

FACTA TRAINING COURSE

FATCA



Course contents

Detailed Reference Material

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- FATCA background, theory and context of enactment
- Implementation timeline and key deadlines
- What are Intergovernmental Agreements
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- FATCA classification
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- Onboarding, due diligence and reporting
- Implementing necessary changes for financial institutions

- Data changes
- Process and policy amendments
- System enhancements

Slides Pack

- Slides pack summary to ensure memorizing the key points of the reference material
- Focuses on key aspects and provides reference to the FATCA booklet for more information
- Serves as infrastructure of the course and guides the trainee's attention to must-know points

Questions & Answers

- 100 questions and answers to check your understanding
- Multiple choice questions
- Open-ended questions to fully test your interpretation of the regulation
- Suggested answers to fill holes in your knowledge
- Online support available from our tutors to guarantee full clarification of your questions

A snapshot of the course

Detailed Reference Material

Impacts

As explained in the overview section, FATCA's main purpose is identification of US Persons who are holding offshore accounts or who are involved in offshore investments. As a result, in order to be FATCA-compliant, FFIs need to identify their account holders who are US Persons and report them to the IRS, which then applies the relevant tax fee.

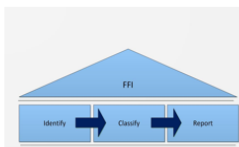
Figure 4: FATCA Framework



In order to provide incentive for FFIs to comply with FATCA, the IRS imposes 30% withholding tax on the US-source income of any non-compliant FFI. So practically, any compliant FFI acts as a withholding agent and needs to apply withholding fee to any non-compliant FFI that is an account holder. Thus FATCA creates a closed loop, in which FFIs need to be FATCA-compliant if they want to keep their international operations.

Figure 4 summarizes the above explained framework of the regulation.

Figure 5: FFI Account Classification Process



As a result, the main source of burden for FFIs in regards with the regulation will be identifying US Reportable accounts.

Assigning a correct FATCA-classification to each account is a challenging and very complex process that FFIs need to undertake.

Figure 5 presents a summary of the steps that need to take place before reaching the end point - reporting relevant accounts to the IRS. FFIs need to review each client's data, identify each account holder and assign them a FATCA-relevant classification, which allows for correct reporting.

However, doing that requires a complex, challenging and time-consuming processes involving multiple departments within financial organizations.

Implementation

The above outlined reporting and withholding obligations of FFIs, as well as their underlying identification and classification activities, need to take place within specific timeframes which are roughly outlined below.

Timeline

Figure 7: FATCA Key Timeline

Year	2012	2013	2014	2015	2016	2017
FATCA is introduced						
Begin tracking reportable date						
Withholding begins on US source OIGP						
Full withholding begins						
Update onboarding process						
Reporting begins on US Persons						
Additional reporting obligations						
Additional reporting obligations						
Full reporting obligations						

The implementation of FATCA-compliance procedures requires undertaking specific steps which are described below.

Registration

First of all, to kick off the FATCA compliance process, FFIs need to register online with the IRS prior to 31st December 2013. In the period before this date, FFIs can familiarize themselves with the FATCA registration website, input initial information and revise it, as it will not be considered as a final submission. However, on or after January 1, 2014, each FFI will be expected to finalize its registration by logging into its online account on the FATCA registration website and making any necessary changes, and submitting the information to IRS.

During 2014 registrations will be considered and approved. Following that, FFIs will receive a notice of registration acceptance and will be issued a global intermediary identification number (GIIN)¹.

The first IRS Foreign Financial Institution (FFI) List will be published online by June 2, 2014, and will be updated on a monthly basis.

Figure 8: FFI Registration Process



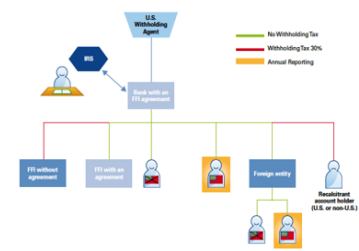
¹ Refer to Appendix 3 Terms and Acronyms for definition of US GIIN.

Withholding:

To discuss FATCA withholding requirements, it is important that several definitions are understood correctly. Please refer to Appendix 1 Terms and Acronyms for definitions of withholdable payment, withholding agent and passthrough payments.

According to FATCA a withholding agent is required to withhold 30% on a withholdable payment made to non-participating FFIs, and NFFIs that do not meet certain requirements. In addition, an FFI must withhold 30% on any passthrough payment it makes to a recalcitrant account holder. Figure 9 illustrates FATCA withholding.

Figure 9: FATCA Withholding Scheme



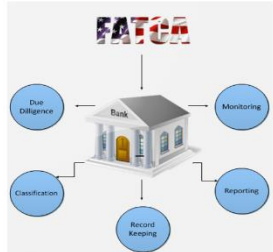
As withholding on most types of payments is due from 2017, the withholding section of the regulation is not yet finalized. So far the ease of simplicity for now, it could be summarized that any payment that is of a US Source is within the scope of FATCA.

Non-Participating FFIs and Withholding:

For an illustration of how NFFIs will be impacted by the withholding rules of FATCA please see the following example.

Slides Pack

Impacts



- A more realistic process includes due diligence, information verification and requests for additional documents when necessary
- Once classified, accounts need to be continuously monitored for change in circumstance
- For these reasons, appropriate record keeping systems are necessary

Which accounts need to be reported?

