

FATCA Readiness

Completing FATCA Reporting for 2015

April 16, 2015



Building a better
working world

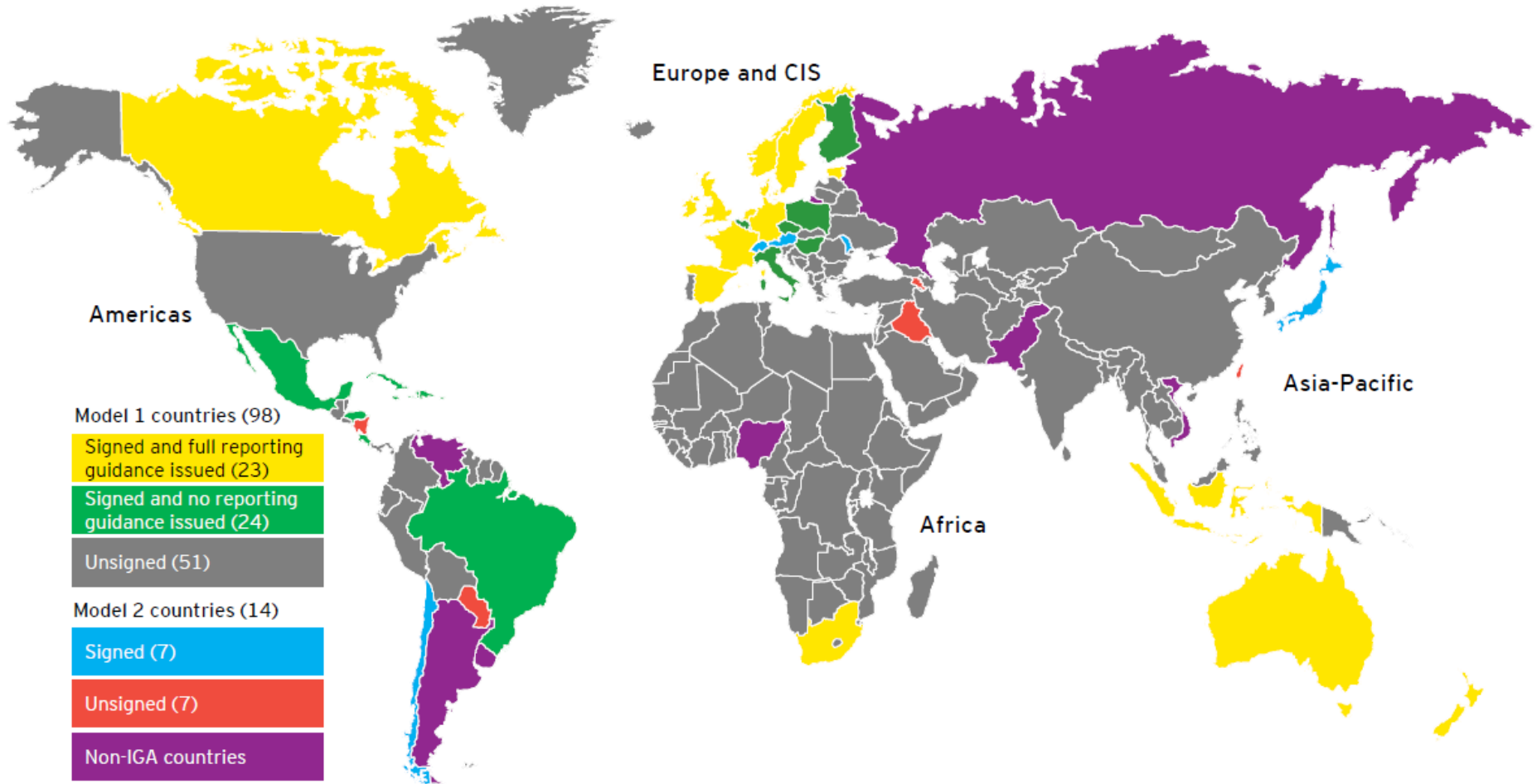
Agenda

