

RGen FATCA – Automated FATCA Generator

Foreword and context

U IT is young, innovative and independent company originally created to extend the services behind the SOFIE application. Our main expertise is to install and support complex automated SOFIE installations of large customers.

After more than 4 years of activity and 7 years of expertise in the domain, we gradually extended our services to the report generation by providing capture tools which are used for the reporting of 450+ Luxembourgish companies.

This document presents and describes a future tool U IT will soon release in Luxembourg for the generation of the new FATCA reports as per to the recent agreement relative to automatic exchange of information concluded between the Grand Duchy of Luxembourg and the Government of the United States of America.

U IT is focused on effective results on a technical and practical side – we tend to grant concrete but simple solutions with an open ground for discussion with our customers. Innovation @U IT is not just a word: we intend to share any dedicated development to other customers as this would be beneficial for all : efficiency & standardization on our side, reduced costs & delays on “customers’ side”.

Background

1. Context

In February 2015, the ACD (Administration des Contributions Directes) provided with the final information regarding the FATCA reporting. This communication describes in detail the legal and technical aspects to follow for this first year of this new reporting.

Link to FATCA section on ACD website : http://www.impotsdirects.public.lu/echanges_electroniques/FATCA/index.html

The key aspects are:

- Reporting has to respect a precise data format (XSD / XML).
- Reports have to be sent using one of the 2 authorized secured channel in Luxembourg (Cetrel / Fundsquare).
- A manual capture tool will be provided by the 2 listed companies.
- The first reports (Tax year 2014) have to be sent to the ACD until 30 June 2015.
- The Luxembourg ACD has to provide the data collect to the US authorities for the 30 September 2015.
- As the reporting requirements will increase during the following years, extra information to provide will be progressively added to the collection of data for 2015 and 2016 Tax years.
- US authorities should present a new format during 2015 which will require further adaptation for the Luxembourg FATCA data collect (probably in 2016).
- On a technical side, the FATCA layout is composed of 217 different fields (tags) and can be considered as a complex report.

2. Observations & thinkings

U IT noticed the following general facts:

- The collect of data by legal authorities has greatly intensified these recent years.
- The delays between new reports information (circulars) and the start of the collects have shortened.
- These last months (end 2014 / beginning of 2015) have been particularly intense in regards to changes and updates in the legal reporting.
- The complexity of the data collect has increased, requiring more manpower to dedicate for the reporters.
- Many reporters or issuers had difficulties to adapt and/or follow the deadlines.

After a first analyse of the FATCA requirements, and based on the previous facts and the key aspects listed previously, we estimated the following:

- Delays to prepare and adapt to this new data collection is extremely short.
- The internal development of a fully functional dedicated tool will be almost impossible for many institutions, at least for this year 2015.
- The extension of the FATCA data collects during the 2 following years and the future change of the layout by the US authorities will represent future extra development efforts and costs for institutions with medium to high volume of data in order to comply with this reporting.
- The manual capture tools will be useful for institutions with null to low volume data to report but this solution will not be adapted for the ones having from a medium to high volume of data to submit.

➔ The key element and challenge of this new reporting is undoubtedly the extraction of the right data needed to fill the report.

➔ We believe that our tool will be appreciated by institutions requiring an automatic generating tool on which they have a full control (as if it was an internal development) and who will appreciate to be relieved of this complex development and all the costs associated to its maintenance.

