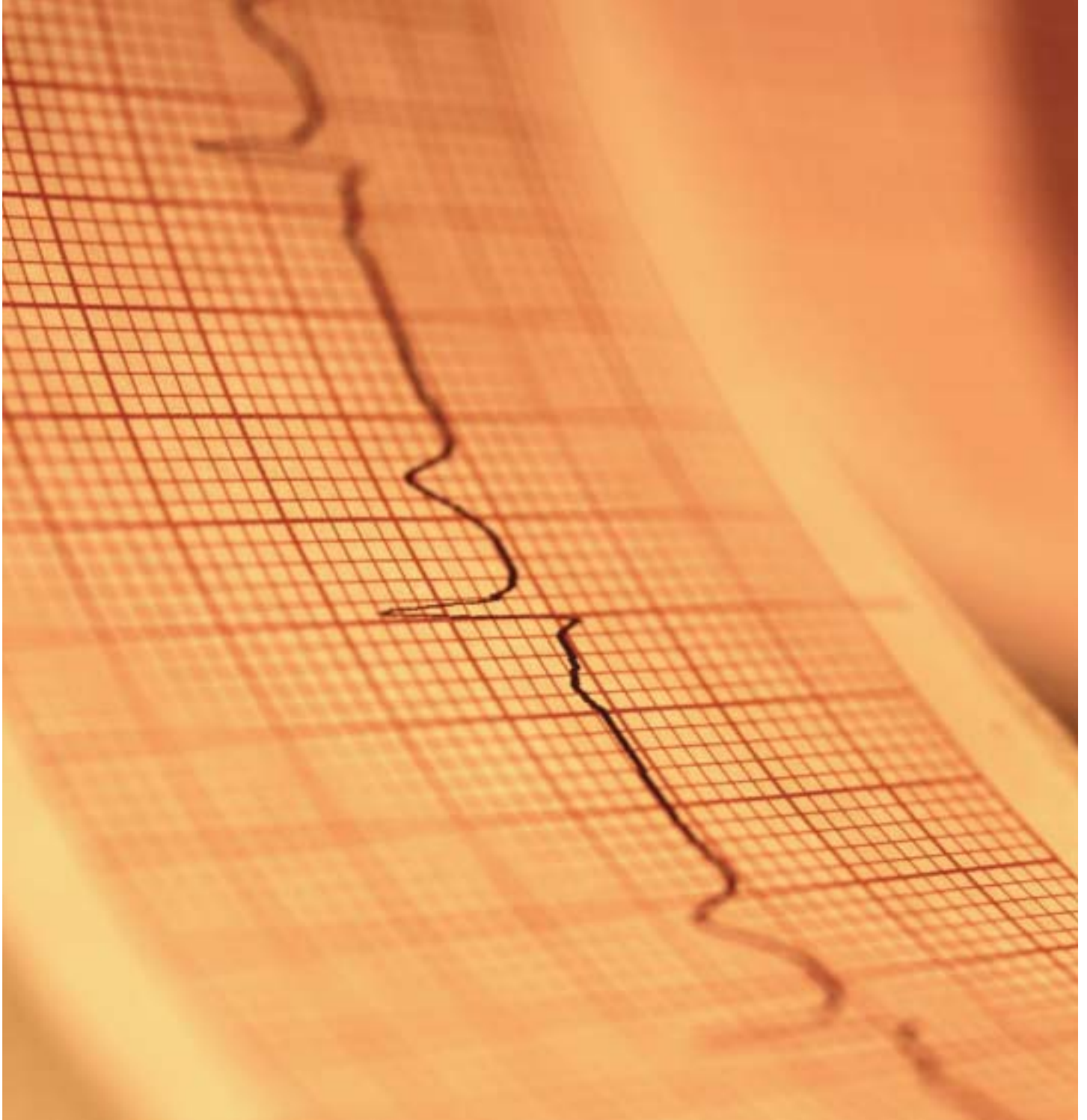


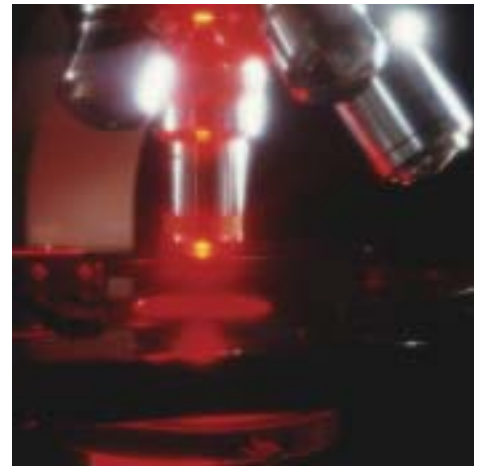
EU Savings Directive Health Check

Providing solutions, ensuring compliance*



*connectedthinking

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The EU Savings Directive (the EUSD) came into effect on 1 July 2005 and requires paying agents in the EU, EU dependent and associated territories and some European third countries¹ making cross border interest payments to EU individuals and certain entities to report information about the interest payments to their domestic tax authorities or levy withholding tax². The EUSD, to a greater or lesser degree, affects the majority of banks, custodians, transfer agents, fund managers, administrators and fund accountants.

