MARKET BULLETIN

From	Manager, Tax Operations Members' Services Unit (extn 2433)
Date	9 March 2007
Reference	Y3976
Subject	**Securities issued by US entities held outside of the US dollar trust funds**
Subject areas	RETURNS REQUIRED FOR 2006 US INCOME TAX YEAR
Attachments	Appendices 1 & 2 US Tax SPTF Investment Income CSV Import File Specification Schedules
Action points	**Managing Agents to provide copies of 1042-s received from custodians and submit details of income, gains and losses on investment**
Deadlines	**15 May 2007**

1   Background

1.1   All Lloyd's members are subject to US tax under the provisions of the Closing Agreement concluded with the US Internal Revenue Service. To comply with these reporting obligations, investment income from certain securities held outside of the dollar trust funds must be included in the consolidated United States income tax return that is filed on behalf of all members of Lloyd's.

2   Reporting Requirements

2.1   A return is required for each syndicate that held during 2006 either:-

Us dollar securities issued by a US entity for example, but held outside of the US dollar trust funds, or

Securities denominated in currencies other than dollars, issued by a US entity, held outside of the dollar trust funds, e.g., Sterling denominated US securities.

2.2   Syndicates should not include interest earned on bank deposits, including certificates of deposit, or investment income or capital gains/losses earned/incurred with respect to securities issued by a non US entity.

3   Provision of copies of forms 1042-S

3.1   Further to Market Bulletin Y3021 dated 31 March 2003, Managing Agents are requested to forward copies of forms 1042-S in respect of calendar year 2006, together with any supporting documentation, to Cheryl Masson, members' Services Unit, Fidentia House, Walter Burke Way, Chatham, Kent ME4 4RN as soon as possible and in any event by no later than 15 May 2007

4   Procedure

4.1   The returns required in 2.1 above are available on the Market Returns website. Full instructions are included in appendix 1. It is vital that full details are included on the schedule for each of the relevant securities held. All transactions must be reported in US dollars at the rate of exchange on the day the transaction was completed. The nominal value of the transaction should be retained in the original currency.

4.2   The returns must be signed off by the Finance Director and be submitted via the Market Returns website by no later than 15 May 2007.

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

4.4   If you have any queries regarding this bulletin please email Lloyds-Tax-Ops@Lloyds.com or alternatively contact Cheryl Masson on Lloyd's extension 2620

Christine Allcott
Manager, Tax Operations
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Appendix 1

Instructions for the Provision of SPTF Data

1.0   The Return

1.1   The schedules for providing the requested SPTF data are in the same format as those required for the LDTF 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.

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 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. If you do not have the trade date available you may use the settlement 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.

Appendix 2

SPTF 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 SPTF 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
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 SPTF returns are complete and Signed-Off this option is used to prepare a data file to be returned to MSU Tax Operations.

6.5   Import from a CSV file**:** This option enables the import of data directly into SPTF 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 all the 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. 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 SPTF Data

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

9.2   The SPTF 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 available reports. Check the box next to the required report, or click the 'Select All' button. 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 if there is any data already in the forms will be overwritten by, the imported data. From the main screen, select 'Import CSV File' from the drop down box next to the syndicate/year. 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.