

# FATCA Readiness

Completing FATCA Reporting for 2015

April 16, 2015



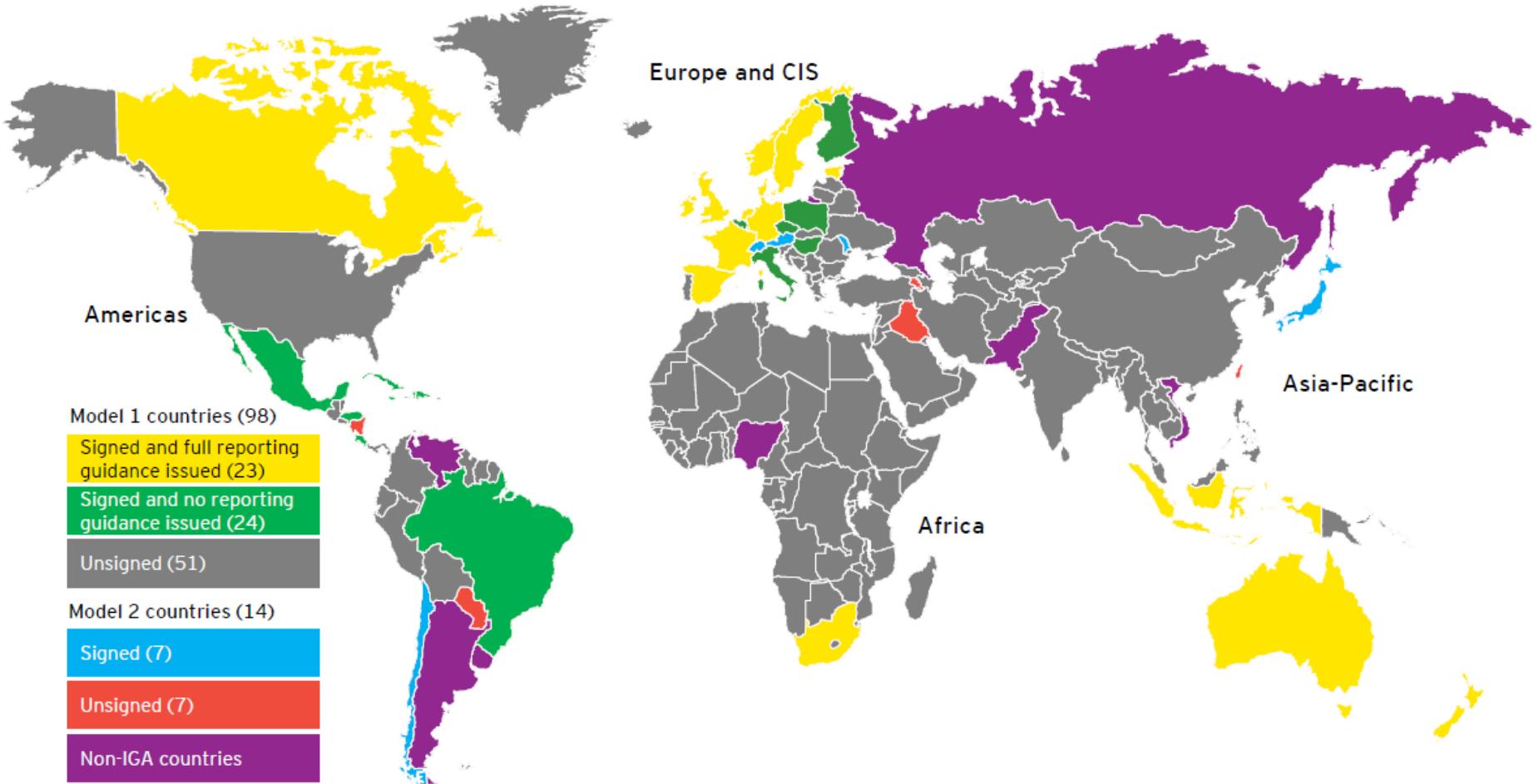
# Agenda

- ▶ 2015 is the first year for FATCA reporting
- ▶ Market observations
- ▶ The steps to complete FATCA reporting for TY2014
- ▶ Incremental data reporting requirements beginning 2015
- ▶ Our GTRS reporting service architecture
- ▶ Timeline and milestones to complete reporting

