Mindtree
Welcome to possible

Don't lose sleep over FATCA compliance

The FATCA compliance mandate

US citizens holding unreported financial assets overseas is increasing. To confront this leak in tax revenue, the US government has enacted the Foreign Account Tax Compliance Act ("FATCA"), which puts the onus on Foreign Financial Institutions (FFIs) and   Non-Financial Foreign Entities (NFFEs) to report to the IRS details of financial assets held by US tax payers or foreign entities in which US taxpayers hold a substantial ownership interest. Specifically:

- FFIs must report certain information about US account holders to the IRS either directly or through the home country tax authority of the FFI's; and

- NFFEs must disclose the identity of their US owners to the IRS.

Non-compliance with FATCA will be costly for FFIs, NFFEs and recalcitrant account holders

The law requires 30% of payments made to "non-participating" FFIs, NFFEs and recalcitrant account holders to be withheld. Apart from the obvious financial loss to FFIs and NFFEs, non-compliance can also harm   their reputation. Participating FFIs must also be prepared to withhold 30% of certain "pass-through payments"   to non-participating FFIs, NFFEs and recalcitrant account holders.

Mindtree can help you with your FATCA compliance program

As a company that offers, FATCA point solution and professional services, Mindtree can assist you across all the various stages of your FATCA compliance program by providing:
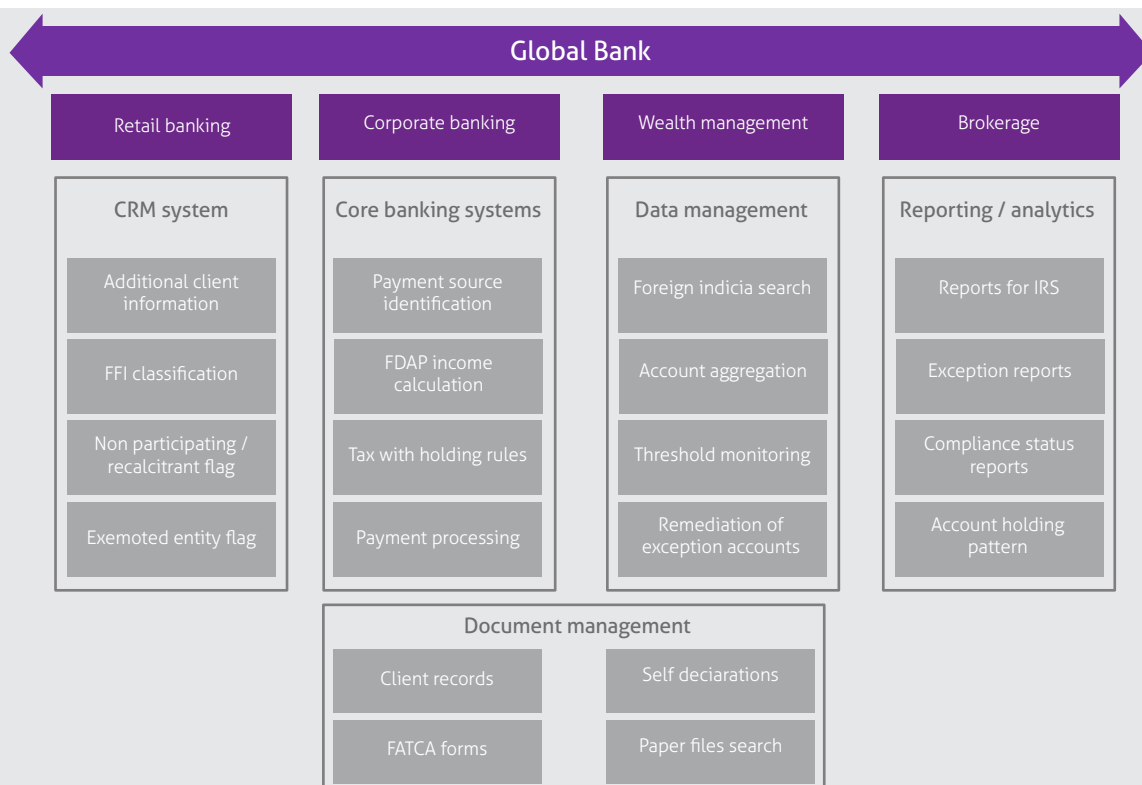
- Business impact analysis and assessment
- Gap analysis
- Program management
- Solution implementation
- Application development
- System integration testing

