

International Conference concerning FATCA rules, Rome, feb. 1°, 2013

Project related implementation calendar in the Italian Banking Industry

Valter Pittarello, Senior Consultant Manager - SiGrade, Cedacri Group

CEDACRI
GROUP

Cedacri is an integrated group, able to supply a whole range of services, as a support to banking and industrial Companies

Solution	Description	Companies in our Group
Information Technology	<ul style="list-style-type: none"> Complete management of bank information systems: <ul style="list-style-type: none"> - App solutions - Technological Infrastructure (HW, base SW, network) - Help desk and application / function oversee - System Integration 	 
Business Process Outsourcing	<ul style="list-style-type: none"> Outsourced management of all bank operational processes: <ul style="list-style-type: none"> - Channel support (Call Center clients/employees) - Back Office - Document handling and de-materialization 	 <small>Cedacri Global Services Sp.A.</small>
Printing & Mailing	<ul style="list-style-type: none"> Printing and mailing of any kind of documents, either to clients or to bank operators 	
Credit Cards issuing	<ul style="list-style-type: none"> Credit Cards issuing and processing - full management 	
Business Information	<ul style="list-style-type: none"> Information output in support of any credit assessment process Estate assessment 	 
Near-shoring platform	<ul style="list-style-type: none"> At our service center in Moldova (eastern Europe): <ul style="list-style-type: none"> - Software development - BPO Services 	

Foreseen process schedule

In order to comply with these new rules, all Italian banks have to carry out the following tasks:

area of interest	activity	effective	jan/07/2013	oct/01/2013	jan/01/2014	jun/30/2014
Identification of customers and involved procedures (Due Diligence procedures)	Updating registry information	jan/01/2014	◆			
	Restrictions in opening new reports "in scope"	jan/01/2014	◆			
	Customer typifying	jan/01/2014		◆		
	Prior account documentary research (High value)	jun/30/2014			◆	
	Prior account documentary research (all the remaining)	dec/31/2015			◆	
Tax & revenue deductions (withholding)	Calculation and withholding deductions on payments made to npFFI	jan/01/2014		◆		
Reporting	Yearly report with account movements	effective mar/30/2015				◆
	Biyearly temporary reports with account transactions	effective 2016				◆

The GANTT milestones indicate those dates when it is considered prudential and convenient to dispose of an adequate informative system, able to handle correctly any significant activity and task.

Mandatory procedures

Census area / customer identification:

- this area must safeguard any data management needed or useful for the identification of customers
- all document data must be constantly updated
- every occurrence change must be intercepted (sensitive data)

Checking and processing from various applications that manage the involved accounts:

- must verify both completeness and congruence of information when necessary to the clients identification when opening new reports
- must produce outputs for clients' accounts both balance and transactions, in order to certify the previous positions and arrange the appropriate recurrent set of forms
- must “intercept” any cash transaction if referred to npFFIs, debiting withholding deduction

Signaling / Reporting towards IRS / Italian Authority (IGA):

- must handle the routing of the Reports and of the applied withholding if deducted, saving the relative documents

Criticality factors

- **High complexity**
 - Number of Bank application areas involved:
 - General Registry Office
 - Finance
 - Accounts
 - Foreign Department
 - Insurance
 - Home Banking
 - ...
 - Wide application perimeter
- **Long-duration adequacy program**
- **Uncertainty about the IGA effective date**

Regulatory requirements: suitable solutions

area of interest	activity	effective	solution
Identification of customers and involved products (Due Diligence procedures)	Updating registry information	jul/01/2013	Unique Routine for identification / verify of customers data
	Restrictions in opening new reports "in scope"	jul/01/2013	Alert production for expired documents and incomplete or incoherent positions Alert production for change of circumstances Management and check dashboard.
	Customer typing	oct/01/2013	Batch function determining customers assets (account balances). It uses data flows or bases supplied through normalized layouts.
	Prior account documentary research (High value)	jan/01/2014	Batch processing repeatable producing report files for certification
	Prior account documentary research (all the remaining)	jan/01/2014	
Tax & revenue deductions (withholding)	Calculation and withholding deductions on payments made to npFFI	oct/01/2013	Application-callable Routine for tax calculation Possible accounting of withholding both online and batch Tax payments and documents filing
Reporting	Yearly report with account movements	jun/30/2014	Batch collector / normalizer of account balances "in scope"
	Biyearly temporary reports with account transactions	jun/30/2014	Batch collector / normalizer of account balances Signaling sub-systems interface

