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Operational Challenges and Cost of Compliance of FATCA

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Scope of Presentation

- This presentation will consider the operational challenges and the cost of compliance of FATCA faced by foreign financial institutions (FFIs) to include banks, funds and insurance companies.
- The presentation first will present some background and then our private sector panelists will discuss the operational challenges and cost of compliance issues by relevant industry.
- Our IRS panelist will discuss the “schema” that is planned to be used for the transmission of data.

Legislation

- **Reason for Legislation**. FATCA was enacted to curb US tax evasion through the use of offshore accounts.
- **Legislative Approach.**
  - Third party information reporting annually by FFIs comparable to that imposed on US financial institutions.
  - If an FFI fails to become compliant, a new 30% US tax would be withheld on all US payments (withholdable payments) to non-compliant FFIs (FATCA withholding tax).
- **Purpose of Legislation.** Obtain information, not withholding tax.

How to Become Compliant

- **To Become Compliant**.
  - ***FFI***. Generally, an FFI will need to become a Participating FFI (PFFI) by entering into an agreement with the IRS, be considered a Deemed Compliant FFI or qualify as an Exempt Beneficial Owner in order to avoid the FATCA withholding tax.
  - ***Non financial foreign entity (NFFE)***. Provide information with respect to US owners or certify no US owners.
- **Nonparticipating FFI**. An FFI that does not comply with its reporting obligations under FATCA will become subject to the FATCA withholding tax on withholdable payments, which, unless the FFI is a treaty beneficiary, will constitute a final, non-refundable tax.
- **Noncompliant NFFE**. An NFFE can obtain a refund if it satisfies certain conditions.
- **Withholding and Reporting Obligations**. FATCA imposes separate obligations relating to withholding and reporting.
- **Individuals.** FATCA does not impose the FATCA withholding tax on payments to US individuals or non-US individuals, except to the extent that they are recalcitrant account holders.

Dilemma for FFIs

- FATCA will have a direct and profound impact on FFIs that have US proprietary investments, US account holders, or financial dealings with financial institutions globally.
- Its impact will be magnified by the cascading of international financial transactions flowing through financial entities.
- FFIs have a simple choice to make: whether to comply with FATCA or not.
- Compliance will be burdensome and costly.
- Non-compliance is expensive from a tax perspective and risky from a funding and client facing perspective.

Dilemma for FFIs

- Global FFIs and FFIs that would like to continue to invest on their own behalf, or on behalf of US clients in the US capital markets, will have to agree to comply with the new provisions by becoming PFFIs or Deemed Compliant FFIs.
- If an FFI becomes a PFFI, it will incur significant administrative burdens and costs for new operating systems, processes, protocols and documentation that will have to be implemented to comply with the expansive requirements imposed by FATCA. Further, a significant educational effort will have to be undertaken to inform staff and customers of the changes and new verification, audit and remediation procedures will have to be implemented to ensure compliance with FATCA.
- Alternatively, some FFIs may be treated as Deemed Compliant, in which case they would not have to enter into an agreement with the IRS, but still would have to undertake certain obligations. Deemed Compliant FFIs also will have to monitor their status and customers.

Non-Compliance

- FFIs that decide, based on a cost/benefit analysis, to become Nonparticipating FFIs will suffer an uncompetitive disadvantage compared to compliant FFIs (*i.e.*, PFFIs and Deemed Compliant FFIs) with respect to client relationships, funding and investments in US capital markets.
- Certain FFIs, rather than incurring the FATCA withholding tax, may simply choose to cease to hold US securities for their own account and terminate their US account holders (provided they can do so under the local laws in which they operate). However, even these Nonparticipating FFIs will be impacted by FATCA through the application of the "foreign passthru payment" rules.

