

## 871(m) Announcements

DTCC'S 871(m) TAX EVENT ANNOUNCEMENTS PROVIDE INFORMATION-ONLY ANNOUNCEMENTS ON DIVIDEND EQUIVALENT AMOUNTS UNDER INTERNAL REVENUE CODE 871(m).

### OVERVIEW

The 871(m) Tax Event Announcement helps firms meet their obligations for tax withholding and reporting under 871(m) of the Internal Revenue Code by providing timely notification of dividend equivalent amounts.

Section 871(m) imposes a 30 percent withholding tax on dividend equivalent payments that are made or deemed to be made to non-U.S. persons with respect to certain derivatives that reference equity ("Equity Derivatives") of a U.S. issuer. Under the Section 871(m) Regulations, an Equity Derivative held by a non-U.S. person can potentially give rise to a dividend equivalent subject to withholding tax. A complex set of rules must be followed in order for the withholding agent to determine if the withholding tax in fact applies, and, if so, the amount of the dividend equivalent subject to withholding tax.

The 871(m) Announcement simplifies compliance with these rules by sourcing dividend equivalent amounts directly from issuers and providing the information in the same manner as other corporate action information which allows these events to flow seamlessly into client's tax processing engines.

### KEY BENEFITS

Sourcing the dividend equivalent amounts ("DEAs") directly from issuers eliminates the need for firms to calculate DEAs, and holders of 871(m) transactions are treated consistently.

Other benefits include:

- Announcement provides relevant data (i.e. timing and amount of dividend equivalent) in fielded format
- Data flows in same manner as DTCC's announcements on corporate actions
- Position capture for balancing position to DTCC records
- Provides the underlying payable date for firms performing cashless withholding
- Transparency into the underlying dividend that triggered the DEA
- Systemic notifications through ISO 20022 messaging technology

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### WHO CAN USE THE SERVICE

All DTC participants can use the service.

### INFORMATION FOR UNDERWRITERS AND ISSUERS OF 871M INSTRUMENTS

When securities are made eligible at DTCC depository, the issuing firm is required to attest to whether the security is a section 871(m) transaction by completing a [871\(m\) Attestation Form](#).

For securities that issuers have attested are section 871(m) transactions, issuers are required to provide DTCC with related information that triggered the dividend equivalent amounts as they occur, by completing the [871\(m\) Dividend Equivalent Template](#).

As DEAs are received, 871(m) announcements are created, sent via ISO messages and made available for viewing in the CA Web.

### RELATED PRODUCTS AND SERVICES

#### Corporate Actions Processing:

The Depository Trust Company (DTC) offers a wide array of services for processing corporate action events. These services include providing participants with information about their entitlements, along with collecting, allocating, and reporting payments across various corporate action event types, including distributions, redemptions, and reorganizations.

#### New Issue Eligibility:

The New Issue Eligibility program allows newly issued securities as well as secondary offerings that meet DTC's eligibility criteria to become eligible for the depository and book-entry services of The Depository Trust Company (DTC).

### FOR MORE INFORMATION

To request additional information, please click [Here](#)