



[With FATCA in Place, Will GATCA Be The Next Headache For BFSI SSCs?](#)

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Although the long-term effects of the [Foreign Account Tax Compliant Act](#) (FATCA) going live on July 1 remain unclear for both U.S. citizens living abroad and the [participating](#) 77,000 BFSI institutions in 80 countries handling their accounts, global financial organizations are next shifting their regulatory infrastructures to comply with FATCA's global counterpart, the [Common Reporting Standard](#), nicknamed GATCA. While there are concerns that GATCA's 2017 deadline is overly ambitious, BFSI institutions already familiar with FATCA may not need to implement significant additional due diligence strategies to their reporting practices already in place.



Denise Hintzke, global FATCA leader for Deloitte Tax LLP

As the [OECD](#)-authored GATCA joins [Dodd-Frank](#), [MiFID](#) and FATCA's regulatory alphabet soup, the standard is viewed by many in the industry as another layer of intricacy to an already elaborate system. Denise Hintzke, global FATCA leader for [Deloitte Tax LLP](#), notes, "Countries and financial organizations are navigating an increasingly complex global and regulatory environment, so there are a number of challenges that come along with this. GATCA, also known as the Common Reporting Standard, adds another level of complexity, as the U.S. regulation of FATCA is new itself and is resulting in financial institutions spending a lot of money, time and effort putting compliance programs into place."

FATCA compliant BFSI institutions readying for GATCA should be familiar with its FATCA-like global automatic exchange of information. Hintzke adds, “The Common Reporting Standard draws extensively on the Intergovernmental Agreements (IGAs) from FATCA in the U.S. This provides somewhat of a template to work with, as the financial institutions will actually be modifying FATCA programs that they have already put in place to comply with the additional Common Reporting Standard documentation, due diligence and reporting.”

Peter Stafford, FATCA Task Force Leader and Director of Legal & Compliance for Cayman Islands-based [DMS Offshore Investment Services](#), details FATCA’s multi-part regulatory standards, the culmination of the IRS’ focus on international accounts that first made news with the agency’s 2009 information exchange [settlement](#) with UBS. “IRS registration is just one small step on the road to FATCA compliance. Funds and their service providers have had to assimilate several iterations of the U.S. Treasury Regulations, U.S. & UK IGAs, IGA-enabling regulations, Guidance Notes and an array of new tax forms. The industry has responded by obtaining legal, accounting and tax advice, educating decision makers, developing new workflows, updating systems, training staff, and communicating the new requirements to investors and other stakeholders. Governing documents have been amended to disclose new due diligence and reporting obligations and risks of non-compliance. Fund administrators have updating their systems to accommodate the additional account holder data and staff are being trained on new policies procedures for onboarding new account holders and remediating pre-existing account holders.”



Despite GATCA’s global scope, currently endorsed by 105 signatory countries (and provisions for nations that decline to join in), Stafford believes that for FATCA compliant organizations, “The incremental work to comply with GATCA in 2016 should not create any significant operational issues in terms of GATCA due diligence and reporting.”

However, BFSI institutions not already implementing FATCA might face more significant shifts in their reporting standards. Stafford advises, “Financial institutions in other jurisdictions may find compliance with GATCA more challenging if they have not already adjusted their policies and procedures to collect and store information and documents on their account holders’ non -U.S. tax status and particularly where domestic legislation and tax authority does not provide sufficient certainty on the complex requirements. The U.S. intends to issue Treasury regulations to require, after 2015, U.S. financial institutions to ensure reciprocal information exchange non-U.S. account holders who are residents in the U.S.’ IGA counterparties.”

Peter Stafford, FATCA Task Force Leader and Director of Legal & Compliance for DMS Offshore Investment Services

The OECD’s plan to delay [delivery](#) of their detailed commentary on GATCA until the G20 finance summit in September, coupled with FATCA’s grace period into 2015, has broadened discussions of delaying GATCA’s deadline until certain elements of FATCA expire. Hintzke elaborates, “Given financial institutions’ recent experiences with implementing FATCA, the September 2017 timetable for reporting under the Common Reporting Standard does seem rather ambitious. This is because countries will need to actually adopt the requirements into domestic law, followed by institutions needing to modify their current programs in order to accurately identify the accounts and report the necessary information.

“With FATCA, the U.S. government realized that not all institutions would be in compliance by the July 1, 2014 deadline, so it issued ‘good faith effort’ guidance that limited penalties to those companies proactively trying to achieve compliance. It will be interesting to see how the implementation deadlines are managed with the Common Reporting Standard.”

Unlike FATCA, backed by the long arm of the IRS, GATCA implementation will be a national matter and global uniform enforcement could prove difficult. As Stafford acknowledges, “Domestic law on the issue may be inconsistent.”

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