Market Bulletin

LLOYD'S

FROM:	Manager, Tax Operations, Members' Services Unit	EXTN:	2433
DATE:	28 February 2005	REF:	Y3501
SUBJECT:	**Lloyd's Dollar Trust Funds**		
SUBJECT AREA(S):	RETURNS REQUIRED FOR 2004 US INCOME TAX YEAR		
ATTACHMENTS:			

ACTION POINTS:	**LDTF returns to be submitted**
DEADLINE(S):	**31 March 2005**

1   Background

1.1   All Lloyd's members are potentially subject to US tax under the provisions of the Closing Agreement concluded with the US Internal Revenue Service. To comply with the reporting obligations of the Closing Agreement, investment income and capital gains/losses on the US Dollar trust funds have to be calculated. For LATF funds, Citibank New York has a tax reporting package, but it cannot be used for funds held outside of the LATF. These returns must be completed accurately as any errors will impact on the income allocated to the members of your syndicate and consequently their United States tax liability. Should an error subsequently be found, necessitating the amendment and re-filing of the tax return then the managing agent may have to meet any costs on a user pays basis.

2   Reporting requirements for Dollar Trust Funds held in the UK (LDTF)

2.1   In order that Members' Services Unit (MSU) may calculate the gains and losses within the LDTF for US tax purposes a return of LDTF investments is required.

2.2   A return must be completed for each syndicate holding assets in the LDTF, at 1.1.2004 and/or during 2004. This applies to all LDTF assets, regardless of where they are held and including those held by Citibank but subject to the requirements in 2.4 and 2.5 below. Instructions to assist the completion of the return are attached as Appendix 1. Instructions for using the software are attached on appendix 2.

2.3   Those syndicates who invest **only** in the Citibank Dublin sweep account, Wellington or AIM mutual funds do not need to make a return as this data is collected centrally. If you use any other collective arrangement, please advise MSU of the details.

2.4   If you did not submit a return for the LDTF for 2003 but need to provide details of investments and interest for 2004, please contact Claire Glover on 01634 392512.

2.5   If you hold LDTF cash in an account other than with Citibank you will also need to advise MSU separately of any interest received on those funds during 2004. Please forward this information to Lloyds-Tax-Ops@lloyds.com .

2.6   If you held any tax exempt securities in the LDTF or any Equities, please include them in the return but also e-mail details to Lloyds-Tax-Ops @Lloyds.com.

2.7   The returns must be signed off by the Finance Director and be submitted via the market returns website by no later than 31 March 2005.

2.8   This bulletin has been sent to all managing agents and other prepares of US tax reports.

2.9   Please e-mail your queries to Lloyds-Tax-Ops@lloyds.com, providing a contact telephone number or alternatively call Ian Chidgey on Lloyd's extension 2393.

Christine Allcott
Manager, Tax Operations
Members' Services Unit

Instructions for the Provision of LDTF Data

1.0 The Return

1.1   Full details of how to use the return are included in Appendix 2. The operation of the function is self-explanatory but if you have any problems using the system, please contact Ian Chidgey on Lloyd's extension 2393 (01634 392393) or send an e-mail Lloyds-tax-ops@lloyds.com.

        The system contains validation checks to enable you to consider the details in the return and to assist in ensuring the records submitted are correct.

2   Purchase and Sales

2.1   Please record any maturities under sales. The system will advise if sales are recorded for stock that is not held. If the maturity date has been exceeded, then a disposal must be recorded. Asset backed securities should also be included on these schedules. If these details are loaded utilising a CSV file it is then possible to amend individual entries. Maturity dates of the securities held <u>must</u> be provided if there is less than a year between issue date and maturity. The maturity date may be provided for all other securities. All transactions with a trade date of 2004 must be entered on the schedules, even if the settlement date is 2005. If last year you omitted to report securities with a trade date of 2003 and settlement date 2004 these should also be included on this report. If you do not have the settlement date available you may use the trade date but you should be consistent.

3   Dividend and Interest

3.1   All dividends and interest payments should be recorded. The system will carry out some basic checks to ensure that any income recorded originated from a security shown as either brought forward or purchased during the year. It is therefore imperative that the same security codes are used for interest as were assigned to the acquisition of stock.

4   Validation/Reasonability Checks

4.1   Any validation items on the validation report must be corrected to enable the return to be submitted, whilst a reason must be selected from a drop down box for any items highlighted by a reasonability check.

