

RegTech for CRS/FATCA. A snapshot.

Finding the whole in the detail and vice versa. /Satellite/Klarenbeek, Netherlands.

Since the introduction of the Common Reporting Standard (CRS) of the OECD - by signing the multilateral CAA as master agreement in October 2014 - not only a few years have passed by, but also the number of member states grew from originally 51 to 103 (status September 2018).

By designing a framework agreement the MCAA always ensures that every signatory has the final control over which exchange relationships he/she enters and that the standards of the signatory always apply in relation to confidentiality and data protection.

During the last few years, the international financial service sector had to extensively deal with the most important operative tax and regulatory challenges according to CRS. In addition, corresponding technologies which meet the comprehensive CRS requirements have been implemented. However, more than half of the CRS countries articulate requests which deviate from the master agreement or partially exceed it significantly. A number of financial institutions are nowadays facing the disillusioning situation that their existing RegTech solutions are not sufficient regarding the range and depth of market-driven requirements. Whether these solutions were implemented in existing IT system environments by the financial institutions themselves or by using third parties solutions, is not relevant here.

In the context of this dynamic and increasingly challenging issue there are new and/or extended requirements to the design, operation and the management of modern technologies for taxes and regulations.

HIGH DATA VOLUMES

Due to the expected accession of further countries to the CRS the necessity of processing high data volumes in bilateral and multilateral exchange relations will increase further. The demand for highly performant solutions which are able to automatically process large data volumes will naturally rise.

HIGH DATA QUALITY

Especially where different source systems (e.g. by different IT systems from various countries) are used, the requirements to ensure the data quality of source data will grow. This calls for solutions which can detect incorrect data of the source systems and correct data via exception handling in a reliable and automatic way.

HIGH DATA REQUIREMENTS

More than 50% of the current CRS countries articulated requirements (data requirements or deviating schemes) which deviate from the standard and/or partially go beyond it in a significant way. A modern technology solution must therefore be able to flexibly parameterise different requirements and to create various country-specific schemes.

HIGH REACTION RATE

Reporting standards can also be changed or extended in productive operations for specific countries during the year. Solution providers who can implement new requirements on time for the next reporting period will become preferred partners.

HIGH COMPLEXITY

The difference from CRS to FATCA reporting is characterised by a higher complexity and more extensive volumes. Many financial institutions underestimated this essential differentiation for the selection or implementation of their technology solution. They notice that the extension of FATCA solutions partially developed by themselves has no perspective and is not feasible due to missing practicability. Therefore, they recognise the necessity to replace them by modern and comprehensive standard software.

Even those financial institutions which focused on lean vendor solutions have learned from the first years after the introduction of the CRS that the requirements regarding design, operation and management of RegTechs for CRS/FATCA are significantly more complex and comprehensive than anticipated. This calls for a new screening and the tendency to change to of long-term and considerably more potent solutions which do not only consider the mentioned factors but also the aspects that go beyond this. In addition, this momentum is nourished by the insight, that reporting data can also be used e.g. also for compliance and MI purposes. Provided that the financial institution decides for a technology partner whose solution is already capable of providing such data in a simple way today and is able to define requested queries for management reports or AI systems.

SUMMARY

Since the introduction of the Common Reporting Standard (CRS) of the OECD through signing the multilateral CAA as master agreement in October 2014 several years have passed. The dynamic and challenging issue results in a number of new and/or extended requirements to design, operation and the management of modern technologies for taxes and regulations. Based on these growing regulatory challenges - with more or less unclear or more complex details - many financial institutions ensure the compliance through solutions which do not yet sufficiently represent the necessary degree of automation and the high performance requirements. Therefore, a number of financial institutions face the disillusioning situation that the RegTech solutions currently used demand optimisation regarding range and depth of market-driven requirements. SDS customers, however, have already started with the preparation of the next regulation wave with SDS IREG for CRS/FATCA and are excellently prepared to fulfil the variety of requirements of the next generation quickly and in a highly professional manner. The reporting engine SDS IREG is specifically designed for this purpose and provides the highest degree of automation for the typical reporting processes. Automatic data enrichment and automatic resolving of exceptions, handling the most complex issues and using the solution in several jurisdictions make SDS IREG the best choice for large multinational groups and service providers - and preferred choice for leading, globally acting financial institutions.

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