



IRS Section 871(m)

Tax Compliance Data

SIX offers a compliance service to deliver the critical data elements required in order to comply with IRS Section 871(m). SIX enables you to fulfill your withholding and reporting obligations by providing comprehensive data, expertise and global market knowledge.

Regulatory Environment

The Internal Revenue Service (IRS) has issued section 871(m) of the Internal Revenue Code, which imposes a US federal withholding tax on certain equity-linked instruments.

The objective of IRS section 871(m) is to ensure that non-US persons investing in equity derivatives with US-sourced equities will be liable for 30% tax on “dividend equivalent payments”.

This rule is embedded in the HIRE Act, which also includes the Foreign Account Tax Compliance Act (FATCA).

Impact of Section 871(m)

In order to comply with the regulation, firms are required to identify in-scope equity-linked instruments that create dividend equivalent payments and ensure appropriate withholding and reporting.

SIX Financial Information offers the data that firms require to support them in their efforts to be compliant with the rule. We deliver structured and encoded data that supports automated processing, combined with flexible data delivery interfaces to truly support your workflows and facilitate complete, timely compliance.

Key benefits

- Identification of data relevant for section 871(m) compliance through classification of equity-linked instruments based on our comprehensive coverage
- Consistent and reliable data coverage as the basis for withholding and reporting
- Ongoing updates on all data relevant for Section 871(m) by continuous flagging of new instruments
- Provision of expertise in the regulatory domain and comprehensive global regulatory knowledge to support compliance
- Continuous review and maintenance to ensure sustainable quality and consistency of data

Section 871(m) Data Service

Data in support of Section 871 (m) will include:

Classification of in-scope equity derivatives

For equity derivatives (e.g. options, futures, structured products, convertible bonds etc.) SIX Financial Information sets 871(m) "in scope" or "potentially in scope" flags.

Gathering of "delta at issue" information

SIX Financial Information collects and aggregates delta "at issuance" from issuers and exchanges as a delta of 0.8 or higher is the criteria used to determine the appropriate classification of an instrument.

Qualified indices

SIX ensures that instruments are marked according to the definition set forth in the 871(m) rule.

Underlying instruments

All FATCA "in scope" instruments are already marked and continuously updated by SIX as part of the FATCA offering.

Corporate actions

SIX Financial Information provides the relevant dividend payment corporate action data for equity-linked instruments and underlyings.

Additional Tax Compliance data services

Combining global and local regulatory expertise with comprehensive data coverage and quality, SIX is offering up-to-date services covering US, European and cross-border tax information supporting reporting and withholding.

FATCA

SIX Financial Information provides the international financial industry with the data required in order to comply with FATCA:

Reportable instruments

Instrument Level: Instruments with tax status "in scope", "exempt short-term", "exempt grandfathered" and "in scope materially modified security".

Institution level tax status

The Global Intermediary Identification Number (GIIN) based on the list published monthly by the IRS is mapped to the foreign financial institutions maintained on our database and cross-referenced with many other local or international institutional identifiers, including the Legal Entity Identifier (LEI).

SEC Rule 22-C-2

SIX Financial Information has marked investment funds affected by the rule.

EU Savings Directive (EUSD)

SIX Financial has been supplying an expanded range of data for the taxation of savings income according to the EU Directive on the taxation of savings income (2003/48/EU).

Final withholding tax agreements

SIX Financial Information has enhanced the existing data feeds with the information required to calculate the applicable final withholding tax for the UK and Austria.

EU Financial Transaction Tax (FTT)

SIX Financial Information provides French FTT data, as well as tax data for the Italian FTT on shares and derivatives.

Market and reference data

SIX Financial Information offers regulatory-relevant market data (both pre- and post-trade) in frequencies ranging from real-time or delayed streaming to intraday snapshots or end-of-day files.

Our comprehensive, structured reference data is accessible through a variety of file interfaces at intervals of as short as 15 minutes.

For more information, please contact your local SIX Financial Information office and a representative will be happy to assist you.

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