



cutting through complexity

KPMG FATCA Tools & Operational Enablers

Helping organizations achieve
FATCA compliance

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Introduction

The Foreign Account Tax Compliance Act (FATCA) effective as of July 2014 was enacted to target noncompliance by U.S. taxpayers using foreign accounts, entities and intermediaries. While founded on tax regulations, the operational challenges that influence compliance are far-reaching, with failure to comply potentially resulting in a penal withholding of 30 percent on U.S. source income. In order to be compliant, organizations will need to have trained client-facing and operational resources on the requirements, have implemented new processes and procedures, and have enhanced system processes to the extent that automation is required.



KPMG FATCA Tools & Operational Enablers

Recognizing the significant challenges in addressing FATCA, KPMG LLP's (KPMG) subject matter professionals developed a series of proprietary tools and enablers designed to be used as information aids, included in operational procedure manuals or as stand-alone desk notes.

KPMG's FATCA Tools & Operational Enablers support each phase of FATCA compliance and can be used in completing complex documentation and remediation tasks. Designed to provide the rule sets for organizations as they operationalize the entire FATCA compliance process, our tools and enablers facilitate operational efficiency, work flow management, and management insight.

Our suite of key FATCA tools and operational enablers include:

- Requirements matrix
- Process flow documents
- FATCA onboarding checklists
- Documentation validation checklists
- Operational FATCA onboarding enablers
- Operational procedure manuals (non-audit clients only)
- Compliance assistance documents

Requirements matrix

KPMG tax professionals thoroughly reviewed the FATCA statute and all subsequent guidance issued by IRS and Treasury and traced the evolution of each requirement contained in that guidance to create a detailed matrix. The matrix displays the evolution of each requirement from the statute through preliminary guidance and current regulations.

Our proprietary tool details the obligations imposed by FATCA within an organization by dividing it into six different themes as follows:

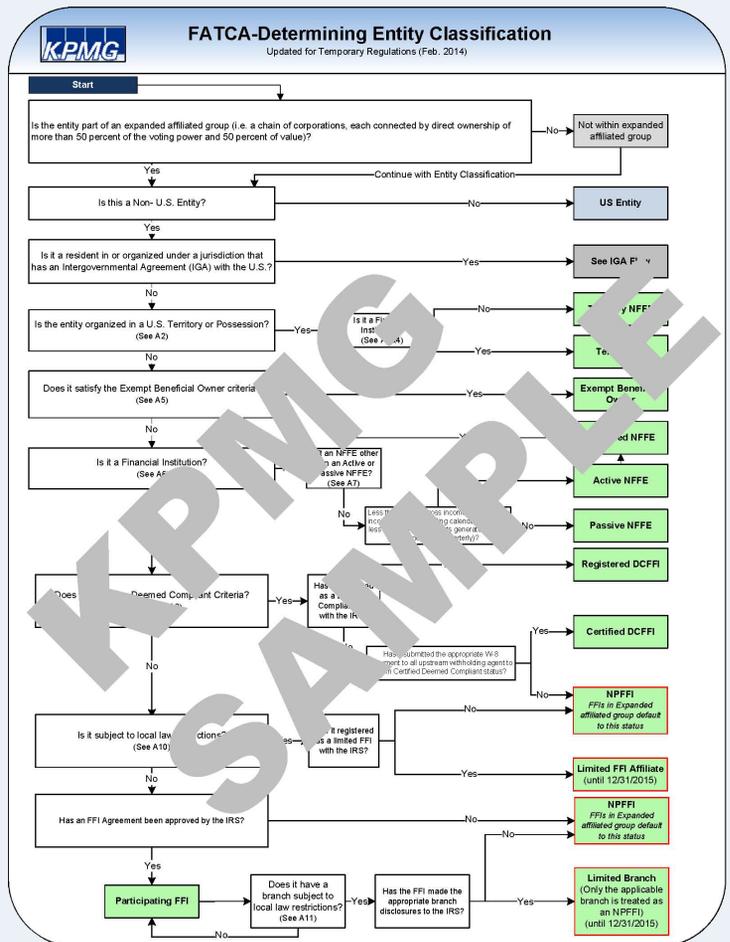
1. Entity classification and FFI agreement
2. New account/payee identification
3. Preexisting account/payee remediation
4. Withholding
5. Reporting
6. Governance

Process Flow Documents

Our process flow documents are a sophisticated series of diagrams aimed at assisting our clients with the practical application of FATCA. KPMG has created five sets of process flow documents that are supported by detailed appendices that explain the logic used and its backing in U.S. law.

