

The Heavy Lifting of FATCA

**Investor
On-Boarding**

**Existing Investor
Due Diligence**

**Data
+ Docs**

Challenges:

- **Manual processes**
- **Paper documents**
- **Weak audit trail**

Standard: "actual knowledge" of US Person Status

Categorize Existing Investors - Individual Considerations (FFIs)

- **Electronic data search requirements and challenges**
 - Required to conduct search on 'available' data
 - Understanding where data resides and what is subject to the search requirement
 - Effective filtering and use of account balance information
- **Account Balance Challenge**
 - Challenges in using account balance information to determine in scope accounts (e.g. 50K and 1 Million dollar thresholds)
 - Election to use the 50K threshold
 - Identification of high net worth accounts
- **High Net Worth Accounts**
 - RM Inquiry
 - Electronic and Documentation review
- **Overall tracking and monitoring of activities**

Categorize Existing Investors - Entities Considerations (FFIs and USWAs)

- **Account Balance Challenge**
 - FFI challenges in using account balance information to determine in scope accounts (<250K)
 - Using the 1 MM dollar threshold to determine beneficial owners for pre-existing Passive NFFEs
- **Prima Facie FFI Identification (6/30/14)**
 - Identification of Prima Facie FFI Accounts using SIC/NAIC
 - Using QI/NQI indicators
 - Other indicators? Taking a conservative approach.
- **Non Prima Facie FFI Identification (12/31/15)**
 - Pros and Cons (does it make sense to bucket all pre-existing entity accounts as Prima Facie?)

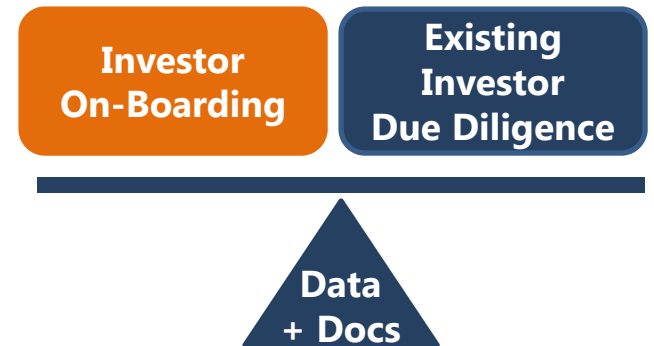
Onboarding Considerations

- **Forms W-8 (new, improved and a LOT more complex!!!)**
 - Updated Forms are 6 pages long and far more complex than current Forms
 - Anticipate significant confusion from accounts in addressing their FATCA status and correctly filling out the Form
 - Walking the line between not giving tax advice to account holders and providing assistance
- **Forms W-9**
 - Eyeball Test is going away. This will require the collection of Forms W-9 on previously exempt recipients.
- **Presumption Rules**
 - Failure to collect appropriate documentation will necessitate the presumption of Non-Participating FFI or recalcitrant account and require withholding

Investor On-Boarding

FATCA-Compliant Investor On-Boarding: Best Practice

- Electronic Forms
- Automatic validation of W-form data against subscription document, other on-boarding, and supporting documentation
- Audit log and tracking of document review process



Existing Accounts

Investor Due Diligence: Best Practice

- Refresh Forms
- Automatic validation of Form data against subscription document, other on-boarding, and supporting documentation
- Audit log and tracking of document review process
- Closed-loop electronic remediation