Local Law Conflicts

- FATCA is a unilateral US centric law that imposes expansive obligations on FFIs and NFFEs.
- FATCA obligations may conflict with local law requirements related to privacy, data protection, anti-discrimination, consumer protection, account opening/closing regulations and withholding “foreign” taxes if the local law does not permit an FFI or NFFE to undertake the required FATCA obligation or if the account holder or member does not otherwise consent to the actions (which consent may not be sufficient in all cases), thereby exposing FFIs and NFFEs to potential local regulatory sanctions, civil lawsuits and possible criminal exposures.
- Until these issues can be resolved on a country-by-country basis, FFIs and NFFEs may be exposed to conflicting rules under FATCA and their local laws. Thus, it will be necessary to resolve these conflicts prior to the effective implementation of FATCA.

Intergovernmental Approach In General

- An intergovernmental approach (IGA) has been proposed to deal with local law conflicts and the administrative burdens imposed on FFIs.
- IGAs rationalize local law conflicts, leverages existing information exchange relationships and resolve tensions arising from FATCA.
- An IGA is not an exemption from FATCA, but rather requires a local FFI resident in an IGA jurisdiction to comply with FATCA based on requirements imposed through local law.
- The US will obtain the same type of information under an IGA that is required under the unilateral approach to FATCA.
- An IGA is an executive agreement rather than a treaty under US law.

Intergovernmental Approach Two Models

- IGA Models.
  - **Model I**. An IGA that places much of the burden on foreign governments to require local country FFI to report FATCA required information to the local government, followed by the automatic exchange of this information with the US.
    - Joint Statement with France, Germany, Italy, Spain and the UK.
    - European Commission welcomed Model I approach as advancing EU's efforts in the global application of automatic exchange of information for tax purposes.
    - UK signed a Model I agreement with US.
  - **Model II**. An intergovernmental cooperation agreement that requires local country FFIs to enter into FFI agreements with the IRS but requires the local country upon request under a tax information exchange agreement to provide the US with specific information with respect to recalcitrant account holders.
    - Joint Statement with Japan and Switzerland.

Intergovernmental Agreement Framework

- Conflict of laws issues addressed.
- No withholding on FATCA Partner FFIs.
- FATCA Partner FFIs will not be required to withhold tax on payments they make.
- Due diligence requirements more closely aligned to the requirements under existing AML rules.
- Wider scope of institutions and products effectively exempted from FATCA requirements.
- Ensures the burdens imposed on FFIs are proportionate to the goal of combating tax evasion and establishes an alternative approach to implement FATCA.

Intergovernmental Agreements Limited Customization

- The US Treasury Department has announced that:
  - There will only be two model IGAs, Model I (reciprocal and non-reciprocal).
  - The IGAs will not customized.
  - Annex I of Model I IGA will not be customized.
  - The only customization will be in Annex II (Low Risk Entity/Product).

Intergovernmental Agreements
Paradigm Agreements

- Model IGA will serve as paradigm agreements for other countries.
  - It has been reported that from 40 to 50 countries are interested in entering IGAs, to include Australia, Canada, Channel Islands and Isle of Man, Cayman Islands and Ireland.
- There has been increasing emphasis on the bilateral approach to the implementation of FATCA through IGAs as opposed to the unilateral FATCA approach.
- IGAs reflect a more balanced approach to implementation of FATCA through reduced burdens and costs to FFIs, foreign tax administrations and the IRS.

Intergovernmental Agreements Who Can Enter Agreement

- Any country can enter into an IGA.
- A Model I or Model II agreement can be entered into with:
  - A bilateral tax treaty partner.
  - A country that has tax information agreement with the US (TIEA).
  - A multilateral tax treaty partner.
  - A country that has not entered a bilateral tax treaty or TIEA.
    - The IGA can be unilateral in that the country transmits information to the US but not *vice versa; e.g.*, Model I (non-reciprocal) and Model II.
- Both models provide alternative means for FFIs to comply with FATCA and neither model exempts FFIs from FATCA.

