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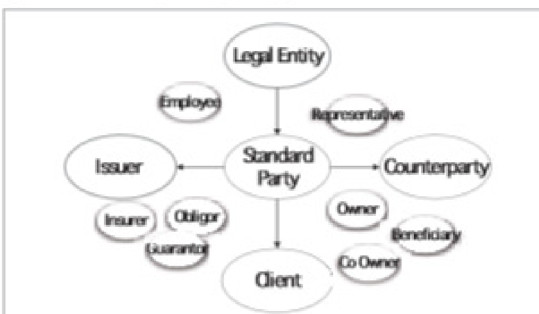
Leveraging Fatca

In the next year, most international financial institutions will need to comply with Foreign Account Tax Compliance Act (Fatca) rules from the US Treasury. And in the next decade, most developed nations will require similar compliance with their own tax laws. It is critical for business and technology managers to understand the looming Fatca requirements, and the implications, now.

Fatca is more than reporting. The most important component of Fatca compliance is the setup and maintenance of current, accurate information about each party with whom a Foreign Financial Institution (FFI) interacts, and each product they may buy, sell or hold.



A successful implementation of Fatca content and rules includes detailed reference data about each of the parties, including demographic, geographic and credit information, as well as calculations about transactions, positions and withholding requirements, management oversight, marketing and systems.

Although upgrading your company's data systems is not simple, it will create strategic opportunities for the savvy institution. Database systems like Noetic Master Model (NMM) can handle all the requirements for the successful implementation of Fatca and can help create these opportunities.

The United States Congressional Research Service estimates that taxable US persons evade more than $100 billion of taxes per year. The main objective of Fatca rules is to identify US persons who generate income or hold assets offshore, and to prevent tax evasion through the use of offshore investment vehicles.

The incentive for each FFI to comply with the new reporting requirements is avoidance of a 30% withholding requirement for income and payments received, assuming the FFI has entered into an agreement with the US Internal Revenue Service (IRS) to disclose specific details about its US investors.

Fatca compliance will impact many people and organizations around the world, including individuals, governments, international and US financial institutions.

The US Treasury's intergovernmental approach to implementing Fatca has been structured to avoid conflicts with opposing countries' local law. In 2013, FFIs in treaty countries are required to complete an agreement with the IRS to comply with Fatca. Compliance means each FFI will obtain, verify and report information about any US entity for which it establishes or maintains an account. If the

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FFI does not comply with these requirements, the account may be subject to a 30% US withholding tax.

As of December 1, 2013, the UK, France, Ireland, Germany, Norway, Italy, Japan, South Africa, Spain, Switzerland, Denmark and Mexico have entered into agreements with the US Treasury on Fatca implementation.

In certain countries, it is illegal for FFIs to disclose required information. Other countries, (Russia, India and China), have not completed agreements due to conflicts with local tax laws and regulations.

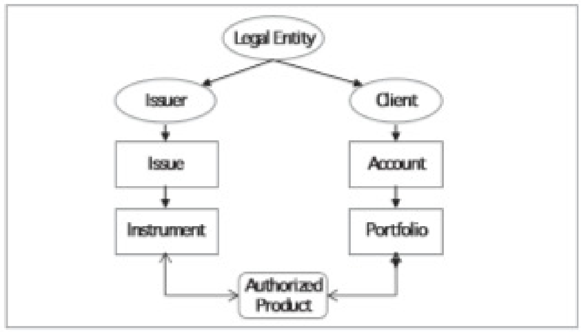
The ability to manage private client information is also critical. Personally identifiable information (PII) is particularly sensitive data that includes the legal name, in combination with any one or more of the following:

- Tax ID or social security ID;
- State-issued driver's license or identification card ID;
- Bank account, credit card or debit card number with security code or access code;
- Medical history;
- Health insurance policy ID.

The ability to collect, manage, modify and implement client and counterparty data systems is complex and expensive, but the impact is significant.

There are several steps each organization should follow to be successful:

- First, they should assess the impact to each business process, data element, system or report;
- Second, they should ensure the security of private information about clients;
- Third, key content should be actively managed, including entity type, countries of domicile, incorporation and taxation, and various tax IDs.



The NMM, which is designed to be installed on cloud services and traditional data management infrastructures, handles all the requirements of Fatca, AML, KYC and also handles investment profiles, goals, mandates and authorized products for all account types. NMM is a precise, simple yet comprehensive tool that reduces reference data complexity into a manageable database for all types of financial institutions.

US Fatca requirements are the model for the emerging global taxation regime. Financial institutions that anticipate the Fatca mandate—and intend to comply—must have solutions in place for managing information about the legal entity structures their customers and counterparties by mid-2014. Institutions handling these issues now will be prepared for the onslaught of global Fatca from next year.

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