

Newgen Solution for FATCA compliance

Built-on Dynamic Rules Driven BPM Suite

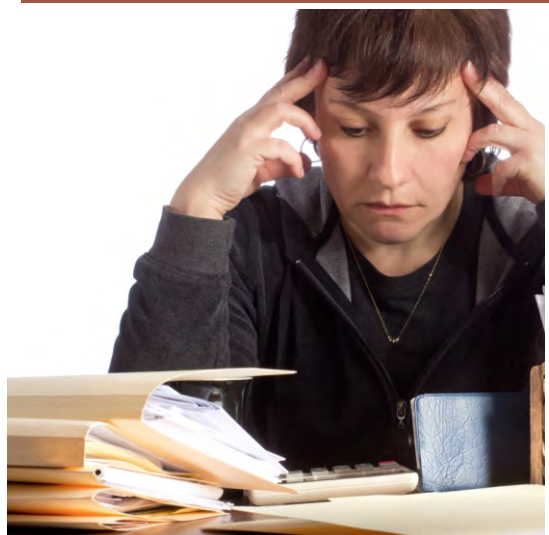




FATCA

Overview

The Foreign Account Tax Compliance Act (FATCA) was enacted by the United States government in 2010, as a part of the Hiring Incentives to Restore Employment (HIRE) Act. The fundamental objective of FATCA is to combat offshore non-compliance. The Act is also being seen as an initiative that will increase compliance and transparency around US persons and assets and hold to task those who do not meet its conditions. Businesses are fast realizing that FATCA will lead to disruption of some of their major business processes, especially on-boarding, compliance and reporting. With its inevitability, businesses are contemplating major strategic and operational realignments. For most businesses, the magnitude of the changes which will be needed is overwhelming.



What is FATCA?

According to the act the US taxpayers with specified foreign financial assets that exceed certain thresholds must report those assets to the IRS. FATCA involves the following provisions for affected institutions and individuals:

- It requires foreign financial institutions, such as banks, to enter into an agreement with the IRS to identify their US account holders and to disclose the account holders' names, TINs, addresses, and the accounts' balances, receipts, and withdrawals. US payers making payments to non-compliant foreign financial institutions are required to withhold 30% of the gross payments. Foreign financial institutions which are themselves the beneficial owners of such payments are not permitted a credit or refund on withheld taxes absent a treaty override.
- US persons owning these foreign accounts or other specified financial assets must report them on a new Form 8938 which is filed with the person's US tax returns. If they are generally worth more than US\$50,000 a higher reporting threshold applies to overseas residents and others. Account holders would be subject to a 40% penalty on understatements of income in an undisclosed foreign financial asset. Understatements of greater than 25% of gross income are subject to an extended statute of limitations period of 6 years. It also requires taxpayers to report financial assets that are not held in a custodial account, i.e. physical stock or bond certificates.

Who does FATCA apply to?

Considering the above provisions FATCA applies to any individual, financial institutions, global banks and company or business entity that engage with US clients or assets over a certain threshold in an account. These include all Channel Island Funds and investment structures that hold US financial assets or receive certain US source income. Even if financial institutions don't hold US income, they may still be affected by FATCA as they may be part of an affiliated group or receive passthru payments from other financial institutions.

FATCA will deeply impact on the following institutions:

- Banks
- Collective Investment Vehicles
- Hedge Funds
- Private Equity Companies
- Trusts / Fiduciaries
- Custodians
- Stockbrokers
- Investment Banks

Key Challenges for Businesses

There is still a lot of uncertainty regarding FATCA compliance. With businesses having to alter their operational processes, FATCA poses some unique challenges. Affected businesses now have to provision for additional steps in their customer onboarding as well as KYC processes. Businesses will also be challenged in terms of handling complex high net-worth relationships. The predominant challenges posed by FATCA are:

- **Compliance gets tougher** - A major challenge is to manage complex high net worth relationships so as to avoid non-compliance, loss of accounts and steep financial penalties.
- **Disruption of Onboarding processes** - Processes such as customer onboarding will witness a lot of change. KYC processes have to be updated to accommodate additional information. This will result in lengthier and complicated forms, leading to extended onboarding time for customers.
- **Auditing existing records** - Aggregating all information for existing clients and making sure that they are accurate will drive up overheads and time costs.
- **Complex Workflow** - FATCA compliance is likely to increase the number of operational transactions within the organization. There will be greater movement of information and a large number of rule based access systems and points will have to be created. These will only create a complex workflow and hamper turnaround times. Data accuracy and security will also suffer.