4.2   In order to see the transaction summary for a particular stock, click on the stock, right click with the mouse and select stock profile from the dropdown box. This may assist you with resolving any queries that arise on validation.

LDTF Software

Appendix 2

1. Introduction

1.1.   These instructions give users some basic information concerning the software and the initial steps required to prepare each system for the LDTF return process.

2. User Maintenance

2.1.   The first version of the software will contain five User IDs. These are

User Name	User ID	Password	Assigned Functions
Operator	op	operator	Print, update, validate, view
Supervisor	sup	supervisor	Delete, export, import, print, remove sign-off, roll-forward, update, validate, view
Administrator	admin	admin	User maintenance, including password resets and unlocking records
Sign Off	so	signoff	Export, print, remove sign-off, sign-off, validate, view
View Only	view	view	View, print

The administrator is the only user who can maintain log-on IDs.

3. To Create a New User:

Click the 'Add User' button
Input the requested information - User ID, User Name, Access Level (from the drop down box) and password.
Click 'OK'

4. To Reset a Password:

Click once on user
Click the 'Reset Password' button
Enter a new password
Click 'OK'

5. Delete a User

Click once on the user
Click the 'Delete User' button
Click 'OK' to confirm the delete operation.

6. Moving around the forms

6.1.   Firstly, log in utilising the User ID and password that has been provided to you as above.

6.2.   On entering the software a list of Syndicates/Tax Years, for which your agency is responsible, will be displayed. Alongside each is a 'Select Action' box. Clicking on the downward arrow will produce the following options:-

6.3.   Delete: this option will delete the Syndicate/Tax Year from the database.

6.4.   Export File to MSU: When all LDTF returns are complete and signed-off this option is used to prepare a data file to be returned to MSU Tax Operations via the market returns website.

6.5.   Import from a CSV file: This option enables the import of data directly into the LDTF software (see file format at the end of the document).

6.6.   Print: This option will print all years of account for the selected syndicate. A sub menu will offer the option of printing the selected forms.

6.7.   Remove Sign-Off: Selecting this option will allow you to amend the data after the forms have been signed-off.

6.8.   Roll Forward: Selecting this option will prepare blank forms for the following tax year. The forms will include brought forward figures. The forms must be validated and signed-off before rollover will be allowed.

6.9.   Update: This option allows you to complete and amend the data in the forms with the exception of the brought forward figures. There are tabs for the five forms to be completed. You may move between forms at any time.

6.10.   Validate: Selecting this option will perform checks against your completed forms. An on screen report will be produced summarising any errors found, together with any reasonability check failures and answers selected. To pass validation, the forms must be error free and all reasonability checks answered.

6.11.   View: this option is similar to the update function: however, data can be viewed only and not updated

6.12.   Sign-Off: This option is available to the sign off user only. It should be used when the data is complete and has passed validation. Only signed-off forms can be returned to MSU Tax Operations via the export function.

7. Setting up a syndicate

7.1.   Firstly, each syndicate needs to be set up on the main screen (the first screen after signing in). Click the 'Add' button and enter the syndicate number (without preceding zeros). This will set up the syndicate line. A drop down box is located at the end of the syndicate line; from here the software functions can be initiated (Please see the table above for the functions assigned to each user type).

7.2.   The syndicate can now be rolled forward. This can only be completed by a user that has logged on as a supervisor.

8. Roll Forward

8.1.   The supervisor must log in. Select the 'Roll Forward' option from the drop down box. Click OK. Each of the syndicate forms must be 'rolled forward' individually. The software is now ready for the next tax year.

9. Inputting the LDTF Data

9.1.   It is possible to access and input into the forms by selecting 'Update' from the drop down box.

9.2.   The LDTF forms can all be accessed using the tab selection, instead of opening and closing each form respectively.

10. Form Validation

10.1.   Validation of each form takes place as you leave the form and not as you leave a field. On exiting the form, the software will advise you of any errors and the fields in which they occur. The options of correcting the data at that point or continuing are provided. This approach allows the user to complete as much or as little of the forms as required without having to correct the data before being able to continue. Running the validation report will produce a list of all errors, which will need to be corrected before the return can be signed off.

11. Validating the Whole Return

11.1.   To run the validation report select 'Validation' from the drop down box on the main screen next to the relevant syndicate/year. A report is produced that is viewable on screen. Clicking on the print icon will then print the report to the default printer.

