



Corporate Actions Section
SIFMA OPERATIONS & TECHNOLOGY SOCIETY

CAS Tax Seminar 2018



Friday, September 14 • 8:00am – 12:30pm • SIFMA Conference Center, NYC

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CAS Tax Seminar 2018

Welcome Remarks



Jamila Alkaifi-Hercules

Co-Chair

CAS Tax Subcommittee

Group Manager and Vice President

BNY Mellon



President's Opening Remarks



Carly Byrd

President

Corporate Actions Section

Director

Deutsche Bank



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President's Opening Remarks



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International Tax Challenges



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International Tax Working Group

September 2018

Introduction and Purpose

- The global tax environment has witnessed significant developments including foreign tax authorities enacting extensive tax reforms and seeking increased transparency.
- Consequently, Tax professionals face a myriad of challenges in establishing market best practices to risk manage and satisfy these often demanding requirements.
- As a result the International Tax Working Group was established for CAS Tax members to participate and discuss international tax topics.
- The key objectives of this forum which currently meets on a monthly basis includes:
 - To share and advance best practices relating to foreign taxation involving corporate actions
 - Provide visibility on new tax themes or developments, solutions and challenges
 - Serve as a contact point to encourage dialogue with other corporate action and tax committees such as AFME
 - Represent members and industry on international tax matters as appropriate

International Tax Focus Items

- Managing Tax Developments and Changes
- Satisfying Tax Documentation Requirements
- Tax Treaty Challenges
- Tax Authority Audits
- Capital Gains Taxes
- Tax Reporting – Common Reporting Standards
- Connectivity with other Industry bodies
- Survey being developed to gauge focus areas for participants and members

871(m), 305(c) Regulatory Update & Operational Challenges

MODERATOR



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Section 305(c) AND 871(m) – Selected Topics

September 2018

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Agenda

- I. Introductions and State of Guidance from US Treasury.
- II. Summary of Provisions – Section 305(c) and 871(m)
- III. Selected Compliance and Operational Issues
- IV. Q&A

I: Introduction and State of Guidance from US Treasury

State of Guidance from US Treasury

Update

- Published Notices and expectations
- New Personnel in Treasury
- Industry Conversations with Treasury and IRC/Chief Counsel
- 871(m) “Delta One” Freeze not expected
- 871(m) extension expected
- Finalization of 305(c) Regs is part of IRS business plan
- Unlike 871(m), 2017 Treasury Letter (*Second Report to the President on Identifying and Reducing Tax Regulatory Burdens, October 2, 2017*) did not specifically call out revisions to 305(c) as part of regulatory simplification executive order

II: Summary of Regulatory Provisions



305(c)

Have you finished implementing systems to comply with 305©?



Scope of 305(c) under Prop Regs

- Section 305 applies to stock or rights to acquire stock
- Prop. Reg. 1.305-1(d) lists the following as rights to acquire stock:
 - A right under a debt instrument convertible into shares of stock of the corporation issuing the instrument (e.g., convertible bonds)
 - A right under stock that is convertible into shares of another class of stock of the corporation issuing such stock (e.g., convertible preferred stock)
 - A warrant, subscription right, stock right “or other option to acquire stock of the corporation issuing the instrument”
- Does not include derivatives representing rights not issued by the corporation issuing the stock (such as listed options)

How Does 305(c) Apply to Debt?

- Section 305(c) can trigger a taxable deemed dividend as a result of a change under a conversion ratio adjustment formula (CRA)
- A deemed dividend can be triggered for a convertible bond
- This creates compliance concerns because the convertible bond is not actually paying a dividend that would trigger normal operations reporting and compliance procedures
- Sec. 305(c) Applies to more than Debt
 - Section 305(c) can apply to convertible preferred stock, stock rights and warrants, a portion of an investment unit, and to contingent payment debt

Sec. 305(c) Proposed Regulations

- Proposed regulations published on April 13, 2016
- IRS has stated that the regulations apply long-standing law (1969)
- The rules permit option valuation measurement of the amount of a deemed dividend
- The rules only require withholding if the deemed dividend is reported on a Form 8937
- Note that the determination that a dividend has occurred under Section 305(c) does NOT require reporting of the event on Form 8937

Consequences of Deemed Dividends

- Inclusion in taxable income for U.S. taxpayers
- Valuation approaches for recapitalized convertibles:
 - Proposed § 305(c) regs: FMVs of Right (a) with and (b) without conversion/option right adjustment
 - Sections 354 and 368(a)(1)(E): FMVs of securities (a) before and (b) after recap *see* Rev. Rul. 74-269
- Withholding tax obligations on deemed dividends to non-U.S. residents
- Form 1099-DIV information reporting expected to apply (preamble requests comments)
- Open years: is additional guidance likely?
 - Prior year distribution requirement related concerns for, e.g., regulated investment companies (RICs) or REITS who hold convertibles
 - Prior year withholding and information reporting concerns for withholding agents and brokers

Effective Date of Proposed Regulations

- Would be effective upon publication of final regs
- Can be relied on for deemed distributions prior to such date
- To value a distribution prior to final regs, proposed regs authorize taxpayers to use the FMV of either the conversion right/option (the Right) or the underlying stock
- Withholding agents can rely on proposed regs for deemed distributions occurring after December 31, 2015
- Expanded issuer return (Form 8937) requirement would be effective with final regs
 - Expansion would require Form 8937 reporting even if holders are “exempt recipients”
 - Form 8937 (Report of Organizational Actions Affecting Basis in Securities)
- As Preamble notes, Form 8937 instructions say issuers must file if their CRA gives rise to a § 305(c) deemed dividend after December 31, 2015
 - But Form 8937 instructions also say “Do not report a distribution on Form 8937 if the distribution is reportable as a dividend on Form 1099-DIV”

Adjustment Example

- Acme Corp's convertible notes have a current conversion rate of 21.1273.
- Acme Corp's indenture for its convertible notes provides:
 - (1) a \$0.08 **dividend threshold**; and
 - (2) a 1% **adjustment threshold**, under which a conversion rate adjustment is carried forward if it is less than 1%;
 - however, upon any conversion, holders are **immediately entitled to** the carried forward increase
- Acme Corp pays \$0.20 dividend on **Day 1**, relevant share price is \$31.58
 - Under an example anti-dilution formula, the adjustment might be:
 - $(21.1273 \times 31.58) / [31.58 - (0.20 - 0.08)] = 21.2079$ (New Rate)
- Acme Corp pays \$0.30 dividend on **Day 2**, relevant share price is \$31.49
 - $(21.2079 \times 31.49) / [31.58 - (0.30 - 0.08)] = 21.3571$ (New Rate)

Example Analysis

- Both dividends are greater than \$0.08, so result in adjustments
- The adjustment 21.1273 -> 21.2079 is below 1% adjustment threshold
 - $101\% \times 21.1273 = 21.3386 > 21.2079$
- The adjustment 21.2079 -> 21.3571 is above 1% adjustment threshold
 - $101\% \times 21.1273 = 21.3386 < 21.3571$
- The Issuer may aggregate the adjustments and report on Day 2, when 1% adjustment threshold is crossed, or may disregard 1% threshold entirely
- However, a holder converting after Day 1 dividend **is entitled to 21.2079 shares, not 21.1273 shares, an additional 0.0806 shares**, regardless of whether the Issuer reports the change

871(m)



Polling Question #2

Are you 100% prepared for complying with the 871(m) Delta One and QDD regime?

A) Been Ready since last year 100%

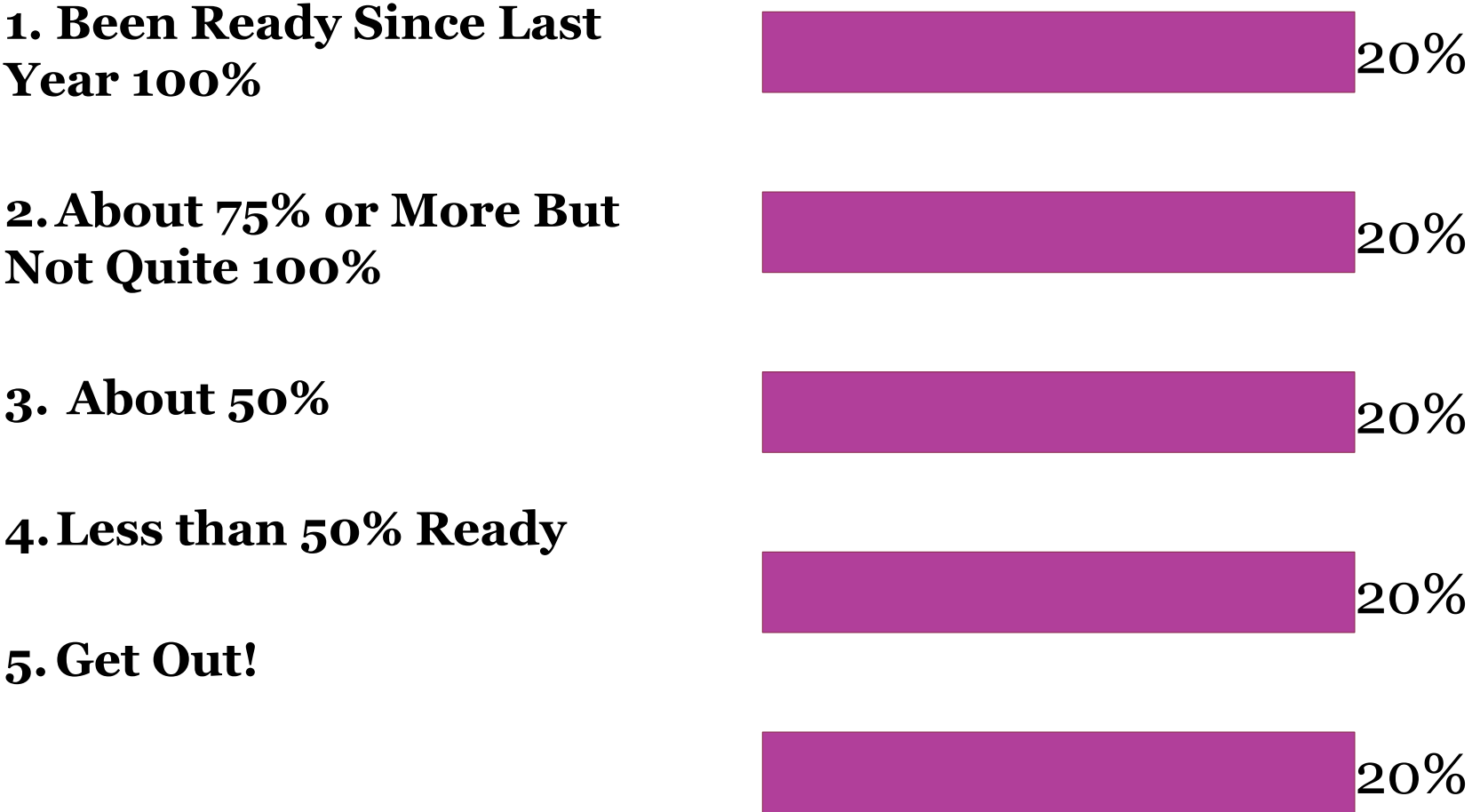
B) About 75% or more but not quite 100%

C) About 50%

D) Less than 50% ready

E) Get out!

Are you 100% prepared for complying with the 871(m) Delta One and QDD regime?



Section 871(m) regulations – highlights

- If an instrument meets particular tests, it will be treated as paying US sourced dividends, and thus subject to withholding and reporting.
- Instrument must reference a US equity that pays a US dividend - directly or indirectly, implied or explicit.
- Mathematical value of “Delta” is used – Delta One for now, lowered to 0.8 or substantially equivalent in...??
- Test at pricing (unless 14 days away from trade) for section 871(m) application and withholding.
- New tests and type of contracts: *simple contracts* are delta tested, *complex contracts* are *substantial equivalence* tested.
- Qualified Derivatives Dealer (QDD) status introduced to avoid overwithholding.
- Exceptions and particular rules, such as: anti-abuse, qualified index, partnership, and combination rules.
- Responsible parties, recordkeeping and reporting requirements have been somewhat clarified.

“Delta One” Scope

- Delta One undefined!!
- Futures, Swaps, Notes designed as such {Mini-futures, Turbos etc.}
- Industry practice on Options – Delta 0.95.
- Anti abuse practice on complex contracts – SET w .95 benchmark for certain designs.

- Combo rule:
 - Full rule for long parties.
 - Limited for short parties: OTC that are priced marketed or sold together “packages”.

Polling Question #3

As a short party, have you assisted with applying the combination rule to a long party under the limited OTC regime?

A) Yes

B) No

...assisted with the FULL combo rule?

A) Yes

B) No

C) Go away, I don't want to talk about it.

As a short party, have you assisted with applying the combination rule to a long party under the limited OTC regime?

1. Yes



2. No



... assisted with the FULL combo rule?

1. Yes



2. No



3. Go Away, I don't want to talk about it



III: Operational And Compliance Challenges



305(c) - Data and Compliance Challenges

Proper timing of deemed dividend reporting

Gaps in identification given incomplete Form 8937 Reporting

Mistakes in Form 8937 Reporting

Overstatement of dividend amount on Form 8937 Reporting due to transitional ability to report dividend amount without accounting for optionality

305(c) Form 8937 Reliance Pitfalls

The instructions to Form 8937 provide that if a conversion ratio adjustment on a convertible debt instrument occurring after Dec. 31, 2015, results in a distribution under section 305(c), the issuer of the debt instrument must file Form 8937 (Report of Organizational Actions Affecting Basis of Securities).

- Under sec. 6045B and § 1.6045B-1, an issuer must file an issuer return by the earlier of 45 days after the organizational action or January 15 of the calendar year following the organizational action.
- Many issuers do not meet the 45 day deadline. Many forms are issued months after the deadline. This leads to a risk of withholding agents being liable if the form is issued after the holder leaves the firm.
- Independent calculations of sec. 305(c) events show that issuers fail to provide Forms 8937 in the majority of cases.
- Issuers often misinterpret their own security documents and make errors on Form 8937 that are only noticeable if the calculation is performed independently. Incorrect Form 8937 dates/amounts could lead to withholding from the wrong holder or over/underwithholding.

For 305(c), under the proposed regulations, an acceptable method for withholding is to withhold by March 15 of the following year, when the 1042-S is due – do you use this method?

