



Mindtree

Welcome to possible



Existing banking system adapted for FATCA compliance

SUCCESS STORY

Client

A leading US-based commercial bank

Industry

Banking and financial services

Offering

Consulting

Overview

Our client, a leading US-based hi-tech commercial bank required a process flow to comply with verification and due diligence procedures prescribed by FATCA. It faced operational challenges and increased costs under the new tax regulations. Mindtree undertook complete FATCA requirement development and helped the bank improve their customer onboarding process.

Mindtree identified all processes impacted by FATCA regulation and conducted due diligence with bank's service providers.

Business challenge

The client sought to put in place a process flow to comply with verification and due diligence procedures prescribed by Foreign Account Tax Compliance Act (FATCA). It involved identifying and linking accounts of US taxpayers across branches, subsidiaries and business units.

The process flow also needed to:

- Enhance customer onboarding systems to collect, store and appropriately use additional information from existing and new customers as required to be FATCA compliant
- Maintain an updated status of all Foreign Financial Institutions (FFIs) and Non-Financial Foreign Entities (NFFEs) and account holders the firm deals with, as FATCA participating or non-participating
- Implement taxation related business rules on payments made to non-participating FFIs, NFFEs and recalcitrant account holders

FATCA impacted the following systems / functions of the bank:

CRM system	Core banking system	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
Nonparticipating / Recalcitrant flag	Tax withholding rules	Threshold monitoring	Compliance status reports
Exempted entity flag	Payment processing	Remediation of exception accounts	Account holding pattern

Our approach

Through our Capital Markets Center of Excellence (CoE), Mindtree has thoroughly studied FATCA regulation and how it impacts various bank operations. Based on our findings, the bank's data was analyzed on the following four major criteria:

Legal entities classification: Checked for all relevant legal entities, including holdings, subsidiaries, representative offices, investment vehicles, that are in scope of FATCA.

Client classification: Classified all clients with respect to FATCA client segmentation and indicia for US account status.

Operation processes: Identified all processes impacted by FATCA regulation and conducted due diligence with bank's service providers.

Products identification: Identified relevant investment products (US sourced income) that are impacted by FATCA.

Identification of system changes required for full compliance with FATCA ensured that the bank is operationally ready to support the legislation once the final policy rules are published.

Our solution

With our strong expertise in Know Your Customer (KYC) compliance controls, our experts completed FATCA requirement development. We provided the following services which will help the bank meet FATCA and global tax information exchange regulations:

- Refined electronic search capabilities for effective identification and classification of individuals and entities
- Case Management: Automated investigation and case enrichment to save the bank's effort on time and money spent on manual investigation
- Tax calculation: Provided intermediate staging levels that performed the tax related calculations at various levels
- Reporting: Reports were created for each FATCA reportable account, in the formats specified by the IRS and other tax authorities. These reports vary depending on the nature of the underlying account (depository account or account of an investment or insurance entity, etc.)
- Testing and validation at various stages including development, UAT, pre-and-post release.

The solution also features:

- Real-time document validation – potential errors are highlighted before submission
- Full historic data reporting for instant snapshots for any period in time
- Ongoing review and validation against client account information
- Cases automatically enriched with external information to assess US status (e.g. Entities à Shareholders / beneficiary owners)
- Help by administrators to remediate issues by suggesting solutions based on audit procedures
- Easy integration with internal processes through comprehensive APIs and web services
- Segregation of data across designated business units
- Configurable administrator access rights
- Easy integration into existing customer onboarding systems

Business impact

Mindtree's differentiated approach and solution resulted in:

- 60% time reduction in customer on-boarding process by redesigning the bank's internal on-boarding system
 - 40% reduction in manual processing by using Thomson Reuters' Identify tool to electronically captures all tax forms and further help in IRS reporting
 - 90% documentation accuracy and 30% cost reduction by replacing physical W-8 forms with electronic forms
 - Identification of system changes required for full compliance with FATCA ensured that the bank is operationally ready to support the legislation once the final policy rules are published
 - Instant identification of US indicia and recalcitrant account holders
 - Real-time assessment of new customers for FATCA status
 - Integrated view of customer data including vital data, evidences, FATCA and IRS reporting status.
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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.