Achieving FATCA compliance can be a serious challenge

For FFIs and NFFEs, the journey to becoming FATCA compliant can be daunting for many reasons. The first part of the challenge is to build the ability to accurately identify which clients are "US accounts" under FATCA. The second aspect is to know which rules to apply and thereafter, apply them as prescribed by law. Developing the above capabilities can become a challenge for FFIs and NFFEs because of the way financial institutions are typically organized and the silos in which most of their IT systems exist and operate. For instance:

- An individual may have several accounts with an FFI, each related to a different type of product. A client's accounts may also be spread across multiple branches, subsidiaries and business units.

- Data about one customer could well be spread across multiple systems within an FFI because each product is supported by a different software system.

Typically, the following systems are likely to be impacted by FATCA.

Global Bank			
Retail banking	**Corporate banking**	**Wealth management**	**Brokerage**
CRM system	Core banking systems	Data management	Reporting / analytics
Additional client information	Payment source identification	Foreign indicia search	Reports for IRS
FFI classification	FDAP income calculation	Account aggregation	Exception reports
Non participating / recalcitrant flag	Tax with holding rules	Threshold monitoring	Compliance status reports
Exemoted entity flag	Payment processing	Remediation of exception accounts	Account holding pattern

Document management	
Client records	Self declarations
FATCA forms	Paper files search

- Existing customer on boarding systems that support processes like Account Opening and KYC will need to be modified to make them capable of accurately collecting / updating additional information about new / existing customers to assess applicability of FATCA.

Mindtree offers a robust FATCA solution supported by comprehensive and world-class implementation services

A robust data model is a most critical job. That's why our solution is built on IBM's proven industry-standard data model, used by the world's largest financial institutions. You can therefore be assured that your FATCA compliance will not be impacted because of gaps in the data model.

The remaining job is just as critical to achieve compliance, and has to do with populating the data model for new customers and applying the right rules to drive FATCA compliance across the enterprise. Here's how our solution addresses these critical requirements:

- **Account Identification:** A FATCA rules engine enables easy identification of "US accounts" based on the US indicia specified in the rules. The engine also identifies accounts that are exempt from FATCA.

- **Built-in reconciliation framework:** Incomplete source data can often preclude the rules engine from correctly identifying if a customer should fall under US indicia or not. Our solution includes an in-built workflow framework that makes it possible for support teams to easily contact customers for whom data is incomplete or missing and obtain / update the relevant information.

- **Aggregation:** The solution enables linking of accounts of an individual or entity across its different business units (e.g. banking, custodial, depository, insurance etc.) and within the same business unit (like individual and joint bank accounts). The system is able to report on a 'per customer basis' irrespective of how many accounts (single / joint) they hold. Our solution aggregates balances / values across different accounts held by an individual / entity to determine applicability of FATCA based on specified thresholds.

- **Reporting:** For each FATCA reportable account, our solution can generate reports in the formats specified by the IRS or other tax authorities. These reports vary with the nature of the underlying account (depository account or account of an investment or insurance entity etc.). The solution generates reports of payments made to non-participating financial firms to be submitted to IRS or other tax authorities. A pre-built API ensures data delivery in custom formats.

- **Analytics:** An in-built ETL layer and analytics framework enables analysis of account holding patterns and their FATCA compliance status. The analytics layer not only provides customer-specific intelligence but also helps in following up with customers with incomplete KYC details (reconciliation workflow framework).

- **Secured API:** The inbuilt multi-format API engine is easy to integrate and takes care of all regulatory reporting requirements through a secured gateway.

