

## Broker Basis Reporting Requirement Brings New Set of Challenges

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As if the turmoil in the financial markets wasn't making life for financial institutions challenging enough, the Emergency Economic Stabilization Act of 2008 (EESA) included changes to the Internal Revenue Code of 1986 that require broker reporting of customers' cost basis in securities transactions. While this will not be effective for stock transactions until 2011, institutions must be certain that they are prepared to meet the requirement to report a customer's adjusted cost basis when reporting securities transactions, and indicate whether gain is long term or short term.

For financial institutions, the first step to assess their readiness for this new requirement is to review their current cost basis practices as they relate to the challenges presented in the EESA. The process of accurately reporting cost basis lies with the quality of both the corporate actions data and the tax and cost basis implications of those actions. Corporate actions such as stock splits, spin-offs and mergers need to be accounted for prior to reporting adjusted cost basis. Having access to a robust cost basis service that reports on the tax impact and basis adjustment factors can be critical in meeting these requirements.

Interactive Data offers a comprehensive Cost Basis service that can help automate the calculation and delivery of cost basis information. The process starts with utilizing Interactive Data's award winning Corporate Actions service to track events that can have an impact on the original basis for a security. Once the corporate actions information is received and analyzed by Interactive Data's cost basis team, they begin the process of assessing the tax and cost basis implications of the event. Interactive Data's Cost Basis service provides both corporate actions reporting and the cost basis impact associated with these actions, to help comply with this challenging requirement.

In addition to the delivery of daily cost basis information, Interactive Data also offers a sophisticated calculator that can automatically calculate the adjusted cost basis for securities transactions – which Interactive Data believes will be the most challenging demand of this new requirement. This cost basis data is supplemented by decades of securities pricing and dividend data from Interactive Data.

By utilizing Interactive Data's Cost Basis service, an institution will have access to Web-based tools that enable them to monitor daily cost basis events, create portfolios to track specific cost basis events and create customized reports. In addition, this service provides data in a range of formats and delivery systems, offers batch processing of historical transactions for confirming and establishing adjusted cost basis, and features a comprehensive set of tools for confirming cost basis on Automated Customer Account Transfers (ACATs).

With years of experience in providing cost basis services as well as a multitude of data delivery options that include a daily file service of new cost basis affecting events, Interactive Data can work closely with institutions to assess how the rule change may impact their organizations and how its services can assist in the preparation process.

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