# 2015 is the first year of FATCA reporting

Financial Institutions are under pressure to complete the first year of FATCA reporting on time

- As of April 5, 2015, of the **112** jurisdictions that have signed an IGA for FATCA, only **30** of countries have released guidance for TY2014 FATCA reporting



# Market observations

Our market intelligence points to the following themes among financial institutions

Most ready

Strategic reporting solutions in place and ready for reporting in 2015

Even those organizations that expect to have their strategic solution in place are lining up a tactical reporting tool to provide contingency, or for use in certain jurisdictions.

Strategic reporting solutions under development, Tactical reporting solution deployed for 2015

Reasonably common amongst larger organizations. Tactical solution useful for proving the process.

Tactical reporting solution planned for 2015; used to understand process and inform 2016 solution

Reasonably common amongst smaller institutions.

No solution yet in place; reliance on paper and spreadsheets

Was reasonably common until recently, however most are waking up to the inherent risks of this approach.

Least ready

**Consideration being given to FATCA/CRS reporting as a Managed Service**

Large and small organizations are starting to assess whether FATCA/CRS reporting is an activity that they wish to retain in-house. Factors include:

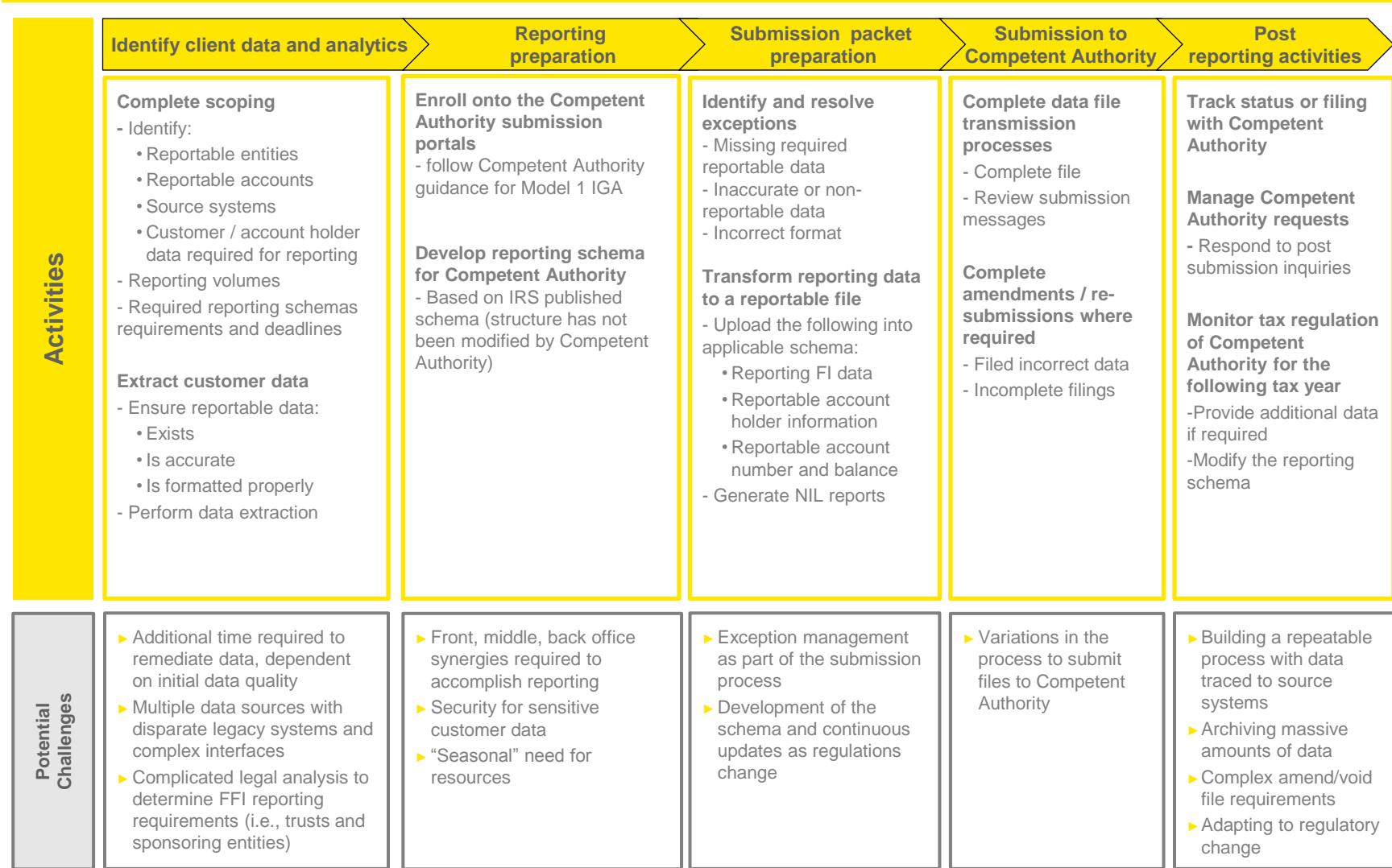
- Complexity of requirements
- Seasonal nature of work
- Not a competitive differentiator
- Cost and risk benefits from using a proven managed service provider

