Compass

How is your business coping with maintaining new and existing legal entity classifications?

The issue

FATCA and CRS rules require entities to identify their status (classify), potentially undertake wider customer and investor due diligence obligations, and meet annual reporting requirements.

FATCA has the added requirement for certain Foreign Financial Institutions ('FFIs') to register with the IRS and/or local authorities.

FFIs that fail to appropriately fulfil their obligations may be subject to local penalties and, in more extreme cases, be exposed to a 30% withholding tax on US source income and certain proceeds from the sale of US assets.

Although most organisations will have already undertaken classification and registration processes for FATCA, periodic reviews and changes in corporate structure could reveal that entities subsequently need to de-register or be registered.

In our experience, many organisations are struggling to maintain their classification and registration processes in a systematic manner.

The key steps organisations need to take are:

- Classify legal entities to identify those that require registration and need to undertake due diligence and reporting.
- Identify extended affiliated groups ('EAGs') and assign members to the group as well as link foreign branches to individual entity.
- Identify Responsible Officers ('RO's) and assign individuals to each registering entity.
- Gather other census data such as addresses and withholding agreement details.

Organisations will also need to manage entity registrations and make it available to appropriate individuals within the organisation.

This includes FATCA ID number, Global Intermediary Identification Number ("GIIN") and, possibly, password and security question responses used to gain access to the Portal.

In addition, from 1 January 2017, certain Sponsored Entities may need to be classified and have their own GIIN.

How can PwC help?

Based on our experience helping clients through this complex process, PwC has developed 'Compass', a web-enabled solution that supports the implementation and maintenance of organisations' classification and registration responsibilities.

PwC FATCA & CRS legal entity Classification and Registration management services

We offer a bundled service through two modules: Classification and Registration.

Our classification module:

- Classifies entities for FATCA and CRS purposes based on a structured framework that comprises of three phases
    - Gathering basic details on the entity, such as legal entity name and address.
    - Following a structured process to classify your entities. Some entities may be classified differently for FATCA and CRS. This framework incorporates over 140 questions, but based on our methodology, most categorisations can take place in under 15 questions.
    - Resulting in an auditable trail to help you understand how conclusions are reached. This framework includes intelligent mapping of the responses provided through the questionnaire.
- Allows for the management of Sponsored Entities.
- Includes built-in efficiency tools such as the ability to bulk upload legal entities into the system and copy template functions so that similar entities can be preliminarily classified quickly.
- Enables quality oversight capabilities such as the ability to centrally capture questions for review by specialists, review/approval and the ability to 'lock down' questionnaires.
- Provides management reporting functions to oversee progress in classions can review

which entities are classified, registered, or require more information.

Our registration module:

- Assists FFIs with their FATCA registration obligations.
- Allows organisations to efficiently register entities and manage any dependent relationships.
- Manages the relationship between Sponsoring and Sponsored Entities.
- Includes the capability to assist with the registration of Sponsored Entities (certain Sponsored Entities will be required to have their own GIINs from 1 January 2017 – Sponsoring Entities should consider classifying and registering their sponsored entities well in advance of this date to mitigate any potential risk of being withheld upon by withholding agents validating FIs and their GIINs against the published IRS FFI list.
- Automatically populates responses to IRS registration questions based on the questionnaire responses for classification. The tool quickly helps assign other information required for registration purposes such as Responsible Officer and Points of Contact, addresses and existing US withholding arrangements.
- Provides the ability to maintain data from IRS web-site such as FATCA ID Number and GIINs for each entity. Organisations may also wish to hold access codes in a centralised environment to allow others to input information into the portal.

Core to Compass is the generation of a full audit trail of classification and registration responses and changes, separate review/sign-off responsibilities, at-a-glance project management features, and real-time management information.

Compass can also be segregated on a client-by-client basis, with a single log-on providing access the multiple, discrete client instances.

Compass is easy to use, and organisations can be up and running with just a couple of hours of instruction.

Your organisation will have all of your registration information in one place, allowing for an efficient and high quality registration process.

Compass is particularly useful in helping organisations manage instances where new entities are created or acquired, or where existing entities are sold off or have become dormant.

The IRS Registration Portal will soon be enhanced to allow for the addition of Sponsored Entity information. Users will be able to submit a file containing individual or multiple records onto the Portal, and our Compass platform has been enhanced to align with the XML schema used by the IRS Portal.

Below illustrates some of Compass' uses:

Compass monitors completion of classification for all entities – entities can be bulk uploaded into the system, thus allowing organisations to begin classification quickly and ensures all entities are captured in the assessment:

Compass contains structured questions to determine the appropriate classification for each entity – There are 140 questions, although the system is built so that most entities can be classified by answering less than 15 questions. The system also allows users to add comments or questions which can be analysed centrally:

For entities with common characteristics, Compass performs the assessment once – this can be applied as a template to other entities for a preliminary assessment:

Compass' reporting module can be used to extract standardised reports such as preliminary classification, comments/questions, detailed classification report by entity, Sponsored XML Report, etc.:

Compass' registration module also assigns Responsible Officers and Points of Contact to entities, tracks IRS registration and other registration related data such as Private Arrangement Intermediary and Qualifying Intermediary information:

Should you wish to receive a demonstration, please speak to your regular PwC contact.