

contingent payment debt instruments; convertible debt instruments; options on debt instruments with payments denominated in, or determined by reference to, a currency other than the U.S. dollar; and options issued as part of investment units.

- A securities futures contract entered into in an account after 2013.
- A security acquired due to a stock dividend, stock split, reorganization, redemption, stock conversion, recapitalization, corporate division, or other similar action, if the basis of the acquired security is determined from the basis of a covered security.

Specified security. A specified security is any of the following.

- Any share of stock (or any interest treated as stock, such as an American Depositary Receipt) in an entity organized as, or treated for federal tax purposes as, a corporation (foreign or domestic). For this purpose, a security classified as stock by the issuer is treated as stock. If the issuer has not classified the security, the security is not treated as stock unless the broker knows that the security is reasonably classified as stock under general federal tax principles.
- Any debt instrument, other than a debt instrument subject to section 1272(a)(6) (certain interests in or mortgages held by a real estate mortgage investment conduit (REMIC), certain other debt instruments with payments subject to acceleration, and pools of debt instruments the yield on which may be affected by prepayments), or any short-term obligation. For this purpose, a security classified as debt by the issuer is treated as debt. If the issuer has not classified the security, the security is not treated as debt unless the broker knows that the security is reasonably classified as debt under general federal tax principles or that the instrument or position is treated as a debt instrument under a specific provision of the Internal Revenue Code.
- Any option on one or more specified securities (which includes an index substantially all the components of which are specified securities), any option on financial attributes of specified securities, or a warrant or stock right.
- Any securities futures contract.

Noncovered security. A noncovered security is any security that is not a covered security.

The following securities are not covered securities.

- Stock acquired in 2011 that was transferred in 2011 to a dividend reinvestment plan that meets the requirements of Regulations section 1.1012-1(e)(6). However, a covered security acquired in 2011 and transferred to a dividend reinvestment plan after 2011 remains a covered security. For purposes of this rule, stock is considered transferred to a dividend reinvestment plan if it is held in a plan that is not a dividend reinvestment plan and the plan amends its plan documents to become a dividend reinvestment plan. The stock is considered transferred as of the effective date of the plan amendments.
- A security acquired due to a stock dividend, stock split, reorganization, redemption, stock conversion, recapitalization, corporate division, or other similar action, if the basis of the acquired security is determined from the basis of a noncovered security.

- A security that, when acquired, did not have to be reported on Form 1099-B because it was acquired from an exempt recipient or an exempt foreign person as defined in Regulations section 1.6045-1(g)(1).
- A security for which reporting is required by Regulations section 1.6049-5(d)(3)(ii) (certain securities owned by a foreign intermediary or flow-through entity).
- A debt instrument if the terms of the debt instrument are not reasonably available to the broker within 90 days of the date the debt instrument was acquired by the customer and the debt instrument is either a debt instrument issued by a non-U.S. issuer or a tax-exempt obligation issued before January 1, 2014.

Identification of securities. If the customer has acquired securities on different dates or at different prices and sells less than the entire position in the security, report the sale according to the customer's adequate and timely identification of the security to be sold. If no identification is provided, report the sale in this order.

1. Any shares for which the acquisition date is unknown.
2. The shares that were acquired first, whether they are covered or noncovered securities.

Average basis method. Generally, the average basis method is available for either of the following types of stock if the customer leaves the shares with a custodian or agent in an account and acquires identical shares of stock at different prices in the account.

- Stock in most mutual funds or other regulated investment companies.
- Stock acquired after 2010 in connection with a dividend reinvestment plan that meets the requirements of Regulations section 1.1012-1(e)(6).

Compute basis using the average basis method if:

- The customer elects that method; or
- You choose the average basis method as your default method, and the customer does not give you any other instructions.

Generally, determine the average basis of a share of stock by dividing the aggregate basis of all shares of identical stock in an account by the total number of shares, regardless of holding period. However, for this purpose, shares of stock in a dividend reinvestment plan are not identical to shares of stock with the same CUSIP number that are not in a dividend reinvestment plan. The basis of each share of identical stock in the account is the aggregate basis of all shares of that stock in the account divided by the aggregate number of shares. Unless a single-account election is in effect, you may not average together the basis of identical stock held in separated accounts that is sold, exchanged, or otherwise disposed of after December 31, 2011. See Regulations section 1.1012-1(e) for details.

Adjusted basis. The adjusted basis begins with the [initial basis](#) (defined later) as of the date the security is acquired in an account.

In reporting the adjusted basis, take into account all information, other than the classification of the security (such as stock), reported on a transfer statement or issuer return furnished to you or deemed furnished to you,