11.2.   If the validation was successful, a message will be displayed advising 'validation Complete and Successful'.

12. Sign-Off

12.1.   To sign-off, the current user will need to sign out. The sign-off log on ID must then be used to log on. The user should select 'Sign-Off' from the drop down box. An approval date and a submission date must be input into the form provided. The data can then be signed-off by entering the password assigned to the sign-off ID. On completion, the syndicate line will show a tick in the 'signed-off' box, the name of the user, together with the approval and submission dates.

13. Printing

13.1.   Printing is initiated from the main screen. Select the 'print' option from the drop down box at the side of the respective syndicate year. A page will be displayed listing the reports available. Then Click the 'Print 'button. Please note that reports can not be printed from the respective form page. However, this selection page can be kept open whist updating and running reports as required.

14. Importing from a CSV file

14.1.   Form data can also be imported from a CSV File, but please be aware that data already in the forms will be over written by the imported data. From the main screen

from the drop down box next to the syndicate/year select 'Import CSV File'. Locate the relevant CSV file on your system/ network and click 'Open'. A message is displayed advising of the success of the import. (A file layout is enclosed at the end of these notes).

15. Exporting the Data to the MSU

15.1.   Once the return has been completed, validated and signed-off it can then be exported, to be sent to the MSU.

15.2.   Form the main screen; select the 'Export to MSU File' form the drop down box next to the relevant Syndicate/year. Select the directory to where you wish to export the file and click 'Select'. A confirmation message will be displayed once completed. The file can then be uploaded to the Market Returns website.

US Tax
LDTF Investment Income
CSV Import File Specification

The CSV file will need to have the following fields:

	Purchases	Sales / Maturities	Interest	Type of field
1	Syndicate	Syndicate	Syndicate	Number
2	Year	Year	Year	Number
3	Type (P)	Type (S)	Type (I)	Text
4	Security Code	Security Code	Security Code	Text
5	Description Of Security	Description Of Security	Description Of Security	Text
6	Trade Date	Trade Date	Receipt Date	Date ("dd/mm/yyyy")
7	Maturity Date	Maturity Date	Maturity Date	Date ("dd/mm/yyyy")
8	Nominal	Nominal	Nominal	Number
9	Total Cost	Total Proceeds	Gross Interest	Number
1	Accrued Interest	Accrued Interest		Number
1	Net Cost	Net Proceeds	Not required	Number
1	Issue Date	Issue Date		Date ("dd/mm/yyyy")
1	Settlement Date	Settlement Date		Date ("dd/mm/yyyy")

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– *The file needs to be delimited with comma separators.*
– *Text and Date fields need to be qualified by double quotation marks.*
– *The 'Type' field should contain "P" for purchases, "S" for sales or maturities and "I" for interest payments.*
– *If there is no 'Issue Date' or the type of income is an interest payment, there should still be a comma at the end of the line signifying a blank field. In the case of an interest payment there should be 3 comma's at the end for fields 10, 11 and 12 which are not required.*

Example of text file for fictitious syndicates 8765 and 9876 for year 2001:

8765,2001,"P","11102GDS4","British Telecom","03/02/2001","26/04/2001",270000.00,2072065.33,0.00,2072065.33,"26/4/2000","06/02/2001"
8765,2001,"I","11102GDS4","British Telecom","03/02/2001","26/04/2000",650000.00,2072065.33, , , ,
8765,2001,"P","912810FH6","U.S. Treasury","29/02/2001","26/04/2030",1969.00,2072065.33,0.00,2072065.33, ,"03/03/2001"
8765,2001,"P","11102GDS4","British Telecom","03/02/2001","26/04/2001",7900000.00,2072065.33,0.00,2072065.33,"26/4/2000","06/02/2001"
9876,2001,"I","XS0126192862","Merrill Lynch","26/03/2001","26/06/2003",5000000.00,2072065.33, , , ,
9876,2001,"P","3133MENT","4.500 FHLB 4.5%","06/06/2001","26/04/2003",2900000.00,2072065.33,0.00,2072065.33, ,"09/06/2001"
9876,2001,"S","3133MENT","4.500 FHLB 4.5%","07/07/2001","26/04/2002",2100000.00,2072065.33,0.00,2072065.33,"26/4/2000","10/07/2001"
9876,2001,"S","3133MENT","4.500 FHLB 4.5%","07/05/2001","26/04/2003",570000.00,2072065.33,0.00,2072065.33, ,"10/07/2001"