

Foreign Account Tax Compliance Act (FATCA) case study



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Client: A Hong Kong-based banking group

Industry: Banking

Services: Regulatory compliance

Client Challenge:

To implement FATCA with the following challenges:

- Identify the statutory requirements contained within FATCA and the Hong Kong Inter-Governmental Agreement with the US (HKIGA).
- Perform analysis on the group's affiliated entities to identify Foreign Financial Institution (FFI).
- Perform product analysis on existing service and product offerings to identify Financial Account (FA).
- Revise customer on-boarding policy and procedures to comply with customer due diligence requirements.
- Design an efficient pre-existing customer due diligence workflow and procedures.
- Perform FATCA reporting with XML file conversion and encryption.
- Conduct FATCA health check review to identify improvement areas before making certification to the Internal Revenue Services (IRS).

PwC's solution:

- Review relevant data and apply relevant FATCA regulations and HKIGA requirements to determine FATCA status of the group's affiliated entities.
- Review relevant product and service information and apply relevant FATCA regulations and HKIGA requirements to differentiate financial and non-financial accounts.
- Propose a process to maintain and monitor the status of entity classifications and the status of financial and non-financial account on a regular basis.
- Provide guidance on designing account on-boarding process and provide comments and recommendations on necessary changes required on the group's operating workflows, system and procedures such as the reasonableness test with regards to the Self-Certification validation in relation to new account on-boarding process.
- Provide advice and recommendations on the designing of administrative forms such as Self-Certification and communication documents, letters and FAQs.
- Lay out the management decisions which must be addressed prior to execution of pre-existing account due diligence procedures, and recommend the estimated milestones and prioritisation of action items.
- provide recommendations on data elements (e.g. account information, account balances and payments, etc.) that are required for FATCA reporting.
- Perform XML file conversion and data encryption and submit the relevant data to the IRS.
- Perform a health check review on the group and provide recommendations on FATCA remediation before making certification to the IRS.

Impact on client's business:

- Successful identification of FFIs which are required to comply with FATCA.
- Successful identification of FAs that fall into the scope of FATCA.
- Advise on reporting requirements and
- Effective maintenance and monitoring of the status of FFI and FA.
- Better due diligence process due to revised customer on-boarding procedures and on-boarding documents such as account opening forms and Self-Certification form.
- A more efficient approach when conducting pre-existing account due diligence procedures.
- Enhanced internal control framework to minimise risk of FATCA non-compliance.

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