What does FATCA Entail for FFIs?

FATCA will greatly affect FFIs. Once a FFI agrees to apply for an approved FFI status under FATCA it will have to:

- Maintain verification and due diligence procedures to identify US accounts
- Obtain documentation of each account holder to determine US or non US status
- Report detailed information regarding US accounts to the IRS on an annual basis
- Provide the IRS with additional information regarding US accounts upon request
- Deduct and withhold 30% tax on certain payments made by non-compliant account holders

As a result businesses will be additionally burdened with the following activities for FATCA reporting:

Account Identification and Classification	Workflow driven Case Management	Reporting	Audit and Document Management
<ul style="list-style-type: none">• Individual and Institutional• New Accounts• Existing Accounts• Threshold and Indicia checks	<ul style="list-style-type: none">• Follow-up on accounts awaiting data/documents• Automated escalations/alerts and exception management• Rules driven automated routing of case files to right resources• Investigations and closure of case	<ul style="list-style-type: none">• Annual US account reporting by participating FFIs• Account holders income reporting• Operational/ Investigative and Transactional reporting for FATCA lifecycle management	<ul style="list-style-type: none">• Ability to record/maintain and report account history for suspect/remediation and recalcitrant customers as audit file• Create an e-file of all documents in the case file for easy archival/search/access and collaboration for customers documents

The bottom line is that businesses are looking at exorbitant costs in terms of overheads, human resources and time.

How can Newgen’s solution help?

Newgen offers a comprehensive Solution, making the processes for FATCA compliance simple. FATCA KYC activities are completed without disrupting other core activities as the solution acts as a layer on top of existing core banking systems. Furthermore, the solution classifies documents, maintains and reports all KYC details needed for FATCA activities. Through streamlined workflow automation of the due diligence processes, relationship managers can handle multiple complex relationships of customers, providing better visibility, control and data security.

The Solution offers some unique benefits through the various stages of the FATCA Compliance process:

Initiation

- Accurate and Fast Aggregation of Customer Records preventing loss of time during on-boarding and data accumulation
- Seamless Integration with Core Systems preventing disruption of other key processes

Classification

- Pre-Configured Presumption and Classification Rules assisting complete compliance
- Agile Rule Interface for easy change management, enabling Suspect Handling and Exception Management
- Electronic Search and Automatic Tagging and Classification
- Change in circumstances management

Remediation

- Efficient Workflow and Case Management capabilities backed by Newgen's award winning Workflow and Case Management solutions
- Flexible and Automated Customer Communication Management, enabling better customer services and preventing loss of high net-worth accounts and clients
- Exhaustive Audit Trails of all actions