Is your organisation EUSD compliant?

The PricewaterhouseCoopers EU Savings Directive Health Check can ensure that your organisation meets the customer identification, reporting and withholding requirements under the EUSD including providing bespoke training, impact studies, technical assistance and reviews.

Definition and Content of the EU Savings Directive

In broad terms, the EUSD requires paying agents making cross border interest payments to EU individuals to obtain and verify certain information about those individuals and to report information about the interest payments to their domestic tax authorities or levy withholding tax. Paying agents should now have performed appropriate customer checks and be in a position to report information about interest payments, or withhold where appropriate.

Interest payments include interest paid in respect of debt claims and fund distributions and redemptions where, subject to certain rules, the assets of the fund include debt claims. Importantly both EU and non EU funds are in scope of the EUSD, but they are affected in different ways.

The PwC EU Savings Directive Health Check

The PricewaterhouseCoopers EU Savings Directive Health Check assesses your organisation's level of compliance with EUSD requirements and makes recommendations if

changes are required. The Health Check is designed around the individual needs of your organisation depending on whether it is:

- A paying agent, typically a bank – see page 2 for further details.
- A fund management company – see page 3 for further details.

Complementary PwC EU Savings Directive Services

PwC also offers the following EUSD services which can be combined with a Health Check:

- Bespoke training to build internal knowledge of the EUSD.
- Impact studies to assess the impact of the EUSD on relevant business areas, including impact on product design, customers, systems and third party suppliers.
- Technical but practically-focussed advice with issues of interpretation surrounding the EUSD (e.g. who is the paying agent, which funds are subject to the EUSD and what is a UCITS equivalent fund?).

¹ Paying agents based in the following countries have to comply with the EUSD: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom, Jersey, Guernsey, Isle of Man, Cayman Islands, British Virgin Islands, Anguilla, Montserrat, Turks & Caicos Islands, Netherlands Antilles, Aruba, Switzerland, Andorra, Liechtenstein, San Marino, Monaco.

² By default, withholding tax will be levied by paying agents in: Austria, Belgium, Luxembourg, Switzerland, Liechtenstein, Andorra, Monaco, San Marino, Jersey, Guernsey, Isle of Man, British Virgin Islands, Netherlands Antilles, Turks & Caicos Islands.

The PwC EU Savings Directive Health Check for fund management companies

Investment funds are a product category for which the application of the EU Savings Directive proves particularly tricky and burdensome. The PwC EU Savings Directive Health Check can assist you in your efforts to apply these rules to the investment funds in your organisation.

Potential risks for fund management companies

Highlighted below are a number of potential risks for fund management companies for non-compliance with the EUSD:

- Risk of incomplete or inaccurate fund classification for EUSD purposes.
- Risk of inaccurate asset classification (e.g. structured products) and inaccurate TIS³ and TID⁴ calculations for various jurisdictions.
- Risk of fund EUSD status not being known in paying agent locations resulting in excessive investor taxation or disclosure.
- Competitive disadvantage resulting from perceived non-compliance by a fund.

The PwC Fund Management Health Check

The PwC Fund Management Health Check is a questionnaire based tool designed to identify risk areas and assess procedures. It covers:

- Review of procedures for determining funds potentially in scope of the EUSD.
- Review of asset tests for accumulating and distributing funds.
- Review of TIS and TID calculations for funds and review of whether values supplied to third party data vendors have been calculated accurately.
- Review of the classification and interest calculation of underlying invested products (e.g. sub-funds, derivatives, bonds, structured products).
- Review of investor communication concerning the EUSD and advice on the optimal wording of a fund prospectus with regard to the EUSD.
- Advice on where paying agent responsibilities lie in relation to particular funds.
- Review of suitability and robustness of internal procedures and systems.

What are the benefits of a PwC EU Savings Directive Health Check for a fund management company?

Compliance with the EUSD, together with a thorough understanding of the impact of the EUSD on your investors, distributors and service providers, will lead to:

- Suitable communication of the fund's EUSD status and TIS/TID data to interested parties.
- Minimising financial and reputational risk of erroneous reporting to investors, distributors or data providers.
- Better understanding of the concerns of investors, distributors and data providers and hence more effective communication with those groups.
- Minimising damage from perceived non-compliance with the EUSD.
- Effective business planning.

For further information, please contact your usual PricewaterhouseCoopers Tax Adviser or one of the PricewaterhouseCoopers contacts listed on page 4.

³ TIS = taxable income per share. This is the taxable value of each share for EUSD purposes in the event of a sale or redemption payment.

⁴ TID = taxable income at distribution. This is the taxable portion of each distribution for EUSD purposes.

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