The diagram below illustrates the high level technical architecture of our solution.
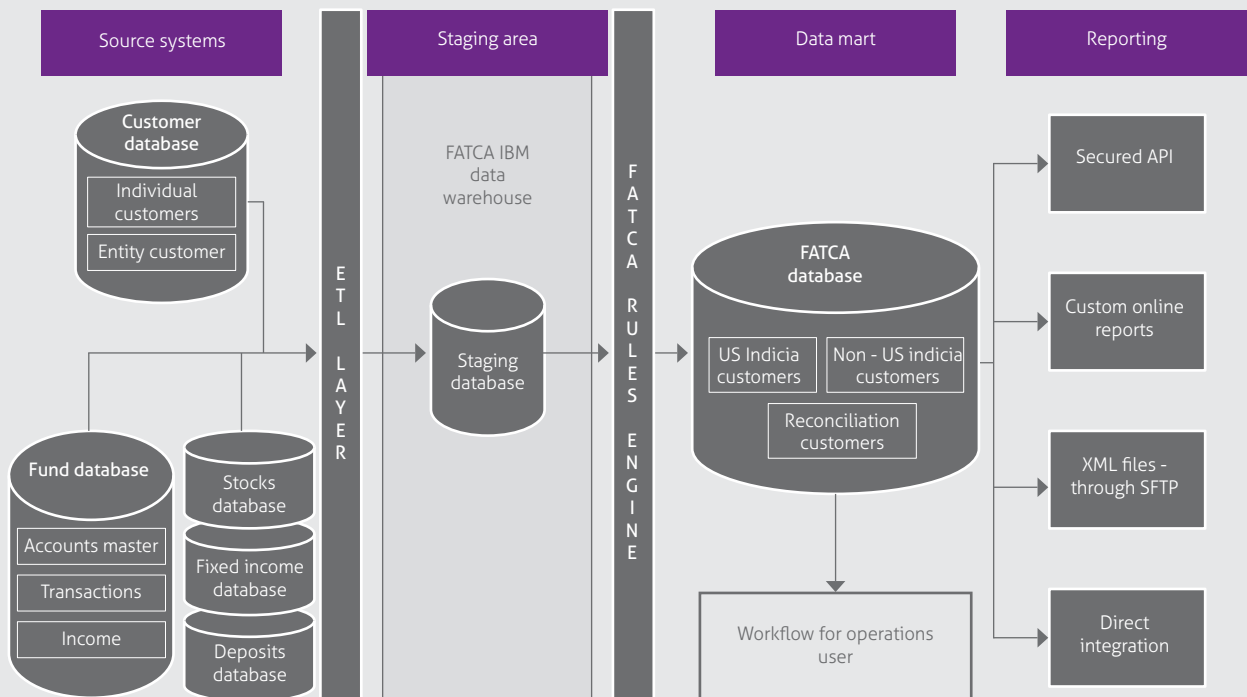
- Our solution is capable of handling all compliance requirements that FATCA imposes. It is also flexible and makes it easy to identify US Indicia and non-US Indicia customers.

- Using the reconciliation workflow, the operations team can initiate remedial action to contact customers with conflicting or incomplete information and obtain the necessary details. Customizable automated batch process for generating FATCA compliance reports.

- Secured API for easy integration with your existing technology landscape

- Custom online HTML / PDF report generation engine

- Secured gateway for XML file delivery to SFTP

- "Direct integration" framework makes it easy to integrate the solution with your existing systems

Your decision criteria	How our FATCA solution stacks up	What makes our solution stand out
Coverage of FATCA rules to deliver compliance	Comprehensive	- Built on proven IBM data model; designed by team with expertise in FATCA compliance to identify US indicia and recalcitrant account holders. - Workflow-based feature to obtain missing customer information expeditiously.
Implementation	Easy, fast and non-disruptive	- Robust, easy-to-implement, system-independent web services for automated generation of compliance reports. - Direct integration framework makes integration with customer's existing systems easy
Flexibility of solution	High	- A combination of secure multi-format APIs and easy-to-integrate IBM data model enables flexibility in integrating with the existing technology landscape of the customer. - The solution delivers various compliance reports in multiple formats through an online or automated batch process. It is also powered by a secured gateway for XML file delivery to SFTP.
Need for multiple vendors	No	Mindtree takes end-to-end responsibility for design, implementation, integration and testing.

Our experts have hands-on experience in assisting financial institutions prepare for FATCA compliance. They know the challenges, risks and practical mitigation approaches keeping in mind the pressures of tight deadlines and the impact of non-compliance.

For more information on our FATCA solution or for assistance in assessing your organization's FATCA compliance needs, please email subhasis_bandyopadhyay@mindtree.com.

About Mindtree

Mindtree [NSE: MINDTREE] delivers technology services and accelerates growth for Global 1000 companies by solving complex business challenges with breakthrough technical innovations. Mindtree specializes in e-commerce, mobility, cloud enablement, digital transformation, business intelligence, data analytics, testing, infrastructure, EAI and ERP solutions. We are among the fastest growing technology firms globally with more than 200 clients and offices in 14 countries.