Reporting in 2015 will be challenging, but is an opportunity to prepare for 2016 and beyond

Most organizations agree that reporting this year will be fraught with difficulty, but will serve as a good exercise to prepare for 2016 and 2017 when requirements and number of reportable persons become more onerous.

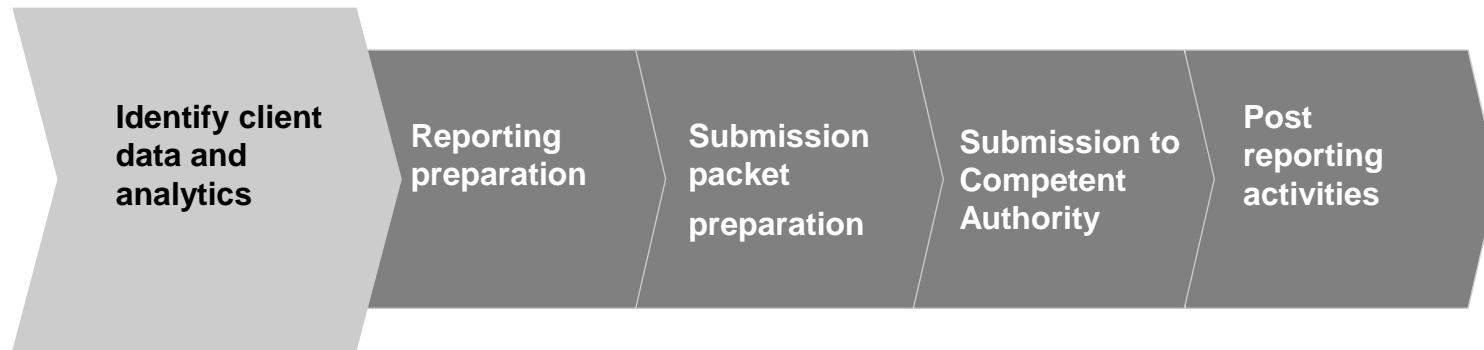
# The steps to complete FATCA reporting for TY2014

The following steps for FATCA reporting must be completed



# The steps to complete FATCA reporting for TY2014

Identify client data and analytics



## ACTIVITIES

### **Complete scoping**

- Identify:
  - Reportable entities
  - Reportable accounts
  - Source systems
  - Customer / account holder data required for reporting
- Reporting volumes
- Required reporting schemas requirements and deadlines