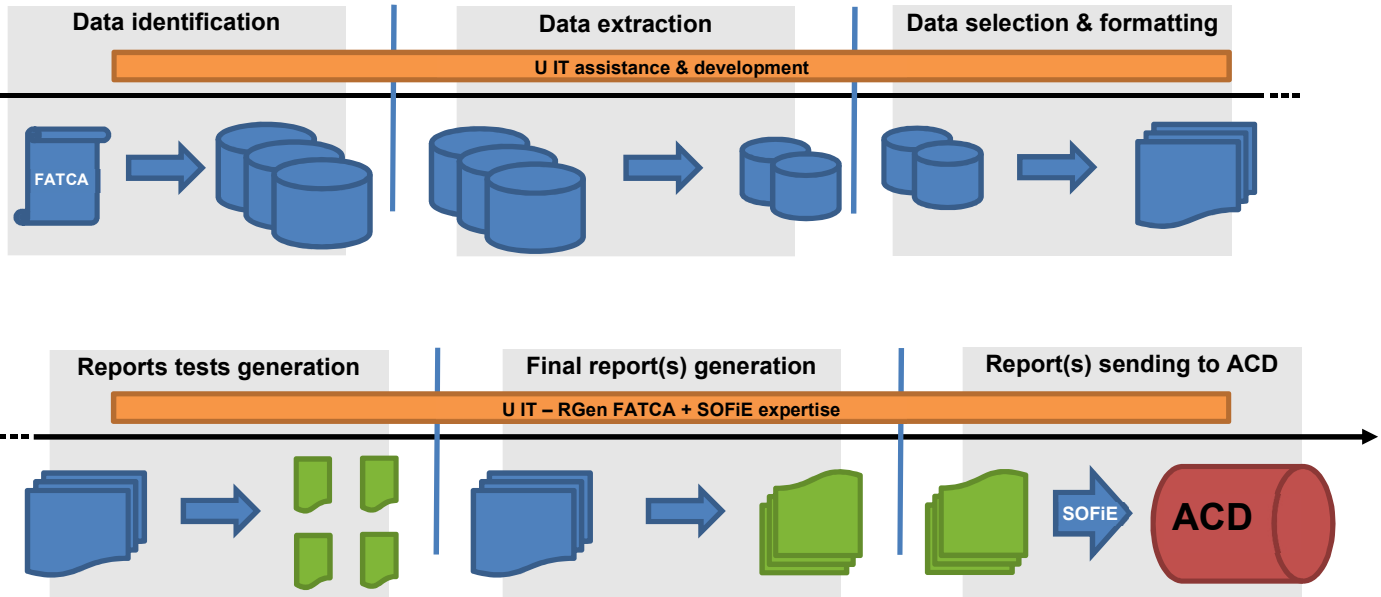
3. Solution(s)

U IT analysed the FATCA requirements a few days after the sending of the final information and started to:

- develop an automatic FATCA report generator: RGen FATCA.
- study the FATCA report in detail to furthermore provide our customers with help & expertise for the internal extraction and gathering of the right information.

Our solution consists of 3 main aspects:

- Provide with assistance and FATCA report knowledge for the data extraction + optional dedicated development for the data formatting.
- Provide with a tool to generate the FATCA reports, manually or automatically.
- Guarantee the good delivery of the report(s) to the tax authority (ACD) under a high security level.



Considering the planned future evolutions of this reporting, some further rules set by the IRS and the Luxembourg ACD and the incoming CRS reporting (in 2017), U IT already considered the following aspects:

- Scalability and modularity are 2 required aspects of the development of RGen FATCA.
- Observe and discuss with our customers and the ACD regarding the handling of the FATCA feedback status reports (ACK) and develop any extra module at the level of RGen FATCA or SOFiE to facilitate their processing or interpretation.
- Verify with our customers and the ACD, during the coming years, the need to implement new features to RGen FATCA for the handling of correction mechanisms. (This subject will only be possible to analyse if practical cases occur)
- A good level of cooperation and communication with our customers, particularly the IT experts of the main banking system, will be profitable for all. This could lead to common data acquisition and pre-treatment tools reducing the costs, compared with a pure dedicated development. **We intend to partially refund or allow reduced license costs to any customer for which U IT developed a pre-treatment tool that will be re-used by another customer.**

RGen FATCA

1. Goals

Considering the actual context, the FATCA reporting requirements and the delays, we first planned and terminated to:

- Rapidly present a concrete and advanced project to the any potential customer.
- Start immediately the development of the tool (RGen FATCA) and provide with a first usable version.
- Decompose the FATCA report between static (header) and dynamic data, clarify as much as possible its understanding and provide our customers with simplified information. Our aim here is to share our analyses of this report to avoid our customers to perform this task and allow them to rapidly identify and measure the “work to be done”, or more specifically, the data to spot and retrieve.

Considering the RGen FATCA application and the services we'll provide, our final goals are:

- Ensure a solid FATCA report generation.
- Allow manual (*manual = select raw data files manually*), semi-automatic to a full automation of the report's generation.
- By its automated nature, avoid long-time manual capture of data and potential data capture errors.
- Propose a simple way to prepare or even offer the possibility to capture the static (header) data of the FATCA report.
- Simplify as much as possible the input format of dynamic data.
- Propose a dedicated expertise to help customers to extract the data needed for the filling of the report.
- Propose dedicated developments to convert raw extracted data to the input format required by the tool.
- Share dedicated developments made for one customer to other customers and reduce costs for all.
- Provide the application as “portable” – no installation required, can be launched directly.
- At least, we want to avoid any external web-based, outsourced service or any kind of “cloud” solution which requires sensitive data to leave the customer's network – in other words: ensure the minimum replication and spreading of the concerned data and keep/gather them under a single protected location of the IT infrastructure.

As U IT is specialized in the SOFiE application, we also propose a series of dedicated services to complete our offer – they are detailed further in this document.

