Voluntary Disclosure Program (VDP)
Job Aid for use in Interpreting XXX Statements
April 2010

This job aid was prepared after review and analysis of typical financial account statements submitted to date as a part of the VDP program.

Type and Explanation:

Income Statement (IS)***–** An annual statement (completed as of 12/31 of each calendar year) that reflects interest, dividend and sales price(s) for securities sold during that calendar year. In addition, it also reflects the acquisition cost of any security acquired during that calendar year. Sales price and acquisition cost are reflected on this statement for only those capital transactions where both the acquisition and sale occurred in the same calendar year.

Statement of Assets (SA)* – Generally, an annual statement (cases and the related website reflect a more frequent preparation/distribution is possible [quarterly, for example]) reflecting assets held by the bank as of the date of preparation. This statement contains units, cost price (per unit and/or as a percentage reflecting premium or discount), conversion factor (historical) to the currency of presentation (USD, CHF-Swiss Francs, etc.), market price (date of statement), conversion factor (date of statement) and the value of each asset as of the date of the statement. There is no data as to the acquisition date.

This statement will serve as the starting point to define the highest aggregate value in the account for purposes of the miscellaneous offshore penalty associated with this program.

Statement of Capital Gain and Loss – An annual statement purporting to reflect the sales price and related cost basis for all capital assets sold during the particular calendar year. While noted as a reporting statement available to accountholders on the bank's website, it is not readily available (a response time of 8-10 months has been communicated) and discrepancies identified to date have produced the need for an alternative analysis. Additionally, from the sample of these statements obtained, cost data for assets acquired ten or more years before the preparation date of the statement (regardless of calendar year) is reflected as "UNKNOWN".

Account Statement – This statement is produced periodically throughout the calendar year (monthly, quarterly, et al) and reflects transactions affecting the account (deposits, withdrawals, fees, et al) and a running balance. This statement is consistent with the generic bank account statement routinely observed for domestic accounts.

The balance of this document will address the income (interest, dividends and capital gain/loss), basis (related to capital transactions) and deductible fees that should be reflected on the amended tax returns required as a part of the voluntary disclosure. Discrepancies identified in your analysis (complete or sample) should be directed to the taxpayer/representative to define the appropriate means to revise provided computations. The RA should limit their analysis to the certification and development sufficient to re-engage the taxpayer to perform the detailed analysis, computations and summarizations.

*** - Required to complete the VDP certification**

Income – Interest and Dividend

Primary Statement

Income Statement 12/31/2003 through 12/31/2008

Interest – The gross annual interest income from all interest bearing accounts will be reflected on the Income Statement for that period. The amount should be reconcilable to value of the interest bearing account balance.

Dividend – The gross annual dividend income from all equity accounts will also be reflected on the Income Statement for that period. The amount should be consistent with the value and nature of the equity investment. .

Capital Gain Distribution (CGD) –To date, we have not observed any CGD included on the Income Statement

Fees – Annual fees, deductible as a miscellaneous itemized deduction subject to the 2% limitation will be noted, generally on page 1 of the annual Income Statement.

Income – Capital Gains and/or Losses

Primary Statements

Statement of Assets	12/31/2002 through 12/31/2008
Income Statement	12/31/2003 through 12/31/2008

FYI – As previously noted, analysis of a sample of cases where the Statement of Capital Gain and Loss was provided resulted in the identification of a number of material discrepancies. This included the failure to properly foot multiple sales amounts into the total and the exclusion of entire sales transactions. Given these discrepancies, the following analytical approach should be pursued.

In lieu of the Statement of Capital Gain and Loss, the Statement of Assets for the period ending 12/31/2002 should be requested. This statement reflects the entire universe of assets held by the bank at the beginning of the VDP period (1/1/2003) and, therefore, available for sale during the VDP period (2003-2008). In combination with cost data on that statement, it is possible to identify all sales (reflected on the annual Income Statement), basis (from either the 12/31/2002 Statement of Assets or, if acquired on or after 1/1/2003, the Income Statement for the year purchased) and holding period. It may be necessary to presume a holding period for any 2003 sale when the underlying security was acquired before 1/1/2003.

The use of this statement is advantageous as it appears to be a systemically generated document that can be obtained by the taxpayer within 2-3 weeks after submitting their request. As noted, the Statement of Capital Gain and Loss involves a preparation process and could take 8-10 months.

Sales Price and Date - This data is reflected on the annual Income Statement for all assets sold during that calendar year.