1. Yes



2. No



3. Go away, I don't want to talk about it.



305(c) - 2018 YTD Adjustment Events

Total potential 2018 adjustment events tracked YTD: **531**

- Total Forms 8937 issued: **92**
- Confirmed Issuer rate adjustments without Forms 8937: **37**
- Triggering events resulting in deemed dividends without issuer confirmation or Form 8937 issued: **129**
- Triggering events not resulting in deemed dividends: **273**

Note that this leaves 166 events likely resulting in deemed dividends without issued Form 8937s

Adjustments confirmed by issuers without Forms 8937 underscore problems with issuer Form 8937 compliance: all of these events are past 45 day deadline to file/promulgate

Do you report deemed dividends to US holders as well?

1. Yes



2. No



Do you adjust the basis?

1. Yes



2. No



030



000

Income Reallocation for BOTH 871(m) and 305(c)

- Issue for both rules 871 and 305.
- Depending on year end E&P, dividends may be recharacterized as ROC (return of basis/capital) or Capital Gains or Both.
- Such adjustments generally occur for physical positions.
- Qualified notices?
- Operationally burdensome/client requests.

Do you apply income reallocation recharacterization -

1. Yes



2. No



For 871(m) [REITS/RICS/etc]

1. Yes



2. No



871(m) - Corporate Actions Issues: Section 302

Section 302 and the Synthetic World for Withholding Agents

- Reg. 1.871-15(c)(2)(i): A payment that references a distribution with respect to an underlying security is not a dividend equivalent to the extent that the distribution would not be subject to tax pursuant to section 871 or section 881 if the long party owned the underlying security.
- Section 302 indicates redemptions are not considered dividends to the extent they pass certain tests, which take into account total shares owned and total outstanding shares (NEED, etc.) – but synthetics?
- To what extent can withholding agents rely on representations from long parties that section 302 covers certain distributions (on swap vs cash), since the current certification process for 302 may not be workable in the synthetic world – (on the one hand an IRS ruling vs a self determination on the other hand?)

871(m) Index Issues

Index Operational Issues

- 5% Rule – short vs long? Client positions and actual knowledge...documentation and enforcement.
- Index changes and securitized instruments – ETD nightmares for grandfathered notes as well as index status changes between years.
- MLPs – industry approaches to solve a lack of transparency.



Do you track changes to the status of “qualified indices”?

1. Yes



2. No



3. Huh?



Do you have a way of tracking index changes for securitized/exchange traded instruments?



871(m) MLP Issues

- MLP Visibility an issue
- Service Provider vs K-1 estimate
- Client arrangements – when and what to withhold?
- Client Questions – how and why did you calculate this amount???
- Future for 871(m)?

871(m) Form 1120-F/1042 Item CC

Section 1

Note.

Item 1 above includes dividend equivalents described in section 871(m); however, dividends received in calendar year 2017 by a QDD in its equity derivatives dealer capacity and dividend equivalent payments made in calendar year 2017 to a QDD in its equity derivatives dealer capacity to hedge transactions that have a delta of less than one are excluded.

Item CC

Table.

The attachment must include a table with columns for the gross amount, the rate of tax, and the amount of tax liability. The table must have the following rows:

Total section 871(m) amount,

Total dividends received in its equity derivatives dealer capacity,

Total QDD tax liability pursuant to section 3.09(A) of the Qualified Intermediary Agreement (for these purposes, only include the amount of the tax liability),

Total QDD tax liability pursuant to section 3.09(B) of the Qualified Intermediary Agreement, and

Total QDD tax liability pursuant to section 3.09(C) of the Qualified Intermediary Agreement.

In addition to providing a separate table for each QDD, if a taxpayer has a taxable year other than the calendar year, the taxpayer must provide separate tables for each QDD for the portion of the taxable year in the first calendar year and the portion in the second calendar year.

Note.

For calendar year 2017 and 2018, the columns for total section 871(m) amount and total QDD tax liability pursuant to section 3.09(A) of the Qualified Intermediary Agreement should state "Not Applicable." If the corporation has a taxable year other than the calendar year, the columns for total section 871(m) amount and total QDD tax liability pursuant to Section 3.09(A) of the Qualified Intermediary Agreement must include any amounts paid on or after January 1, 2019.

Item CC – QDD Table

	Bank XYV London Branch QDD				
	QI EIN 12-3456789				
		<u>Gross Amount</u>	<u>Rate of Tax</u>	<u>Total Tax Liability</u>	
	Total 871m Amount	N/A	XX%	N/A	
	Divs Received as Dealer	\$XXXXXX.00	XX%	N/A	
	3.09A Total Amount	N/A	XX%	N/A	
	3.09B Total Amount	\$XXXXXX.00	XX%		
	3.09C Total Amount	\$XXXXXX.00	XX%		

871(m) QDD - Form 1120-F Item CC

Sec. 3.09. QDD Tax Liability.

In addition to satisfying its withholding tax liability as described in this Agreement and its section 881 tax on dividends received as a QDD, a QDD must satisfy its QDD tax liability. The QDD's QDD tax liability is the sum of:

(A) its tax liability under section 881 for its section 871(m) amount (as defined in section 2.73 of this Agreement) for each dividend on each underlying security reduced (but not below zero) by the amount of tax paid by the QDD under section 881(a)(1) on dividends received with respect to that underlying security on that same dividend in its capacity as an equity derivatives dealer;

(B) its tax liability under section 881 for dividend equivalent payments received as a QDD in its non-equity derivatives dealer capacity; and

(C) its tax liability under section 881 for any payments, such as dividends or interest, received as a QDD with respect to potential section 871(m) transactions or underlying securities that are not dividend equivalent payments, to the extent the full liability was not satisfied by withholding.

A QDD that is a foreign branch of a U.S. financial institution does not have a QDD tax liability. Instead, such a QDD must determine and report its tax liability in accordance with chapter 1 and the appropriate U.S. tax return for the U.S. corporation. For calendar year 2017, the QDD will not be liable for tax under section 881(a)(1) on actual dividends on physical shares or deemed dividends or dividend equivalents that the QDD receives in its equity derivatives dealer capacity. The QDD is liable for tax on actual dividends on physical shares or deemed dividends or dividend equivalents received in its non-equity derivatives dealer capacity and on any other U.S. source FDAP payments received by the QDD.

Have you prepared a QDD table for a 1042 or 1120-F yet?

1. Yes



2. No



871(m) QDD Issues

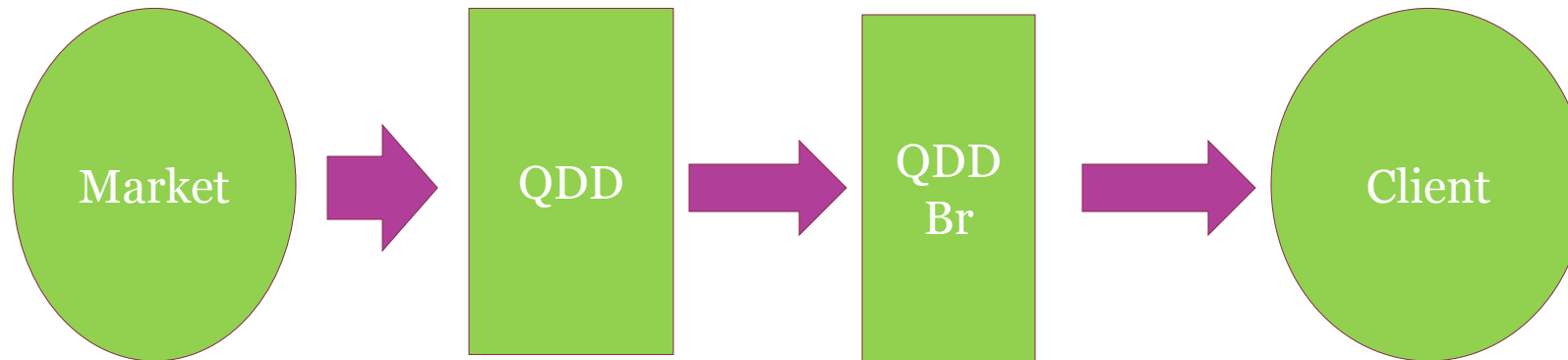
Documentation Issues

- Branches/entities that are part of/under a QI may be registering as a QDD due to the fact that they act as principal in certain transactional chains.
- These branches/entities may not be “dealers” in a regulatory sense of the word, but would be considered as such for QDD purposes. Thus, they do not have established records tracking net delta (flat positions all around).
- Would a “book” or “records” showing the back to back suffice as showing a net delta of zero/reconciliation schedule purposes?

QDD Issues

Interbranch

- Interbranch needs to be recognized if both QDDs are to be flat...



Appendix – 871(m) Technical Review

Simple v complex contracts

- A complex contract is defined as a contract that is not a simple contract.
- A simple contract is defined as an NPC or ELI for which, with respect to each underlying security:
 1. All amounts to be paid or received on maturity, exercise, or any other payment determination date are calculated by reference to a single, fixed number of shares of the underlying security, provided that the number of shares can be ascertained when the contract is issued, **and**
 2. The contract has a single maturity or exercise date with respect to which all amounts (other than any upfront payment or any periodic payments) are required to be calculated with respect to the underlying security. A contract has a single exercise date even though it may be exercised by the holder at any time on or before the stated expiration of the contract.

Instruments potentially in scope

- Swaps (total return and price return)
- Contracts for differences (“CFDs”)
- Options
- Forwards and Futures
- Convertible bonds (dividend equivalents subject to withholding under section 305(c))
- PTPs (limited to certain PTPs with underlying US equities)
 - Only if the partnership is a dealer or trader in securities; has significant investments in securities (25% or more of the partnership’s assets or having a value over \$25m); or holds an interest in a lower-tier partnership that engages in either of the above activities.
 - Consider: Blockers under oil and gas PTPs
- Structured notes if interest payable on the notes is linked to U.S. equities, other than notes linked to certain qualified indices.

Simple contracts

- For simple contracts, delta is defined as the ratio of the change in the fair market value of a contract (*e.g.*, an NPC) to a “small change” in the fair market value of the number of shares of the underlying security referenced by the contract.
- Delta is generally tested at pricing/trade only. Modifications to contracts could result in a deemed re-issuance.
- Generally, delta is determined separately if the contract references more than one underlying security.
- Typical convertible bonds should be out of scope.
- Consider timing of issuance for listed options – EOD T-1.
- Delta One regime – 0.95 stop gap.

Complex contracts

- The temporary and proposed regulations articulate the substantial equivalence test applicable to testing complex transactions.
 1. Since the delta test may be inapplicable to complex contracts, the substantial equivalence test offers an alternative method.
 2. The substantial equivalent test looks to the relationship between the complex contract and its hedge and compares that to the relationship between an equivalent simple contract and its hedge.
 3. The substantial equivalence test assesses whether a complex contract substantially replicates the economic performance of the underlying security.
- If the expected change in value of the complex contract and its initial hedge is equal to or less than the expected change in value of the simple contract benchmark and its initial hedge when the substantial equivalence test is computed, the transaction is a section 871(m) transaction.

Withholding on dividend equivalent payments

- **Which Payment?** The gross amount referencing a US-source dividend is used to compute the net amount paid
- A short party has made a dividend equivalent payment even if there is no cash or no net payment to the long party because of a contractual offset
- A transaction that makes a payment in respect of an estimated dividend OR a transaction that makes allowance for an implicit dividend is considered to have a dividend equivalent payment
- **When?** Considered paid on the earlier of the record date and the day prior to the ex-dividend date, regardless of when the contract gives credit for the dividend. QDDs must use div payment date.
- **Amount?** Amount of the dividend equivalent payment is:
 - For “simple contracts”, the number of referenced shares times the actual dividend times the delta for the transaction
 - For “complex contracts”, the actual or estimated dividend multiplied by the number of shares of the
- **Rate?** 30% statutory withholding rate unless an applicable tax treaty provides a lower rate, subject to FATCA status.

Other rules and presumptions

Exceptions from Withholding

1	Qualified Indices	A “ qualified index ” is a passive, diversified index of publicly traded securities that meets rigorous criteria set forth by the regulations
2	Due Bills	Tax law does not treat certain due bill payments as dividends
3	M&A Transactions	Exempt, if dividend equivalent payments made to one or more long parties that are obligated to acquire more than 50% of the value of the underlying corporation
4	Partnerships	Exempt, unless the partnership is in the business of dealing/trading in securities as tested by the regulations. MLPS??
5	Other	<ul style="list-style-type: none">• S.305 dividends – overage?• Life insurance and annuities• Employee compensation

Payment Rule

“**Payment**” is defined as the later of when:

- A** The amount of the dividend equivalent is determined **or**
- B** A payment occurs

“Payment occurs” when:

- Money is paid to or by the long party, including upon the sale, disposition, maturity, or termination of a derivative or the cashless lapse of an option
 - Premiums and upfront payments *by the long party to the short party* are not considered “payments”.
 - In the case of an index or basket with 25 or more securities, the short party may treat the dividends with respect to the underlying securities as paid at the end of the applicable calendar quarter to compute the per-share dividend amount.

Qualified Index

- A qualified index is not treated as an underlying security, if:
 1. References 25 or more component securities (which may include foreign securities);
 2. References only long positions (subject to *de minimis* exception);
 3. No component underlying security is > 15% and no five or fewer component underlying securities together are > 40%;
 4. Modified/rebalanced according to publicly stated, predefined criteria;
 5. Does not provide previous year dividend yield > 1.5x the dividend yield of S&P 500 Index for previous calendar year;
 6. Is traded through futures or option contracts on an SEC registered exchange, CFTC designated domestic board of trade, or certain limited foreign exchanges or boards of trade; and
 7. Determination made on first business day of the calendar year in which the transaction is issued.

Combination rule

- ***For NOW*** – *The Combo Rule is applicable to Long Parties. Short parties/withholding agents have a limited rule for only OTC trades priced, marketed or sold together, unless actual knowledge is given.*
- Two or more transactions must be combined into a single transaction for determining the dividend equivalent if:
 1. Transactions are entered “in connection with” each other.
 2. Only long positions are combined.
 3. Combined to create the highest number of in scope transactions.
 4. Have to recalculate delta/substantial equivalence test.
 5. Once combined, always combined.
- IRS will presume trades less than two days apart and on the long party’s same book as combined unless proven otherwise.
- Status going forward??