### **Extract customer data**

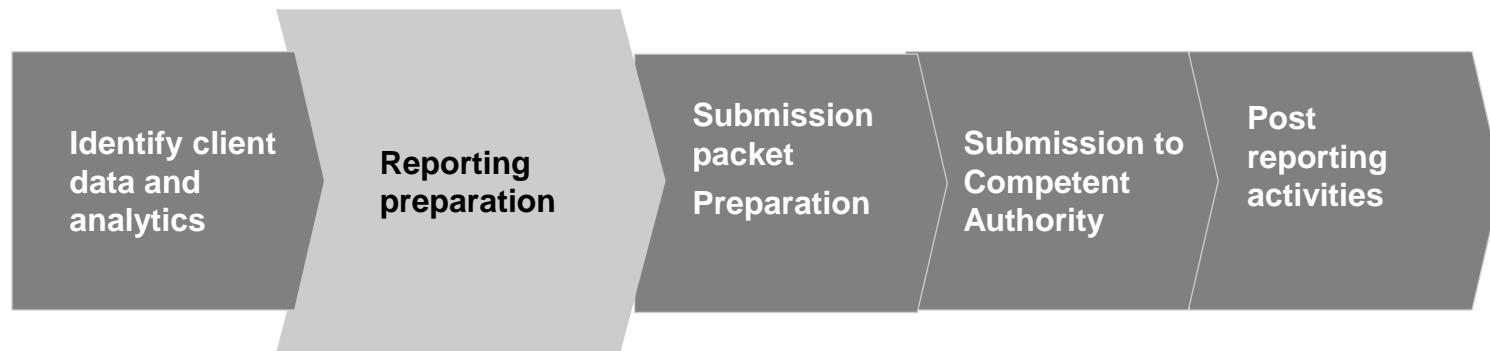
- Ensure reportable data:
  - Exists \ accurate \ formatted properly
- Perform data extraction

## POTENTIAL CHALLENGES

- Additional time required to remediate data, dependent on initial data quality
- Multiple data sources with disparate legacy systems and complex interfaces
- Complicated legal analysis to determine FFI reporting requirements (i.e., trusts and sponsoring entities)

# The steps to complete FATCA reporting for TY2014

## Reporting preparation



### ACTIVITIES

#### **Enroll onto the Competent Authority submission portals**

- Follow Competent Authority guidance for Model 1 IGA

#### **Develop reporting schema for Competent Authority**

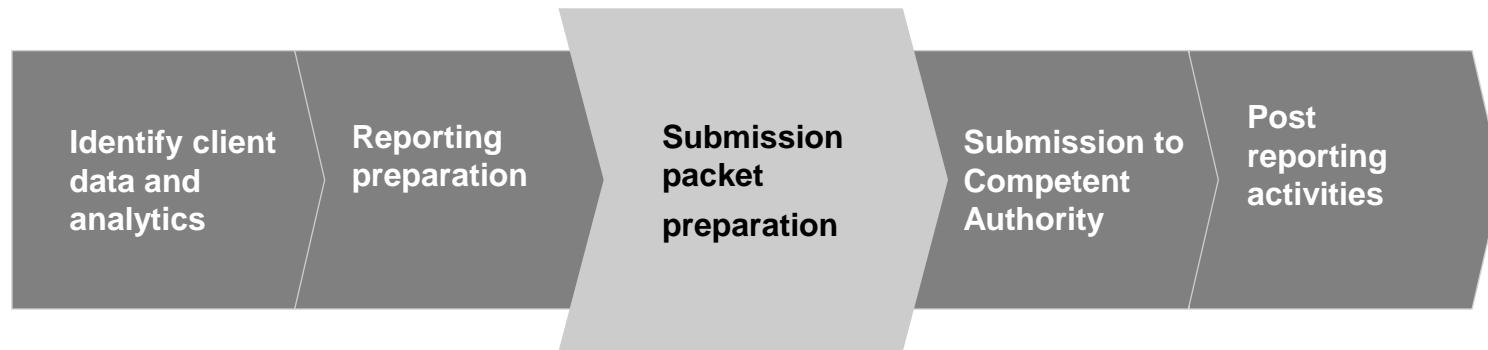
- Based on IRS published schema (structure has not been modified by Competent Authority)

