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Introduction to FATCA & CRS

FATCA and the CRS are standards for the automatic exchange of financial account information that aim to combat tax evasion and improve tax compliance on a global scale:

- FATCA requires that non-US financial institutions report accounts belonging to US persons.
- The CRS requires that financial institutions report information on account holders who are tax residents in other jurisdictions.

Detailed procedures must be put in place to be able to communicate with the regulator on request, as failure to comply can result in large fines and sanctions.

The main steps for Financial Institutions (FIs) in respect to FATCA & CRS reporting ...

1

FI prepares the content of the FATCA/CRS report

2

FI notifies their account holders of the data to be reported

3

FI builds the report under the required XML format

4

Depending on the country, the FI encrypts the report for filing with the authorised channels

5

The local tax authorities acknowledge receipt of the reports and validate the reported data

Arendt, the choice of CACEIS

Arendt offers bespoke reporting solutions using proprietary tools tailored specifically to meet the needs of their clients, including venture capital, private equity, and real estate funds. Consequently, CACEIS has chosen Arendt to deliver comprehensive FATCA and CRS reporting services. These services encompass a thorough review of client accounts, entity classifications, IRS registrations, self-certification, and W-series forms, among essential tasks to handle this topic efficiently.

What we see in the market

▪ Compliance, operational and technical challenges

Financial Institutions face several challenges with regard to reporting under the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS), such as gathering accurate information, maintaining technical rules and ensuring compliance with regularly updated local specifications.

▪ Preparing reports

Preparing FATCA and CRS reports demands an in-depth understanding of both local and international tax regulations. Compliance with these standards involves interpreting US and EU tax laws while ensuring adherence to the highly specific reporting requirements of their respective tax authorities. Producing these reports also requires specific expertise in FATCA and CRS

regulations and their impacts on local jurisdictional requirements.

▪ Utilising tools

The technical tools needed to prepare the FATCA and CRS reports often require specific expertise and software capable of generating and submitting reports in compliance with the technical requirements. This includes using secure data management systems, reporting software and tools that interface directly with tax authorities.

By entrusting this step to those familiar with these tools, you ensure that the report is prepared efficiently, accurately and in a streamlined manner, without the risk of errors or delays. Furthermore, our team has direct experience in interfacing with tax authorities' systems to submit the reports and address any queries that may arise. We regularly monitor any changes to reporting standards and regulations imposed by the tax authorities. Delegating this responsibility ensures that the submission process is handled smoothly, as the necessary communication and follow-up with the authorities will be managed by our team members who have established relationships with these entities.

▪ Compliance strategy

FATCA and CRS impact a wide range of financial entities, including banks, investment funds and insurance companies. Arendt addresses the aforementioned challenges by offering strategic reviews, entity classifications, market insights and established relationships with the tax authorities and local industry committees.

Arendt's expertise and services

▪ Comprehensive service offering

Arendt provides a full spectrum of services to address FATCA and CRS compliance needs. Our approach integrates legal advice, regulatory compliance support, risk management and managed services in a true end-to-end solution. We provide services such as IRS registration and account maintenance, reviews and quality checks of self-certification or US W-series forms, design and review of client on-boarding processes including client classification, audit of client accounts documentation with recommendation proposals, performance assessment of appointed FATCA/CRS service providers as well as the production of FATCA & CRS reports and filing with the local authorities.

▪ FATCA and CRS reporting solution

Arendt has developed a bespoke digital solution to support FACTA/CRS report production, enabling us to handle large data volumes to produce high-quality data while always respecting the latest business rules and regulations. Our tool offers a flexible solution for managing FATCA and CRS reports in different partner jurisdictions, including by generating XML reports and client notification letters. We ensure compliance with local tax authorities' requirements and provide a complete audit trail from data source to XML generation.

Having developed our own tool, we are able to manage every step of the reporting process and have the flexibility to address regulatory changes with a fully independent decision-making process.

Arendt's comprehensive services and innovative solutions, such as its bespoke tool, provide Financial Institutions with the tools and expertise needed to navigate the complexities of FATCA and CRS compliance. By leveraging our extensive experience and global reach, Arendt helps clients meet regulatory requirements efficiently and effectively.

Typical FATCA and CRS reporting steps

▪ Data extraction

Financial Institution provides the FATCA & CRS data

- Register of investors
- End-of-year NAV
- Payments during the year

▪ Analysis & checks

Arendt reviews the data while checking its completeness and accuracy.

▪ Preparation

Arendt prepares the report and shares it for approval.

▪ Review & validation

Financial Institution reviews and then approves the report.

▪ Filing

Arendt generates the report in XML format and files it with the tax authorities.

▪ Acknowledgment & acceptance

Tax authorities acknowledge receipt of the data and confirms whether the report is accepted (with or without observations) or rejected.

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Your experts



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