

## Advisory Notice

Clearing House

TO: Back Office Managers; BPS Users

FROM: CME Clearing

ADVISORY #: 07-294

SUBJECT: BPS IRS 1099 Notification #3

DATE: November 27, 2007

**AS A REMINDER, NOVEMBER 30, 2007 MARKS THE END OF THE 2007 TAX YEAR FOR BROKERAGE.**

This memo covers the entire 1099 process, including:

- Year End Reports
- Tax Adjustment Period
- Backup Withholding
- Firm 1099 Statements
- BPS 1099 Processing Schedule

### **YEAR-END REPORTS**

The CME will produce **preliminary** year-end Brokerage Payment System (BPS) reports on Monday December 17, 2007. *Firms should make adjustments for the 2007 tax year by Friday December 14, 2007, so the adjustments are reflected on the December 17th preliminary reports.*

### ***Firm Year-End Reports***

- BPS000410-Broker year-end report and broker association year-end report. This broker report will be **available after 1pm on December 17<sup>th</sup> on BPS**. The report will detail year-to-date brokerage paid plus any tax adjustments. The report is sorted by broker acronym and transaction month. For brokers with multiple tax ID's the report will be totaled separately for each tax ID.
- Tax Billing Group Details Report. This firm report will be ***available on December 17<sup>th</sup> in BPS***. Firms can use this report to verify 2007 tax details.

## **TAX ADJUSTMENT PERIOD: December 01, 2007 THROUGH JANUARY 04, 2008**

All tax adjustments for the 2007 tax year must be made **by Friday January 04, 2008**. Changes can be made to both active and inactive brokers. Additionally, if a broker has had more than one Tax Identification number during the tax year, changes can be made to **any** of the Tax Identification numbers.

In order to make a tax adjustment:

- Enter the BPS system and click on the 'Payment' tab on the left hand side of the screen
- Click on 'adjustments' and click 'create'
- Enter specific adjustment details such as exchange, adjustment type, trading firm, etc.
- Click 'Submit'

Please note that all adjustments made by Friday December 14, 2007 will be reflected on the preliminary reports distributed on Monday December 17, 2007.

## **BACKUP WITHHOLDING**

**As a reminder, the BPS System does not support backup withholding.** Firms that need to report backup withholding for brokers **must manually produce** their own 1099 Statements for those brokers. **Additionally, firms must be certain to adjust the brokerage on the BPS System for those brokers to zero; or else a 1099 statement will be produced by the CME Group and reported to the IRS.**

## **2007 FIRM 1099 STATEMENTS**

Firm 1099 statements will be produced for all brokers paid **\$600.00 or more** for the 2007 Tax-year. If you pay brokerage into a corporation's account, we will produce 1099 statements under the corporation's Tax Identification number. Firms that plan to produce their own 1099 statements should notify the CME Group Clearing Services at [ccs@cmegroup.com](mailto:ccs@cmegroup.com) in writing by December 31, 2007, to request that we not produce 1099 Statements. The CME Group will create and send to the IRS a magnetic tape that will include a record for each 1099 that we produce.

## **COST OF PRODUCING 1099 STATEMENTS:**

Firms have a choice to either distribute the 1099's to the brokers or have CME Group Document Processing complete this for a fee. The cost of this service is \$0.20 per envelope plus postage, subject to a minimum charge of \$5.00. Firms can purchase the envelopes from Document Processing for \$4.00 for 24 envelopes if they want to distribute them. Please call Document Processing at (312) 930-3454 before January 31, 2008 to make arrangements.

## **2007 BPS 1099 PROCESSING SCHEDULE**

As a reminder, please reference the Clearing House Advisory Notice for 07-284 for a copy of the 2007 BPS 1099 Processing Schedule. The below link should serve as a reference as we go through the 1099 process.

<http://www.cme.com/clearing/clr/clradv/files/Chadv07-284.pdf>

If you have any questions concerning 1099 processing, please contact CME Group Clearing Services at (312) 207-2525 or via e-mail at [ccs@cmegroup.com](mailto:ccs@cmegroup.com)

Thank you!