



Foreign Account Tax Compliance Act (FATCA)

And why it is important to my institution

What is FATCA?

A brief overview on legislation that affects the global financial services industry.

What?

- FATCA requires most financial service institutions to disclose and report certain information on US account holders to the US Internal Revenue Service (IRS).

Why?

- FATCA enhances the IRS's ability to collect tax imposed on income earned by US persons through non-US investments and/or non-US accounts.

Who?

- FATCA affects a wide range of non-US financial institutions: banks, hedge funds, private equity funds, broker-dealers, clearing organisations, trust companies and insurance companies.

How?

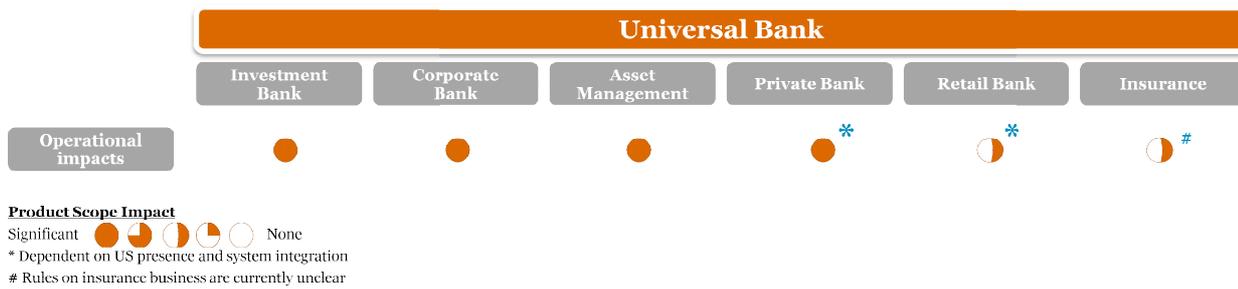
- Affected institutions will be required to comply with specific due diligence and verification procedures.
- Certain information on US account holders must be submitted to the IRS on an annual basis.

When?

- FATCA was enacted on 18 March 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act.
- FATCA is effective on payments made after 1 January 2014.

How does FATCA impact my institution?

FATCA's impact reaches a wide range of financial service businesses.



Can my institution choose not to implement FATCA?

Financial services institutions must consider whether the costs of compliance under FATCA outweigh the tax consequences and reputational risk of non-compliance.

To comply

- Affected businesses will be required to: (1) enter into a documentation and reporting **agreement with the IRS**; (2) comply with specified **due diligence** and verification procedures to determine which account holders are US account holders; (3) **report to the IRS** certain information about US account holders on an annual basis; and (4) comply with other **information requests** made by the IRS.

To opt-out

- Some institutions may decide that complying with the due diligence and verification provisions may **not be cost-effective** and choose to **discontinue** making US investments or seeking US customers.
- In opting out, it merely means to opt out of the US customer base, and does not imply non-compliance. It will still be subject to the IRS certification and audit procedures in an opt-out scenario.

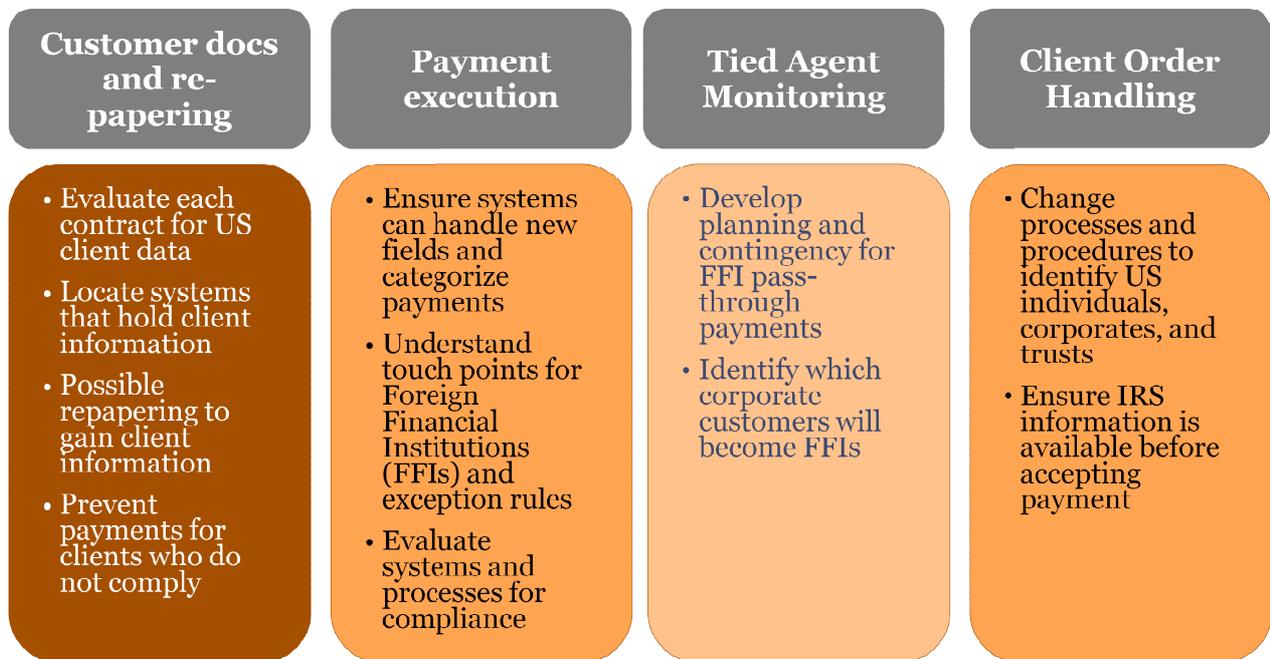
Not to comply

- Affected institutions will be subject to a **30 percent withholding tax** on certain US-sourced payments received, irrespective of whether the income is received on a client's behalf.
- **US-sourced payments** include interest, dividends, rents, premiums, annuities and royalties, and gross profit from the sale of assets that produce US-sourced interest and dividends, as well as other payments attributable to withholdable US-sourced payments.
- Non-compliance could be perceived as an attempt to shield US tax evaders. This places an unnecessary **risk on an institution's reputation** in the marketplace.

