

Advisory Notice

Clearing House

06-301D

TO: Back Office Managers
FROM: Clearing House Department
DATE: December 11, 2006
SUBJECT: 2006 BPS-1099 Processing

AS A REMINDER, NOVEMBER 30, 2006 MARKED THE END OF THE 2006 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 the following **preliminary** year-end Brokerage Payment System (BPS) reports on Monday, December 18, 2006. *Firms should make any known adjustments for the 2006 tax year by Friday, December 15, 2006, so the adjustments are reflected on the Monday, December 18, 2006 preliminary reports.*

Firm Year-End Reports

- BPS000410-Broker year-end report and broker association year-end report-this is a broker report that will be **available after 1 p.m. on Monday, December 18, 2006 at the lower trading desk**. 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 is a firm report that will be **available on Monday, December 18, 2006 in BPS**. Firms can use this report to verify 2006 tax details.

TAX ADJUSTMENT PERIOD: December 01, 2006 THROUGH JANUARY 05, 2007

All tax adjustments for the 2006 tax year must be made **by Monday, January 08, 2007**. 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 15, 2006 will be reflected on the preliminary reports distributed on Monday, December 18, 2006.

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 and reported to the IRS.**

2006 FIRM 1099 STATEMENTS

Firm 1099 statements will be produced for all brokers paid **\$600.00 or more** for the 2006 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 in writing by December 29, 2006, to request that we not produce 1099 Statements.*** The CME 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:

There will be no charge for printing 1099 statements.

2006 BPS 1099 PROCESSING SCHEDULE

As a reminder, here is a copy of the 2006 BPS 1099 Processing Schedule
<http://www.cme.com/clearing/clr/clradv/20776.html>.

This should serve as a reference as we go through the 1099 process.

If you have any questions concerning 1099 processing, please CME Clearing Services at (312) 207-2525 or via e-mail at ccs@cme.com. Thank you!