Decision Making

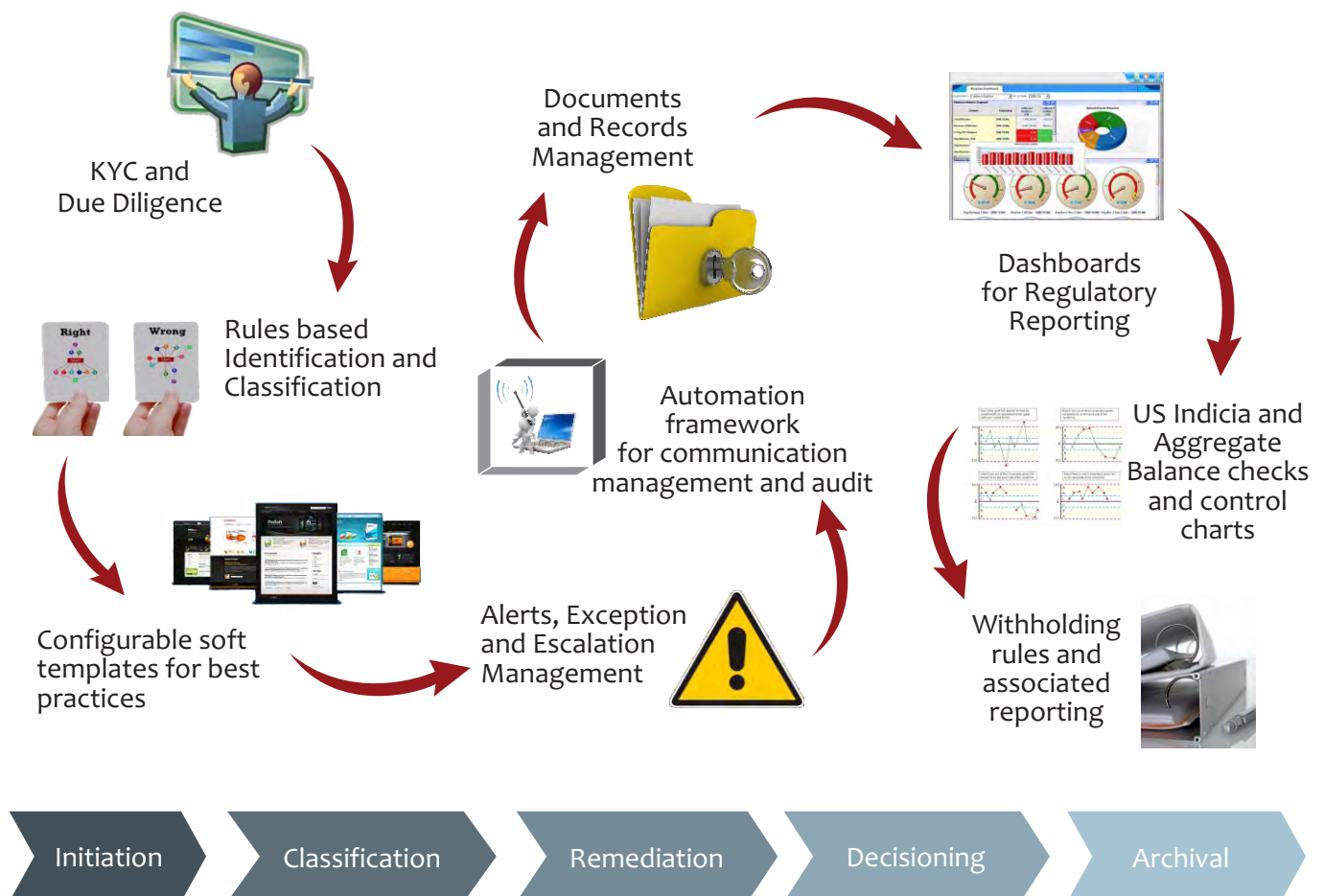
- Complete Data and Document Validation and tracking

- In-built rules and validations to ensure correct decisions
- Comprehensive Pre-configured Reports and dashboards for reporting and monitoring

Archival

- Create a complete case-by-case repository
- Easy archival and extraction of information like documents, cases and records
- Comprehensive data security