Other presumptions for the combination rule

Anti – Abuse Rule:

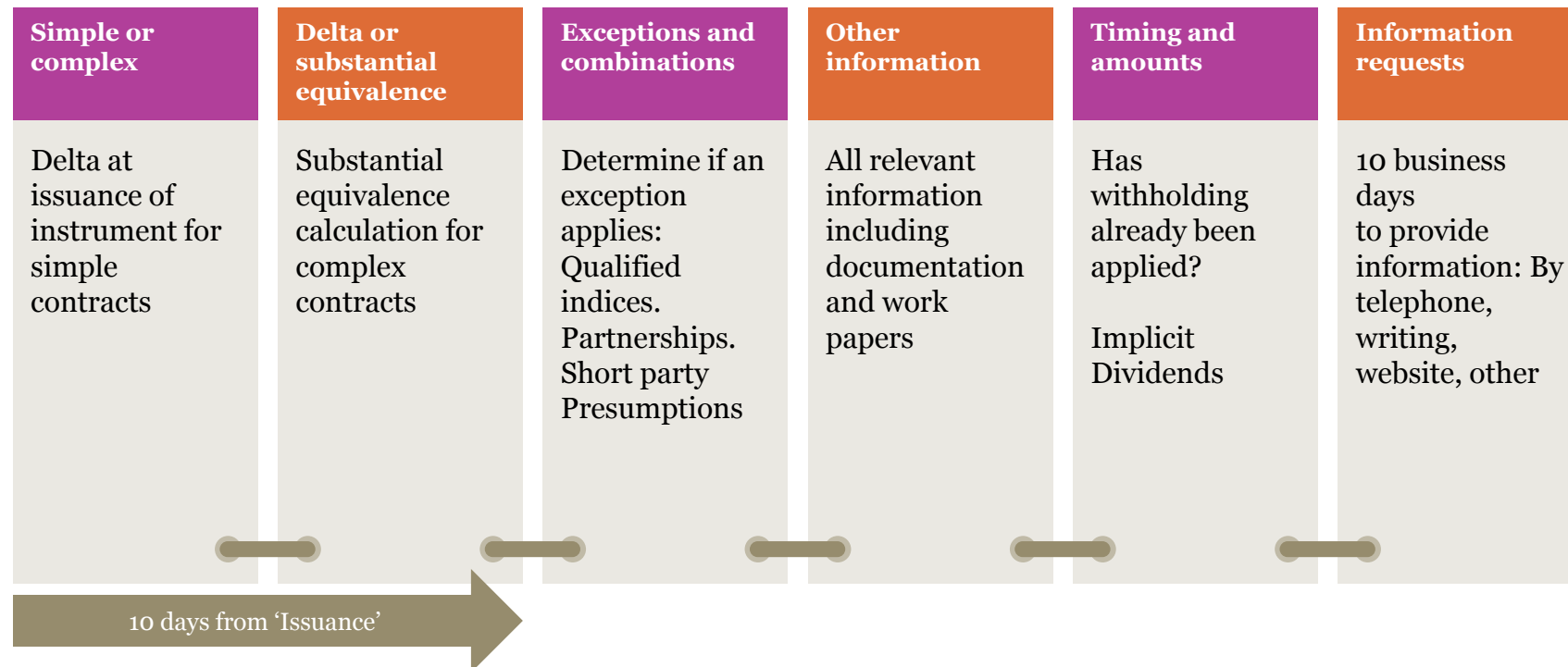
If a taxpayer (directly or through the use of a related person within the meaning of section 267(b) or section 707(b)) acquires (whether by entering into, purchasing, accepting by transfer, by exchange, or by conversion, or otherwise acquiring) or disposes of (whether by sale, offset, exercise, termination, expiration, maturity, or other means) a transaction or transactions with a principal purpose of avoiding the application of this section, the Commissioner may treat any payment (as described in paragraph (i) of this section) made with respect to that transaction or transactions as a dividend equivalent to the extent necessary to prevent the avoidance of this section. Therefore, notwithstanding any other provision of this section, the Commissioner may, for example, adjust the delta of a transaction, change the number of shares, adjust an estimated dividend amount, change the maturity, adjust the timing of payments, treat a transaction that references a partnership interest as referencing the assets of the partnership, combine, separate, or disregard transactions, indices, or components of indices to reflect the substance of the transaction or transactions, or otherwise depart from the rules of this section as necessary to determine whether the transaction includes a dividend equivalent or the amount or timing of a dividend equivalent. A purpose may be a principal purpose even though it is outweighed by other purposes (taken together or separately). When a withholding agent knows that the taxpayer acquired or disposed of a transaction or transactions with a principal purpose of avoiding the application of this section and the Commissioner treats a payment made with respect to any transaction as a dividend equivalent, the withholding agent may be liable for any tax pursuant to section 1461.

For 2017 and 2018 (expected 2019)

- Good faith effort will apply depending on facts and circumstances, including QDDs, and thus penalties would not apply if the standard applies. Interest?

Responsible party

- Several parties may be responsible for determining whether Section 871(m) applies.
- A broker or dealer is generally required to determine whether the transaction is subject to Section 871(m).
- The term “party to the transaction” includes an agent of the short party or long party as well as any person that acts as an intermediary.
- The responsible party maintains books and records for inspection by authorised IRS personnel.



Artificial Intelligence



Neil Bromberg

Principal,

Tax Technology and Transformation

EY



SIFMA CAS Tax Seminar 2018

**Artificial Intelligence and
The Future of Tax Operations**

14 September 2018



Artificial Intelligence – getting familiar with the term



Artificial intelligence (AI) is a label given to computing systems that exhibit some form of human intelligence. They are characterized by interacting in ways that seem 'natural' to humans and learning from those interactions



AI Growth and the FS Business Operation



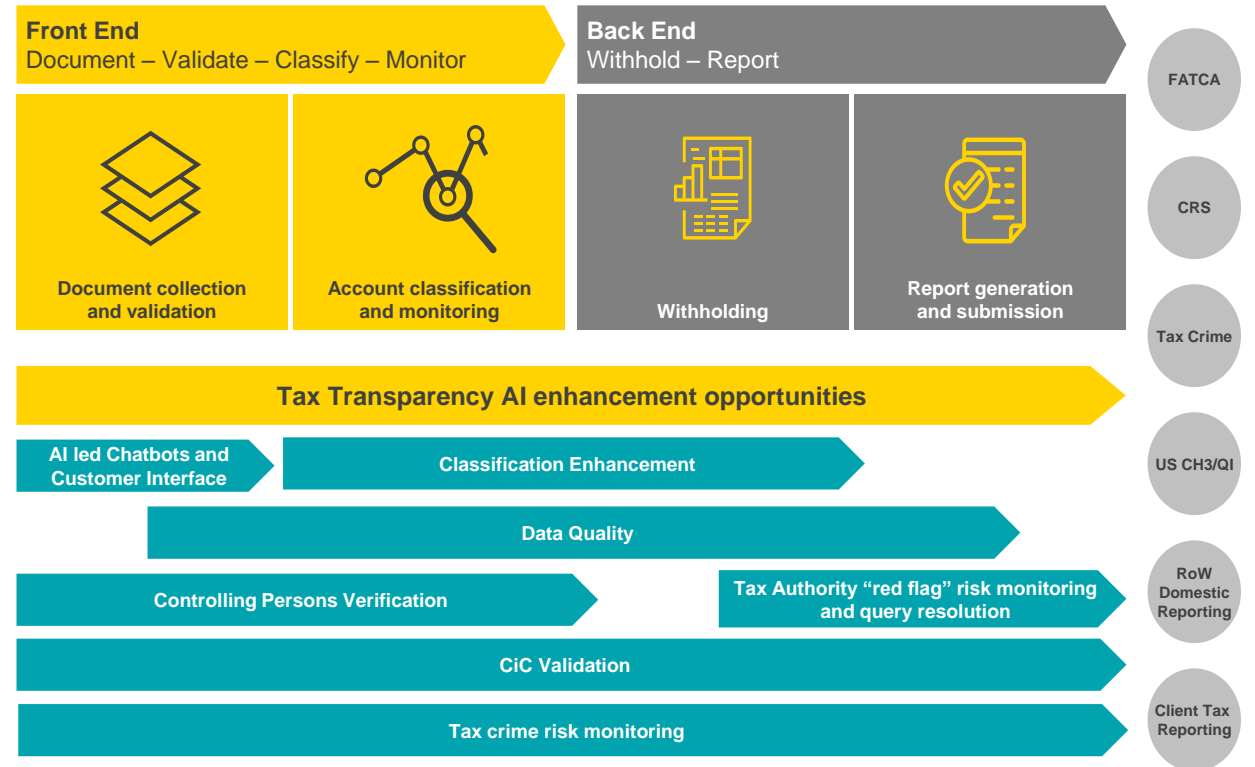
Artificial Intelligence – Tax Operations Opportunities and Benefits

Due to its global nature, Tax Transparency regulation has increased risk, cost and complexity in Tax Operations.

Tax Transparency AI provides new opportunities to manage risk and reduce costs across tax operations:

- ▶ Tax expertise embedded in AI models
- ▶ Low cost approaches
- ▶ Quick to get started
- ▶ Drives Productivity
- ▶ Data security
- ▶ Operating Model Options

Applying AI for Tax Operations can scale across many tax and business challenges





Artificial Intelligence is a major disruptive technology that can sense, reason, act and adapt – essentially a program that can execute a task that traditionally requires human intelligence. The ability for a machine to mimic human minds which is typically associated with our cognitive functions. Examples of the AI techniques we would deploy during the Hackathon are shown below:

Machine learning

Artificial Intelligence providing systems the ability to automatically learn and improve from experience without being explicitly programmed. Three main types – Supervised, Unsupervised and Reinforcement Learning.

Deep learning

A subset of Machine Learning that has networks which are capable of learning unsupervised from data that is unstructured or unlabeled. Uses neural networks to improve technologies such as visual and speech recognition and natural language processing.

Natural language processing

Artificial Intelligence that applies computational techniques to analyse and synthesize natural language and speech. Primarily concerned with the interactions between computers and human languages, enables the processing of large natural language datasets.

Anomaly detection algorithms

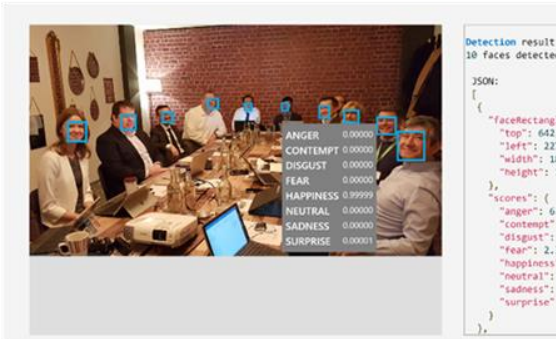
Artificial Intelligence to identify items, events or observations which do not conform to expected patterns or other items in a dataset. Three main approaches to detect anomalies - density base, distance based and model based.

AI data cleanse with third party API

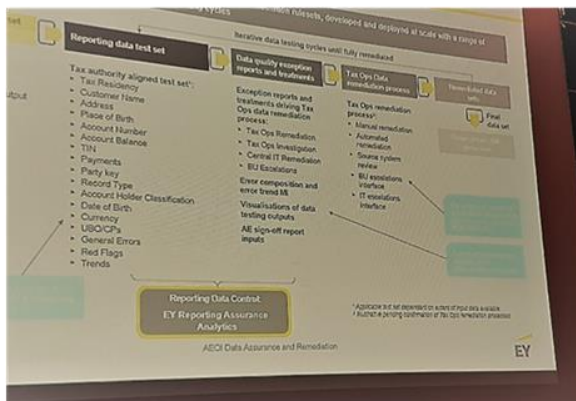
AI models designed to support large scale data remediation processes interrogating third party data sources with external APIs to enrich data sets and remediate identified data issues/anomalies.

Case Study – Developing a Tax AI Strategy at a Global Financial Services Firm

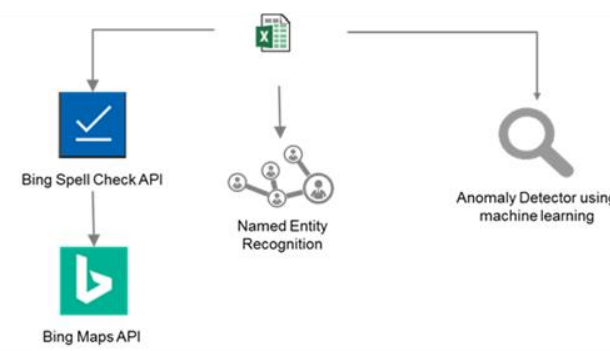
1. The team kicking off with discussing the business problem



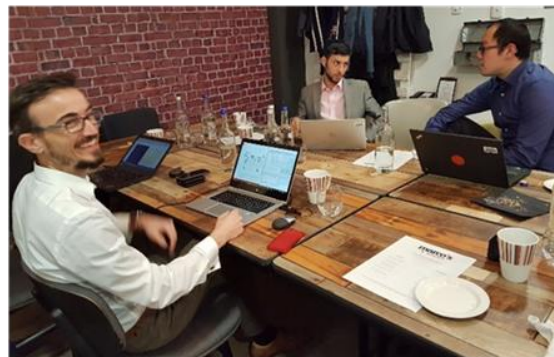
2. The team focus on the key data issues, e.g. address



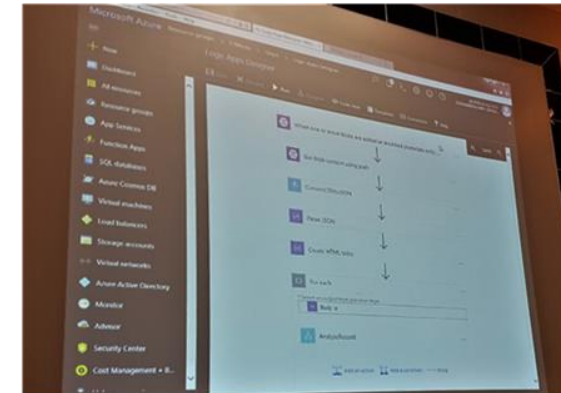
3. A brief discussion on which tools to use



4. Create the environments and begin experimenting



5. Using codeless apps to show the workflow orchestration



6. Play back of the results

Anomaly Detection

Address & Entity Validation

```

      "BuildingIdentifier": "15",
      "StreetName": "Brown Moor Road",
      "District": "YORK",
      "City": "YORKSHIRE",
      "PostCode": "",
      "Country": "GB",
      "verifiedAddress": {
        "townIdScore": "High",
        "standardizedAddress": "15 Moor Road, York, YO4 1, United Kingdom"
      }
    
```

Account Holder First Name	Account Holder Last Name	ML_ENTITY_NAME
Pippa	Churchill	PER
Pippa	Churchill	PER
Pippa	Churchill	PER
Pippa	Churchill	PER
Sue	Hunter	PER

Business Challenge: How can we better manage data to make risk detection and remediation faster and more efficient

Why is it hard today?

Many data sources...



...but which is right?

Many gaps...



..but how to complete?

Many attempts to automate...



...but how to manage the rules?

And the impact of error is high...



