

IRS 871(m) Regulation

Pathfinder integration solution for futures and options contracts

As a specialist data vendor Euromoney TRADEDATA has supported reference data needs in the derivatives industry for over two decades and is responsible for improved processing efficiencies across multiple trading platforms from the front to the back office. We have innovated new data content and engineered customised data feeds covering exchange, contract and symbology information delivered to the global banks, key software vendors and regulatory authorities.

This new data set will highlight futures and options contracts in scope under IRS Section 871 (m), the US Withholding Tax on Derivatives coming into effect on 1st January 2017. The long in the making Section 871 (m) of the US Internal Revenue Code, affects all transactions where so-called "dividend equivalent" payments that reference dividends on stocks from sources in the US, are made to non-US persons, reversing previous rules where non-US source payment recipients were exempt from US withholding tax.

Solution Summary

The 871 (m) service will offer customers the efficient and timely identification of affected contracts that would be subject to withholding tax. With today's typical scale of tradable products and trading volumes, the challenge to identify which transactions to perform withholding tax calculations on can easily add latency without the directional flags offered by Euromoney TRADEDATA's 871 (m) pathfinder service. Core to the proposition is the linking symbology between component suppliers of 871 (m) solutions, allowing affected firms to design around their architecture of choice to meet their withholding tax obligations, for example, market data vendor codes would be pre-mapped to middle and back office ISV providers for the easy plug-in of files to handle the interoperability between 871 (m) solution providers.

The 871 (m) data set comprises of listed contract falling under the scope of 871 (m). The data file contains live listed single stock future and equity option derivative contracts on ETD exchanges with an indicator as to whether they are potentially in scope of 871m reporting or not.

Functional Overview

Ref	Field Name	Data Type	Data Example
1	Exchange Code	Varchar 8	EUREX
2	Contract Code	Varchar 50	EUREX3851
3	Contract Name	Varchar 255	Amazon.com Incorporated
4	F&O Indicator	Char 1	F
5	871m Indicator	Char 1	Y
6	Exchange Trading Symbol	Varchar 15	AMZF
7	Underlying Stock Symbol	Varchar 15	AMZN
8	Underlying Stock ISIN	Varchar 12	US0231351067
9	Market Data Vendor 1 Symbol	Varchar 15	AZNM.X
10	Market Data Vendor 2 Symbol	Varchar 15	ANMZ
11	Back Office Vendor 1 Symbol	Varchar 6	AZ
12	Back Office Vendor 2 Symbol	Varchar 4	AZSX
13	Back Office Vendor 3 Symbol	Varchar 32	490154A712GJCWDEF94254741002ZN70

The client inbound file data records would be matched on key fields in the client's database, either the central repository or the live trading system with open positions. Any traded contracts that were identified would be flagged as 871 (m) eligible and the transaction record directed to the system that calculated withholding tax values and posted these to the client's book of records. The passing of records between component systems would be achieved through leveraging pre-mapped symbols used by each component.



Data you can rely on

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Euromoney TRADEDATA collaborates with exchanges and alliance partners to keep up to date with new, amended and delisted contract reference data. The quality of those relationships enable our dedicated global team of data controllers to collate, interpret, normalise and validate disparate information from different sources on a daily basis, leading to fewer data inconsistencies and more efficient trade processing. We constantly strive to ensure that we deliver the best possible reference data available.

Data that delivers

Well engineered transaction reporting data from Euromoney TRADEDATA:

- Minimises the risks associated with non-compliant regulatory reporting
- Allows middle and back offices to focus on other areas of risk management
- Reduces the cost and risk of maintaining internal regulatory database siloes
- Leverages its community data model for highest quality, fit for purpose compliance data.



Only pay for what you need

Only pay for what you need

As an independent business we are able to work with each client to tailor our services to their needs and requirements. We understand that one box does not fit all, so our implementation team works closely with you, so you only pay for what you need and how often you need it.

Contact sales@euromoneytradedata.com to find out more.

Services from Euromoney TRADEDATA

XYMBOLOGY

CONSPEX

CALENDAR

VIEWXONE

About Euromoney TRADEDATA

Euromoney TRADEDATA provides an aggregation service for the global exchange traded derivatives. Recognised as the specialists and innovators in the futures and options market, we are now aiming to become innovators in other asset markets. The up to date market data we provide is essential for accurate and timely settlement of trades without the additional overheads of collating, validating and maintaining in-house data.

We pride ourselves in being able to offer highly customised data feeds to integrate with any client application whether proprietary or vendor based.

We supply instrument data for over 80,000 contracts on over 110+ exchanges and are the reference data solution of choice for the world's top tier financial organisations, exchanges and regulators.