

Foreign & Domestic Corporate Actions Taxability Service

Automating delivery of taxability data for cost basis reporting

The Situation

As a result of the cost basis reporting law, brokers need detailed corporate actions taxability information to adjust the basis of affected domestic and foreign securities for tax reporting.

Even before cost basis reporting became law, one of the most challenging aspects of processing corporate actions was incorporating the resulting and often complex basis related adjustments—typically described in corporate action tax opinions—into automated portfolio accounting systems. Historically this difficult task was handled manually by internal teams to make reasonable efforts in the determination of taxability based on the information available. Although corporate actions data feeds are readily available, most still do not include in-depth taxability information. And now, accounting for the taxability consequences of corporate actions to the basis of covered securities is essential to meet the transfer and 1099-B reporting requirements of the new law. Significant tax penalties that can add up to millions of dollars can apply if 1099 information is incorrect.

Further, because the cost basis reporting law does not carve out foreign securities, corporate actions for foreign securities generally must be taken into account. When covering corporate actions on foreign securities, the taxability adjustments need to incorporate the details of the local event as well as the elections made by U.S. depositories relating to choices and cash payments to properly treat and report the proceeds and other distributions paid to U.S. holders. Unfortunately, the securities industry has not yet developed a standardized approach to accounting for the taxability of corporate actions on foreign securities.

Although the cost basis law requires that issuers of specified securities provide certain corporate actions taxability information via a new issuer reporting form, it is uncertain if all issuers will comply, particularly foreign issuers of covered securities.

Brokers need efficient—and optimally automated—resources that provide detailed foreign and domestic corporate actions taxability information for cost basis reporting adjustments.

Know the law

Treasury Regulation Sec. 1.6045-1(d)(2)(iv) of the cost basis reporting law generally requires brokers, when reporting the sale of a covered security, to take into account the taxability effect of any corporate action reported on an issuer statement on the cost basis of the security prior to the sale.



Avoid significant noncompliance penalties

- \$200 per inaccurate Form 1099-B (to IRS and investor)—up to \$3mil aggregate annual limit (plus interest)
- If due to intentional disregard, 10% of what should have been reported—no annual maximum limit

The Solution

Corporate Actions Taxability Service

Automated delivery of fielded taxability information for cost basis reporting

Wolters Kluwer Financial Services' Corporate Actions Taxability Service provides the essential corporate actions taxability details that you need to adjust the basis of covered foreign and domestic securities for cost basis reporting. This service combines the deep corporate actions expertise of our dedicated Capital Changes team with the efficiency of our proven GainsKeeper® technology.

Global Taxability Details—At Your Fingertips

Our Corporate Actions Taxability Service automates targeted coverage of the tax consequences of foreign and domestic corporate actions to assist with basis adjustments for cost basis reporting. This highly customizable service simplifies access to the corporate actions tax details that you need to process events impacting the foreign and domestic securities you hold.

You simply specify and upload your foreign and domestic securities of interest (SOI) into our system. Leveraging data from SIX Telekurs and Capital Changes, this service then applies a rules-based logic to determine taxability for corporate actions affecting your SOI. On a daily basis, you can create corporate actions taxability XML data files to upload into automated portfolio accounting systems to adjust the basis of your SOI, and you can also produce custom taxability reports for processing and validating. This flexible service allows you to update and continuously customize your SOI to ensure that you have access to the corporate actions tax consequences you need for cost basis reporting.

You get rich taxability details, such as: fair market value (FMV)—for taxable events; basis allocations—for nontaxable events; boot rule or cash consideration details, when applicable; as well as other relevant tax details affecting basis. You can also access additional details behind the taxability determinations for events.

Streamline Processing

Because this service makes it easy for you to create and upload corporate actions taxability XML data feeds into your back office systems, it eliminates the need for manual input. Once the data feeds are uploaded, your portfolio accounting system has taxability details to process adjustments to the basis of impacted securities for cost basis reporting.

Flexible Views

This service also provides the ability to view and to research corporate actions and taxability information pertaining to your SOI through multiple search filters, such as effective date, pay date, taxability consequences, CUSIP, ISIN and SEDOL.

You can also export corporate actions taxability data into custom reports to review and to reconcile corporate actions information.

Corporate Actions Taxability Service ... At-A-Glance

- Specify & upload your foreign & domestic Securities of Interest (SOI) into the system
- Create your custom corporate actions views
- Generate daily, corporate actions taxability XML data files to upload into your portfolio accounting system
- Export corporate actions taxability information into custom reports for processing and validating
- Access the key taxability attributes behind the corporate actions

The Foreign & Domestic Coverage You Need

Wolters Kluwer Financial Services' Corporate Actions Taxability Service provides automated coverage of taxability consequences of foreign and domestic corporate actions to covered securities to assist with your basis adjustments for cost basis reporting. This Service includes:

- **FCATS™—Foreign Corporate Actions Taxability Service**
FCATS™ provides comprehensive corporate actions taxability coverage of all of your firm's foreign and domestic securities of interest.
- **DCATS™—Domestic Corporate Actions Taxability Service**
A sibling of FCATS™, DCATS™ provides exclusive corporate actions taxability coverage for U.S. exchange traded securities.

Your Cost Basis Reporting Compliance Partner

At Wolters Kluwer Financial Services, tax accuracy is paramount. That's why we continuously embed our solutions with tax-accurate expertise and functionality. Tax, legal and operations professionals at blue chip brokerage firms count on us for unparalleled foreign and domestic corporate actions tax content and sophisticated technology—including a basis calculator, for investment tax reporting and compliance with the cost basis reporting law.

To learn more about the cost basis reporting law, visit www.costbasisreporting.com.

Automate corporate actions taxability processing

- Improve operational efficiencies
- Reduce manual activity
- Minimize tax reporting error risks

Wolters Kluwer Financial Services - is a comprehensive regulatory compliance and risk management business that helps financial organizations manage operational, compliance and financial risk and reporting, and improve efficiency and effectiveness across their enterprise. The organization's prominent brands include: FRS Global, ARC Logics for Financial Services, PCI, Compliance Resource Network, Bankers Systems, VMP® Mortgage Solutions, AppOne®, GainsKeeper®, Capital Changes, NILS, AuthenticWeb™ and Uniform Forms™.

Wolters Kluwer Financial Services supports its global customers with more than 30 offices in 20 countries and is a leading worldwide provider of compliance and risk management solutions for the financial services industry, serving more than 15,000 banking, insurance and securities customers across the globe. Wolters Kluwer Financial Services is part of Wolters Kluwer, a leading global information services and publishing company with annual revenues of (2010) €3.6 billion (\$4.7 billion) and approximately 19,000 employees worldwide.

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