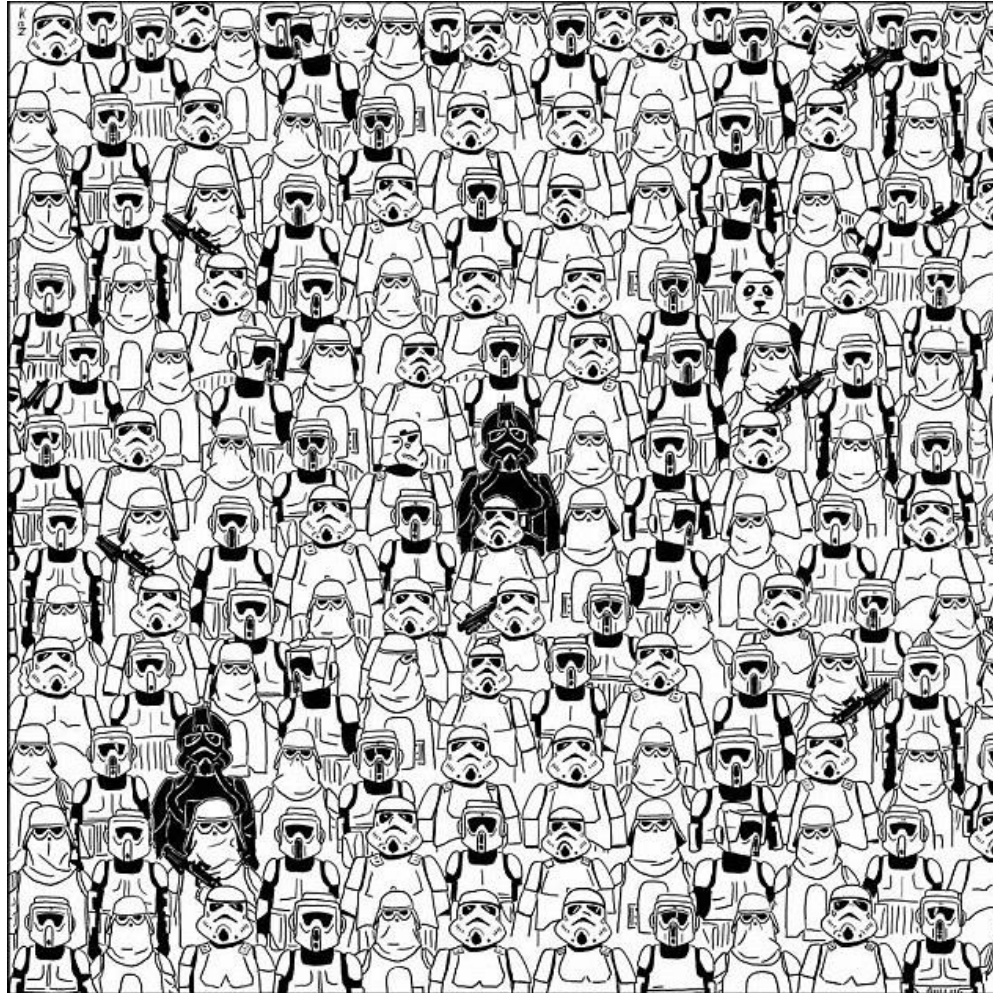
...but how to keep customers happy?

So we check it manually...

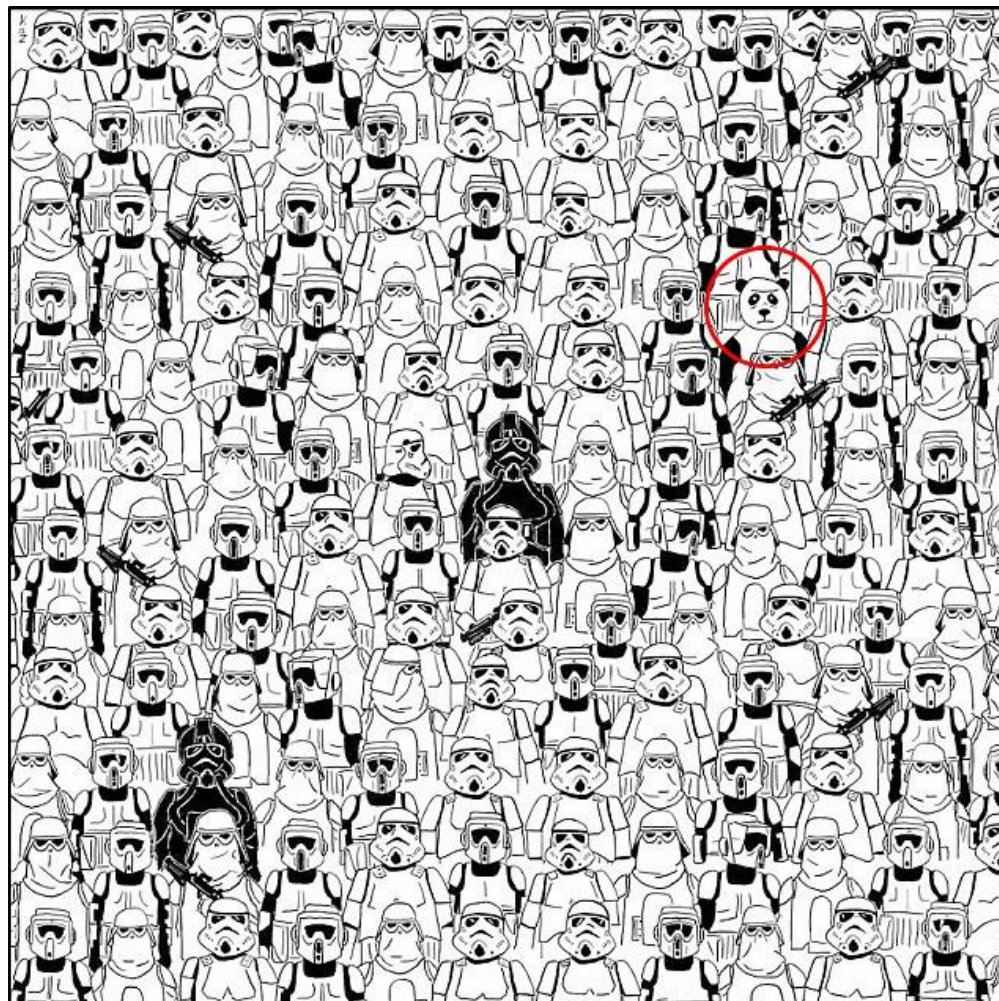


...but how to do it better?