Compliance Step-by-Step Approach

- Is the entity a non-US entity (foreign)?
- Is the foreign entity an FFI?
- Is the foreign entity part of an EAG?
- Is the foreign entity a resident of a country that has entered into an IGA with the US?
- Is the foreign entity a resident of a non-IGA country?
- Does the foreign entity derive withholdable payments?
- Does the FFI have financial accounts?
- Does the FFI have direct or indirect US account holders?
- How does an FFI become compliant and avoid the FATCA withholding tax?
- When must an FFI become compliant to avoid the FATCA withholding tax?
- How does a PFFI satisfy its FFI Agreement obligations: due diligence, reporting, withholding and verification obligations?
- Is the foreign entity a NFFE?
- How does a NFFE avoid the FATCA withholding tax?
- How does an FFI register?

Operational Challenges

- As the foregoing slide reflects, a foreign entity must consider resolving a number of issues in becoming FATCA compliant.
- These issues generally focus on the due diligence inquiries, reporting and FFI verification of compliance with FATCA.
- Due diligence requires ascertaining US account status for pre-existing accounts and new accounts by reference to individuals and entities. There are various monetary exemptions, electronic due diligence, enhanced due diligence for high-value accounts and use of the IRS and foreign documentation.
- This exercise is further complicated because it is understood that there will not be full conformance between terms, due dates, types of income reported and other items between the unilateral regulatory approach to FATCA and the bilateral IGA approach.
- Below we set forth a number of these differences as well as other operational issues related to becoming FATCA compliant.

Is Entity an FFI

- **General.** FATCA provides for the imposition of the FATCA withholding tax on any withholdable payment or passthru payment made to an FFI unless the FFI is a PFFI, Deemed Compliant, an Exempt FFI or an Exempt Beneficial Owner.
- **IGA.** An FFI that is covered by an IGA also will be exempt from the FATCA withholding tax.
  - Note, an IGA will also impact the choices that a foreign entity has with respect to whether it becomes compliant or not if it is resident in a FATCA partner country.
- **QIs**. Under FATCA, an FFI that is a qualified intermediary (QI), withholding foreign partnership or a withholding foreign trust must become a PFFI.
- **Nonparticipating FFI**. A noncompliant FFI is subject to the FATCA withholding tax on withholdable payments and passthru payments and is not entitled to a refund of the FATCA withholding tax unless it is a beneficiary of a bilateral US income tax treaty and even if a refund is granted, it is paid without interest.

Categories of FFI under Proposed Regulations

- A foreign financial institution that:
  - Accepts deposits in the ordinary course of a banking or similar business (Banking Business).
  - Holds financial assets for the account of others as a substantial portion of its business (Holding Financial Assets).
  - Is an insurance company (or the holding company of an insurance company) that issues or is obligated to make payments with respect to a financial account (Insurance).
  - Is engaged (or holding itself out as engaged) primarily in investing, reinvesting or trading in securities, partnership interests, commodities, notional principal contracts, insurance or annuity contracts or any interest in any of these assets (investing, reinvesting and trading), sometimes referred to as an investment vehicle.

Is Foreign Entity an FFI Banking Business

- As a pre-condition, the entity must be a deposit-taking institution, *see* Preamble to the Proposed Regulations.
- The activities that constitute a "banking or similar business" for a deposit-taking institution include: (i) accepting deposits; (ii) making personal, mortgage, industrial or other loans; (iii) purchasing, selling, discounting or negotiating accounts receivable, checks or other evidences of indebtedness; (iv) issuing and negotiating drafts drawn under letter of credit; (v) providing trust or fiduciary services; (vi) financing foreign exchange transactions; (vii) entering into, purchasing or disposing of finance leases or leased assets; or (viii) providing charge and credit card services.
- Whether an entity is subject to the banking or credit laws of any jurisdiction is a relevant consideration, but is not determinative of whether the entity is engaged in a banking or similar business.