### POTENTIAL CHALLENGES

- Front, middle, back office synergies required to accomplish reporting
- Security for sensitive customer data
- “Seasonal” need for resources

# The steps to complete FATCA reporting for TY2014

## Submission packet preparation



### ACTIVITIES

#### **Identify and resolve exceptions**

- Missing required reportable data
- Inaccurate or non-reportable data
- Incorrect format

#### **Transform reporting data to a reportable file**

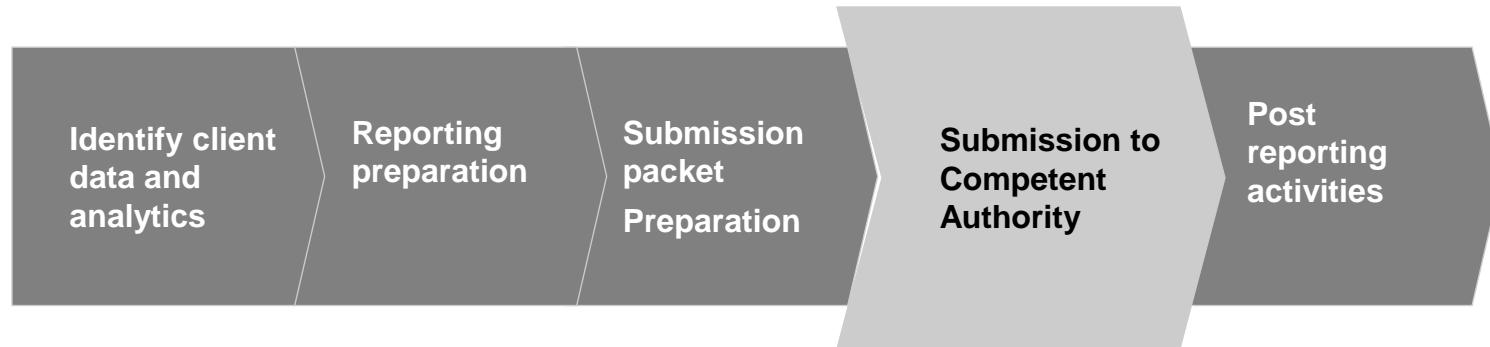
- Upload the following into applicable schema:
  - Reporting FI data
  - Reportable account holder information
  - Reportable account number and balance
- - Generate NIL reports

### POTENTIAL CHALLENGES

- Exception management as part of the submission process
- Development of the schema and continuous updates as regulations change

# The steps to complete FATCA reporting for TY2014

## Submission to Competent Authority



### ACTIVITIES

#### **Complete data file transmission processes**

- Complete file
- Review submission messages

#### **Complete amendments / re-submissions where required**

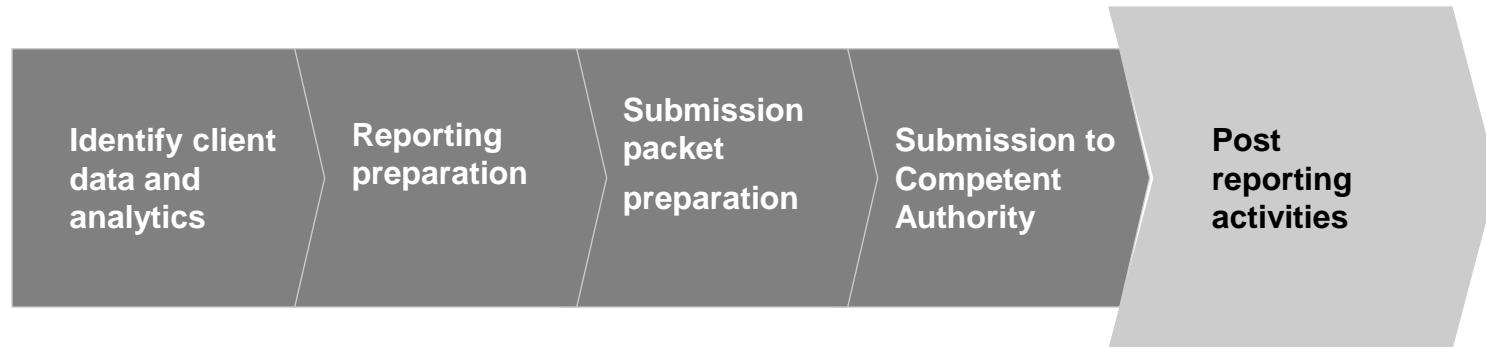
- Filed incorrect data
- Incomplete filings

