

**MEMO# 9690**

February 19, 1998

## **MEETING AGENDAS - FEBRUARY 26, 1998**

[9690] February 19, 1998 TO: ACCOUNTING/TREASURERS COMMITTEE No. 7-98 RE: MEETING AGENDAS - FEBRUARY 26, 1998

A draft agenda for the meeting of the Accounting/Treasurers Committee and the Independent Accountants Advisory Group on February 26, 1998 is attached. The meeting will be held at the offices of the Investment Company Institute, 1401 H Street, N.W. in Washington. The meeting is scheduled to begin at 10:00 a.m. in the Silver conference room which is located on the twelfth floor. Lunch will be served and the meeting should end no later than 12:30 p.m. As you know, the Institute has scheduled a special meeting to discuss the accounting and operational implications of the European currency conversion on investment companies on February 26, 1998. The European currency conversion meeting will begin at 1:30 p.m. and should conclude no later than 5:00 p.m. A detailed agenda for the European currency conversion meeting is attached. Due to space constraints, attendance at the European currency conversion meeting may need to be limited to one person per ICI member firm. If you have not already registered for the European currency conversion meeting and you plan to attend, please call Agnes Thomas ASAP at 202/326-5846. Registration for the meeting will be accepted on a first come first served basis. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting Attachments INVESTMENT COMPANY INSTITUTE ACCOUNTING/TREASURERS COMMITTEE 1401 H Street, NW, Washington February 26, 1998

**AGENDA I. Tax Items**

1. Legislative Update
2. Capital Gains Guidance
3. Year-end 1099 Reporting Update
4. State Tax 30% Test
5. IRS Audit Update
6. IRS Examination of Municipal Bonds

**II. AICPA Investment Companies Committee Activities**

1. Audit Guide: Status & Timing
2. Multi-tiered Structures
3. Revisions to Rule 17f-2
4. FASB "Draft Standard" on Derivatives
5. Proposed SOP "Reporting on the Costs of Start-up Activities"

**III. Subcommittee Reports**

1. Accounting Policy Subcommittee a. Current Projects Update
2. Securities Operations Subcommittee a. Securities Lending White Paper b. Foreign Corporate Actions Not Registered with SEC
- IV. Other Items
1. Year 2000 Disclosure
2. NASD NAV Reporting Update
3. Fair Value Pricing
4. Dividend Payment Policy
5. SEC Yield - Inflation Index Securities
6. Audit Expectations

INVESTMENT COMPANY INSTITUTE EUROPEAN MONETARY UNION WORKSHOP February 26, 1998

- I. Introduction to European Monetary Union (20 minutes) Steven Fenton - Chase Manhattan Bank Status of the "euro" on 1/1/99 (book entry only 1/1/99; coins and banknotes 7/2002; legal status of the euro Probable "in" countries in 1st wave Planned Timetable for the Implementation of the Euro (Phase 1, 2, 3) Equities - redenomination Debt - redenomination and renominalization Recap of Areas Impacted (Trading, Cash, Accounting, Systems, Operations, Tax) Planning for Euro - budgets, staff, systems, strategy
- II. Data Management and Pricing (30 minutes) Michael Atkin - Information Industry Association Sara Banerjee - Telekurs USA Role of IIA and Status

Report on their efforts Receiving pricing data in euro Interfaces and communications network issues Historical information, benchmarks and indices Data schema (feed structure, record formats, security masterfile) Testing III. Trading, Brokers & Exchanges (30 minutes) Jim Leman - Salomon Brothers How will "in" Exchanges quote and trade equities and debt on 1/4/99? Standard trading lots for equities and debt? Will trading lots change? (Italy) Rounding methods (number of decimal places) Receipt of odd lots or fractional amounts due to conversion and redenomination Historical and published data from exchanges Dual listed securities (German shares listed on London Stock Exchange), futures, forwards, options, put/call features on bonds Open issues IV. Cash Movement and Securities Settlement (30 minutes) Yussur Abrar - Citibank Euro Account vs. Legacy Currency Account (national currency unit) or both? Standardized hours for cash clearing? Standard settlement date for "in" countries Cash and settlement issues that arise during the transition for trades done pre-euro settling after 1/1/99? (Outstanding fx contracts, outstanding securities trades over 1/1/99 weekend) Cash Payment Systems: decimals & rounding practice V. Accounting (40 minutes) Theresa McGuire - State Street Bank How will position be converted as prescribed by the European Monetary Institute? Equities Redenomination - Timeframe and implications Sovereign Debt Redenomination - Timeframe and implications\* Corporate Debt - Redenomination - Timeframe and implications\* \*Rounding rules & Cash compensation execution/cash compensation quotation/new minimum denomination Change in accrual conventions for re-denominated bonds vs. New issues From Libor to "Eurobor"? Maintenance of fund history for historical reporting purposes Profit and loss impact due to conversion or rounding effects or one time revaluation between old and new currency. Impact on NAV, GAAP accounting treatment, tax status of gain or loss. Year end implication for funds VI. Corporate Actions and Income (30 minutes) William Tyree - Brown Brothers Harriman Mandatory corporate action treatment. Corporate actions and income announced and paid in Euro or Legacy? Redenomination methods: equities, debt Timing for notification (market and custodian banks) Issues with income post 1/1/99. Coupons? Reclaims and Withholding Tax Issues arising from fund complex redenominating at a different date from when the issuer redenominates? Open issues