Case Study: Data Quality



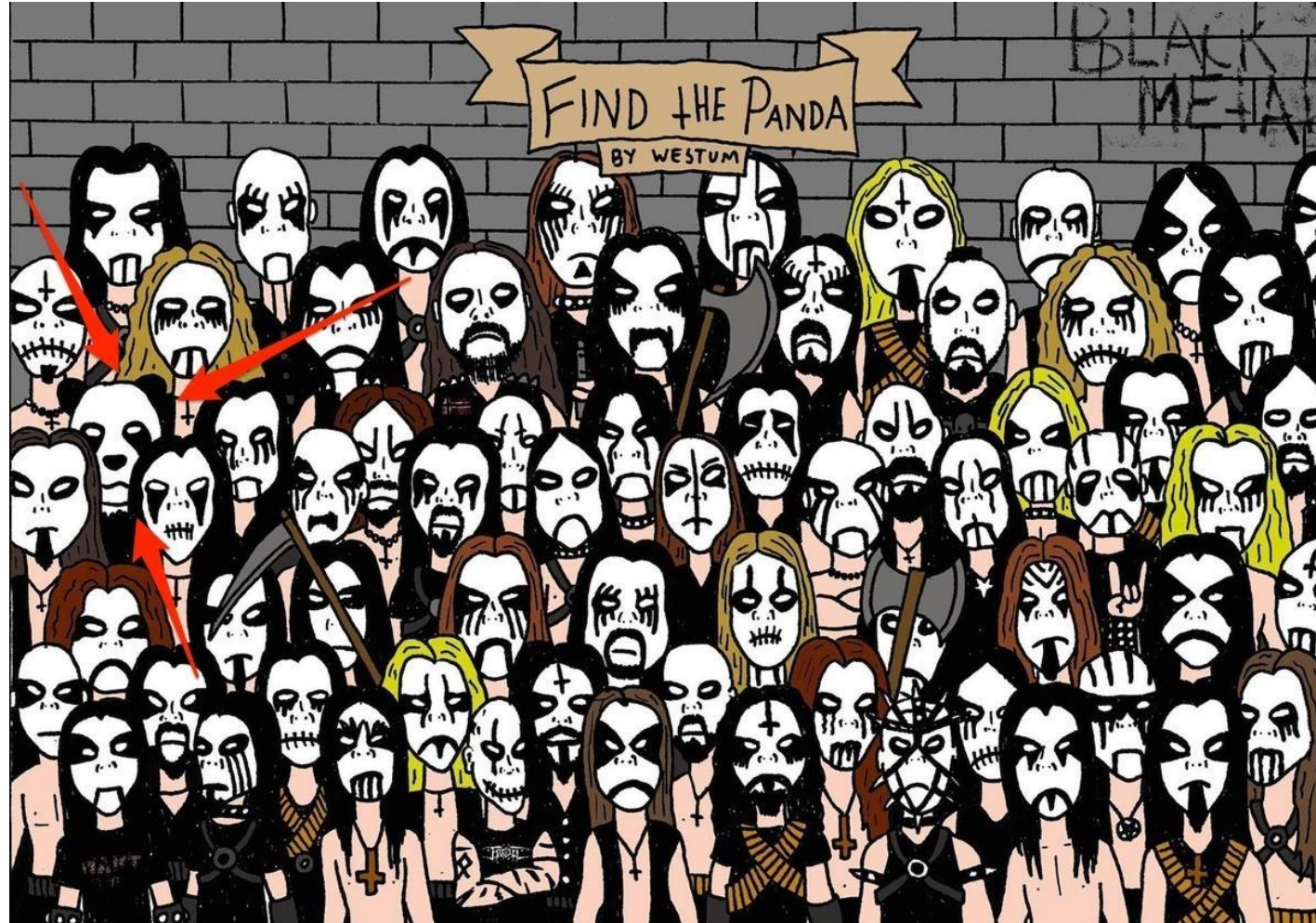
Case Study: Data Quality



Case Study: Data Quality



Case Study: Data Quality



Case Study: Data Quality

	A	B	C	E	F	G	H	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X
1	Legal Entity	Jurisdiction	Account Number	Account Status	FI TIN	First Name	Last Name	Building Identifier	Street Name	District Name	City	Postcode	Country	Date of Birth	Account Balanc	Bal Curr	Interest A	Interest Curr	Dividends A	Dividends Curr	Gross Proceed	Gross Prc
2	Reporting FI 11	Jersey	1000000	Open		2000000	Pippa	Churchill	7 Creakavose	ST. AUSTELL	MIAMI	33125	US	26/11/1981	17,807.00	GBP	1,424.56	GBP	534.21	GBP	712.28	GBP
3	Reporting FI 3	British Virgin Islands	1000008	Open		2000009	Una	Randall	Ashleah Long Lane	SELBY	NASHVILLE	37202	US	09/11/2007	19,022.00	USD	380.44	USD	760.88	USD	190.22	USD
4	Reporting FI 4	Jersey	1000009	Open		2000010	Amanda	Manning	29 Maythorn Road	YORK	ORLANDO	32803	US	19/02/1967	16,031.00	GBP	160.31	GBP	641.24	GBP	2,404.65	GBP
5	Reporting FI 12	British Virgin Islands	1000009	Open		2000010	Amanda		29 Maythorn Road	YORK	ORLANDO	32803	US	19/02/1967	15,243.00	USD	914.58	USD	762.15	USD	2,286.45	USD
6	Reporting FI 3	Jersey	1000010	Open		2000011	Caroline	Skinner	7 Spenceleys Yard	WHITBY	NEW ORLEANS	70117	US	23/02/1995	17,100.00	GBP	1,368.00	GBP	684.00	GBP	2,052.00	GBP
7	Reporting FI 3	Jersey	1000010	Open		2000012	Jessica	Greene	173 Coldyhill Lane	SCARBOROUGH	MIAMI	33130	US	14/05/1970	17,100.00	GBP	1,368.00	GBP	684.00	GBP	2,052.00	GBP
8	Reporting FI 9	Malta	1000021	Open		2000026	Theresa	Paige	66 Courtneys	SELBY	NEW YORK	10021	US	25/07/1950	14,256.00	EUR	570.24	EUR	570.24	EUR	1,425.60	EUR
9	Reporting FI 7	Jersey	1000022	Open		2000027	Virginia	Abraham	1 Galtres Grove	YORK	MIAMI	33170	US	02/09/2014	19,557.00	UKP	1,955.70	GBP	2,933.55	GBP	8,409.51	GBP
10	Reporting FI 8	British Virgin Islands	1000022	Open		2000027	Virginia	Abraham	1 Galtres Grove	YORK	MIAMI	33170	US	02/09/2014	11,758.00	USD	235.16	USD	117.58	USD	470.32	USD
11	Reporting FI 12	Jersey	1000043	Open		2000053	Alexandra	Burgess	21 Hambleton Place	THRRSA	CHICAGO	60605	US	05/07/1933	17,740.00	GBP	354.80	GBP	177.40	GBP	1,419.20	GBP
12	Reporting FI 2	Singapore	1000052	Open		2000065	Deirdre	Wallace	62 Bedale Road	YORK	ORLANDO	32810	US	11/07/1954	11,290.00	SGD	677.40	SGD	564.50	SGD	338.70	SGD
13	Reporting FI 2	Singapore	1000052	Open		2000066	Lisa	Welch	2 Trenant Road	LOOE	NEW YORK	10038	US	27/11/1998	11,290.00	SGD	677.40	SGD	564.50	SGD	338.70	SGD
14	Reporting FI 6	Jersey	1000053	Open		2000067	Amy	Mackay	16 Whitby Drive	YORK	NASHVILLE	37207	US	04/01/1971	19,903.00	GBP	199.03	GBP	597.09	GBP	1,393.21	GBP
15	Reporting FI 2	UK	1000053	Open		2000067	Gmy		16 Whitby Drive	YORK	NASHVILLE	YYY	US	04/01/1971	12,867.00	USD	13,253.01	USD	6,304.83	USD	13,124.34	USD
16	Reporting FI 12	Jersey	1000065	Open		2000081	Theresa	Lawrence	56 Haroldsway	YORK	MIAMI	33150	US	07/01/1974	14,749.00	GBP	442.47	GBP	147.49	GBP	884.94	GBP
17	Reporting FI 2	UK	1000084	Open		2000105	Gophie		30 Venn Grove	PLYMOUTH	ORLANDO	AAA	US	04/01/1971	12,867.00	USD	13,253.01	USD	6,304.83	USD	13,124.34	USD
18	Reporting FI 12	Singapore	1000095	Open		2000118	Faith		122 Mill Falls	DRIFFIELD	NEW ORLEANS	70112	US	05/07/1933	10,649.00	SGD	851.92	SGD	106.49	SGD	1,064.90	SGD
19	Reporting FI 12	British Virgin Islands	1000104	Open		2000128	Rose	Walker	The Residence Bishophorpe Road	YORK	LOS ANGELES	90077	US	21/03/1998	16,805.00	USD	504.15	USD	336.10	USD	1,680.50	USD
20	Reporting FI 12	Jersey	1000105	Open		2000129	Natalie	Wright	45 Gosliggate	PICLERINA	NEW YORK	10003	US	05/07/1933	17,740.00	GBP	354.80	GBP	177.40	GBP	1,419.20	GBP
21	Reporting FI 9	British Virgin Islands	1000105	Open		2000129	Natalie	Wright	45 Gosliggate	PICLERINA	ORLANDO	32830	US	05/07/1933	15,884.00	USD	476.52	USD	317.68	USD	1,747.24	USD
22	Reporting FI 3	British Virgin Islands	1000114	Open		2000140	Sarah	James	26 Raglan Gardens	PLYMOUTH	NASHVILLE	37220	US	26/01/1959	17,339.00	USD	173.39	USD	866.95	USD	2,427.46	USD
23	Reporting FI 10	Jersey	1000115	Open		2000141	Jennifer	Jones	55 Hillcrest Avenue	YORK	MIAMI	33150	US	21/03/1998	19,730.00	GBP	1,578.40	GBP	197.30	GBP	789.20	GBP
24	Reporting FI 12	British Virgin Islands	1000115	Open		2000141	J	Jones	55 Hillcrest Avenue	YORK	MIAMI	45	US	21/03/1998	16,805.00	USD	504.15	USD	336.10	USD	1,680.50	USD
25	Reporting FI 2	Jersey	1000116	Open		2000142	Zoe	Lyman	1 Britcheson Close	PLYMOUTH	NEW ORLEANS	70115	US	17/12/1937	15,070.00	GBP	301.40	GBP	452.10	GBP	1,205.60	GBP
26	Reporting FI 10	UK	1000125	Open		2000153	Roberts		1 KPr CrescenX	YORK	NASHVILLE	XX1	US	21/03/1998	19,730.00	GBP	26,635.50	GBP	197.30	GBP	789.20	GBP
27	Reporting FI 8	British Virgin Islands	1000125	Closed		2000153	Roberts		1 KPr CrescenX	YORK	NASHVILLE	XX1	US	21/03/1998	10,089.00	USD	504.45	USD	302.67	USD	1,008.90	USD
28	Reporting FI 9	Jersey	1000135	Open		2000165	Leah	MacDonald	371 Taunton Avenue	PLYMOUTH	ORLANDO	32822	US	13/03/1983	13,924.00	GBP	278.48	GBP	139.24	GBP	1,531.64	GBP
29	Reporting FI 1	British Virgin Islands	1000135	Open		2000165	L	MacDonald	371 Taunton Avenue	PPYMZUTH	ORLANDO	32822	US	13/03/1983	19,972.00	GBP	1,198.32	GBP	199.72	USD	29,558.56	USD
30	Reporting FI 1	Jersey	1000136	Open		2000166	Bernadette	Peters	70 Aldborough Way	YORK	PHOENIX	85045	US	25/12/1930	18,049.00	GBP	360.98	GBP	360.98	GBP	360.98	GBP
31	Reporting FI 4	Jersey	1000137	Open		2000167	Nicola	Avery	The Old Barn Back Lane	SCARBOROUGH	NEW YORK	10006	US	21/08/1986	10,345.00	GBP	611.10	GBP	203.70	GBP	916.65	GBP
32	Reporting FI 9	British Virgin Islands	1000147	Open		2000180	Andrea	Watson	31b Little Trelower Pt	ST. AUSTELL	CHICAGO	60634	US	02/05/1984	10,785.00	USD	754.95	USD	539.25	USD	970.65	USD
33	Reporting FI 5	UK	1000147	Open		2000179	R	Rees	10 Tregonissey Road	ST. AUSTELL	MIAMI		US	06/09/1945	15,953.00	EUR	957.18	EUR	797.65	EUR	22,174.67	EUR
34	Reporting FI 7	Jersey	1000157	Closed		2000193	Megan	Terry	52 Kestell Parc	BODMIN	NASHVILLE	37219	US	12/08/1961	16,620.00	GBP	1,495.80	GBP	831.00	GBP	2,326.80	GBP
35	Reporting FI 7	Jersey	1000158	Open		2000194	Vanessa	BlaQe	66 Milehouse Road	PLYMOUTH	NEW ORLEANS	70116	US	04/06/1968	17,556.00	GBP	175.56	GBP	702.24	GBP	2,282.28	GBP
36	Reporting FI 7	Jersey	1000158	Open		2000195	Allison	Gill	45 Upper Chapel	LAUNCESTON	LOS ANGELES	90065	US	18/09/1963	17,556.00	GBP	175.56	GBP	702.24	GBP	2,282.28	GBP
37	Reporting FI 5	Malta	1000166	Open		2000204	Diana	Hemmings	36 Sunrising	LOOE	ORLANDO	32815	US	24/10/1965	14,097.00	EUR	563.88	EUR	281.94	EUR	1,268.73	EUR
38	Reporting FI 2	Jersey	1000167	Open		2000205	RarE	CampQll	Church Farm	O MAATON	NEW YORK	10027	US	16/12/1986	14,778.00	UKP	1,330.02	GBP	738.90	GBP	295.56	GBP
39	Reporting FI 2	Jersey	1000167	Open		2000206	Stephanie	Fraser	Virginia House Fore Street	ST. AUSTELL	NASHVILLE	37215	US	15/04/1976	14,778.00	UKP	1,330.02	GBP	738.90	GBP	295.56	GBP
40	Reporting FI 12	Jersey	1000177	Open		2000217	Carolyn	Ince	80 Devonport Road	PLYMOUTH	MIAMI	33160	US	18/05/1956	18,690.00	GBP	1,869.00	GBP	934.50	GBP	373.80	GBP
41	Reporting FI 6	UK	1000177	Open		2000217	Carolyn	InQe	80 Devonport Road	PLYAOUTH	MIAMI	33160	US	18/05/1956	19,184.00	UKP	191.84	USD	3,261.28	USD	575.52	USD
42	Reporting FI 4	Malta	1000177	Open		2000217	Carolyn	InQe	80 Devonport Road	PLYAOUTH	MIAMI	33160	US	18/05/1956	16,340.00	EUR	1,143.80	EUR	490.20	EUR	163.40	EUR
43	Reporting FI 10	Jersey	1000178	Open		2000218	Rachel	Lawrence	22 Shakespeare Road	PLYMOUTH	PHOENIX	85055	US	16/02/2006	18,477.00	GBP	184.77	GBP	739.08	GBP	2,032.47	GBP
44	Reporting FI 8	British Virgin Islands	1000188	Open		2000229	Rachel	Terry	5 Hill Path	PLYMOUTH	ORLANDO		US	18/05/1956	14,311.00	USD	429.33	USD	429.33	USD	143.11	USD
45	Reporting FI 9	Jersey	1000198	Open		2000240	Tracey	Skinner	7 Tremayne House Park Drive	BODMIN	NEW YORK	10017	US	13/03/1983	13,924.00	GBP	278.48	GBP	139.24	GBP	1,531.64	GBP
46	Reporting FI 1	British Virgin Islands	1000198	Open		2000240	T	Skinner	7 Tremayne House Park Drive	BODMIN	NASHVILLE	7	US	13/03/1983	19,972.00	GBP	1,198.32	GBP	199.72	USD	29,558.56	USD
47	Reporting FI 3	Jersey	1000199	Open		2000241	Lisa	Slater	9 Rees Close	YORK	ORLANDO	32814	US	13/06/2009	10,572.00	GBP	740.04	GBP	528.60	GBP	317.16	GBP
48	Reporting FI 5	British Virgin Islands	1000208	Open		2000251	Jennifer	Johnston	9 Throvenby Lane	SCARBOROUGH	MIAMI	33178	US	17/10/1944	14,031.00	USD	280.62	USD	280.62	USD	841.86	USD
49	Reporting FI 3	Malta	1000208	Open		2000251	Jennifer	Johnston	9 Throvenby Lane	SCARBOROUGH	MIAMI	33178	US	17/10/1944	15,125.00	EUR	605.00	EUR	302.50	EUR	605.00	EUR
50	Reporting FI 8	Jersey	1000209	Open		2000252	P	Young	18 Exeter Street	LAUNCESTON	NEW ORLEANS	70116	US	20/03/2004	12,642.00	GBP	758.52	GBP	1,643.46	GBP	758.52	GBP
51	Reporting FI 8	Jersey	2000253	Open		2000253	Caroline	Russell	69 Fostergate	SELBY	LOS ANGELES	90012	US	18/12/1980	12,642.00	GBP	758.52	GBP	1,643.46	GBP	758.52	GBP
52	Reporting FI 8	Malta	1000218	Open		2000262	Wendy	Chapman	164 Dudley Road	PLYMOUTH	ORLANDO	32823	US	10/10/2004	18,156.00	EUR	363.12	EUR	544.68	EUR	1,634.04	EUR
53	Reporting FI 5	Jersey	1000219	Open		2000263	Dorothy	Oliver	Whixley Grange Farm Boroughbridge Road	YORK	MIAMI	33159	US	17/10/1944	18,584.00	GBP	185.84	GBP	929.20			