- ▶ 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

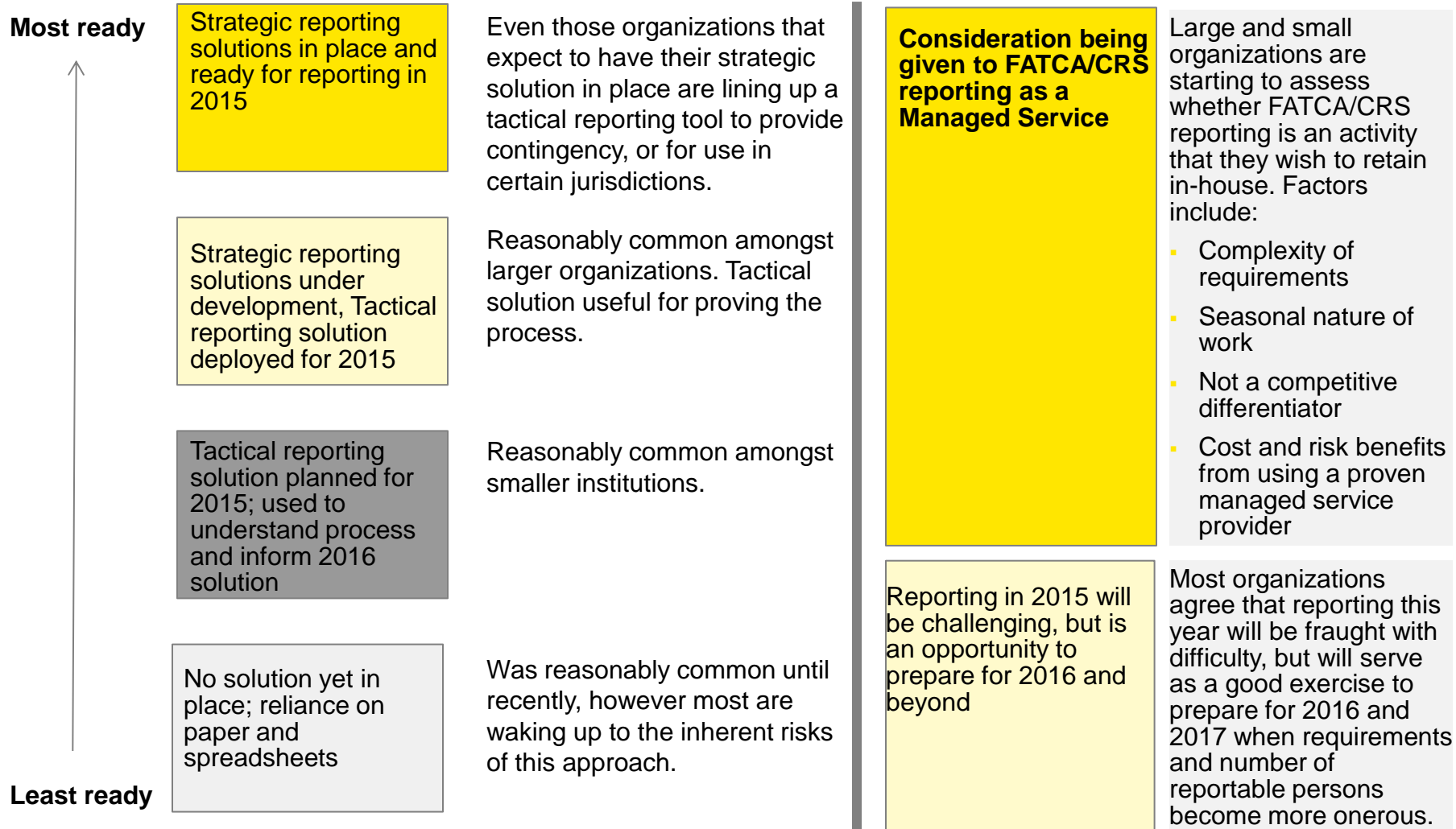
Financial Institutions are under pressure to complete the first year of FATCA reporting on time