What issues should be noted in implementing FATCA?

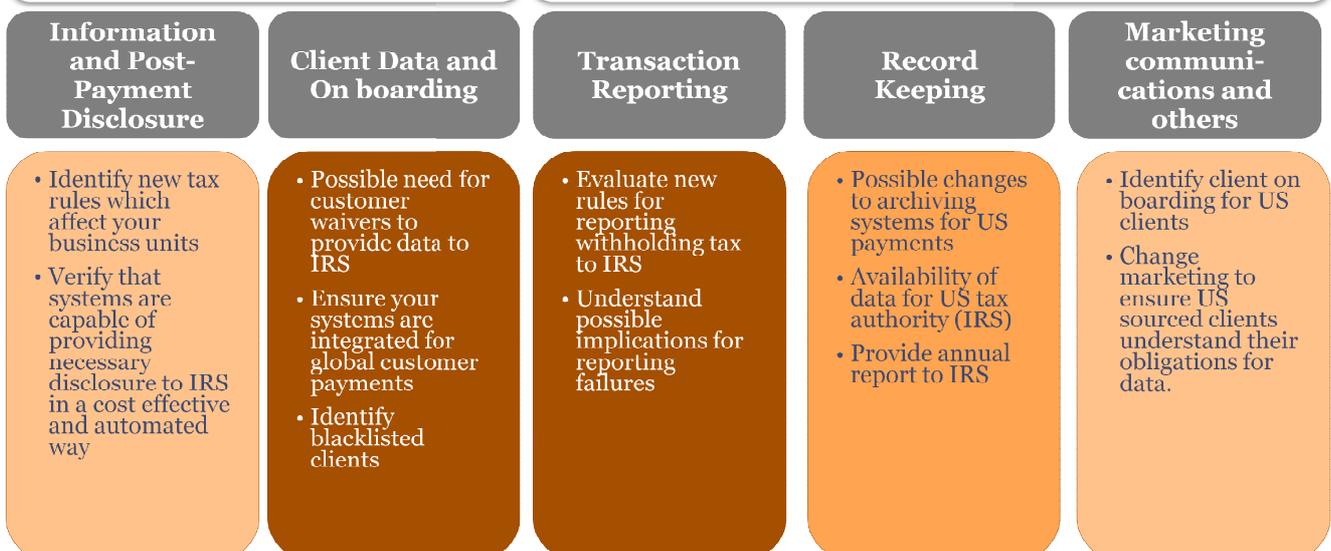
Substantial changes to people, process, technology and internal governance systems will be needed to handle the increase in due diligence procedures.

1. Customer and Channel Set-up and Interaction



2. Process and information management

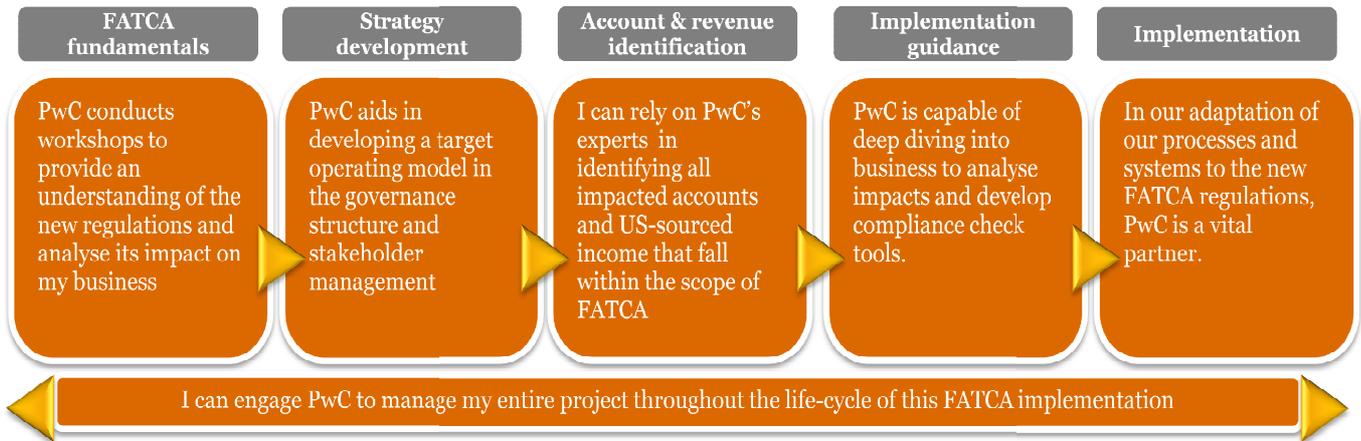
3. Enterprise Services & Operations



Significant Potential Effort Limited Effort

How can PwC help my institution?

PwC's knowledge and expertise can ensure a smooth transition into FATCA compliance.



Who can I approach?

Contact any of the following individuals to find out how PwC can help solve your FATCA-related issues:



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