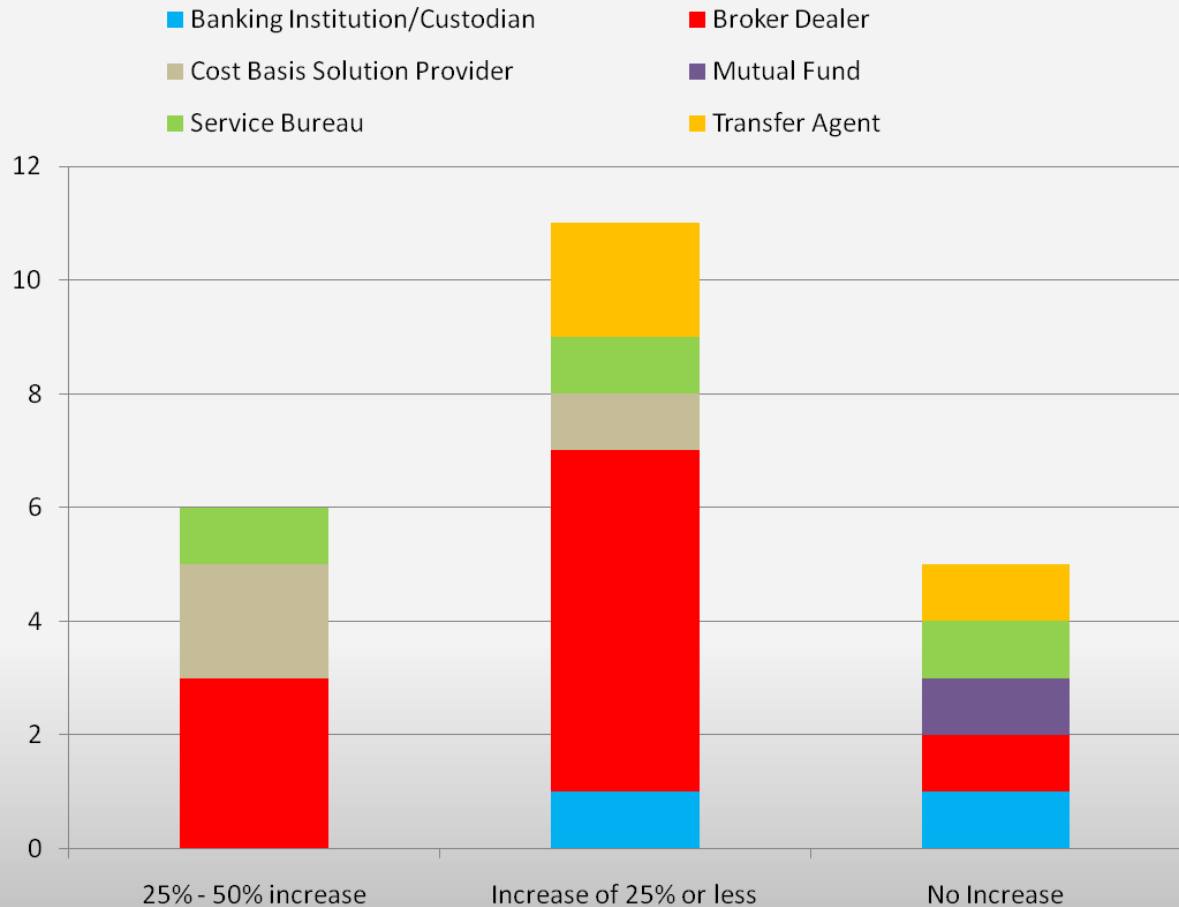


- Survey participants estimated total cost for 2012, 2013 compliance (25 participants): **\$77,000,000**
- Broker Dealer/Banking Institution/Custodian Cost (12 participants): **\$44,800,000**
- Service Bureau Cost (6 participants): **\$17,200,000**
- Cost Basis Solution Provider Cost (2 participants): **\$4,200,000**