- ▶ 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



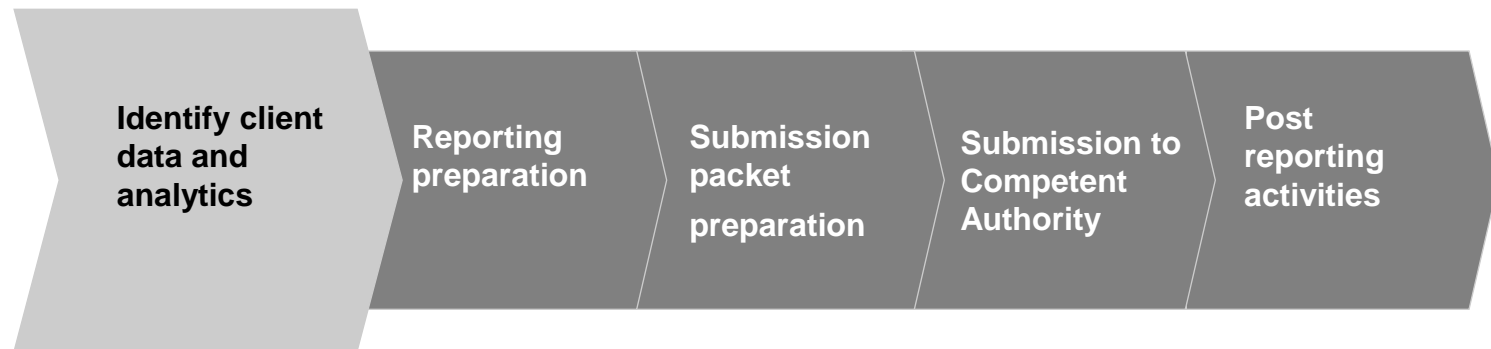
The steps to complete FATCA reporting for TY2014

The following steps for FATCA reporting must be completed

	Identify client data and analytics	Reporting preparation	Submission packet preparation	Submission to Competent Authority	Post reporting activities
Activities	<p>Complete scoping</p> <ul style="list-style-type: none"> - Identify: <ul style="list-style-type: none"> • Reportable entities • Reportable accounts • Source systems • Customer / account holder data required for reporting - Reporting volumes - Required reporting schemas requirements and deadlines <p>Extract customer data</p> <ul style="list-style-type: none"> - Ensure reportable data: <ul style="list-style-type: none"> • Exists • Is accurate • Is formatted properly - Perform data extraction 	<p>Enroll onto the Competent Authority submission portals</p> <ul style="list-style-type: none"> - follow Competent Authority guidance for Model 1 IGA <p>Develop reporting schema for Competent Authority</p> <ul style="list-style-type: none"> - Based on IRS published schema (structure has not been modified by Competent Authority) 	<p>Identify and resolve exceptions</p> <ul style="list-style-type: none"> - Missing required reportable data - Inaccurate or non-reportable data - Incorrect format <p>Transform reporting data to a reportable file</p> <ul style="list-style-type: none"> - Upload the following into applicable schema: <ul style="list-style-type: none"> • Reporting FI data • Reportable account holder information • Reportable account number and balance - Generate NIL reports 	<p>Complete data file transmission processes</p> <ul style="list-style-type: none"> - Complete file - Review submission messages <p>Complete amendments / re-submissions where required</p> <ul style="list-style-type: none"> - Filed incorrect data - Incomplete filings 	<p>Track status or filing with Competent Authority</p> <p>Manage Competent Authority requests</p> <ul style="list-style-type: none"> - Respond to post submission inquiries <p>Monitor tax regulation of Competent Authority for the following tax year</p> <ul style="list-style-type: none"> - Provide additional data if required - Modify the reporting schema
Potential Challenges	<ul style="list-style-type: none"> ▶ 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) 	<ul style="list-style-type: none"> ▶ Front, middle, back office synergies required to accomplish reporting ▶ Security for sensitive customer data ▶ "Seasonal" need for resources 	<ul style="list-style-type: none"> ▶ Exception management as part of the submission process ▶ Development of the schema and continuous updates as regulations change 	<ul style="list-style-type: none"> ▶ Variations in the process to submit files to Competent Authority 	<ul style="list-style-type: none"> ▶ Building a repeatable process with data traced to source systems ▶ Archiving massive amounts of data ▶ Complex amend/void file requirements ▶ Adapting to regulatory change

