

# MARKET BULLETIN

<b>From</b>	Christine Allcott, Manager, Members' Services Unit (extn 2433)
<b>Date</b>	9 March 2007
<b>Reference</b>	Y3975
<b>Subject</b>	<b>Lloyd's Dollar Trust Funds</b>
<b>Subject areas</b>	RETURNS REQUIRED FOR 2006 US INCOME TAX YEAR
<b>Attachments</b>	Appendices 1& 2 US Tax LDTF Investment Income CSV Import File Specification Schedules
<b>Action points</b>	<b>Returns to be submitted advising MSU of appropriate holdings within the LDTF</b>
<b>Deadlines</b>	<b>6 April 2007</b>

## 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. It is important that the information provided to Members' Services Unit (MSU) is accurate 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.
- 1.2 In addition, the information provided will be reconciled to reports filed with the United States Internal Revenue Service by the various custodians to enable Lloyd's to discharge its obligations as Qualified Intermediary (QI) for the syndicates.
- 1.3 In order to discharge its QI obligations on behalf of the syndicates, MSU reconciles the interest / dividends reported by the syndicate to records provided by its various

custodians. This function has now been automated, however, for this to work all transactions entered into the return must contain either an ISIN or CUSIP code. It is appreciated that systems may not contain this data and therefore for this year we will process files prepared under any previous basis. If you do not currently report on the ISIN or CUSIP basis and require assistance with the restatement of items carried forward from 2005 please contact Ian Chidgey on 01634 392393 or alternatively email [Lloyds-Tax-Ops@Lloyds.com](mailto:Lloyds-Tax-Ops@Lloyds.com)

If this will cause a problem for 2008 (reporting 2007 items), would you please contact MSU

**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. If your syndicate invests in equities it will be necessary to report these separately to Lloyds, and, depending upon the volumes, this may necessitate the submission of a separate return.
- 2.2 A return must be completed for each syndicate holding assets in the LDTF, at 1.1.2006 and/or during 2006. 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 If you did not submit a return for the LDTF for 2005 but need to provide details of investments and interest for 2006 please contact Clare Desmond on 01634 392180.
- 2.4 Table of items required to be reported / excluded

To be reported to MSU	To be collected centrally
All LDTF assets held during 2006 and income received in 2006 (excluding those items collected centrally)	Interest on Dublin sweep account, Wellington and AIM mutual funds
Equities need to be included but on a separate return. Please contact MSU to discuss this	Bank interest on Citibank US\$ accounts held by syndicates
Interest on US\$ bank accounts excluding Citibank. (should be emailed to MSU separately)	Co-mingled funds invested by Lloyds
Investments which provide an exemption from Federal Income Tax to be notified to MSU	

- 2.5 The returns must be signed off by the Finance Director and submitted via the market returns website by no later than 6 April 2007.
- 2.6 This bulletin has been sent to all managing agents and other preparers of US tax reports.

- 2.7 Please e-mail your queries to [Lloyds-Tax-Ops@Lloyds.com](mailto: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 The Return**

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](mailto: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. Paydowns and asset backed securities should also be included on these schedules. If these details are loaded utilising CSV file it is then possible to amend individual entries. Maturity dates of the securities held must 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 2006 must be entered on the schedules, even if the settlement date is 2007. If last year you omitted to report securities with a trade date of 2005 and settlement date 2006 these should also be included on this report.

### **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/ISIN codes are used for interest as were assigned to the acquisition of stock.
- 3.2 Any interest on paydowns or asset backed securities must be included in the interest schedule. It should not be included as accrued interest sold.

### **4 Validation/Reasonability Checks**

- 4.1 Any validation items on the validation report must be corrected to enable the return to be submitted, and 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

### 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 the 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 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 whilst 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 overwritten 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, ready to send to the MSU.
- 15.2 From the main screen, select the 'Export to MSU File' from 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 web site.



**US Tax**  
**LDTF Investment Income**  
**CSV Import File Specification**

The CSV file will need to have the following fields:

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

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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 commas 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:

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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"

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