

# Tackling the task

Laurence Kiddle, commercial director of Fatca at Thomson Reuters, provides insight into the intricacies of the Act and how to approach compliance

## How far along are institutions with their Foreign Account Tax Compliance Act (Fatca) compliance programmes?

**Laurence Kiddle:** Some institutions haven't really started and some are well advanced. If you look at what Fatca compliance means, it can be implemented in phases. There's the classical onboarding phase at the start, and then the second phase would be looking at the actual mechanics of withholding tax and final reporting. When you talk to some of the bigger institutions, it is clear they have done a lot of the initial groundwork.

## Will the introduction of intergovernmental agreements (IGAs) impact this?

**Laurence Kiddle:** Some preparatory work may change because of the refocus of IGAs, but a lot of it will not. Some high-street banks are working very firmly on the withholding and the reporting area – they are looking at how to identify withholdable payments and how technology can help. Then there are others that are contemplating the start of the process and wondering what self-certification actually means, what they have to do, and if it will be sufficient to just have a 'tick a box' in their terms and conditions. On self-certification, however, the general sense is that a far more proactive, robust approach is required.

## What about institutions with their main base in an IGA country but with other subsidiaries in non-IGA countries? What challenges will they face?

**Laurence Kiddle:** That is really interesting and the impact on reporting is possibly something a lot of institutions haven't considered. You can see why – because the deadlines seem so far down the line – but eventually it will become clear that the information coming in has to get back out again. It was fairly straightforward under the original flavour of Fatca what had to be done – compile a report with a certain amount of key information that was sent to the Internal Revenue Service (IRS) by a certain date, and that was done until they came to ask about it. Now you don't have that.

## Can you explain why it has become more complicated?

**Laurence Kiddle:** Take a bank that is headquartered in France, for example. Under the expected IGA, you would have to report to the French government. Your subsidiary, perhaps in Italy, would have to report to the Italian government under the expected IGA. A subsidiary in a jurisdiction without an IGA – such as a Middle Eastern country – would have to report back to the IRS.

## What should institutions be doing to meet that challenge?

**Laurence Kiddle:** It depends on what stage of the assessment financial institutions are at. That is something an organisation can work on with an

adviser, but even before that stage, you need to get to a point where you know what questions to ask. One of the issues with Fatca is that it cuts across a lot of different points within the organisation. There is a strong operational element to it because it's not just within the finance, tax and compliance function, it actually takes effect across the business. There is an IT element and also quite a strong customer focus, for example, if you actually need to contact your customers. And that has not typically happened in other data-oriented processes like value-added tax reporting.

## How can organisations ensure their departments work together?

**Laurence Kiddle:** You need to be compliant but you don't want to do that at the expense of your commercial operations. Building that knowledge and consensus within an organisation, and building something across the divisions is important. Whether the actual lead comes through tax, operations, project management or IT, getting that focus and recognising that there are the different stakeholders, including the front office, are the first key steps towards the departments working together.

## Are some institutions still not addressing these compliance issues?

**Laurence Kiddle:** There is a head-in-the-sand reaction from some institutions and it is perhaps a natural response to some of the delays we have seen with Fatca. But there is a real danger that, leaving it another six months or so, organisations could hit a technology deficit at that point. There will be a point where you know you need to do something, you know what you need to do but you have absolutely no chance of doing it within the timeline.

## How can technology ensure institutions are ready for Fatca?

**Laurence Kiddle:** Technology will never be the complete solution to this, but there needs to be a process in place that is going to work – a robust technology framework that allows an organisation to automate the processes and work towards Fatca compliance. Manual processes can be set up quickly and can be very rapid to respond, but they can also be incredibly inefficient in terms of manpower, resources and being accurate. And this is something you really want to get right.

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