

# TTS Cash Account—Pre-existing Account Solicitation

## Frequently Asked Questions

The regulatory environment for tax reporting continues to evolve globally. TTS has a need to maintain compliance with new regulations and engage clients in the process. This document addresses frequently asked questions related to U.S Foreign Account Tax Compliant Act (FATCA)

**What is FATCA**

FATCA is U.S. tax legislation enacted on March 18, 2010. The primary objective of the new law is to reduce U.S. tax evasion by U.S. taxpayers who invest directly in offshore accounts or indirectly through the ownership of non-U.S. entities. Among other things, FATCA requires Citi to adopt enhanced account on-boarding procedures to determine whether an account is a U.S. account or a foreign account, conduct a due diligence review of certain pre-existing accounts, impose FATCA withholding on actual or presumed nonparticipating foreign financial institutions when required, and to report information directly or indirectly to the IRS on certain U.S. accounts.

**Why are you contacting me about FATCA?**

The IRS has provided for a transition period through June 2016 for financial institutions to review their entity accounts opened before January 1, 2015 (pre-existing accounts) and document their FATCA status. If our records indicate that, for bank deposit accounts currently maintained with Citi Treasury and Trade Solutions, we do not have a valid FATCA version of IRS Tax Form W-8 or W-9 on, we are asking clients to complete and return a valid 2014 version of the appropriate IRS Tax Form.

**What if I do not provide an IRS Tax Form?**

In the absence of a valid FATCA version of IRS Form W-8 or W-9, Citi will be required to presume you to be non-compliant under FATCA. Non-compliant entities may be required to be reported to U.S. or local tax authorities. Additionally, the interest on bank accounts may be subject to 30% FATCA withholding.

**When does FATCA withholding apply?**

FATCA withholding at a rate of 30 percent applies to US-source interest paid on depository accounts, unless the FATCA status of the account holder has been documented. Interest is US-source income when paid on a deposit account maintained in the United States. In addition, FATCA expands the meaning of US-source income to include interest paid by branches of a US bank located outside the United States. However, transition relief from FATCA withholding is available for offshore payments made before January 1, 2017. Thereafter, FATCA withholding may be applied in the absence of a Form W-8 or W-9. A permanent exception from FATCA withholding is available for interest on deposit obligations with a fixed term of 183 days or less (e.g., an overnight sweep).

**Can one Form W-8 be used if I have many accounts with Citi?**

Forms W-8 can generally be applied to multiple accounts maintained by different Citi legal entities for the same Corporates or Public Sector Entities, unless there are local law obstacles to information and document sharing. - Accordingly, Citi will generally be able to share client forms among accounts held in the same name at Citi's offshore subsidiaries and branches as well as accounts held at the New York office of Citibank N.A.. By signing and sending us your Form W-8 you are allowing Citi to share the form across all accounts to the extent permitted by the relevant laws.

Forms W-8 from foreign financial institutions (FFIs) can be shared among multiple accounts only if the FFI is acting in the same capacity (e.g., beneficial owner, qualified intermediary, non-qualified intermediary, U.S. branch) with respect to each account. Citi requires FFIs to affirmatively confirm that they are acting in the same capacity for all accounts to which a Form W-8 is intended to be applied. FFI Clients should make this designation when providing tax forms to Citi.

If an FFI has multiple branch locations that have different FATCA statuses (i.e., Reporting Model 1 FFI, Reporting Model 2, FFI, PFFI, NPFF, etc.) or unique Global Intermediary Identification Numbers, then a separate Form W-8 will need to be provided for each of the branches that have accounts at Citi.

**Can one Form W-9 be used if I have many accounts with Citi?**

Citi will be able to share client forms across all accounts maintained by the same Citi legal entity (e.g., Citibank N.A.), even if the accounts are maintained at different branches located in different countries, provided there are no local law obstacles to document sharing. Forms W-9 cannot be shared among different Citi legal entities.

