Mastering Fatca Compliance

Justin Magruder, President and Founder of Noetic Partners, speaks about the current climate for compliance with the US Foreign Accounts Tax Compliance Act as its July deadline approaches, and how his company's Noetic Master Model can be applied to meet Fatca's requirements

Is the extension of the Fatca compliance deadline from January to July proving helpful to the industry? Are firms likely to complete what they need to do by July?

Justin Magruder: Yes, it is always helpful to have more time to implement a new set of requirements, especially when they involve complex changes to existing business processes, systems and reports. More time allows better planning, and a better analysis of new and existing requirements, and a more complete understanding of the terms of compliance. Our clients are preparing to implement complete Fatca solutions in time for the July deadline using the Noetic Master Model. However, many firms we have met with will need to continue to modify business processes, systems and reporting after July to meet basic requirements, and to improve efficiency and fully integrate enterprise systems.

Regarding data gathering and integration, within client onboarding or otherwise, will those processes need to change, and if so, how?

Magruder: Yes, for many firms, onboarding processes will need to change or to be enhanced in order to add or validate several elements of client reference data. These elements may include legal entity type, country of domicile or citizenship, country of birth or incorporation, and countries of taxation. In addition, and especially as other countries consider similar legislation, financial firms may need to understand the list of treaties that have been entered into between nations.

How do "client-centric" and "transaction-centric" views of key Fatca data compare? Why may a client-centric view surpass the transaction-centric view?

Magruder: Our clients are focused on the use of key dimensions of client and product reference data to address Fatca in advance, rather than trying to decipher the content of transactions after the fact. With this approach, we can evaluate any type of order or transaction to determine compliance requirements for Fatca and the full range of other legal and regulatory requirements. The reference data approach, leveraging the Noetic Master Model with ISO codes and other industry standards, is far superior for many reasons. In particular, high-quality reference data enables our clients to continuously evaluate their client base and understand the mandates, authorized products, standing settlement instructions and their commitments to various global tax compliance regimes.

Do differences in the sizes of firms working on Fatca compliance matter? If so, how and why?

Magruder: Yes, of course, the size and shape of financial institutions that need to implement Fatca compliance programs matters. Larger firms typically have more complex implementation requirements, but also have more resources and a deeper "bench" of talent and experience. That said, the mandate has a direct impact on many individuals, governments and institutions around the world. The complexities vary greatly because of the variation in legacy business processes and systems across the landscape businesses. Our clients find the management of reference and operational data through an enterprise data model like the Noetic Master Model has ensured rapid and efficient Fatca implementation.

Are we likely to see greater use of metadata for Fatca compliance? What are the advantages of making use of metadata for this purpose?

Magruder: Robust metadata is critical to the successful implementation of any reference data service. It defines the database from both a business and technical perspective and is equally as important as the data itself. Business, operational, and data requirements are critical in preparing for Fatca compliance as the requirements drive the solution and ensure the data is well managed and positioned for compliance activities.

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