2. RGen FATCA features

Notice: Non-exhaustive list – already implemented – our customers are welcomed to propose us to implement any further feature.

Load a “simple format” & normalized raw data file in entry.

Can be used interactively or executed automatically.

Application is portable, can be run from a USB key or a simple directory.

Do not require any installation process or third party installation.

Runs on any currently supported Windows platforms.

Performs the following verifications, validations and consistency checks:

- All validations described in the latest ACD circulars (ECHA-2 & 3).
- Produce the FATCA1 initial AccountReporting. In this file only new information is reported.
- Control the uniqueness of a GIIN by report (Global Intermediary Identification Number)
- Control and reject “FATCA11” & “FATCA14”-test values of the <DocTypeIndic>. Detection is made at the level of the filename.
- Detect ZeroReporting report compared to an AccountReporting file and ensure the right filling of all the mandatory tags.
- Do not generate unnecessary tags or blocks of tags, by records, when not required.
- Ensure that all the identification tags such as RefIDs, AEOI_RefId, DocRefId, MessageRefId, GIIN are in accordance with the pattern defined by the ACD.
- Name the report in accordance to the rules set by the ACD.
- Verify and reject any non-UTF-8 data.
- Remove extra spaces and special characters as specified in the circular.
- Verify the final report size does not exceed 30Mb before compression.
- Verify and validate all country and currency codes authorized by specific fields (authorized list varies depending on field).
- Validate all type of addresses considered from a legal point of view (OECDLegalAddressType).
- Authorize all kind of organization name according to the specification (OECDNameType).
- Control minimum and maximum lengths authorized by fields.
- Allow up to two fractional digits for monetary amounts.
- Validate currency code based on latest ISO code list.

- Generate a detailed “Activity Report” with the following characteristics:
 - Report is viewable directly on the tool or in a generated XLSX file with Excel.
 - Displays the following information screens (or excel sheets):
 - Summary of the report generation.
 - List of accepted records.
 - List of rejected records.
 - List of detailed errors.
 - List of detailed warnings.
 - List and give a description of all the errors found for each rejected records – list all errors for one record.
 - Propose hyperlinks between the rejected records screen with the detailed errors screen (vice-versa).
 - Highlight used fields in the list of accepted records screen.
 - Highlight fields in error in the list of rejected records screen.
- Optionally produces a valid XML report with all the correct & complete records.
- Display the generated FATCA XML in a simple view.
- All rejected records can be retrieved from the Activity Report, corrected/edited using Excel, and re-loaded in the tool to generate a new valid report.
- Developed in java and can possibly be migrated on a Unix platform (to discuss)

3. SOFiE Expertise

- U IT proposes a set of standard services for the support of the SOFiE application but also a specific and dedicated SOFiE configuration mode which enhance the security level of the whole solution
 - Provide general SOFiE advises and help.
 - Configure + install a dedicated SOFiE environment following any security rule set by the customer.
 - Guarantee a full functional SOFiE under a small service maintenance contract.
 - In case of expired Luxtrust certificate: handle all the technical and paperwork aspects of the update.
 - Ensure good report delivery to the Luxembourg ACD.
 - Help to verify the good reception of ACK returned files sent by the ACD and/or the IRS.
 - Re-configure the SOFiE environment in “portable” mode to combine with RGen FATCA to allow the concentration of tools and data in a single location or even on a single USB key.

Notice: as this report has to be sent once a year, a USB key containing the generating tool, the tool to send the reports, the (sensitive) extracted customer data (raw or re-formatted) and the FATCA reports represents a simple and highly secured solution which can be stored in a safe after use.

- U IT is currently developing an optional module to RGen which allows it to pilot SOFiE. No more login on SOFiE which is specially configured in automated mode “on demand”. RGen manages all SOFiE, analyses the crypting & sending but also the reception and decryption operations. RGen can generate reconciliations reports between sent reports and received feedbacks from ACD.

4. Pricing and modalities

- U IT will only accept a fixed number of dedicated expertise days & developments for 2015 – our aim is to fully satisfy a limited number of customers before extending these dedicated services to a larger number of customers.
- The number of customers who can manage to extract their data under the right input format of RGen FATCA will not be limited.
- Following details and aspects of our pricing model:
 - Simplified license pricing model based on volume per year and per reporting entity.
 - No initial setup costs, no additional “cost per report”.
 - No extra development costs for the incoming and already planned changes in the volume and format during next years.
 - Fair assistance & dedicated development daily costs
 - Open discussion on our prices for low volume customers who desire anyway an automated report generation tool.
 - “Only SOFiE Services” available for customers who will use an integrated manual interface (GUI) provided by Cetrel.
 - Fundsquare customers are also welcomed (but U IT do not provide support on e-file)