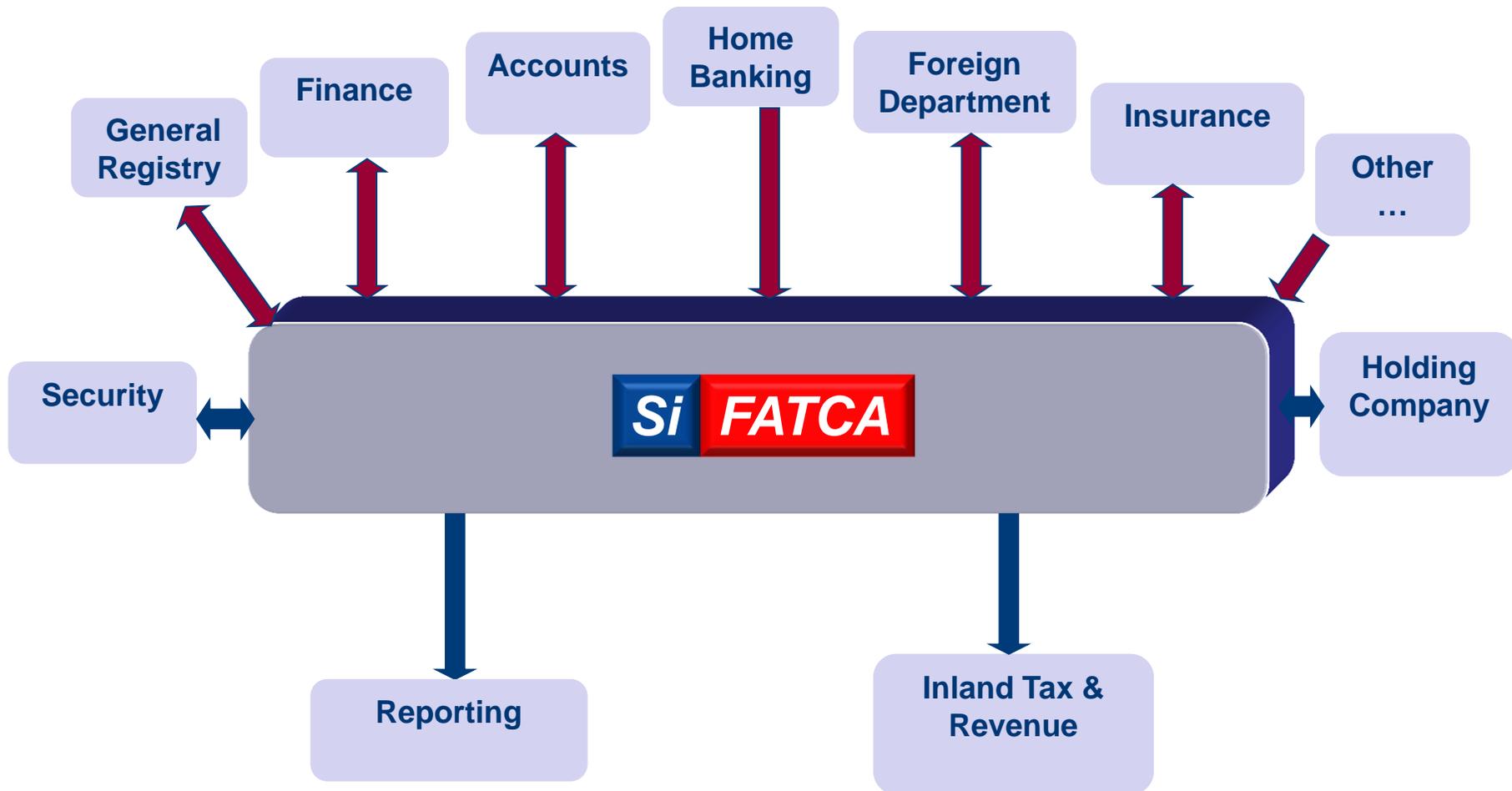
Our project

While analyzing all requirements, we stated that the quantity and typology of the involved existing software applications would be extremely complex, and for these reasons considered to realize a **new app solution**, rather than simply try to adjust the prior ones.

The new application stands crosswise with respect to the company sub-systems, having the goal of **minimizing any operation on existing applications**, and concentrating in a single ENGINE, that supplies Services and is distinguished for being:

- **multi-tax**, able to handle different types of taxes and fiscal rules, starting with FATCA
- **multi-bank**, usable by Banking Groups, service centers, BPO, etc...
- **regulatory requirement oriented**
- **inter-acting** in a proficient, safe and quick mode **with other company sub-systems** and with external peripherals
- **modular**, to be able to activate different elements that fall under requirements and schedules

Application context



Modularity

Currently the application procedures of FATCA rules are not yet defined for Italy, as an Inter-Governmental USA – Italy agreement should enter into force before the FATCA set of rules. This agreement has been proposed by the US Government to all the European Countries that possess informative instruments for customers identification.

In case that the Inter-Governmental Agreement (IGA) takes place, several needs foreseen by the original text of FATCA should be reduced (Reporting), when not removed at all (Tax and Revenue).

For these reasons the Si-FATCA application is structured in different separate modules, which are anyway absolutely inter-compatible and communicant, in order to allow users to furnish instruments possessing “certainty” of content and handling.

A	BASE	Dashboard: tables, parameters and process sequences
B	CUST. IDENTIFIER	Customers identification and Alert generation
C	REPORTING	Computing and data transmission
D	TAX & REVENUE	Deduction to reluctant customers and allowance to fiscal Authorities

Technical characteristics

The Si-FATCA application owns and handles proprietary archives.

A very high level attention has been put in Interfaces definition and in communication Services disposition towards the other prior company sub-systems, particularly concerning the two principal project objectives:

- avoid any information duplication
- file all data in archives of strict jurisdiction

A certain datum can then stay in company archives belonging to other sub-systems (typically the General Registry, if it is able to feed those bits of information that are relevant for US subjects identification) and it can just be referenced on a Si-FATCA table that performs as a filter and normalizer, through its decoding and definition of area.

All the application files allow such transactions as:

- load / hand input
- update (modifying/addition, extinction, conditional cancellation)
- synthetic and analytic queries

All archives and programs for the foreseen functions use Mainframe environments, thus optimizing both online and batch calls.

Data processing method

In some cases the data files are processed through a “bulk” uploading / aligning to external data bases (other sub-systems, as well as, for instance, the General registry application, and/or any application “in scope”), through some adequately controlled batch processing, driven by adequately filed parameters (control table system).

The application routines are structured as “Services”, allowing recalls by other sub-systems, both in “online” mode and “batch”.

The data stream among the Si-FATCA core and all the “in scope” sub-systems is generated by valorizing a generalized layout. Of course SiGrade can realize, if necessary, any requested interface program.



Thank you for your kind attention

For further info:

<http://www.sigrade.it/>

<http://www.cedacri.it/>

valter.pittarello@sigrade.it

mariacristina.grossi@sigrade.it

cristina.colombini@sigrade.it