



Section 871(m) Eligibility

IHS Markit's solution aims to determine if certain securities fall within scope of the Section 871(m) regulations.

Our solution provides a breakdown on the qualification of global index and ETF products. Based on a number of conditions and determinative criteria, the output of our solution will assist in flagging whether a security qualifies for Section 871(m). Our solution is utilized by financial institutions holding Qualified Derivatives Dealer (QDD) status and looking to identify withholding tax requirements, or those lacking QDD status and looking to screen the population of indices and ETFs in the marketplace.

Section 871(m) of the US Internal Revenue Code, is a US tax initiative relating to derivatives. Regulations provide updated rules for determining whether certain payments under swaps or equity-linked instruments might be treated as US 'dividend equivalent' payments and, if paid to a non-US beneficial owner, would be subject to US with-holding tax generally applicable to US source dividends. The regulations affect Delta One products, which have been in scope since January 1st 2017.

In 2021, the regulation will widen to include delta exposure that is greater than 0.8. As the regulation broadens, our solution will adapt to and continue to assist in compliance with the broadening parameters of Section 871(m) eligibility.

The regulation requires an annual assessment of eligibility criteria. The IHS Markit solution provides an indicative file prior to the status changes each year which forewarns financial institutions of any qualification changes likely to impact trading.

Available through API, flat file or web interface, the solution is simple to integrate and minimises technology costs commonly associated with implementation.

Risk Reduction

Pre-screening of underlying products prevents compliance breaches and aids in the correct tax handling.

Broad Coverage

Assessment provided for the full DeltaOne composition coverage of global indices and ETF's.

Cost Effective

Simple centralised data production avoids lengthy technical implementation or data costs associated with self-assessment.

Delivery

Available through the following platforms: IHS Markit *SOLA, API, FTP, **Eclipse.

KEY STATS

550,000

Indices

150,000

Exempt from withholding tax

9,000

Exchange traded funds

5,500

Exempt from withholding tax

CUSTOMERS

Market makers

Brokers

ETP issuers

Authorized participants

Liquidity providers

Brokers

Hedge funds

For more information on the products and services from IHS Markit, please contact us at sales@ihsmarkit.com

*SOLA – Index & ETF aggregation platform for IHS Markit DeltaOne

**Eclipse – Web interface for IHS Markit DeltaOne