Is Foreign Entity an FFI Holding Financial Assets

- An entity will come within this classification if at least 20% of its entire gross income during the three-year period ending on December 31 of the year in which the determination is made (or, if shorter, the period during year the entity has been in existence) derives from holding financial assets for the account of others and related financial services.
- Whether an entity is subject to the banking and credit, broker-dealer, fiduciary or similar laws of any jurisdiction is a relevant consideration, but is not determinative of whether the entity holds assets for the account of others as a substantial portion of its business

Is Foreign Entity an FFI
Insurance Companies

- This classification includes entities that issues or is obligated to make payments with respect to a cash value insurance policy or an annuity contract.

Is Foreign Entity an FFI Investing, Trading or Reinvesting

- An entity will come within this classification if the entity's entire gross income attributable to such activities is at least 50% of the entity's gross income during the three-year period ending on December 31 of the year in which the determination is made (or, if shorter), the period during which the entity has been in existence.

IGA
FFI Definitions under Model I

- The definition of a Depository Institution and a Custodial Institution conform with the definition under the Proposed Regulations.
- There are differences, however, for investment entities and insurance companies, which are discussed below after our discussion of insurance companies.

IGA
Specified Insurance Company

- Any entity that is an insurance company (or the holding company) of an insurance company that issues, or is obligated to make payments with respect to a Cash Value Contract or an Annuity Contract.

IGA
Insurance Companies

- $50k exclusion from the definition of cash value insurance contract:
  - Excluded from the definition of “financial account;” no due diligence/reporting requirements.
  - $50k exclusion not extended to annuity contracts.
- Pre-existing Cash Value Insurance or Annuity Contracts provided that:
  - The law/regulations of the UK or the US effectively prevents the sale of contracts to US residents.
  - Example: the relevant FFI does not have the required US registration and UK law requires reporting or withholding re: insurance products held by UK residents.
- Grandfather rule extended to contracts entered into on or before 12/31/2013 where:
  - The accounts are Cash Value Insurance Contracts and Annuity Contracts with a balance or value of $250,000 or less as of 12/31/2013.
- FATCA Partner pension and savings plans excluded from “financial account” definition.

IGA
NFFE Insurance Companies

- IGA confirms that insurance companies that do not issue cash value life insurance or annuity contracts are NFFEs (and not FFIs).
- This will include property and casualty insurance companies.
- Regularly traded insurance companies in an IGA country will be treated as "active" NFFEs not subject to due diligence/reporting requirements.
- Non-regularly traded insurance companies apparently will be treated as "passive" NFFEs subject to due diligence/reporting requirements.
  - Because investment income earned on the capital or reserves of an insurance company are treated as passive income or assets, non-regularly traded insurance companies likely will meet the 50% or more income or asset test to be treated as a passive NFFE.

IGA
Other Insurance Company Changes

- Excluded from the definition of annuity contracts are annuities paid to an individual that monetize pension or disability benefits provided by an arrangement or contract that is excluded from the definition of financial account.
  - Annuity contracts are defined as contracts providing for payments with respect to the life expectancy of an individual or individuals, as well as a contracts treated as annuities under the law of the FATCA partner.
- The cash value insurance contract definition excludes amounts payable for personal injury or sickness or indemnification of an economic loss incurred upon the occurrence of the event insured against; a premium refund due to cancellation, decrease in risk, or a correction; or a policyholder dividend based on the underwriting experience of the contract or group involved.

IGA
Other Insurance Company Changes

- The definition of account holder as applied to cash value insurance and annuity contracts maintains provisions similar to those in the Proposed Regulations.
  - The account holder is the person entitled to access the cash value or to change the beneficiary. If there is no such person, then the account holder is the owner named in the contract and any person with a vested entitlement to payment.
  - At maturity, the account holder is any person entitled to a payment under the contract.
- Detailed reporting requirements similar to those under the Proposed Regulations are provided with a similar phased-in timeline.
  - For cash value insurance contracts and annuity contracts, the cash value or surrender value must be reported beginning for calendar year 2013. (2013 reporting is required by March 30, 2014)
  - The specific reporting of cash value or surrender value appears to confirm what is to be reported for those accounts. The Proposed Regulations do not contain such specificity.