Newgen Comprehensive FATCA solution framework

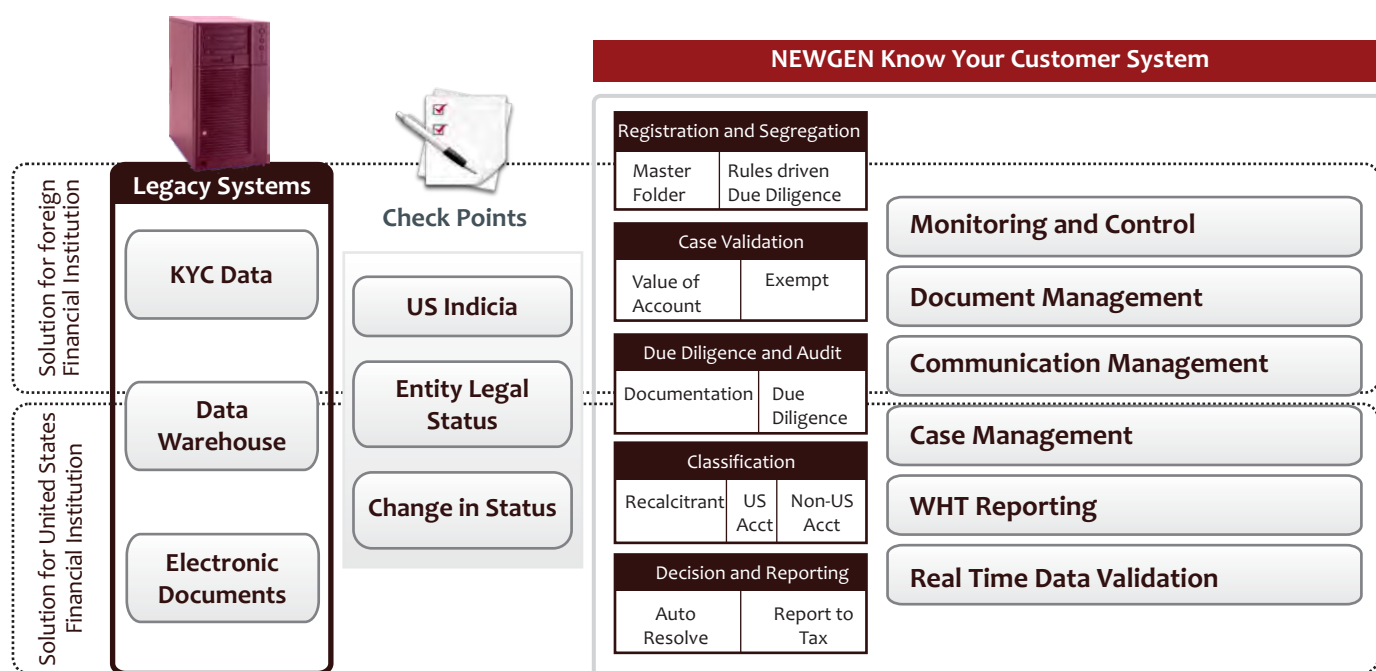


Newgen's FATCA Solutions for FFIs

Newgen understands the unique challenges faced by FFIs as a result of FATCA. Newgen's FATCA solution has been created keeping these challenges in mind and offers comprehensive features such as :

- **Presumption and Classification Rules for Identification** - Newgen's solution has preconfigured rules for the identification of Suspected and Determined FATCA reportable customers
- **Efficient and Intelligent Workflow** - The solution contains workflow and Case Management capabilities for Remediation and Due Diligence of FATCA reportable customers
- **Customer Communication Module** - Enabling relationship managers to manage complex high net worth relationships with complete control through automated communications to all clients to reduce manual effort, with an option to personalize the message in communication
- **Real time Reporting and Monitoring** - The solution provides investigative, operational and functional dashboards for a 360 degree view of the entire process. Automatic generation of reports of all FATCA determined and Recalcitrant individuals
- **Document Management** - All documents and data are archived and stored in the underlying Document Management module for easy access, search and retrieval
- **Audit Facilitation and Notifications** - Comprehensive case based audit trails, logging of customer communications, automated risk rating and sorting of cases are all easily possible

Newgen FATCA Solution Provides Comprehensive Readiness and Agility



Newgen FATCA compliance TEST DRIVE

Considering the unpredictability of what FATCA will finally require organizations to take care off Newgen has launched a test drive of its FATCA solution which will help banks and financial organizations achieve FATCA compliance, quickly and efficiently. The test drive involves three major steps:

- **Prototype** - Walk through Newgen's FATCA solution to get a first hand view of the entire process
- **Scope Finalization** - Newgen project team will then conduct a gap analysis to configure the solution based on organizational needs
- **Project Plan Implementation** - With a 100% Implementation success rate, Newgen's pro-agile implementation method will ensure project completion with minimal cost and time requirements

Value Add of the solution

- Comprehensive readiness implementation
- Reduced risk through best practices templates and on-time implementation
- Significantly lower cost of ownership and resource tie-up
- Much lower costs for the solution to adapt to new requirements with the configurable BPM framework
- Predictable maintenance costs and user empowered training program
- Lower TCO driven by 60-90 day roadmap
- Ease of integration with multiple systems due to new-age technology
- Extensibility of the solution to other valuable process automation initiatives





Our Customers



About Newgen

- Leading Global Provider of Business Process Management (BPM), Enterprise Content Management (ECM) & Customer Communication Management (CCM)
- 1000+ installations across 50 countries
- Solutions for Banking, Insurance, Healthcare, BPO/SSCs, Telecom and Government
- Credited with some of the world's largest implementations
- Innovative culture, consistent R&D investments, 40 patents
- Employee strength 1300+
- Certified for ISO 9001:2008, ISO 27001:2005 and CMMI Level3

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