These flows can greatly assist operations teams in their daily functions and can be utilized to develop the necessary rule sets for automated FATCA solutions.

- 1. Entity Classification Flows (PFFI/USWA)** – enables an organization to identify the FATCA classification of all entities within its expanded affiliated group.
- 2. Account Identification Flows (PFFI/USWA)** – offers new and preexisting individual account/payee onboarding flows, and new and preexisting entity account/payee onboarding flows.
- 3. Chapter 4 Withholding Flows (PFFI/USWA)** – assists an organization in identifying when the penal 30 percent withholding is required for chapter 4 purposes.
- 4. Chapter 4 Reporting Flows** – provides guidance on the enhanced Form 1042-S reporting requirements, including the correct use of chapter 3 and chapter 4 recipient codes, etc. The flow also provides guidance on the 8966 reporting requirements.
- 5. USWA-FATCA Payment Flow** – describes the process required to identify whether any particular payment is in scope of chapters 3, 4, or 61 and highlights the potential withholding and reporting requirements under chapters 3, 4, and 61.



FATCA Onboarding Checklists

KPMG documentation checklists help organizations with their day-to-day implementation of FATCA. Each provides a framework for the protocols and processes that are used when onboarding new accounts and payees, as well as the associated due diligence requirements.

- FATCA Documentation Rules** – details the documentation requirements for the various payee classifications under chapter 4.

- Data Element Checklist** – details the known data elements required under the general FATCA documentation rules for each IRS form as detailed in the final FATCA regulations.
- Change in Circumstances** – details changes in circumstances that USWAs and PFFIs need to monitor as part of account/payee maintenance.
- Cure Documentation** – lists the curative documents that must be obtained to overcome any indicia of U.S. status that are found.

Forms W-8/W-9 Validation Checklist

Our Form W-8/W-9 validation checklist offers clear, detailed, line-by-line guidelines for reviewing and validating IRS Forms W-8/W-9, helping organizations to ensure that a consistent standard of review is being applied to all forms received.

Operational FATCA Onboarding Enablers

To help an organization accelerate and improve the onboarding process, our Onboarding Lead Sheets and Onboarding Validation Checklists provide the necessary guidance to help assist client-facing and tax operations personnel with the

process of correctly onboarding accounts and payees for FATCA purposes. These operational toolkits also enable users to mitigate risk and enhance controls throughout the FATCA onboarding process.

Operational Process Manuals (non-audit clients only)

For non-audit clients, KPMG has developed a series of detailed procedure manuals that provide clear guidance on compliance with chapters 3, 4 and 61.

Compliance Assistance Document

Our compliance assistance document provides a clear summary of the applicable rules and regulations concerning the onboarding, withholding, reporting, and due diligence responsibilities for chapters 3, 4 (FATCA), and 61. These are available to KPMG audit clients.

FATCA is much more than a tax or technology challenge as it impacts many parts of your organization. The time to operationalize FATCA compliance is growing short. Let us help you identify the appropriate mix of tools and operational enablers to meet your specific FATCA requirements.

KPMG is well positioned to support organizations to achieve FATCA compliance with cost efficiency and minimal disruption to their business.

The following provides a snapshot of KPMG's FATCA experience and qualifications.

Strong, detailed understanding of the FATCA regulations	Our FATCA team includes former IRS professionals in active dialogue with the current IRS FATCA rules drafters.
Global network of FATCA professionals	KPMG's FATCA teams comprise experienced professionals around the globe. Professionals from KPMG International member firms in more than 50 countries are currently advising clients in relation to all aspects of FATCA.
Cross-functional teams	KPMG has combined the subject matter knowledge of professionals in tax regulations, anti-money-laundering/know-your-customer processes, operational procedures, chief compliance officer certification programs, and account and payment systems to deliver FATCA services to our clients.

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