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

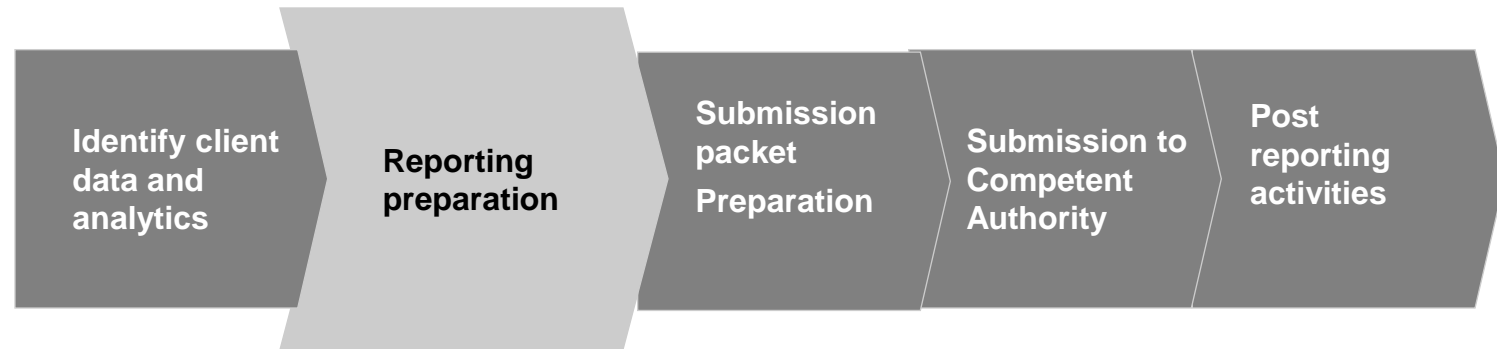
- Ensure reportable data:
 - Exists \ accurate \ formatted properly
- Perform data extraction

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

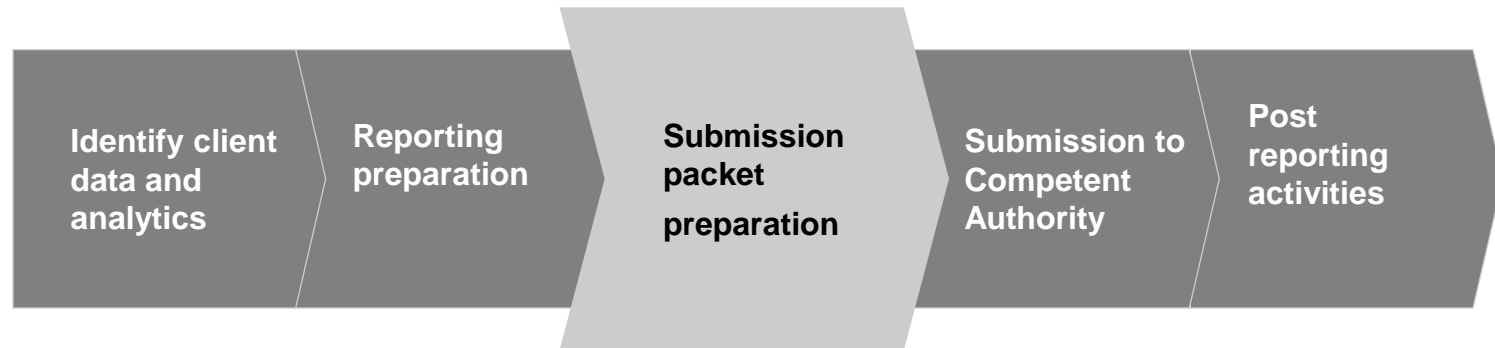
- Based on IRS published schema (structure has not been modified by Competent Authority)