IGA
Investment Entity

- Any entity that conducts as a business (or is managed by an entity that conducts as a business) one or more of the following activities or operations on behalf of a customer.
  - Trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.); foreign exchange; exchange, interest rate and index instruments, transferable securities; or commodity futures trading;
  - Individual and collective portfolio management; or
  - Otherwise investing, administering, or managing funds or money on behalf of other persons.

The above shall be interpreted consistent with similar language set forth in the definition of "financial institution" in the Financial Action Task Force Recommendations (FATF).

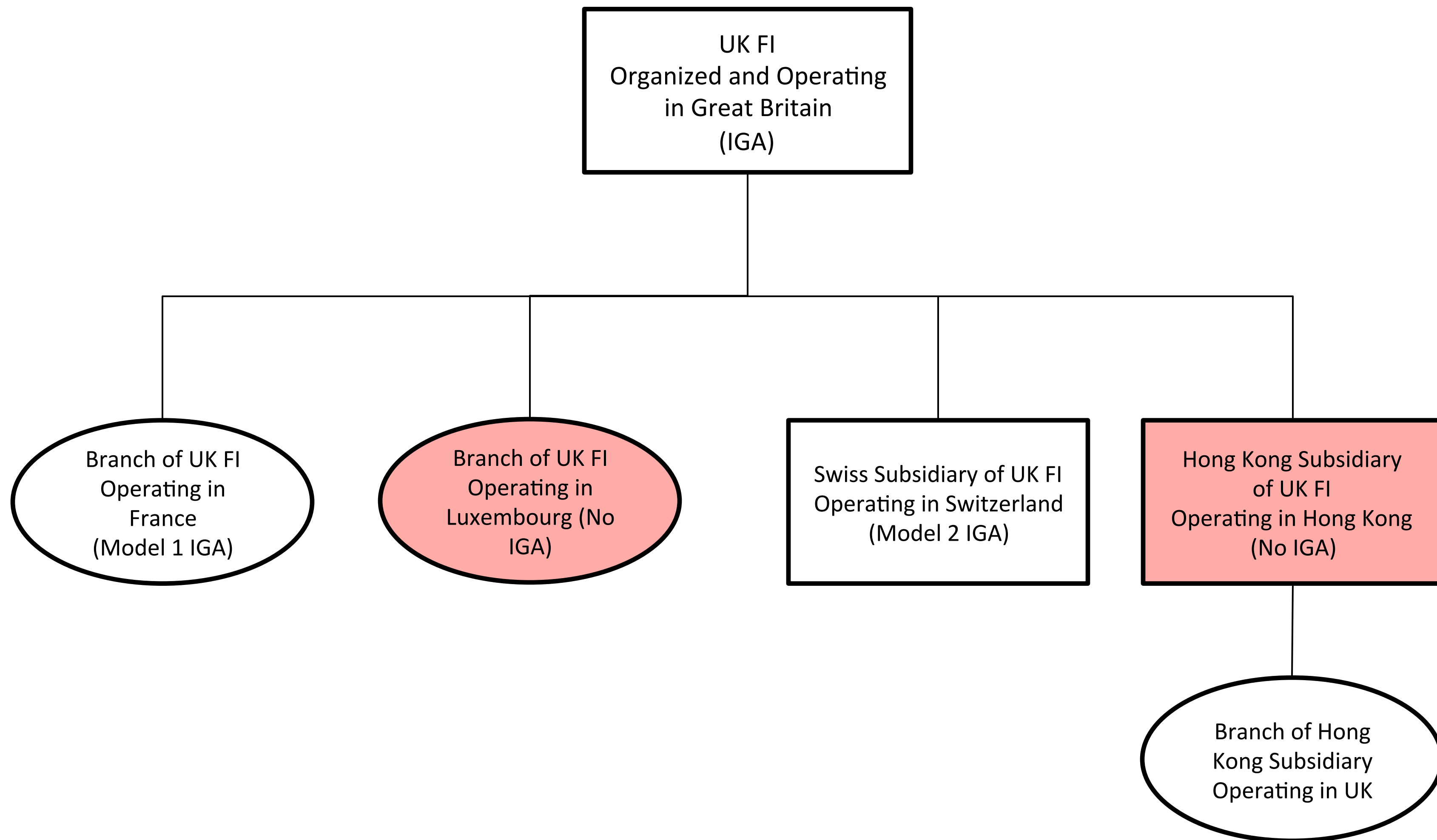
IGA
Investment Entities

- The reference to the FATF recommendations has resulted in a significant number of concerns being raised with respect of the impact on the funds sector.
- The Model I IGA definition is broader than the corresponding definition of an investment entity under the Proposed Regulations (investing, reinvesting or trading) in that an entity may be an Investment Entity (and therefore a financial institution) by being managed by an Investment Entity or by being an investment manager.
- The concerns raised are that an investment manager as well as the fund are each an FFI, with the consequence that there will be multiple reporting.
- The potential solution is an approach for centralized compliance for funds under which an investment manager or other agent of a fund could enter into a single FFI agreement on behalf of those funds that it manages (or is otherwise authorized to act for) and that wish to become Participating FFIs.