### POTENTIAL CHALLENGES

- Variations in the process to submit files to Competent Authority

# The steps to complete FATCA reporting for TY2014

## Post reporting activities



### ACTIVITIES

Track status or filing with Competent Authority

Manage Competent Authority requests

- Respond to post submission inquiries

Monitor tax regulation of Competent Authority for the following tax year

- Provide additional data if required
- Modify the reporting schema

### POTENTIAL CHALLENGES

- Building a repeatable process with data traced to source systems
- Archiving massive amounts of data
- Complex amend/void file requirements
- Adapting to regulatory change

# Incremental data reporting requirements beginning 2015

Financial Institutions have an immediate need for TY2014 to report account holders and account balances of individual and entity account to Competent Authority in 2015

## Who needs to be reported:

- ▶ Specified US persons
- ▶ Passive Non-financial entities (NFFE) with substantial US owner(s)
- ▶ Owner-documented FIs with specified US owner(s)
- ▶ Direct reporting NFFEs
- ▶ Non-participating FFIs (NPFFI)

### 2015 Reporting Requirements (tax year 2014 reporting)

- 1 Account holder's name
- 2 Account holder's U.S. taxpayer identification number (TIN)
- 3 Account holder's address
- 4 Account number
- 5 Account balance or value
- 6 For Model 2 IGAs and Non-IGAs, accounts held by recalcitrant/non-consenting account holders aggregate account balance/value and number of accounts

### 2016 Reporting Requirements (tax year 2015 reporting)

Everything reported in (1) through (6) for 2014

- 7 Income paid (except certain gross proceeds from the sale or redemption of property)

