



A practical guide to FATCA (US & UK)

Q1 2015

About us

MUFG Investor Services provides asset servicing solutions to the global investment industry. Leveraging the financial and intellectual capital of MUFG – one of the largest banks in the world with \$2.4 trillion in assets – we provide clients access to a range of leading solutions from fund administration, custody, foreign exchange, trustee services and depository to securities lending and other banking services.

MUFG Investor Services leverages its deep market expertise and industry leading technology to partner with clients throughout the investment lifecycle. Our solutions are developed with our clients' needs firmly at the heart of the partnership.

MUFG Fund Services is the global fund administration arm of MUFG Investor Services and has been partnering with the investment industry for over 25 years. Through our partnership driven model we provide clients a comprehensive and customized fund administration solution, underpinned by our market leading technology platform. Our clients range from mutual funds, hedge funds, fund of funds, private equity and real estate funds across all investment strategies, asset types and fund structures.

\$2.4 trillion in assets

140,000 employees

40 countries

A global partner you can trust

EXPLANATION OF US FATCA

The Foreign Account Tax Compliance Act (FATCA) was introduced by the United States (US) in 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act with the purpose of reducing tax evasion by their citizens.

IGAs

The Government of the United States of America has signed Inter-Governmental Agreements (IGAs) with various countries agreeing to the implementation of FATCA. Over 100 countries have either signed an agreement with the US or are close to signing an agreement – <http://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA-Archive.aspx>.

MODEL 1 & MODEL 2 IGAs

The Treasury department has issued two model IGAs. The model 1 IGA requires financial institutions to report all FATCA related information to their own governmental agencies, which then reports the FATCA related information to the IRS. The majority of countries including Cayman Islands have signed a model 1 IGA. The model 2 IGA requires Foreign Financial Institutions (FFIs) to report information directly to the IRS rather than their local jurisdictions. Bermuda, for example, has signed a model 2 IGA.

UK FATCA & IGAs

The UK adopted a similar approach and developed 'UK FATCA' IGAs for reporting of equivalent information to the UK by its Overseas Territories and Crown Dependencies. This includes Jersey, Guernsey, and the Isle of Man (the Crown Dependencies) and Anguilla, Bermuda, the Cayman Islands, the British Virgin Islands, Gibraltar, Montserrat and the Turks and Caicos Islands (the Overseas Territories).

LOCAL REGULATIONS AND GUIDANCE NOTES

Several countries have established local regulations and guidance notes on the implementation of tax information sharing exercises. For example, the Cayman Islands published guidance notes on 22nd July 2014 on the implementation of US and UK FATCA.

Financial institutions should now be registered with the IRS, and should have received a GIIN (Global Intermediary Identification Number) to attain compliance with FATCA in the US. Financial institutions in model 1 IGA countries will be required to produce a GIIN from 1st January 2015. The IRS published the first list of registered financial institutions in June 2014. There are no registration or GIIN requirements for UK FATCA.

NEW ACCOUNT OPENING PROCEDURES FOR US AND UK FATCA

Financial institutions should already have new account opening procedures in place, and should have plans in place to perform a review of pre-existing accounts. New accounts are those opened on or after 1st July 2014, and pre-existing accounts are those open as at 30th June 2014.

Financial institutions will need to establish additional procedures in order to identify US reportable accounts. Financial institutions that are domiciled in Crown Dependencies and Overseas Territories are required to identify both US and UK reportable accounts.

Additional procedures that may be established include:

- Requesting tax forms and/or self-certifications
- Collecting and verifying GIINs
- Confirming the reasonableness of the self certification based on AML/KYC information obtained
- Classifying the account holder's FATCA status
- Searching and curing any US or UK indicia

Several countries have developed their own version of a standard self-certification. For example, the Cayman Islands have developed a self-certification for individuals and entities that is sufficient for US and UK FATCA.

Many financial institutions will have updated fund documents to include tax forms and self-certifications.

PRE-EXISTING REVIEWS FOR US AND UK FATCA

The timing of the pre-existing reviews depends on the value of the account and whether the account is an individual or an entity. For individuals, the review of pre-existing high value accounts must be completed by 30th June 2015, and the review of pre-existing lower value accounts must be completed by 30th June 2016. Lower value accounts are those that do not exceed \$1,000,000.

The review of pre-existing accounts with a value that does not exceed \$250,000 at 30th June 2014, but exceeds \$1,000,000 at 31st December 2015 or on any subsequent year, must be completed by 30th June of the following year. The review of pre-existing accounts with a value that exceeds \$250,000 as at 30th June 2014 must be completed by 30th June 2016.

US AND UK INDICIA

US indicia include:

- US citizenship or lawful permanent resident
- US birth place
- US address
- US telephone number
- Standing instruction to transfer funds to an account maintained in the US
- Power of attorney or signatory authority granted to person with US address

UK indicia include:

- UK tax resident
- UK address
- Standing instruction to transfer funds to an account maintained in the UK
- Power of attorney or signatory authority granted to person with UK address

REPORTING

Reporting is required on an annual basis to either the IRS or the local competent authority, depending on the type of IGA in place. For the model 1 IGA (e.g. Cayman Islands), the information is reported directly to the local competent authority who will forward this to the IRS for US FATCA and HMRC for UK FATCA. For the model 2 IGA (e.g. Bermuda), the information is reported directly to the IRS for US FATCA and HMRC for UK FATCA.

The information to be reported includes:

- Name
- Address
- Tax Identification Number\National Insurance Number
- Account number or functional equivalent
- GIIN of the Reporting Financial Institution
- Account balance as of the end of the calendar year, or if the account was closed during the year, immediately before the account was closed
- Total gross amount paid or credited to the account including the aggregate amount of any redemption payments made to the account holder

Reportable accounts include:

- Specified US or UK persons
- An account where US or UK indicia have been identified and cannot be cured
- A non-participating financial institution

The reporting deadline depends on whether the financial institution is in a model 1 IGA or model 2 IGA country and on any local regulations. For example, Cayman Island entities must report 2014 US FATCA information to the Cayman Tax Information Authority by 31st May 2015, and 2014 and 2015 UK FATCA information by 31st May 2016. Bermuda entities must report 2014 US FATCA information to the IRS by 31st March 2015, and 2014 and 2015 UK FATCA information to the HMRC by 31st May 2016.

MUFG Solutions

FOR CLIENTS MUFG CAN PROVIDE:

Basic service:

- Perform a gap analysis on investor data held against the requirements of FATCA
- List by investor any additional documents, information or certifications required
- Obtain and review all additional investor documentation required
- Review all existing and new paper and electronic data held as required by the applicable FATCA regulations for the presence of any prescribed US or UK Indicia
- Classify all investors according to their FATCA status, along with storing all supporting documentation
- Implement compliant new account opening procedures for the Company
- Produce compliance reports and investor reports to allow the client to perform the necessary registrations and filings

Full service (partnering with Markit):

- Validate Forms W-8 and W-9 and other documentary evidence or self-certifications as may be required
- Register such FFIs with the IRS as required
- Serve as Authorized Third Party (“ATP”) for purposes of IRS FFI registration or completing FFI Agreement as well as managing ongoing correspondence regarding same
- Validate account holder taxpayer identification numbers as required, including but not limited to social security numbers, employer identification numbers, and GIINs
- Obtain and disseminate GIINs to approved counterparties at Client’s election
- Prepare and file the annual report to either the IRS or local government, as required

For further information and contact details please refer to:
www.mufig-investorservices.com

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