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

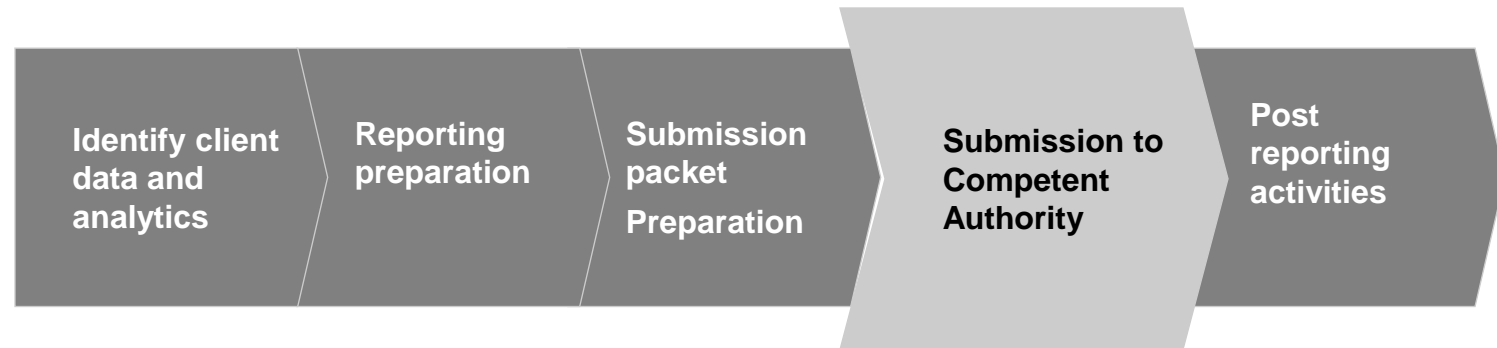
- Upload the following into applicable schema:
 - Reporting FI data
 - Reportable account holder information
 - Reportable account number and balance
- - Generate NIL reports

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

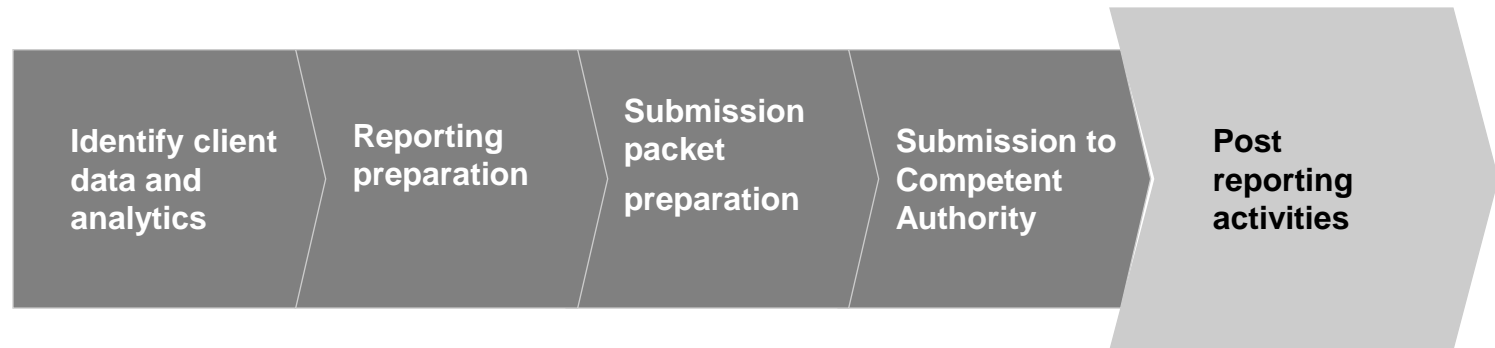
- Filed incorrect data
- Incomplete filings