### 2017 (and on) Reporting Requirements (tax years 2016 and subsequent years)

Everything reported in (1) through (7) for 2015

- 8 Gross proceeds paid to custodial accounts

# FIRST

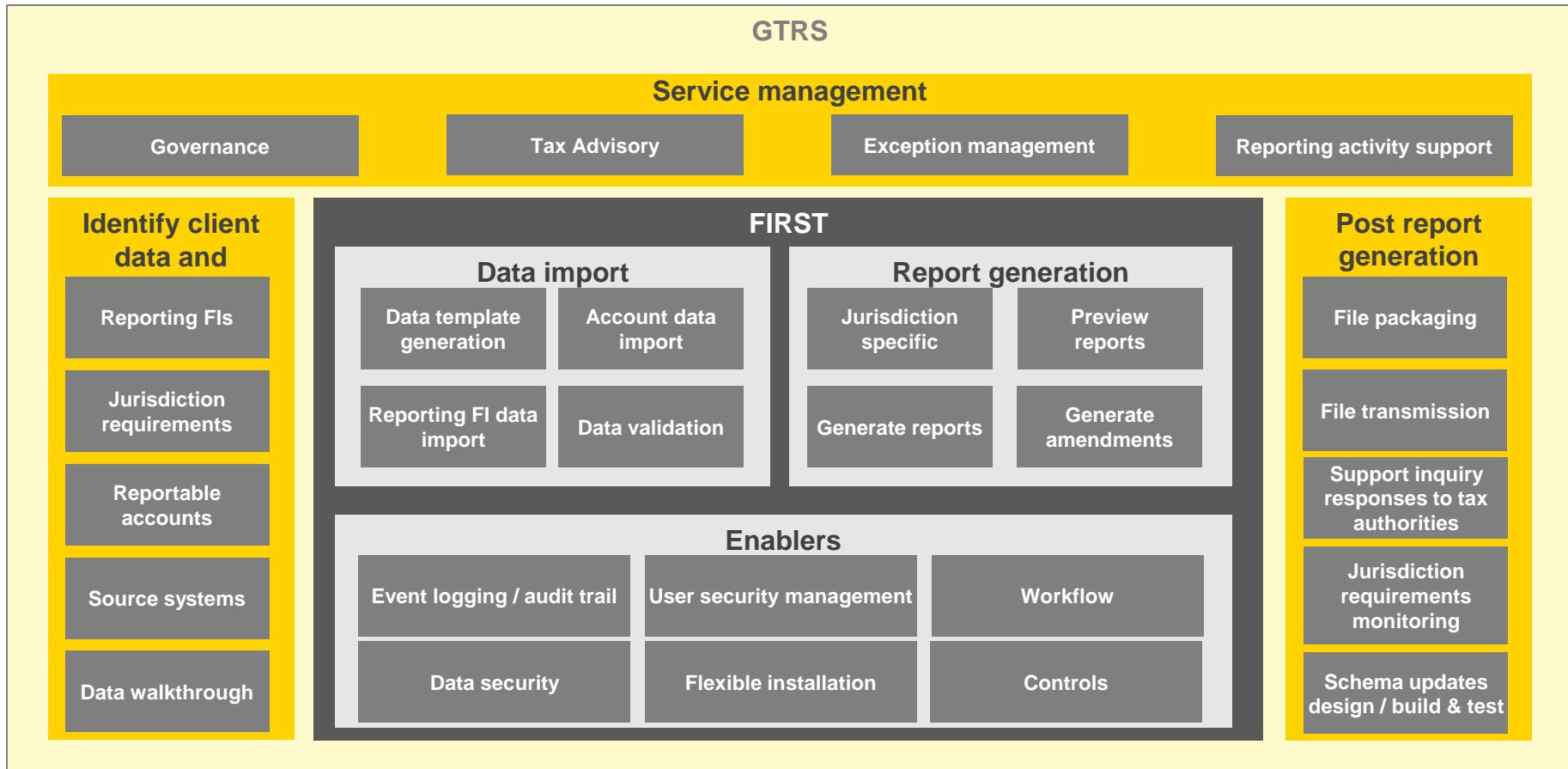
EY's proprietary tactical tool to enable reporting, in response to market demand

- ▶ Facilitates FATCA reporting through a light-touch tool
- ▶ Offers user access controls and full audit records
- ▶ Accepts manual data entry or CSV file upload
- ▶ Produces XML reports for submission to tax authorities
- ▶ Supports multiple schemas; additional ones being added to meet the reporting deadlines
- ▶ Enables pre-submission data review
- ▶ Includes nil reporting functionality

	FIRST	Spreadsheet
CVS input	✓	✓
Manual input	✓	✓
Validation	✓	✓
XML output	✓	Potentially
User permissions	✓	✗
Audit trail	✓	✗
Rapid deployment	✓	✓
Pre-submission review process	✓	✗
Nil reporting integrated	✓	✗
Support and maintenance	✓	✗

# Our GTRS reporting service architecture

Using FIRST, EY has engineered an end-to-end service to help our clients complete TY2014 and potentially TY2015 FATCA reporting



# Timeline and milestones to complete reporting

The chart below reflects the estimated timeline and milestones to complete the end-to-end reporting process

The start date is dependent upon the following:

- ▶ Reporting volume
- ▶ Issued deadline to complete reporting

Reporting stages	Work weeks									
	1	2	3	4	5	6	7	8	9	10
Data preparation					Data is ready for extraction to the applicable template to complete report generation					
Reporting preparation					Client is fully registered with the applicable tax authority and approved to transmit data					
Submission packet preparation						Customer account data is transformed into the applicable schema				
Submission to tax authority							Reporting file is approved by the client and packaged, ready to be transmitted to the applicable tax authority			
Post reporting activities								Reporting amendments and tax authority requests are managed as necessary		

# Questions

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