



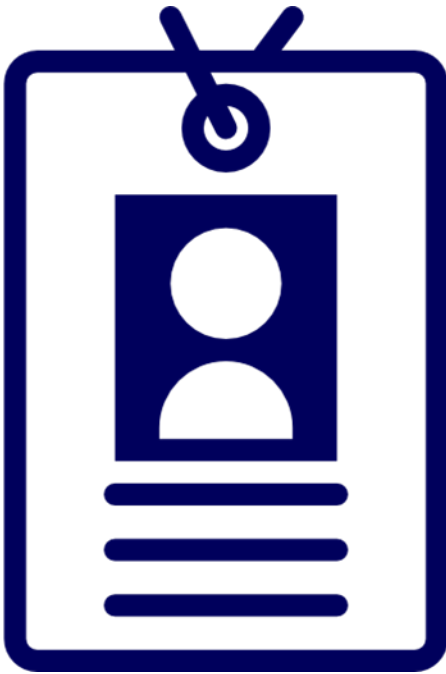
US Withholding Tax On Derivatives

Identifying Qualified Indices under 871(m)

Setting New Standards in Providing Securities Reference Data



871(m) Qualified Indices



Amendments to the US Internal Revenue Service (IRS) regulations 871(m) announced in September 2015 are due to come into effect January 1, 2017. These changes require dealers to withhold US federal taxes on certain equity linked instruments, including those which reference indices.

In order to comply with these changes dealers must be able to identify which equity linked instruments are in scope and as part of that determination the IRS has provided a set of criteria for qualified and non-qualified indices as part of 871(m).

871(m) Qualified Indices

Analysis to identify qualified and non-qualified indices are made on the first business day of every year. This determination applies to all derivatives based on the index throughout the year.

The criteria are designed to qualify indices which are passive, diverse and widely used.

- Reference 25 or more securities
- Reference primarily long positions
- No “underlying” security can represent more than 15% of the weighting
- Five or fewer “underlying” securities cannot represent more than 40% of the weighting
- Dividend yield $\leq 1.5x$ the dividend yield of last year’s S&P 500 Index
- Traded through futures or option contracts on SEC or CFTC approved exchanges

Qualified Index Identification

Exchange Data International has reviewed the universe of underlying indices for derivatives traded on the full list of exchanges recognised by the IRS.

Index composition, weightings, dividend yields, and rebalancing methodologies for each are analysed against the IRS 871(m) qualified indices definitions allowing each index to be appropriately flagged.



EDI Data Fields

Data fields to support 871(m) provided by EDI:

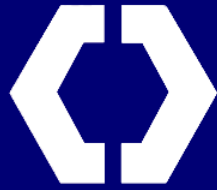
Reference Data	Qualification of 871 (US content)		
Symbol	>=25 components	Rebalancing method	Weight of top 10 components
ISIN	# US components >15%	# components	CFTC/FBOT <50% US
BBG	Top 5 US components <=40%	#US components	Derivative Type
Index Name	Dividend Yield US Comp <=1.5 x S&P 500	Largest component	Index Ticker
Trading Venue	Long only?	Annual Dividend Yield	Index Provider

Exchange Data International

Other EDI data to support 871(m) provided by EDI

- Dividend data
- Convertible bond data
- Corporate actions data
- Derivative data – pricing and reference data

Jonathan Bloch, CEO of Exchange Data International said, "Dealers require accurate data to meet the January 1, 2017 implementation of these new 871(m) regulations. With over 20 years market data experience, and comprehensive databases, EDI is pleased to simplify compliance with quality, reliable data solutions."



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