- The solution would be for the investment manager or other service provider employed by either the fund or its manager to carry out the reporting function on behalf of the fund, based on Article 4, paragraph 4 (reliance on third party service providers). Thus, as the fund holds the assets, it is appropriate for the fund to be treated as the FFI and therefore it will be the fund that has responsibility for ensuring the obligations under the IGA are carried out; however, as in most cases, a service provider to the fund or its manager who has the reportable information, would be best placed to report (as opposed to the fund).

IGA
Institutions Covered

- IGA determines eligibility for home-country reporting pursuant to the IGA based on the location of the relevant branch of the financial institution, rather than where the financial institution is incorporated or otherwise a tax resident.
- Therefore, it is possible that a UK branch of a UK financial institution could be treated as compliant with FATCA pursuant to the IGA, while another branch of the same institution located outside of the UK could be treated as a NPFI.

IGA
Institutions Covered: Example



IGA
Institutions Covered: Example

- The **UK FI** will be covered by the IGA and will report information to the UK tax authorities (*i.e.*, the HMRC).
- The **France Branch** of UK FI will not be covered by the US-UK IGA.
  - If France enters into a Model 1 IGA with the US, the French Branch will report information to the French tax authorities pursuant to the US-France IGA.
- The **Luxembourg Branch** of the UK FI will not be covered by the IGA.
  - If the Luxembourg Branch is unable to become a Participating FFI, it will be a NPFI.
- The **Switzerland Subsidiary** of the UK FI will not be covered by the US-UK IGA.
  - When Switzerland enters into a Model 2 IGA with the US, the Switzerland Subsidiary will be required to enter into an FFI Agreement and report information according to its FFI Agreement and US Regulations.
- The **Hong Kong Subsidiary** of the UK FI will not be covered by the US-UK IGA.
  - If the Hong Kong Subsidiary is unable to become a Participating FFI, it will be a NPFI.
- The **UK Branch of the Hong Kong Subsidiary** will be covered by the US-UK IGA and will report information to the HMRC.