Case Study: Data Quality

A	B	C	E	F	G	H	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB			
1	Legal Entity	Jurisdiction	Account Number	Account Stat	FI TIN	First Name	Last Name	Building Identifier	Street Name	District Name	City	Postcode	Country	Date of Birth	Account Balanc	Bal Curr	Interest Amo	Interest Curre	Dividends Am	Dividends Curr	Gross Proceeds	Gross Procee	Anomaly Label	Remediation Reco	Confidence I		
2	Reporting FI 11	Jersey	1000000	Open	2000000	Pippa	Churchill	7 Creakavose	ST. AUSTELL	MIAMI	33125	US	26/11/1981	17,807.00	GBP	1,424.56	GBP	534.21	GBP	712.28	GBP						
3	Reporting FI 3	British Virgin Islands	1000008	Open	2000009	Una	Randall	Ashleah	Long Lane	SELBY	NASHVILLE	37202	US	09/11/2007	19,022.00	USD	380.44	USD	760.88	USD	190.22	USD					
4	Reporting FI 4	Jersey	1000009	Open	2000010	Amanda	Manning	29 Maythorn Road	YORK	ORLANDO	32803	US	19/02/1967	16,031.00	GBP	160.31	GBP	641.24	GBP	2,404.65	GBP						
5	Reporting FI 12	British Virgin Islands	1000010	Open	2000010	Amanda		29 Maythorn Road	YORK	ORLANDO	32803	US	19/02/1967	15,243.00	USD	914.58	USD	762.15	USD	2,286.45	USD	Negative Account Balance	LastName set to null	Manning	0.95		
6	Reporting FI 3	Jersey	1000010	Open	2000011	Caroline	Skinner	7 Spenceleys Yard	St. Annes Staith	WHITBY	NEW ORLEANS	70117	US	23/02/1995	17,100.00	GBP	1,368.00	GBP	684.00	GBP	2,052.00	GBP					
7	Reporting FI 3	Jersey	1000010	Open	2000012	Jessica	Greene	173 Coldyhill Lane	SCARBOROUGH	MIAMI	33130	US	14/05/1970	17,100.00	GBP	1,368.00	GBP	684.00	GBP	2,052.00	GBP						
8	Reporting FI 9	Malta	1000021	Open	2000026	Theresa	Paige	66 Courtneys	SELBY	NEW YORK	10021	US	25/07/1950	14,256.00	EUR	570.24	EUR	570.24	EUR	1,425.60	EUR						
9	Reporting FI 7	Jersey	1000022	Open	2000027	Virginia	Abraham	1 Galtres Grove	YORK	MIAMI	33170	US	02/09/2014	19,557.00	UKP	1,955.70	GBP	2,933.55	GBP	8,409.51	GBP	Dividend out of range	Account Invalid currency	Redemptio	GBP	0.99	
10	Reporting FI 8	British Virgin Islands	1000022	Open	2000027	Virginia	Abraham	1 Galtres Grove	YORK	MIAMI	33170	US	02/09/2014	11,758.00	USD	235.16	USD	117.58	USD	470.32	USD						
11	Reporting FI 12	Jersey	1000043	Open	2000053	Alexandra	Burgess	21 Hambleton Place	THRRSA	CHICAGO	60605	US	05/07/1933	17,740.00	GBP	354.80	GBP	1,419.20	GBP	1,419.20	GBP	DistrictName spelling change		Thomas	0.9		
12	Reporting FI 2	Singapore	1000052	Open	2000065	Deirdre	Wallace	62 Bedale Road	YORK	ORLANDO	32810	US	11/07/1954	11,290.00	SGD	677.40	SGD	564.50	SGD	338.70	SGD						
13	Reporting FI 2	Singapore	1000052	Open	2000066	Lisa	Welch	2 Trenant Road	LOOE	NEW YORK	10038	US	27/11/1998	11,290.00	SGD	677.40	SGD	564.50	SGD	338.70	SGD						
14	Reporting FI 6	Jersey	1000053	Open	2000067	Amy	Mackay	16 Whitby Drive	YORK	NASHVILLE	37207	US	04/01/1971	19,903.00	GBP	199.03	GBP	597.09	GBP	1,393.21	GBP						
15	Reporting FI 2	UK	1000053	Open	2000067	Gmy		16 Whitby Drive	YORK	NASHVILLE	YYY	US	04/01/1971	12,867.00	USD	13,253.01	USD	6,304.83	USD	13,124.34	USD	Redemption out of range	LastName set to null	FirstName	37011	0.95	
16	Reporting FI 4	Jersey	1000065	Open	2000081	Theresa	Lawrence	56 Haroldsway	YORK	MIAMI	33150	US	07/01/1974	14,749.00	GBP	442.47	GBP	147.49	GBP	884.94	GBP						
17	Reporting FI 2	UK	1000084	Open	2000105	Gophie		30 Venn Grove	PLYMOUTH	ORLANDO	AAA	US	04/01/1971	12,867.00	USD	13,253.01	USD	6,304.83	USD	13,124.34	USD	Redemption out of range	LastName set to null	FirstName	Sophie 32789	0.86	
18	Reporting FI 12	Singapore	1000095	Open	2000118	Faith		122 Mill Falls	DRIFFIELD	NEW ORLEANS	70112	US	05/07/1933	10,649.00	SGD	851.92	SGD	106.49	SGD	319.47	SGD						
19	Reporting FI 12	British Virgin Islands	1000104	Open	2000128	Rose	Walker	The Residence	Bishopthorpe Road	YORK	LOS ANGELES	90077	US	21/03/1998	16,805.00	USD	504.15	USD	336.10	USD	1,680.50	USD					
20	Reporting FI 12	Jersey	1000105	Open	2000129	Natalie	Wright	45 Gosligate	PICLERINA	NEW YORK	10003	US	05/07/1933	17,740.00	GBP	354.80	GBP	1,419.20	GBP	1,419.20	GBP	DistrictName spelling change	Negative Account Balance	Pickering		0.85	
21	Reporting FI 9	British Virgin Islands	1000105	Open	2000129	Natalie	Wright	45 Gosligate	PICLERINA	ORLANDO	32830	US	05/07/1933	15,884.00	USD	476.52	USD	317.68	USD	1,747.24	USD	DistrictName spelling change		Pickering		0.9	
22	Reporting FI 3	British Virgin Islands	1000114	Open	2000140	Sarah	James	26 Raglan Gardens	PLYMOUTH	NASHVILLE	37220	US	26/01/1959	17,339.00	USD	173.39	USD	866.95	USD	2,427.46	USD						
23	Reporting FI 10	Jersey	1000115	Open	2000141	Jennifer	Jones	55 Hillcrest Avenue	YORK	MIAMI	33150	US	21/03/1998	19,730.00	GBP	1,578.40	GBP	197.30	GBP	789.20	GBP						
24	Reporting FI 12	British Virgin Islands	1000115	Open	2000141	J Jones		55 Hillcrest Avenue	YORK	MIAMI	45	US	21/03/1998	16,805.00	USD	504.15	USD	336.10	USD	1,680.50	USD	Incorrect postcode	FirstName reduced to an initial	Jennifer	33150	0.75	
25	Reporting FI 2	Jersey	1000116	Open	2000142	Zoe	Lyman	1 Britcheston Close	PLYMOUTH	NEW ORLEANS	70115	US	17/12/1937	15,070.00	GBP	301.40	GBP	452.10	GBP	1,205.60	GBP						
26	Reporting FI 10	UK	1000125	Open	2000153	Roberts		1 KFr CrescenX	YORK	NASHVILLE	XX1	US	21/03/1998	19,730.00	USD	26,635.50	GBP	197.30	GBP	789.20	GBP	Account No currency	FirstName set to null	StreetName	spa King Crescent 3701	0.9	
27	Reporting FI 8	British Virgin Islands	1000125	Closed	2000153	Roberts		1 KFr CrescenX	YORK	NASHVILLE	XX1	US	21/03/1998	10,089.00	USD	504.45	USD	302.67	USD	1,008.90	USD	FirstName set to null	StreetName spelling change	Incorrec	King Crescent 3701	0.97	
28	Reporting FI 9	Jersey	1000135	Open	2000165	Leah	MacDonald	371 Taunton Avenue	PLYMOUTH	ORLANDO	32822	US	13/03/1983	13,924.00	GBP	278.48	GBP	139.24	GBP	1,531.64	GBP						
29	Reporting FI 1	British Virgin Islands	1000135	Open	2000165	L	MacDonald	371 Taunton Avenue	PPYMZUTH	ORLANDO	32822	US	13/03/1983	19,972.00	GBP	1,198.32	GBP	199.72	USD	29,558.56	USD	DistrictName spelling change	Account No currency	Reder	Leah Plymouth GB	0.85	
30	Reporting FI 1	Jersey	1000136	Open	2000166	Bernadette	Peters	70 Aldborough Way	YORK	PHOENIX	85045	US	25/12/1930	18,049.00	GBP	360.98	GBP	360.98	GBP	360.98	GBP						
31	Reporting FI 4	Jersey	1000137	Open	2000167	Nicola	Avery	The Old Barn	Back Lane	SCARBOROUGH	NEW YORK	10006	US	21/08/1986	10,185.00	GBP	611.10	GBP	203.70	GBP	916.65	GBP					
32	Reporting FI 9	British Virgin Islands	1000147	Open	2000180	Andrea	Watson	31b Little Trelower Park	ST. AUSTELL	CHICAGO	60634	US	02/05/1984	10,785.00	USD	754.95	USD	539.25	USD	970.65	USD						
33	Reporting FI 5	UK	1000147	Open	2000179	R	Rees	10 Tregonissey Road	ST. AUSTELL	MIAMI		US	06/09/1945	15,953.00	EUR	957.18	EUR	797.65	EUR	22,174.67	EUR	FirstName reduced to an initial	Empty postcode	Redemptio	Rose 33151	0.88	
34	Reporting FI 7	Jersey	1000157	Closed	2000193	Megan	Terry	52 Kestell Parc	BODMIN	NASHVILLE	37219	US	12/08/1961	16,620.00	GBP	1,495.80	GBP	831.00	GBP	2,326.80	GBP						
35	Reporting FI 7	Jersey	1000158	Open	2000194	Vanessa	BlaOe	66 Milehouse Road	PLYMOUTH	NEW ORLEANS	70116	US	04/06/1968	17,556.00	GBP	175.56	GBP	702.24	GBP	2,282.28	GBP	LastName spelling change	Account No currency	Blaque	GBP	0.85	
36	Reporting FI 7	Jersey	1000158	Open	2000195	Allison	Gill	45 Upper Chapel	LAUNCESTON	LOS ANGELES	90065	US	18/09/1963	17,556.00	GBP	175.56	GBP	702.24	GBP	2,282.28	GBP	Account No currency				0.9	
37	Reporting FI 5	Malta	1000166	Open	2000204	Diana	Hemmings	36 Sunrisng	LOOE	ORLANDO	32815	US	24/10/1965	14,097.00	EUR	563.88	EUR	281.94	EUR	1,268.73	EUR						
38	Reporting FI 2	Jersey	1000167	Open	2000205	RarE	CampbQII	Church Farm	Sunny Hill	MAATON	NEW YORK	10027	US	16/12/1986	14,778.00	UKP	1,330.02	GBP	738.90	GBP	295.56	GBP	FirstName spelling change	LastName spelling change	Neg	Rose Campbell GB	0.97
39	Reporting FI 2	Jersey	1000167	Open	2000206	Stephanie	Fraser	Virginia House	Fore Street	ST. AUSTELL	NASHVILLE	37215	US	15/04/1976	14,778.00	UKP	1,330.02	GBP	738.90	GBP	295.56	GBP					
40	Reporting FI 12	Jersey	1000177	Open	2000217	Carolyn	Ince	80 Devonport Road	PLYMOUTH	MIAMI	33160	US	18/05/1956	18,690.00	GBP	1,869.00	GBP	934.50	GBP	373.80	GBP						
41	Reporting FI 6	UK	1000177	Open	2000217	Carolyn	InQe	80 Devonport Road	PLYAOUTH	MIAMI	33160	US	18/05/1956	19,184.00	UKP	191.84	USD	3,261.28	USD	575.52	USD	Dividend out of range	LastName spelling change	Negative Ince	Plymouth GBF	0.95	
42	Reporting FI 4	Malta	1000177	Open	2000217	Carolyn	InQe	80 Devonport Road	PLYAOUTH	MIAMI	33160	US	18/05/1956	16,340.00	EUR	1,143.80	EUR	490.20	EUR	163.40	EUR	LastName spelling change	DistrictName spelling change	Ince	Plymouth	0.95	
43	Reporting FI 10	Jersey	1000178	Open	2000218	Rachel	Lawrence	22 Shakespeare Road	PLYMOUTH	PHOENIX	85055	US	16/02/2006	18,477.00	GBP	184.77	GBP	739.08	GBP	2,032.47	GBP						
44	Reporting FI 8	British Virgin Islands	1000188	Open	2000229	Rachel	Terry	5 Hill Park	PLYMOUTH	ORLANDO		US	18/05/1956	14,311.00	USD	429.33	USD	143.11	USD		USD	Empty postcode			32815	0.86	
45	Reporting FI 9	Jersey	1000198	Open	2000240	Tracey	Skinner	7 Tremayne House	Park Drive	BODMIN	NEW YORK	10017	US	13/03/1983	13,924.00	GBP	278.48	GBP	139.24	GBP	1,531.64	GBP					
46	Reporting FI 1	British Virgin Islands	1000198	Open	2000240	T	Skinner	7 Tremayne House	Park Drive	BODMIN	NASHVILLE	7	US	13/03/1983	19,972.00	GBP	1,198.32	GBP	199.72	USD	29,558.56	USD	Incorrect postcode	Account No currency	Redemption out	c Tracey 37214 GBP	0.86
47	Reporting FI 3	Jersey	1000199	Open	2000241	Lisa	Slater	9 Rees Close	YORK	ORLANDO	32814	US	13/06/2009	10,572.00	GBP	740.04	GBP	528.60	GBP	317.16	GBP						
48	Reporting FI 5	British Virgin Islands	1000208	Open	2000251	Jennifer	Johnston	9 Throxenby Lane	SCARBOROUGH	MIAMI	33178	US	17/10/1944	14,031.00	USD	280.62	USD	280.62	USD	841.86	USD						

Artificial Intelligence and the Future of Tax Operations Our Challenger Offer - Tax AI Transformation

Art of The Possible

Business Challenge Hackathon

Transformation Delivery

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Networking Break

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Corporate Actions Section
SIFMA OPERATIONS & TECHNOLOGY SOCIETY

CAS Tax Seminar 2018

Embedded Loan & Liquidated Trust

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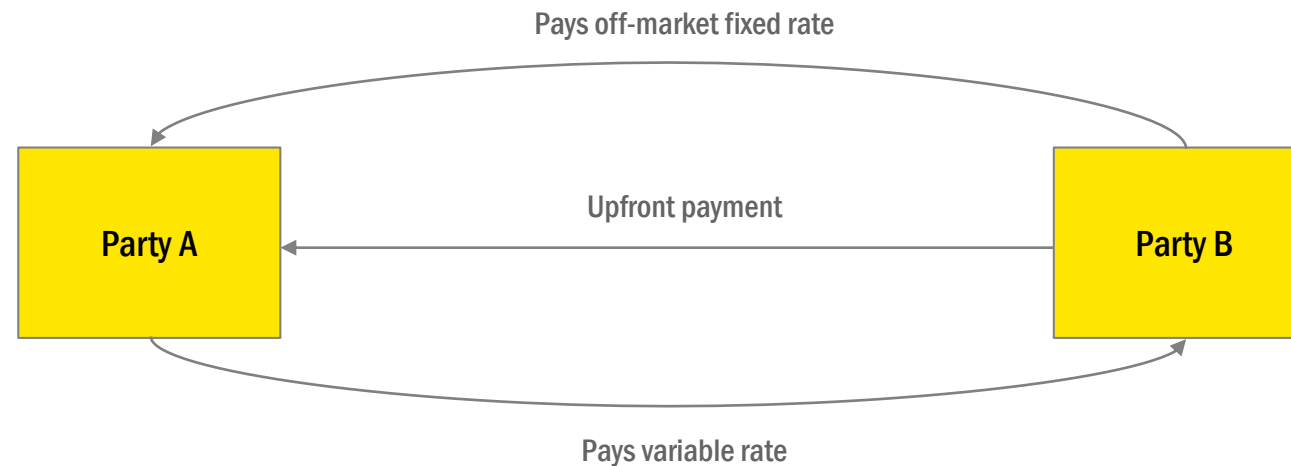


SIFMA Conference: Embedded loan rules and withholding requirements of a trust

September 2018

Overview of the Original Embedded Loan Rule

- ▶ The embedded loan rule was introduced to treat non-periodic payments made with respect to NPCs (aka swaps) as one or more loans
 - ▶ The payments are treated as loans because a party to the transaction is making a non-periodic payment to the counterparty to compensate for the off-market periodic payments.
 - ▶ The loan must be accounted for by the parties to the contract separately from the swap and the time-value component associated with the loan must be recognized as interest for all tax purposes.
- ▶ For example:

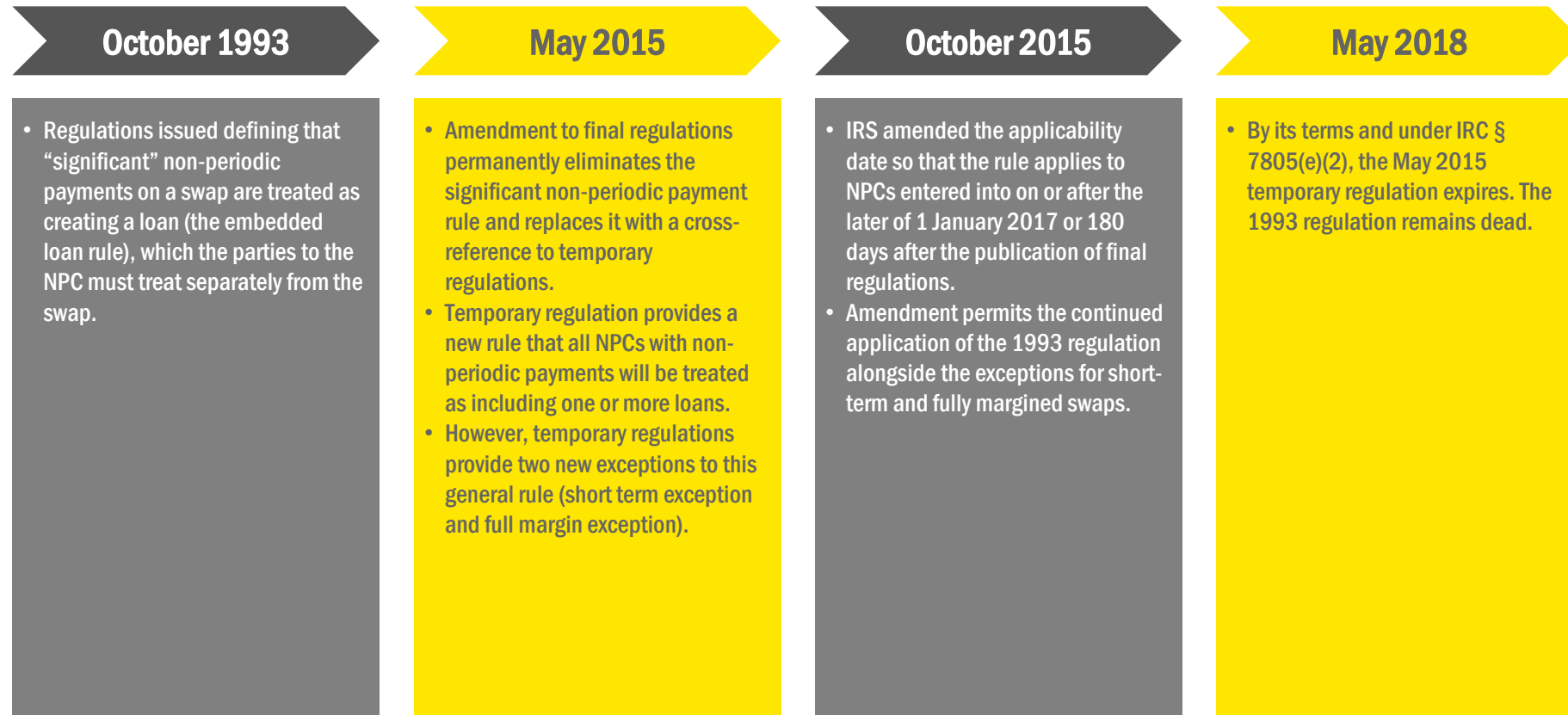


Tax Withholding and Reporting Obligations

- ▶ An NPC that is in scope for the indebted loan rule where an exception does not apply may require tax information reporting and withholding under Chapters 3, 4 or 61.
 - ▶ The tax characterization of the embedded loan interest payment is sourced to the tax domicile of the party who received the non-periodic payment.
 - ▶ For example:
 - ▶ If the party to the NPC that received the non-periodic payment is foreign then the embedded loan interest is characterized as foreign source interest payments whereas if the non-periodic payment was received by a U.S. person is characterized as U.S. source interest.
 - ▶ U.S. source interest is considered fixed or determinable annual or periodical (FDAP) income.
 - ▶ May be characterized as portfolio interest, thus no withholding (but reporting required).
 - ▶ If the recipient is not properly documented, 30% withholding applies.

