Executive Summary Post Notice 2013-43
Foreign Account Tax Compliance Act (FATCA)
What is the Foreign Account Tax Compliance Act (FATCA)?

FATCA is a new chapter in the US Internal Revenue Code. Chapter 4 was added by the Hiring Incentives to Restore Employment (HIRE) Act. It seeks to identify US taxpayers having accounts at Foreign Financial Institutions (FFIs) and attempts to enforce reporting of those accounts through withholding.

Key Characteristics

- Attempts to improve tax compliance of specified US persons who have offshore financial accounts
- Requires FFIs to enter into compliance agreements with US Treasury by June 30, 2014 to identify and report US accounts annually
- Requires US withholding agents to perform enhanced due diligence on foreign accounts and perform withholding and reporting in addition to their current regulatory obligations under Chapter 3.
- Requires certain non-financial foreign entities (NFFEs) to report substantial US owners or certify no US ownership
- Requires US withholding agents and FFIs to withhold 30% of payments made to foreign financial institutions, non-financial foreign entities and individuals that are not in compliance with FATCA requirements
- Requires FFIs to withhold on foreign passthru payments made to foreign financial institutions, non-financial foreign entities and individuals that are not in compliance with FATCA requirements no earlier than 2017
- Projected to raise $7.6 billion in tax revenue over a 10 year period
- Applies generally to payments made after June 30, 2014

Compliance is viewed as mandatory by the industry for all affected institutions

<table>
<thead>
<tr>
<th>Targeted…</th>
<th>Directly Responsible…</th>
<th>What…</th>
<th>If not…</th>
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<tbody>
<tr>
<td>US Individuals</td>
<td>FFIs</td>
<td>FFIs must document account holders; and identify and report US accounts annually among other requirements</td>
<td>Withholding agents must withhold a tax of 30% on any withholdable payment made to any non-FATCA compliant FFI, NFFE, or account holder</td>
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<tr>
<td>Privately-held US Taxable Entities</td>
<td>US withholding agents</td>
<td>Certain NFFEs must certify no substantial US owners or provide info on them to FFIs and USWAs</td>
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<td></td>
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<td>USWA must document payees of withholdable payments</td>
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## Final FATCA regulations timeline – Notice 2014-33

<table>
<thead>
<tr>
<th>General Compliance</th>
<th>FATCA Compliance Action Items</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>FFI: GIIN registration deadline for first 2014 List (First 2015 list for Model 1 FFIs)</td>
<td></td>
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<td>May 5</td>
<td>Dec 22 for Model 1 FFI</td>
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<td>First 2014 GIIN list</td>
<td></td>
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<td>Jun 2</td>
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<tr>
<td>FFI: Effective date of Agreement for FFIs receiving a GIIN prior to July 1, 2014</td>
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<td>Jun 30</td>
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<td>FFI: End of transition period for affiliated group rule</td>
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<td>Jan 1</td>
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<thead>
<tr>
<th>New / Pre-existing Accounts</th>
<th>FATCA Compliance Action Items</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>USWA / FFI: Begin new account onboarding</td>
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<td>Jul 1</td>
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<tr>
<td>USWA / FFI: Begin GIIN Verification for Model 1 IGA FFIs</td>
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<td>Jan 1</td>
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<tr>
<td>USWA: Complete documenting/classifying preexisting entity accounts*</td>
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<td>Dec 31 Prima Facie FFIs</td>
<td>Jun 30 All other entity accounts</td>
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<tr>
<td>FFI: Complete documenting/classifying preexisting accounts</td>
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<td>Dec 31 Prima Facie FFIs</td>
<td>Jun 30 All other accounts</td>
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<tr>
<th>Withholding</th>
<th>FATCA Compliance Action Items</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tr>
<td>USWA / FFI: Grandfathered obligation cutoff</td>
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<td>Jul 1</td>
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<tr>
<td>USWA / FFI: Begin withholding on US source income (excludes certain offshore payments)</td>
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<td>Jul 1</td>
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<tr>
<td>USWA / FFI: Begin withholding on offshore US source income payments and gross proceeds</td>
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<td>Jan 1</td>
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<tr>
<td>FFI: Begin withholding on foreign passthru payments</td>
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<td>Jan 1</td>
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<tr>
<th>Reporting</th>
<th>FATCA Compliance Action Items</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>FFI: Begin US Account/Owner information and balance reporting (for 2014 calendar year)**</td>
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<td>Mar 31</td>
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<tr>
<td>FFI: Begin US Account/Owner income reporting (for prior year) and Aggregate reporting on NPFFI account holder payments (only for 2015 and 2016)**</td>
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<td>Mar 31</td>
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<tr>
<td>FFI: Begin US Account/Owner gross proceeds reporting (for prior year)**</td>
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<td>Mar 31</td>
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<tr>
<td>USWA: Begin US Owner reporting**</td>
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<td>Mar 31</td>
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<tr>
<td>USWA/QI FFI: Reporting on withholdable income payments made to recipients***</td>
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<td>Mar 15</td>
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<tr>
<td>USWA/QI FFI: Begin reporting on gross proceeds made to recipients***</td>
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<td>Mar 15</td>
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* $250k preexisting entity account de-minimis exception does not apply to accounts opened from July 1, 2014 to December 31, 2014 ** Form 8966 *** Form 1042-S
Implementing FATCA will require organizations to analyze and implement changes to their operating model