Cost (basis) - For assets/investments acquired before 1/1/2003, the cost basis (either per unit, total investment or percentage reflecting premium or discount) is reflected on the 12/31/2002 Statement of Assets. It may be necessary to allocate the basis for partial sales.

For assets/investments acquired on or after 1/1/2003, the cost basis (either per unit and/or total investment level) is reflected on the Income Statement for the period of acquisition (restated, if not sold, on each subsequent period Statement of Assets).

Holding Period - For assets/investments acquired before 1/1/2003 and sold during the 2003 calendar year, no data is available to define the actual acquisition date. In the absence of evidence submitted by the taxpayer, the examiner should presume a short term gain and a long term loss. This presumption would apply to bonds, mutual funds and any and all other securities.

For assets/investments acquired on or after 1/1/2003, the acquisition date can be defined from the Income Statement for the period acquired and the holding period can be readily computed.

Other:

1 - Basis Regulations - The available information and statements do not allow conformity with the requirements of TD Regulation 1.1012. Given the difficulty in obtaining more detailed records, this method is an acceptable alternative.

2 - Highest Aggregate Account Value -The Statement of Assets contains a summary of all assets, individual asset value and the total account value as of the date of preparation. Generally, review of this statement for the VDP period will provide the starting point for the determination of the highest aggregate account value. As noted in FAQ 23, the conversion rate as of 12/31 should be utilized to convert any account to USDs.

<u>Potential Reconciling Step</u> – The proceeds from the sale of any asset/investment may, or may not remain, under the control of the bank and therefore be reflected in either cash, mutual funds, bonds or another investment within the subsequent period's Statement of Assets. Any sale that suggests the movement of the proceeds outside the bank should be pursued to determine whether other offshore accounts exist.

3 - Miscellaneous Penalty -

Statement of Assets–	Highest Aggregate Value
Income Statement –	Activity, negating the lesser miscellaneous penalty
Account Statement-	Activity, negating the lesser miscellaneous penalty

EXAMPLES:

General - The alternative basis calculation utilizes two key statements:

Statement of Assets	12/31/2002
Income Statement	12/31/2003 through 12/31/2008

The 12/31/2002 Statement of Assets contains all assets/investments managed by the bank for the taxpayer as of 1/1/2003. This reflects both the opening position (quantity) and the historical cost for each asset/investment. All asset/investment acquisitions subsequent to 12/31/2002 (quantity and cost) are contained on the Income Statement for the year of the transaction.

The Income Statement separates the assets into Structured Products, Mutual Funds, and Shares and Other Securities. The assets on the Income Statement reporting an opening position can be traced to the Statement of Assets through the security number identified at the beginning of each product on the Income Statement. Each product is reported separately. The products are reported on both the Income Statement and Statement of Assets whether there were transactions or not.

<u>Method to Define the Basis for Capital Transactions</u>

Assets/Investments owned as of 1/1/2003

1. Ensure the statement is presented in English. Available examples show the exchange rate reflected within the statement is from the currency the asset is held in to the language of the statement (USD for U.S. accountholders presented in English).
2. Trace the security number located on the Income Statement for the asset sold to the 12/31/2002 Statement of Assets.
3. Verify that the statement shows the currency as USD. The column for the currency is on the left side of the Statement of Assets for Money Markets and Similar Investments, Bonds and Similar Investments, Structured Products, as well as Alternative Investments (Hedge) and in the middle column for Equities and Similar Investments.
4. If the asset is held in a currency other than the USD, multiply the amount in the Cost Price column by the "Exchange Rate" reported directly below the Cost Price to obtain the figure in USD. As noted in #1, this applies if the statement is in English.
5. Multiply the amount in the Cost Price column (in USD) by the number of units sold, as reflected in the Income Statement.
6. For Bonds - The Cost Price for bond acquisitions is reported as a percentage. Multiply the percentage by the reported units on the Income Statement to determine the purchase price or basis.

Assets/Investments acquired after 12/31/2002

1. If the security was acquired in the same calendar year of the sale, both the sales price and acquisition cost will be reflected on that year's Income Statement.
2. If the security was acquired in an earlier year, review each preceding Income Statement to locate the acquisition period and cost.
3. It may be necessary to use a ratable amount of the acquisition cost if the sale was for a portion of the total investment.
4. Absent evidence to the contrary the FIFO rules, defined in Reg. 1.1012 will govern.

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