Response Rate: 78%

Operational Staffing Increase for 2011, 2012 and 2013

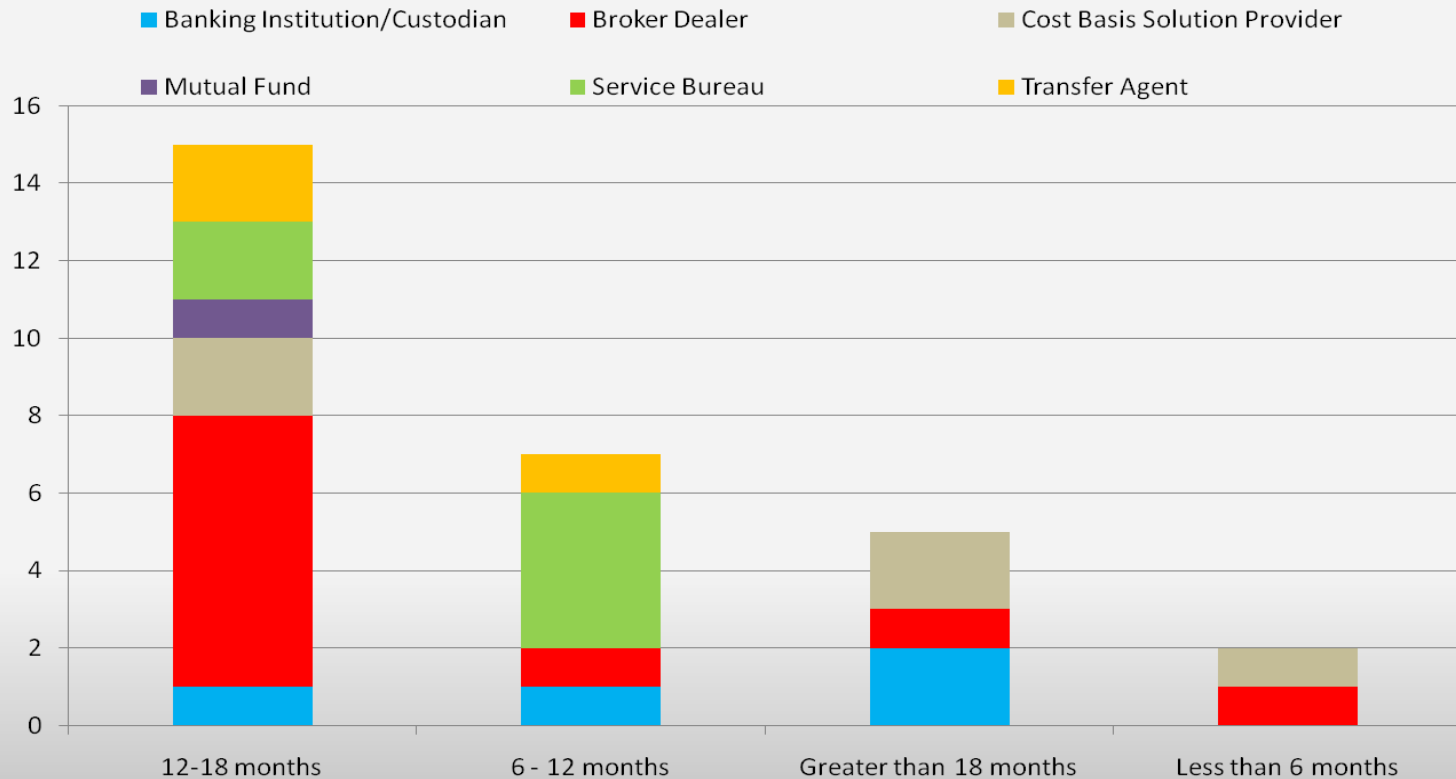


- 65% of participants have seen an increase in operational staffing
- One service bureau participant indicated the group supporting cost basis accounting and tax reporting products had nearly tripled in size
- 19% of participants have seen no increase in operational staffing



Response Rate: 81%

2013 Preparation – Final Regulations Timeline



- Over 75% of respondents feel final regulations are required at least 6-18 months in advance in order to get ready for 2013
- 17% of respondents require more than 18 months to prepare for 2013



Response Rate: 91%