- Any financial account with value more than \$50,000 whose owner or beneficiary is a US Person
- Recalcitrant Account

Onboarding: New Entity Accounts

If the account holder is...	... the FFI need to
A Specified US Person	Obtain US TIN and treat account as a US Reportable Account
A (FATCA Partner) FI or other Partner Jurisdiction FI or an Active NFFE	Treat the account not as a US Reportable Account. However, payments to the Account must be reported
A FATCA Partner FI or Other Partner Jurisdiction FI treated by the IRS as a Non-participating FI	Treat the account not as a US Reportable Account. However, payments to the Account must be reported
A Passive NFFE	Identify the Controlling Persons and determine whether any such person is a US Person, citizen or a US tax resident on the basis of self-certification. If that is the case the account should be treated as a US Reportable Account
A participating FI or a deemed-compliant FI or an exempt beneficial owner or a US Person other than a US Specified Person	The account is not a US Reportable account and no reporting is required with respect to the account
Other	The FI needs to obtain self-certification from the Account Holder to identify its name, address, country of residence, account number, TIN/tax identification number, GIIN

Questions & Answers

23. Fill in the empty boxes as appropriate.



24. Consider the decision tree above. Can you think of other cases in which the account should be treated as a US Reportable Account?

- Status of US citizen/tax resident confirmed by the self-certification documentation
- US indicia identified in the account holder's files
- No valid self-certification documentation received upon request

25. Consider the following scenario:

Based on the Account Holder's GIIN, it can be determined that the account holder is an Active NFFE. If you are a FATCA compliance assistant at Myrlyt Hisoria Investments, how would you treat the account? How about the payments made to them? Explain the reasons for your decision.

Not a US Reportable Account but payments to the Account Holder must be reported according to IGA Model 1

26. In which of the following cases the account is not treated as a US Reportable Account but payments to the Account Holder must be reported according to IGA Model 1?

Suggested answers are in italic.

- An Intergovernmental Agreement (IGA) allows the Foreign Financial Institutions (FFIs) operating in it to:
 - Report to whatever American authority it prefers
 - Not to comply with FATCA
 - Apply a threshold for reportable accounts of \$100,000 instead of \$50,000
 - Report to local authority

2. How is IGA Model 1 & different from IGA Model 1?

- Model 1 requires the US authorities to disclose specific information to their partner jurisdiction in exchange to the information received by the partner jurisdiction FFIs regarding US account holders
- Model 1 applies to the US and Model 1.1 to all other countries world wide
- There is no difference
- Model 1 requires disclosure of clients with US indicia while Model 1A requires disclosure of the details of all clients of the partner FI.

3. Which of the following countries has entered into IGA Model 1A?

- Argentina
- Israel
- US¹
- Japan

4. Explain in own words what are FFI Agreements (FIAs) and why they are introduced?

An FFI is an agreement in which a FFI enters into an agreement with the IRS directly to perform the duties related to FATCA. Thus it becomes a participating foreign financial institution that is not subject to FATCA penalties. The rationale behind introducing such agreements is that they will streamline the specific compliance process that an FFI operating in countries without IGAs need to follow and make FATCA implementation easier and clearer. When a jurisdiction enters into IGA with the IRS, the FFIs from this jurisdiction are subject to the compliance duties specified in the IGA and consequently do not need to enter into FIAs themselves.

5. If after an FFI enters into an agreement with the IRS following which an IGA is signed between the IRS and the country in which the FFI operates, does the FFI will still need to comply?

Applicant's account number

15. Discuss how joint accounts are treated under FATCA in terms of how the account value is distributed between the joint holders and whose details need to be reviewed for classification of the account.

In case of a joint account, self-certification should be obtained from each account holder. The balance of the account is to be attributed in full to each holder for aggregation and reporting purposes. In case of two account holders - one US person and one non-US person, only the US person need to be reported. However, the FI should report the full amount of the account.

16. Analyze the following statement:

"In cases when a financial account is held in the name of a partnership, all the partners are considered equally important account holders"

The statement is:

- True
- False

In cases when a financial account is held in the name of a partnership, the partnership is regarded as the account holder rather than the partners in it and the partnership is regarded as an entity.

17. Is the investment advisor, who actually runs the portfolio of a client and executes trades, considered an account holder? Explain.

- Yes
- No

A person holding a Custodial account for the benefit of another person as an agent, custodian, nominee, signatory, investment advisor or intermediary is not treated as an account holder with respect to such account under Model 1 IGA. Such person could be an accountant, lawyer, investment advisor, etc.

18. If US indicia is identified in a client's documentation but the self-certification he/she provides is not considered reasonable, what is the action required by an FFI in regard with this account?

In absence of reasonable documentation, account is treated as a US Reportable account. The FI may decide to request additional documentation from customer instead of treating the account as a Reportable account. However, it is not obliged to do so.

Our offer

We are currently offering the below option for the course structure. In the near future we will have more options available. Stay tuned to our website for more information.

Option 1

Independent study + offline support

Includes all course materials:

- Reference material
- Slides pack
- Q&A pack

You will have offline access to a SNK Financial tutor to answer up to 10 questions you may have on the theoretical content of the material and/ or FATCA implementation. The tutor will be available to answer your questions via e-mail.

The price of the course is £250.

To place your order please email us at info@snk-financial.com.