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

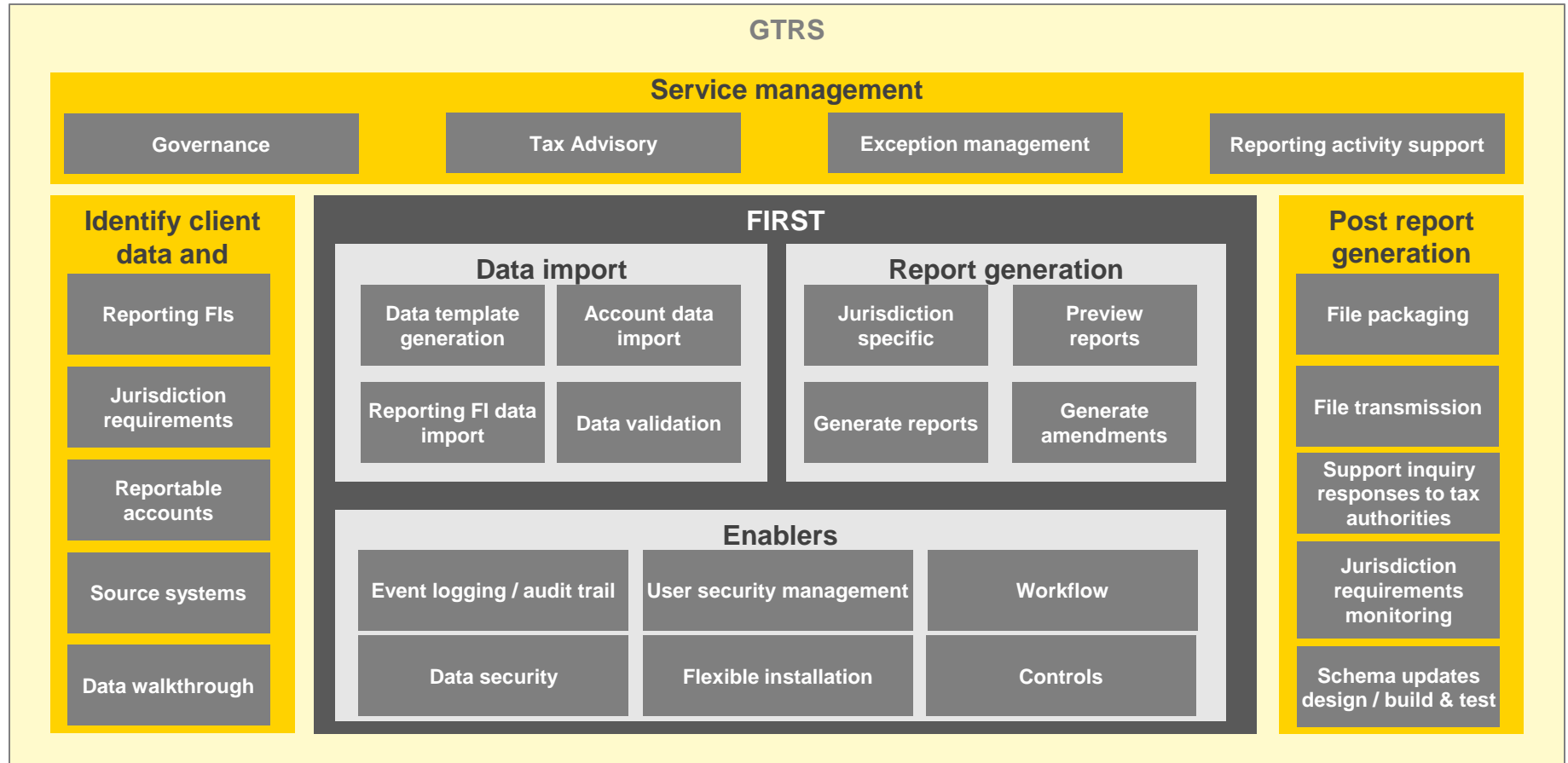
EY's proprietary tactical tool to enable reporting, in response to market demand