Proposed Regulations Expanded Affiliated Group (EAG)

- An EAG means one or more chains of entities affiliated with a common parent if the common parent owns, directly or indirectly, more than 50% of the voting power and value of each other group member that is a corporation and one or more members of the group own, directly or indirectly, more than 50% of the value of each other group member that is a partnership or other non-corporate entity.
  - There is a special rule for partnerships.
- Each FFI that is a member of an EAG must become a PFFI or Deemed Compliant FFI.
- If each FFI in an EAG is not a PFFI or a Deemed Complaint FFI, then no member of the EAG can qualify as a PFFI or a Deemed Compliant FFI.

Proposed Regulations EAG Transitional Rule

- **Background**. Each FFI of an EAG must be a PFFI or a Deemed Compliant FFI.
- Local law conflicts could preclude an FFI (or a branch of an FFI in an EAG) from becoming an FFI or a Deemed Compliant FFI.
- In recognition of this issue, the Proposed Regulations provide a two-year transition period until January 1, 2016 to deal with this issue.
  - During this transition period, an FFI affiliate in a jurisdiction that prohibits the reporting or withholding required by FATCA will not prevent other FFIs within the EAG from entering into an FFI agreement, provided that the FFI in the restrictive jurisdiction agrees to perform due diligence to identify its US accounts, maintain certain records and meet certain other requirements.
  - Branches and subsidiaries that cannot comply with FATCA are referred to as "limited" branches/subsidiaries.
- Withholding on payments to such "limited" branches/subsidiaries will still apply.
- If compliance conflicts cannot be resolved, EAG as a whole cannot comply.

IGA
EAG Rule

- Under the Model I IGA, an FFI in a FATCA Partner will not be prevented from becoming a PFFI as a result of being related to entities or braches that are NPFIs if such related entities or branches are operating in jurisdictions that prevent them from becoming a Participating or a Deemed-Compliant FFI.
- However, under IGA, the following procedures will have to be followed by the FFI and its EAG:
  – The FFI in the FATCA Partner will be required to treat the related entity or branch as a NPFI for purposes of the withholding and reporting requirements of the IGA;
  – The branch or related entity will be required to report US accounts to the extent permitted under local laws; and
  – The branch or related entity may not solicit US accounts from individuals who are not resident in that country.
- Note, IGA "Related Entity" definition. UK Competent Authority may treat an Entity as not a Related Entity of another Entity if the two Entities are not members of the same EAG as defined in Internal Revenue Code.

IGA
Financial Account Definition

- Other than Investment entities.
- Clarification of equity/debt interest in an FFI:
  - IGA definition clarifies that non-publicly traded equity or debt interests in an FFI is a financial account only if the value of the equity or debt interest is determined by reference to assets that give rise to US Source withholdable payments **and** the class of interest was established for an avoidance purpose.
  - Previously, it was unclear when this rule applied.

IGA
Reportable Accounts

- A reportable account in an IGA is called a "US Reportable Account."
  - Defined as a financial account maintained by a FATCA Partner FFI and held by one or more Specified US Persons *or* by a Non-US Entity with one or more "Controlling Persons" that is a Specified US person.
    - IGA definition of Controlling Person is different from a Substantial US Owner.
    - Under Model 1, Controlling Persons are defined as a "natural person who exercises control over an entity."
    - The term "Controlling Persons" is borrowed from existing AML/KYC requirements and, depending on local law, may have a greater than 10% threshold.
- The Model I IGA further clarifies that accounts will only be US Reportable Accounts if they have been identified as such through the application of due diligence procedures specifically set out in Annex I of the IGA.

Regulatory/IGA Time Lines
Time Lines

- Final regulations:
  - Published by October 31.
  - Will have refinements.
  - There will be differences between regulations and IGAs.
  - Draft FFI agreement to be published after regulations published.
- Concern over time lines of IGAs. US plans to work with FATCA Partner jurisdictions to develop language that can be inserted on a jurisdiction-by-jurisdiction basis, into IGAs that will allow institutions in a jurisdiction with a signed IGA to rely on IGA for purposes of how the US will treat the institution with regards to FATCA. Arrangement will only apply to jurisdictions that have signed IGAs that give the US a clear picture of how FATCA Partner intends to implement FATCA within the US time frame.