Organizations need to address key topics relating to technology, operations and client experience

<table>
<thead>
<tr>
<th>Areas of Focus</th>
<th>Concerns</th>
<th>Outcome</th>
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<tr>
<td><strong>Tax</strong></td>
<td>Participating FFIs will be required to do more than identify and report on their US accounts. They will need to classify all of their accounts under the appropriate FATCA classification (e.g. non-participating FFIs, participating FFIs, deemed compliant FFIs, active NFFEs). US withholding agents will be required to perform due diligence on and classify foreign entity accounts, new individual accounts, and preexisting individual accounts in certain circumstances. The process for identifying and documenting a foreign entity's status can be significant and there is potential exposure if the determination is incorrect.</td>
<td>• Properly identifying and classifying foreign entities</td>
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<td>• Foreign entity status documentation</td>
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<td>• US indicia search and documentation for individual accounts</td>
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<td>• Requirements definitions</td>
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<td>• Outsourcing considerations</td>
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<td>• Development</td>
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<td>• Testing</td>
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<td>• Implementation</td>
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<tr>
<td><strong>Technology</strong></td>
<td>Both USWAs and FFIs will need to develop enhancements to already existing technologies and systems in order to meet the requirements of FATCA. Significant changes in data structure, as well as additional data collection, calculation and reporting requirements will be pervasive across multiple systems. Requirements, development, testing and implementation will be required for each system impacted.</td>
<td>• Potential new systems to continuously track required documentation</td>
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<td>• Tax reporting and reconciliation systems</td>
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<td>• Data cleansing and remediation</td>
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<td>• Data and architecture</td>
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<td></td>
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<td>• Compliance systems</td>
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<td>• Any systems supporting the withholding and reporting regime under chapter 3 will need to be enhanced to accommodate FATCA</td>
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<tr>
<td><strong>Operations</strong></td>
<td>Both USWAs and FFIs will need to address changes in processes and workflows across the back-office impacting several functions of customer facing, asset servicing, regulatory reporting, and risk &amp; control activities.</td>
<td>• Customer Facing: New Account Processing, Account Transfers, Client Reporting / Statements, Privacy and AML / KYC</td>
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<td>• Asset Servicing: Corporate Actions Processing, Tax Reporting, Security Master, and Payments inventory &amp; withholding</td>
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<td>• Regulatory Reporting: New annual IRS/US Treasury Reporting</td>
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<td></td>
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<td>• Risk &amp; Control: Legal and Organizational Compliance and Procedures &amp; Policies</td>
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<tr>
<td><strong>Client Experience</strong></td>
<td>USWAs and FFIs will need to educate impacted clients</td>
<td>• Require privacy waivers or implement account closures</td>
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<td>• Withholding on recalcitrant account holders and non-participating FFIs</td>
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<td></td>
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<td>• Cash flow and tax reclains</td>
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</tbody>
</table>
Many misconceptions exist about FATCA compliance; we believe it can be addressed in a targeted manner that reduces disruptions

<table>
<thead>
<tr>
<th>FATCA Myths</th>
<th>Deloitte Point of View</th>
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<tbody>
<tr>
<td>FATCA compliance will require an army of tax resources</td>
<td>We have distilled FATCA requirements into a manageable and easily digestible set of rules</td>
</tr>
<tr>
<td>Impact of FATCA will be pervasive and will require financial institutions to make extensive changes for all legal entities and lines of business</td>
<td>Impact of FATCA varies significantly by type of business and legal entity, and financial institutions may be able to employ “fencing strategies” to limit operational impact while remaining fully compliant</td>
</tr>
<tr>
<td>FATCA will require the implementation of new core IT systems or a major redesign of existing core systems</td>
<td>IT solutions can be architected to implement FATCA without extensive changes to core systems</td>
</tr>
<tr>
<td>FATCA implementation will set ongoing AML/KYC initiatives off-track since there are significant new requirements</td>
<td>Many FATCA requirements are incremental to AML/KYC and they may be able to be folded into current initiatives without resetting timelines</td>
</tr>
<tr>
<td>Financial institutions cannot rely on third-party service providers for ongoing FATCA compliance without undertaking prohibitive oversight</td>
<td>Service providers have compelling incentives for complying with FATCA and verifying their compliance will be fairly straightforward, however, oversight and indemnification agreements are recommended</td>
</tr>
</tbody>
</table>

FATCA requirements should be managed by making careful strategic choices and by leveraging existing investments
Road to FATCA Compliance

Identify, Classify, and Remediate

Assess
- FATCA Education Portal
- Web-based surveys

Develop Solutions
- Decision Trees

Implement
- Customer Classification Engine
- Remediation Control Database ("RCD")

You are here

2013
- June 30, 2014
  Deadline for FFI's to enter an agreement for a July 1, 2014 effective date. Begin new "individual" customer onboarding and remediation for existing customers meeting FATCA criteria.
- July 1, 2014
  Withholding begins on US Source FDAP payments.
- July 1, 2014
  Cut-off for grandfathered obligations.
- December 31, 2014
  Prima-facie FFI remediation deadline (including accounts onboarded after July 1, 2014).