**Is the Form W-8 or W-9 the only documentation required by Citi**

Depending on the type of accounts a client holds with Citibank N.A. or and its subsidiaries, additional documentation may be required

- For clients with accounts in Model 2 IGA or Non-IGA countries, a written consent to reporting and withholding is required
- Certain countries with local privacy laws require clients to consent to allow us to furnish client information and tax forms to our Delaware Tax Utility for validation
- Clients with accounts in UK, Crown Dependencies or Overseas Territories are required to submit a UKCDOT self-certification form apart from the IRS forms

### **Why does Citi require an IRS Form W-8 from non-US clients who open an account outside the US?**

FATCA requires all compliant financial institutions to determine the FATCA status of holders of financial accounts. To simplify and harmonize its tax documentation collection process, Citi's TTS Cash business has adopted the IRS series of Forms W-8 as its global documentation standard for non-US entity clients. Our objective is for our non-US clients to have a consistent experience no matter at what Citi location an account is being opened. While FATCA intergovernmental agreements (IGAs) allow the use of "self-certifications", which term is defined to include both IRS Forms W-8 and other approved forms, local country guidance on what constitutes a self-certification (other than an IRS Form) is not consistent from IGA country-to-country and many countries have not issued any guidance at present. Forms W-8 can be accepted in any country, including non-IGA countries and the United States. Form W-8 also establishes certainty that an account holder is exempt from 28 percent backup withholding and information reporting on Form 1099. TTS believes that the use of Form W-8 provides significant benefits to our multinational non-US entity clients. First, under certain circumstances, a single Form W-8 may be applied to other accounts opened at Citi offices in different countries or with different Citi legal entities. Additionally, the use of the Form W-8 allows Citi to employ a centralized process to ensure timely and consistent review and validation of the tax form. Finally, the use of Form W-8 provides us with a consistent approach to FATCA compliance and thus greater control of our operations across 100+ markets. We are aware that other global financial institutions have approached FATCA documentation in the same way to ensure compliance.

### **How does FATCA affect general account terms and conditions?**

Effective August 25, 2014, the Master Account and Service Terms (MAST) and Confidentiality and Data Privacy Conditions (CDPC) serve as the new terms and conditions, replacing our previous bank account agreement, the General Account Conditions (GAC).

The MAST and CDPC reflect the changes in the legal, regulatory and technological landscape that have occurred since the GAC was first introduced more than ten years ago. The legal and regulatory changes of particular note concern data privacy and tax regulations, including FATCA.

### **If any account information changes, will a new tax form be required?**

Any change in circumstances that renders the existing tax form as incorrect will necessitate that a new Form W-9 or Form W-8 be provided. You should inform your Account Manager of any such changes within 30 days of when the change becomes effective and provide a new tax form that contains the new information and/or certifications.

For Forms W-8, any change to account information, including name of account owner, address, place of organization, or US tax classification may require a new tax form. You must inform your Account Manager within 30 days of a change in circumstances that affects your FATCA status and makes any information or representation on an existing Form W-8 incorrect, incomplete or unreliable.

For Form W-9, a change of address ordinarily does not trigger a requirement for a new tax form.

### **Why is a tax form required for depository accounts in some cases even when the account holder is either an exempt recipient and/or not investing in an income-generating product?**

FATCA generally requires Citi to presume a non-US entity to be a non-participating foreign financial institution (NPFFI) unless the entity certifies to its FATCA status. Entities that are exempt from information reporting on Form 1099 are not exempt from certifying their FATCA status. In the absence of a required US tax form, the client may suffer a 30 percent FATCA tax on US-source interest income. If no interest is paid on the account, the account balance may be required to be reported directly or indirectly to the US government.

**How will tax forms be validated?**

TTS is required to perform certain tax due diligence procedures to determine whether or not a tax form is complete and reliable in accordance with standards set forth in the US Treasury Regulations and/or the IGAs. This process includes a review of information gathered pursuant to Citi's know-your-customer and anti-money laundering procedures for consistency with the tax form. TTS has largely centralized its tax form due diligence and validation process. In addition, it employs an automated tax form validation system to ensure consistency in the results.

**What happens if the tax form is completed incorrectly?**

Account Services will inform you if the tax form is incomplete or invalid. Additional or different documentation may be required to cure the invalid form. However, interest paid before a valid tax form is provided to Citi may be subject to withholding.

**Who should I contact if I have questions on FATCA?**

Questions should be directed to [FATCACustomerServ.Inquiries@citi.com](mailto:FATCACustomerServ.Inquiries@citi.com).