

MEMO# 7495

December 18, 1995

ICI WHITE PAPER ON FOREIGN CURRENCY EXCHANGE CONTRACTS

December 18, 1995 TO: ACCOUNTING/TREASURERS MEMBERS No. 57-95 INDEPENDENT
ACCOUNTANTS ADV. GROUP No. 10-95 RE: ICI WHITE PAPER ON FOREIGN CURRENCY
EXCHANGE CONTRACTS

The Accounting Policy Subcommittee of the Institute's Accounting/Treasurers Committee previously distributed a white paper on Foreign Currency Exchange Contracts (see Accounting/Treasurers Members No. 51-95 dated November 8, 1995). The white paper includes a discussion of federal tax considerations for foreign currency exchange contracts on page 9. The paper indicates that open forward contracts on 1256 currencies should be marked to market at year end and that the unrealized capital gain or loss should be treated as 60% long term and 40% short term. The attached clarifies that the year end mark to market gain or loss on open forward contracts on 1256 currencies should be treated as ordinary income for tax purposes rather than capital gain or loss. Please substitute the attached page 9 for the page 9 included in the previous version. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting Attachment

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