2014
- June 30, 2014
  Effective date of an FFI agreement entered prior to July 1, 2014.

2015
- June 30, 2015
  Begin new "Entity" customer onboarding.
- January 1, 2015
  Begin new "Entity" customer onboarding.
- March 31, 2015
  FFIs report US owner information and account balances identified in 2014.

2016
- January 1, 2017
  Withholding begins on US source gross proceeds payments and foreign passthru payments.
- June 30, 2016
  Majority of pre-existing account due diligence procedures to be completed.

2017
Deloitte global and regional FATCA leadership

Denise Hintzke  
Director, Global FATCA Tax Leader  
Deloitte Tax LLP  
+1 212 436 4792  
dhintzke@deloitte.com

Anne Mericle  
Global FATCA PMO Manager  
Deloitte Tax LLP  
+1 212 436 3908  
americle@deloitte.com

John Rieger  
Partner, National Tax Financial Services Industry  
Deloitte Tax LLP  
+1 212 618 4151  
jiopen@deloitte.com

Matthew Cahill  
Partner, Global Information Reporting  
Deloitte Tax LLP  
+1 212 436 3420  
mcahill@deloitte.com

James Dockeray  
FATCA Leader, Caribbean/Bermuda  
Deloitte & Touche Ltd.  
+1 441 299 1399  
james.dockeray@deloitte.bm

Patty Florness  
Partner, Global Information Reporting  
Deloitte Tax LLP  
+1 212 436 7413  
pflorness@deloitte.com

John Kocjan  
Partner, FATCA Consulting Leader, US  
Deloitte Consulting LLP  
+1 212 618 4151  
jkocjan@deloitte.com

Dennis Metzler  
FATCA Leader, Canada  
Deloitte & Touche LLP  
+1 416 601 6144  
dmetzler@deloitte.ca

Held Rock  
Director, FATCA Enterprise Risk Services Leader, US  
Deloitte & Touche LLP  
+1 973 602 6052  
hrock@deloitte.com

Michael Shepard  
Principal, Deloitte Transactions and Business Analytics LLP  
+1 215 299 5260  
msharpe@deloitte.com

Greg Thomas  
Principal, FATCA Enterprise Risk Services Leader, US  
Deloitte & Touche LLP  
+1 415 783 5211  
grethomas@deloitte.com

Mike Wade  
Director, FATCA Enterprise Risk Services Leader, US  
Deloitte & Touche LLP  
+1 804 697 1537  
mwade@deloitte.com

Jon Watts  
Director, FATCA Enterprise Risk Services Leader, US  
Deloitte & Touche LLP  
+1 212 436 6561  
jonwatts@deloitte.com

Jim Calvin  
FATCA Leader, Asia-Pacific  
Deloitte & Touche LLP  
+65 9662 3014  
jimcalvin@deloitte.com

Anna Bleazard  
FATCA FAS Leader, Asia-Pacific  
Deloitte & Touche Financial Advisory Services Pte Ltd.  
+65 6216 3277  
abelleazard@deloitte.com

Marie Gervacio  
FATCA Regional Consulting Leader, Asia-Pacific (excl. Japan)  
Deloitte Consulting (Hong Kong) Limited  
+852 9104 7451  
megervacio@deloitte.com.hk

Michael Velten  
FATCA Leader, Southeast Asia  
Deloitte & Touche LLP  
+65 6531 5039  
mvelten@deloitte.com

Claire Dawson  
FATCA Tax Leader, Middle East  
Deloitte LLP  
+971 4 5064900  
cladawson@DELOITTE.com

Umair Hameed  
FATCA FAS Leader, Middle East  
Deloitte Corporate Finance Ltd  
+971 50 658 4486  
uhameed@deloitte.com

Humphry Hatton  
FATCA Co-Leader, Middle East  
Deloitte LLP  
+971 (0) 4 506 4730  
huhatton@deloitte.com

Piero Molinario  
FATCA FAS Leader, Europe  
Deloitte & Touche, S.p.A  
+39 02 8332 5102  
pimolinario@deloitte.it

Nick Sandall  
FATCA Consulting Leader, EMEA  
Deloitte LLP  
+44 20 7007 1850  
nnsandall@deloitte.co.uk

Chris Tragheim  
FATCA Tax Leader, EMEA  
Deloitte LLP  
+44 20 7303 2848  
ctragheim@deloitte.co.uk

Markus Weber  
Financial Services Industry Tax Leader, Switzerland  
Deloitte AG  
+41 58 279 7527  
mweber@deloitte.ch
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