Annex I
Due Diligence Obligations

- Contains the processes and procedures to identify Reportable US Accounts.
- Details the due diligence processes to be followed to establish status of an account holder and meet the reporting requirements of Article 2 and for identifying NPFIs and payments made to these entities under Article 4.
- The Annex states that the UK Government may use its legislation to allow UK financial institutions to rely on the procedures set out in the US Regulations as an alternative to those provided in the IGA. It is presumed that this would only be needed where the Regulations offer a less burdensome process than the IGA.

Annex I
Due Diligence Obligations

  - In regard of this alternative option and to minimize the length of the UK legislation where possible, the UK proposes to only include alternative options to those set out in the IGA where financial institutions consider there to be real benefit from applying the procedures set out in the US Regulations while also considering the operational and resource costs to HMRC.
- A key component of the Annex are "self certifications," which are used in several different contexts to establish whether an individual is a US citizen or a US resident for tax purposes.
  - These certifications can be made on an IRS Form W-8 or another similar agreed form. It is not envisaged that there will be the ability for individual entities to design their own forms but rather that the UK, along with governments of other partner jurisdictions, the US, the EU and OECD, will have the opportunity to design and agree on such forms.
  - It will be important to consider the reasonableness of the self-certification based on all of the facts.

Annex II
Low Risk Entities/Products

- Annex II is a country specific part of the IGA where the status under the agreement of certain UK entities and products are identified.
- These are entities and products that are seen as low risk in terms of meeting the objectives of the IGA and are exempt from the IGA's documentation and reporting requirements *and* the FATCA Withholding Tax.
- The Annex lists these entities or specifies criteria by which an entity can be treated as an exempt beneficial owner or deemed compliant financial institution.
- There is a mutual agreement mechanism for adding or removing entities or products from the Annex.

Milestone Comparisons

Key Milestones	Accounts Covered by Proposed Regulations	Accounts Covered by Model I IGA
Due Diligence for High Value Pre-existing Individual Accounts	July 1, 2014	December 31, 2014
Due Diligence for Other Pre-existing Individual Accounts	July 1, 2015	December 31, 2015
Due Diligence for New Individual Accounts	July 1, 2013	January 1, 2014
Due Diligence for Pre-existing Entity Accounts	January 1, 2015	December 31, 105
Due Diligence for New Entity Accounts	January 1, 2013	January 1, 2014
Withholding on US FDAP Income	January 1, 2014	n/a
Withholding on Gross Proceed Payments	January 1, 2015	n/a
Reporting of Basic Account Information	September 30, 2014	September 30, 2015
Reporting of Income Paid to/ Generated by Account	March 31, 2016	September 30, 2016
Reporting of Gross Proceeds Paid to Account	March 31, 2017	September 30, 2017
Phase-In Ends for EAG Limited FFIs	January 1, 2016	n/a

Compliance Complexity

- FFIs will have to make substantial modifications to their on-boarding, AMY/KYC systems, policies, procedures, protocols, documentation to comply with FATCA.
- In addition, FFIs will have to adopt internal audit/verification systems so responsible officer statements (where necessary) can be made and to ensure compliance with FATCA.
- Terms and conditions, loan documentation, insurance policies and funds documents will have to be amended to deal with FATCA.
- Further, it is highly likely that the foregoing modifications will have to be done in several forms to deal with variations under the US tax regulations, and the Model I and Model II IGAs.
- FFIs also are desirous to "future proof" software programs and systems for expanded reporting under future "FATCA like" laws of other countries.

Compliance Costs

- FATCA is estimated to raise US $8.7 billion dollars over 10 years.
- Compliance costs have been estimated to be US $ 100 million or more for global banks.
- Compliance costs will be predominantly borne by FFIs.

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