History of the Regulations

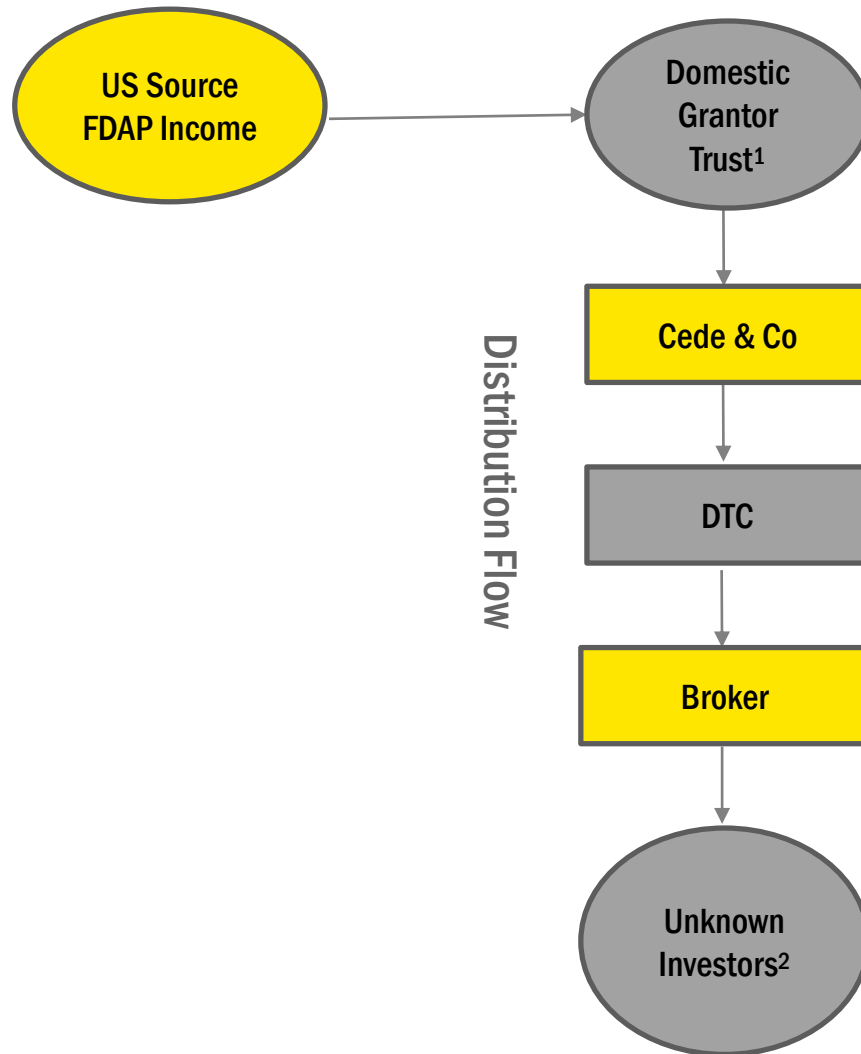
Below is a summary of how the regulations have evolved:



Effect of the Expiration

- ▶ The May 2015 regulation package eliminated the old significant non-periodic payment rule
- ▶ The temporary regulations in the May 2015 regulation package have expired (except arguably for the amendment made in October 2015)
- ▶ This means there is no operative regulation concerning non-periodic payments creating a hybrid swap-loan transaction
- ▶ The temporary regulations also act as a proposed regulation, meaning that the safe harbors likely can be relied upon
- ▶ For transactions outside the safe harbors, to the extent the economic substance of a transaction is an on-market swap and a loan, the IRS may take that position on audit
- ▶ Per se rule in temp regulations has transformed into a judgment call when the safe harbors do not apply

Grantor trust withholding responsibility under chapter 3/4

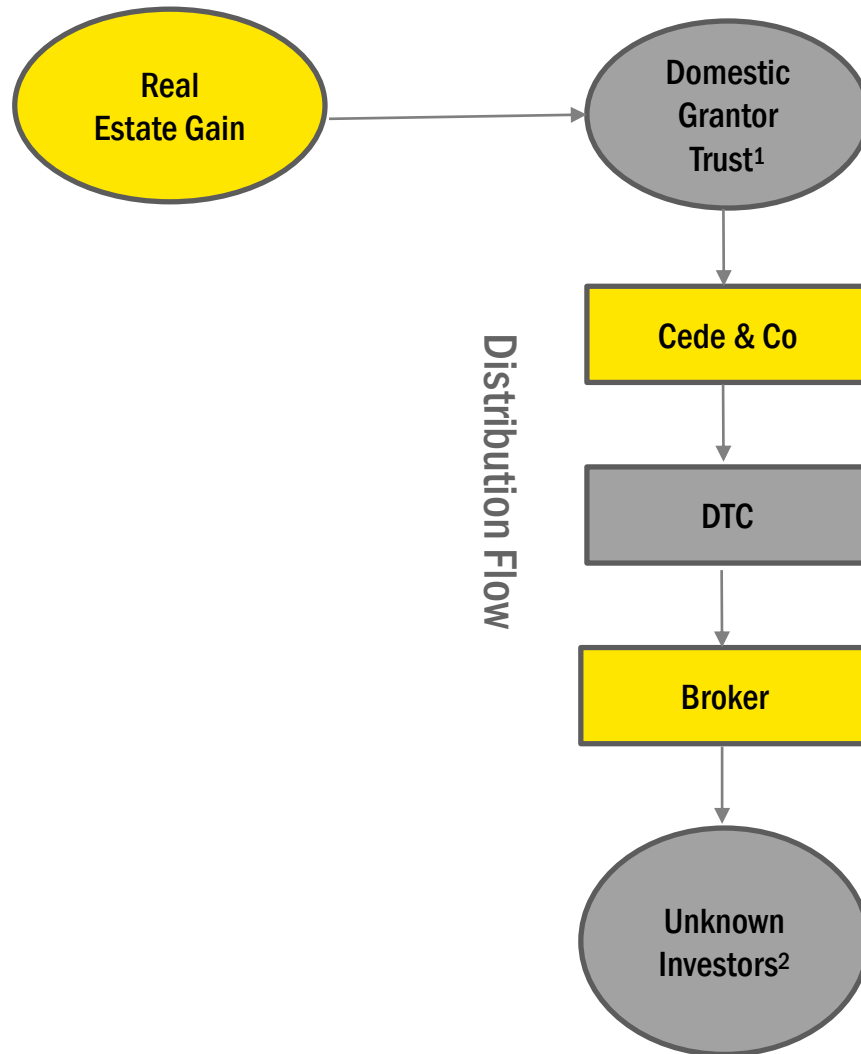


- Treas. Reg. §1.1441-5(b)(2)(iv) provides that a domestic grantor trust must withhold on FDAP allocable to foreign grantors “at the time the income is received by, or credited to, the trust.”
- **Issue:** The domestic grantor trust does not have insight into the unknown investors¹.
- There are potentially non-US beneficial owners (unknown investors) requiring withholding under the regulations.
- However, Treas. Reg. § 1.1441-1(b)(2)(ii) allows reliance on a USFI to withhold/report on a FDAP “payment” provided no reason to know “payment” is not reported/withheld upon.
 - **Considerations:**
 - Is there a payment? See Treas. Reg. § 1.1441-2(e)(1)
 - Would an “important notice” that the trust received FDAP income be sufficient?
 - What if there is no distribution?

Footnotes

1. Domestic grantor trust receives US source FDAP income
2. Ultimate beneficial owners

Grantor trust withholding responsibility under FIRPTA



- Treas. Reg. §1.1445-5(c)(1)(iv) provides that a trustee of domestic grantor trust must perform FIRPTA withholding on portions of real estate gain allocable to foreign grantors.
- **Same Issue:** The domestic grantor trust does not have insight into the unknown investors¹.
- But there is currently no guidance and/or authority addressing whether withholding responsibility can be passed down the chain.
 - There is no equivalent to the 1441 USFI reliance rule under section 1445.
 - Can the brokers take on the withholding responsibility?
 - How should the trustee treat these distributions from a withholding and reporting perspective?

Footnotes

1. Domestic grantor trust sells U.S. real estate to buyer
2. Ultimate beneficial owners

The Next Phase - FATCA & CRS



Jon Lakritz

Managing Director

PwC

SIFMA Corporate Actions Section 2018 Annual Tax Seminar

FATCA & CRS – The Next Phase

September 2018

Jon Lakritz, Managing Director

PwC

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding U.S. federal, state or local tax penalties

FATCA & CRS – What’s New and Ahead?

1. IRS Enforcement
2. IRS Regulatory Updates
3. IRS Policy Changes
4. IRS FATCA Portal
5. Common Reporting Standard (CRS)

TIGTA's Report on IRS FATCA Enforcement July 2018

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



***Despite Spending Nearly \$380 Million,
the Internal Revenue Service Is Still Not
Prepared to Enforce Compliance With the
Foreign Account Tax Compliance Act***

July 5, 2018

Reference Number: 2018-30-040

TIGTA Backup Withholding Report – Sept 2016

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



***Due to the Lack of Enforcement, Taxpayers
Are Avoiding Billions of Dollars in Backup
Withholding***

September 14, 2016

Reference Number: 2016-40-078

IRS Regulatory Updates

Transition Rules (mostly expired)

- Pre-existing account documentation grace period
- Sponsored FFIs relying on their sponsoring entity's GIIN
- Transitional FATCA statuses, such as limited FFIs, etc.
- Offshore accounts

.....But some remain

- Foreign TIN not needed on W-8BENs signed prior to 2018 (until end of 2019)
- FATCA withholding on gross proceeds – not effective until 1/1/19 (unless postponed)

...Other Developments and Policy Changes

Other Developments

- Withholding on sale of partnership interests
- Rate changes due to Tax Reform

Policy Changes

- Extrapolation to reflect “post-cure” results (new 60-day rule)
- Internal Revenue Manual expected to be updated – last updated July 2008 (pre-FATCA)

FATCA Portal

- Open for certifications (due December 15)
- Registered entities encouraged to provide more detail on portal

Common Reporting Standard (CRS)

- Contextual data to be required on schema
- CRS Model Mandatory Disclosure Rules for CRS Avoidance Arrangements
- Cayman may require compliance certifications
- Current status
 - Over 100 countries have adopted CRS
 - Various stages of development (e.g., enacting local legislation, issuing guidance notes, developing reporting capabilities)

Questions?

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DTCC Update



Ian DeSacia

*Director,
Settlement and Asset Services*
DTCC

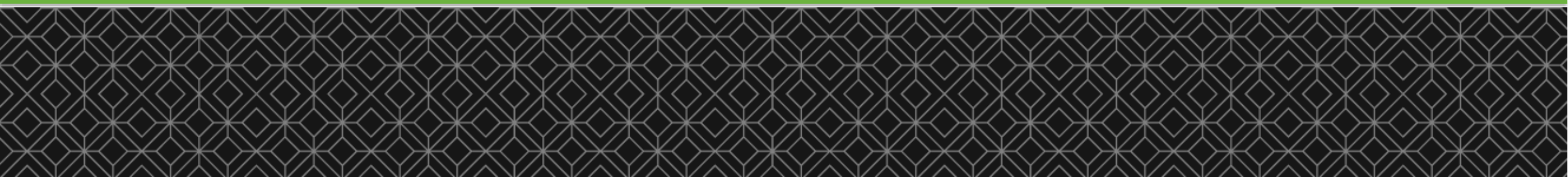


Planned Enhancements to DTCC's 871(m) Announcements

Ian DeSacia, DTCC

Settlement and Asset Services

September 14, 2018



Agenda

- Overview of DTCC's current 871(m) Announcement
- Planned enhancements to the 871(m) Announcement
- Rationale and detail of the planned enhancements
- Completed outreach and next steps

Internal Revenue Code Section 871(m)

- For DTC eligible securities, 871(m) generally applies to “equity linked instruments” that reference one or more ***underlying securities*** that could give rise to U.S. source dividends
 - generally exchange traded notes (“ETNs”) issued by financial institutions
 - 871(m) also applies to non-DTC eligible securities and contracts such as notional principal contracts, options, futures/forward contracts, and securities lending and repo transactions

Dividend Equivalent Payments (DEPs)

- DEPs are generally triggered on ETNs when an underlying U.S. equity pays a dividend
 - generally no cash or security entitlement to holders of the ETN at the time of the dividend equivalent payment
 - subject to withholding tax when paid or deemed paid to a non-resident alien
- DEPs create challenges including
 - determining when a DEP occurs,
 - calculating the amount of the DEP, and
 - how and when to perform tax withholding

DTCC's Current 871(m) Announcement

- DTC's 871(m) Announcement currently provides the timing and the amount of dividend equivalents
- In addition to providing the timing and amount of any dividend equivalent, responsible parties are also required to provide to the counterparty any other information necessary to comply with 871(m)