- ▶ 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	Spread-sheet
CVS input	✓	✓
Manual input	✓	✓
Validation	✓	✓
XML output	✓	<i>Potentially</i>
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

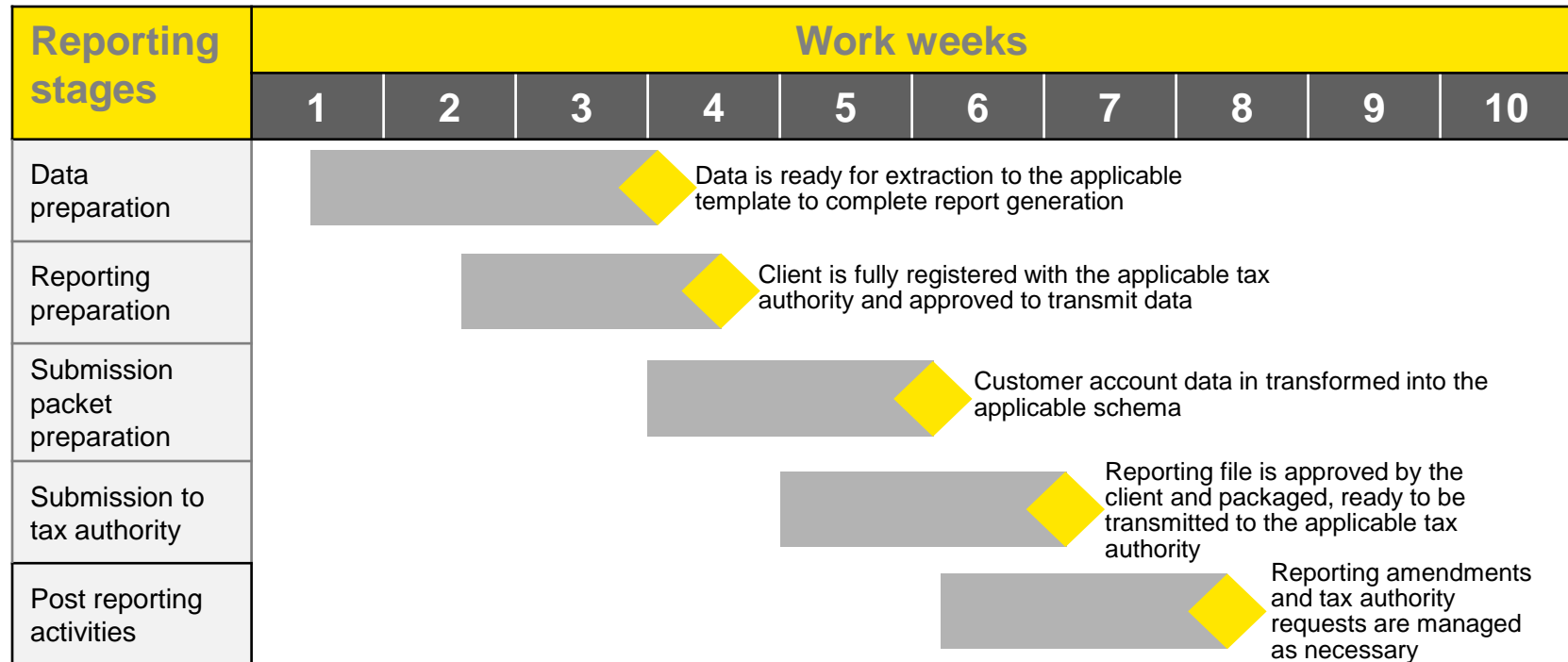


Timeline and milestones to complete reporting

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



Questions
