

## FATCA Compliance Solution



Foreign Account Tax Compliance Act (FATCA) is a US legislation to prevent tax evasion by US citizens, through the use of offshore accounts. It requires Foreign Financial Institutions (FFIs) to register with US Internal Revenue Service (IRS) and report certain information about US account holders to the IRS, either directly or through the home country tax authority. It also requires Non-Financial Foreign Entities (NFFEs) to disclose the identity of their US owners to the IRS. FATCA imposes a penalty of 30% withholding tax on payments made to non-participating FFIs and recalcitrant account holders, who refuse to participate with the IRS.

## Business challenge

The implementation of the FATCA legislation poses significant challenges to the banking and financial services industry. They include:

- Complying with verification and due diligence procedures prescribed in FATCA, to identify whether an account is a US one or not
- Linking accounts of a US taxpayer across branches, subsidiaries and business units
- Enhancing customer onboarding systems to collect additional information about new customers, as required for FATCA compliance
- Maintaining an updated status of all FFIs, NFFEs and account holders the firm deals with, as FATCA participating or non-participating / recalcitrant
- Implementing complex business rules in the payment systems, to withholding tax on payments made to non-participating FFIs, NFFEs and recalcitrant account holders

## Our solution

Mindtree's Capital Markets Center of Excellence (CoE) has been at the forefront of tracking development in FATCA legislation. Our expertise and deep domain knowledge empower us to build custom solutions for financial institutions, to comply with FATCA effectively.

**Account Identification:** Enables the financial enterprise to identify accounts of US citizens based on US indicia, as mentioned in FATCA rulemaking. This will apply various business rules for identifying reportable accounts, taking into consideration the ones exempted from FATCA.

**Aggregation:** Assists the financial enterprise to link accounts of an individual or entity across different business units. It facilitates this by reference to data elements such as

customer name, customer ID and tax identification number. This will aggregate the balance or value of accounts held by the person, to determine whether the value is above threshold and the accounts are reportable under FATCA.

**Reporting:** Generates reports for each FATCA reportable account, as per the requirements of IRS or tax authority of the home country. The reports will vary depending on whether it is a custodial account, depository account, or the account of an investment or insurance entity.

**Analytics:** Helps incorporate an ETL layer and an analytics framework. These will allow the financial services enterprise to conduct effective analysis of account holding patterns and their FATCA compliance status.

## Impact on the enterprise

FATCA legislation has had enterprise-wide impact on the processes and IT systems of a financial enterprise. The applications which require significant modifications to enable the enterprise to comply with FATCA include:

- KYC / AML and customers onboarding systems
- Customer information management systems
- Documents management systems
- Payments and transaction processing systems
- Regulatory reporting processes
- Accounting and taxation systems

## Our services

Our IT services to a financial services enterprise for FATCA compliance include:

- Business impact analysis and assessment
- GAP analysis
- Program management
- Solution implementation
- Application development
- System integration testing
- Professional services

## Key differentiators

Most regulatory projects come with ambiguities in requirements, tight timelines, customer risk and fear of penalties. We work closely with our customers to mitigate these risks. Some of our key differentiators include:

Hands-on experience of working around FATCA, with a large US-based bank

Strong program management capabilities

Expert FATCA consultants and resources, ready to be deployed in projects

Availability of developed reusable components to reduce TAT and save cost

## Contacts

Subhasis Bandyopadhyay, Head Capital Markets CoE. [subhasis\\_bandyopadhyay@mindtree.com](mailto:subhasis_bandyopadhyay@mindtree.com)

Nitin Juyal, Consultant. [nitin\\_juyal@mindtree.com](mailto:nitin_juyal@mindtree.com)



## About Mindtree

Mindtree is a global information technology solutions company with revenues of over USD 400 million. Our team of 11,000+ experts engineer meaningful technology solutions to help businesses and societies flourish. We enable our customers to achieve competitive advantage through flexible and global delivery models, agile methodologies and expert frameworks.