Planned Changes to the 871(m) Announcement

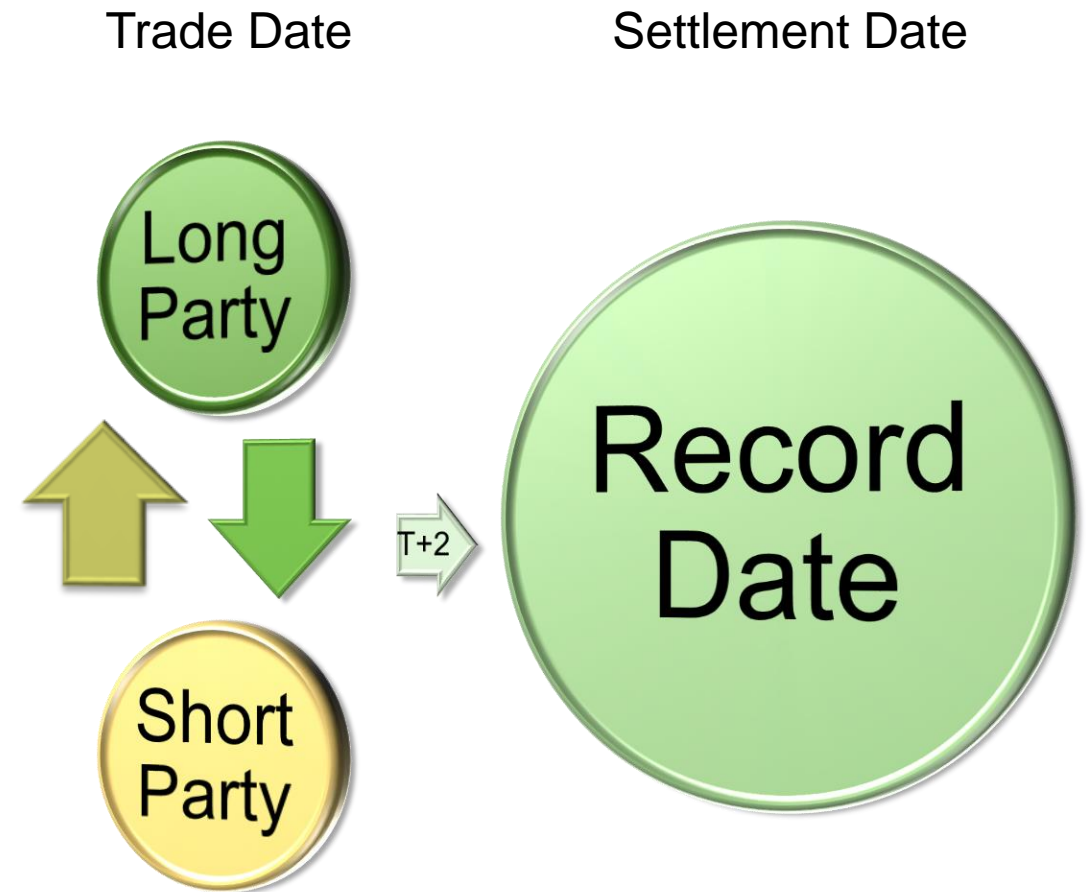
- Align position capture based on industry consensus for which investors are subject to withholding
 - consensus has been gained through SIFMA tax committee (pending comments through 9/21) and directly from discussions with Participants
- Provide payable date of underlying security which is relevant for firms that are performing cashless withholding pursuant to Reg 1.1441-2(e)(7)(iv)
- Provide transparency into underlying dividend event triggering dividend equivalents

Determining Who is Subject to Withholding

- The amount of a dividend equivalent is determined on the earlier of
 - the day prior to the ex-dividend date of the underlying security (regular way dividend), or
 - the record date of the underlying security (late ex)
- Regs effectively state that the long party's tax liability is determined based on beneficial owners at the time the dividend equivalent is determined
- Who is the long party?

Determination of the Long Party

- Consensus is that the long party is determined at the time the trade is executed
- Trades of exchange listed securities (e.g. ETNs) have a 2 day settlement cycle (T+2);
 - to capture purchasers at the time of trade execution, DTC needs to wait 2 days for the trade to settle
 - results in capturing holders as of the record date of the underlying security
- In circumstances in which the exchange sets the ex-date after the record date, DTC will also capture holders as of record date of the underlying security
 - aligns to revenue ruling 82-11



Timing to Perform Tax Withholding

- Withholding agents have the option to perform tax withholding either
 - on the date a cash payment is made (i.e. coupon payment, sale or transfer, redemption or termination), or
 - the withholding agent can perform “cashless” withholding on the payable date of the underlying security
 - if a withholding agent elects cashless withholding, it must withhold on that date for all section 871(m) transactions of the same type (for example, securities lending or sale-repurchase transaction, NPC, or ELI)

Planned Changes to the 871(m) Announcement

- Going to align the 871(m) Announcement with the dividend of the underlying security
- **Record date field** will be set to the record of the underlying security
 - date for capturing holders that DTC will withhold and report to on 1042-s
 - for a regular way dividend, the timing of the dividend equivalent would therefore be record date field minus 2 (ex-Dividend Date minus 1)
- **Payable date field** will be set to the payable date of the underlying security which is relevant for firms performing cashless withholding

Planned Changes to the 871(m) Announcement

- Additionally, the 871(m) Announcement will be enhanced with a link to the underlying dividend triggering the DEP, which will include all of the information of the underlying dividend*, including
 - Name of issuer
 - CUSIP
 - Ticker
 - Record date
 - Payable date
 - Amount of the underlying dividend

* Provided issuer provides underlying CUSIP

Feedback

- Received feedback from the SIFMA CAS Section, the SIFMA Tax Committee, and directly from Participants
 - any final comments from SIFMA Tax Committee due by 9/21/2018
- Feedback so far is that enhancements will meet firms needs
- Planned deployment in 1st quarter of 2019

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GlobeTax Update



Greggory Lewis

*Director, Depositary,
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GlobeTax



SIFMA CAS Tax Seminar: GlobeTax Updates

September 14, 2018



GLOBETAX

Agenda

- Trends
- Important Updates
- Additional Market Updates
- Withholding Tax Updates Newsletter
- Evolution of ESP
- Contact Information



Trends

- Increased tax authority scrutiny
 - More supporting documents are required
 - Audits more prevalent and more difficult to respond
 - Processes being reworked to prevent fraud
- Despite challenges, participation seems to be holding steady
- Increased industry collaboration (SIFMA, AFME, AGC, ISITC)
- Pre-registration processes seem to be our future reality
 - Denmark, Germany, Netherlands, Norway



Important Updates Norway



- Effective January 1, 2019
- Requires disclosure and documents
 - **Individuals**
 - COR, Declaration of Beneficiary, exemptions apply
 - **Legal Entities**
 - COR, Declaration of Beneficiary, Pre-Approval Authorization or Proof of prior approval of tax reclaim
- COR generally requires renewal every 3 years
- Thresholded approach for non-legal entities (10,000 NOK / 5,000 NOK)
- **Exemptions:**
 - Individuals who held Norwegian equities as of 1/1/2019 who earned income not greater than threshold in 2018 do not need to be documented
 - Individuals who purchased after 1/1/2019 who submitted documents at least once and earned income not greater than threshold in the year prior to renewal do not need to renew



Important Updates

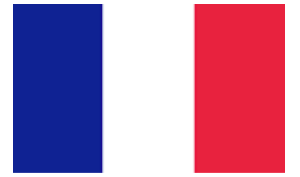
Denmark – RAS Proposed Process



- Requires pre-registration of beneficial owners
- Equities moved into segregated rate pooled accounts at VPS
- Dividends pay net on payment date
- 4 month “correction” period
- Spot checking will apply
 - At the moment they believe it will be a random sample, not threshold based
- Potential to become a chargeback market, similar to France
- 60 business days to respond to any request for additional documentation
- No Long Form claims allowed



Important Updates France



- 12.8% Statutory Rate for non-resident individuals announced by the FTA
 - Requires a COR valid for 3 years
- U.S. government entities eligible for Relief At Source
 - Requires an original 6166
- New IRA requirements for Relief At Source and Long Form
 - Requires an original 6166 Referring to Ruling 401(a), 401(b) OR 457
- 81-100 are again eligible for Long Form



Important Updates Germany



- New Relief at Source post-process for investment funds
 - Window on ESP will be available for 16 months, closing September 2, 2019
- Available to DR holders of Bayer AD as of May 29, 2018
- To qualify, an investment fund must:
 - Be in possession of a *Statusbescheinigung* (Status Certificate) issued by the Federal German Ministry of Finance
 - Submit a complete list of purchase dates (Excel or PDF accepted)



Important Updates Ireland



- Recent conversations with the Irish Revenue have provided clarification about 2 outstanding requirements:
 - To qualify for Relief At Source or Quick Refund for beneficial owners, all financial institutions within the payment chain (including DTC Participants) must satisfy one of the following requirements:
 - Domiciled in the United States
 - Irish Qualified Intermediary status
 - DTC Participants are not required to send GlobeTax documentation (V2 or Cover letter) to support Relief at Source or Quick Refund ESP submissions if all required Forms V2 and V3 are on-file with a Qualified Intermediary
 - We recommend that Participants keep original documentation for audit purposes.



Additional Market Updates

- **Italy / Norway**
 - Upfront fees for Long Form claims
- **Chile**
 - QR process implemented in 2018 w/ COR for Banco Santander Chile dividend
- **Netherlands**
 - New beneficial owner registration process (RSIN #)
- **Philippines**
 - Latest acquisition date to be completed on CORTT
- **Indonesia**
 - Updates to DGT-1 & DGT-2 tax forms
 - Brokers can now complete tax forms with POA
- **Sweden**
 - U.S. pensions may require a Treasury Determination Letter to receive exemption



What's on the Horizon

- **Future RAS opportunities:**
 - Denmark
 - Bangladesh
 - Turkey
 - Taiwan
- **Netherlands**
 - Abolishment of withholding tax in 2020
- **XBRL**
 - True golden source now available for majority of ADR events
- **ACH**
 - Now available for post CA Web reclaims for all 4 Depositary Banks



Withholding Tax Update Newsletter

- In addition to event specific important notices, GlobeTax's *Withholding Tax Update* newsletter will provide a platform for sharing our insights on the cross-border tax landscape at large.
- Topics will include:
 - Market updates (documentation and tax rate changes)
 - Tax reclamation trends
 - Guest editorials
 - Upcoming conferences and events
- The Newsletter is distributed via email and it can also be found under the 'Resources' tab on **GlobeTax.com**

What's Inside

- Germany Unveils New Process for Investment Funds2
- New Withholding Rate for Individual Investors in France2
- New Russia Audit Portal Deployed on ESP2
- New Long Form Reclaim Process in Hungary3
- Depo Banks Change Long Form Billing in Italy3

With this summer's edition of our *Withholding Tax Update* newsletter, GlobeTax is pleased to continue sharing new and exciting (dare we say 'sizzling?') developments in the global tax relief space.

In this edition, we discuss a new 'relief at source-post' process in Germany, expanded long form offerings in Hungary, and the long-awaited updates on withholding rate changes in France, among other topics.

On the home front, we are pleased to debut our new Russia Audit Disclosure portal in ESP, which vastly simplifies audit compliance for eligible Russian programs.

Best,

Joe Hands
Editor in Chief
Withholding Tax Update

Stay in Touch with the GlobeTax Depository, CSD, & Issuer Services Team



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Evolution of ESP Product Update

- New Feature – Russian Audit Portal
 - Avoids navigating bulky Excel files
 - Allows for secure transfer of audit data
 - Increases efficiency as participants can disclose across multiple record dates, CUSIPs, and linked accounts
- Metrics

	Shares	Beneficial Owners
2015	19.0 Billion	6.1 Million
2016	22.3 Billion	6.5 Million
2017	21.9 Billion*	6.7 Million
SINCE INCEPTION	106 Billion	33 Million

***\$2.3 Billion returned to investors in 2017**



ESP Japan Bulk Upload

- Allows users to submit up to 30,000 claims across multiple Japanese events
 - Reduces processing time
 - Easier interface to manage accounts that do not pass validations
- Usage stats since implementation:

Submission Type	# of Brokers	# of Events Uploaded	# of ESP Submissions	Average # of Events per Submission
Bulk Upload	45	2,935	276	10.63
Event by Event	92	2,459	2,459	1

- One broker claimed 154 events in a single submission
- Participation increased by 30% more BOs and 14% more ADRs



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IRPAC Update



Dana Flynn

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BNP Paribas



IRPAC Update

DANA FLYNN, BNP PARIBAS
(2018 IRPAC CHAIR)

What is IRPAC?

- The Information Reporting Program Advisory Committee (IRPAC) was established in 1991.
- IRPAC is a public forum for the IRS and members of the information reporting community in the private sector to discuss relevant information reporting issues.
- Mission: to provide an organized public forum for discussion of relevant information reporting issues of mutual concern as between IRS official and representatives of the public.
- IRPAC is composed of a Chair, Vice-Chair and three Sub-Group Chairs. The sub-groups of IRPAC are:
 - Emerging Compliance Issues (ECI)
 - Employer Information Reporting and Burden Reduction (EIRBR)
 - Internal Reporting & Withholding (IRW)

2017 Public Report

- Each year IPRAC issues a public report regarding the topics and recommendations discussed throughout the year.
- The 2017 IRPAC Public Report addressed such topics as:
 - 972CG: Improving the penalties, levies, and abatement process
 - IRS Business Master File: Require action on the part of the filer to update filer's address instead of relying on previously filed tax returns for address updates.
 - Form W-9: Allow for acceptance of an electronic signature similar to the Form W-8 requirements
 - Delay of FATCA Gross Proceeds & Foreign Passthru Payment withholding
 - Guidance on the application of treaty rates for pension distributions
 - IRS Investment in Online Services enhancements (FIRE / AIR, TIN Matching, etc.)

2018 Potential Areas of Focus

- IRPAC members receive commentary from various industry resources as potential topics for discussion.
- Some of the commentary received for 2018 includes:
 - Stolen Identity Refund Fraud (SIRF)
 - Implementation of Tax Cuts and Jobs Act
 - FATCA Gross Proceeds and Foreign Passthru Payment Withholding
 - PTP interests included in IRA accounts
 - IRW impacts of Crypto Currency
 - Electronic Statement Delivery
 - Expansion of TIN Matching Capabilities
 - Guidance on syndicated loan fees

Questions?

Potential topics for IRPAC commentary?



Closing Remarks



Fred Ceraso

Co-Chair

CAS Tax Subcommittee

Vice President, Tax Operations

Goldman Sachs



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CAS Tax Seminar 2018



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