

SMPG – Tax sub-group

Telephone Conference Minutes

26th June 2014

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**Attendees**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Country** |  | **First Name** | **Last Name** | **Institution** | **Participation** |
|  | BE | Ms. | Véronique | Peeters | BNY Mellon | Excused |
| Facilitator | N / A | Mr. | Jacques | Littré | SWIFT |  |
|  | CH | Mr. | Reto | Baumgartner | Credit Suisse |  |
|  | DE | Mr | Daniel | Schaefer | HSBC | Excused |
|  | DE | Mrs | Andreana | Pileri | Commerzbank | Excused |
|  | FR | Mrs. | Kimchi | Phungtran | BNP Paribas | Excused |
| Co-chair | FR | Mr | Jean-Pierre | Klak | State Street |  |
|  | FR | Mrs | Pascaline | Letang | BP2S | Excused |
|  | FR | Mrs | Marzena | Lenczowska | BP2S | Excused |
|  | IT | Mrs | Paola | Deantoni | Societe Generale | Excused |
|  | LU | Mr. | Bernard | Lenelle | Clearstream |  |
|  | LU | Mr | Ludovic | Schwindt | Clearstream | Excused |
|  | LU | Mr | Charles | Boniver | RBC IS | Excused |
| Co-chair | SG | Mr | Jyi-Chen | Chueh | Standard Chartered | Excused |
|  | UK & IE | Mrs. | Mariangela | Fumagalli | BNP Paribas | Excused |
|  | US | Mrs. | Sonda | Pimental | BBH |  |
|  | XS | Mrs | Delphine | Haillez | Euroclear |  |
|  | XS | Mrs | Marina | Kotti | Euroclear |  |
|  | ZA | Mr. | Sanjeev | Jayram | First National Bank |  |
|  | ZA | Mr | Dale | Van Rayne | First National Bank |  |
|  | ZA | Mr | Yusuf | Basha | First National Bank |  |

**Action**: NMPGs to eventually look for tax experts candidates in their local Markets.

# Approval / comments of May 15th call minutes

No comments.

The minutes are approved.

# Tax Table

No update received on the table.



# WITF/WITL/TAXR MP

Maintenance request sent to SWIFT Standards for SR 2015



**Reminder : German Funds withholding tax scenario**



Andreana presented the document prepared by the German NMPG.

Key highlights: Options A and C are OK but for option B : withdrawal of WITF may cause problems.

Suggestion to use WITL ?

Andreana explained that there is a reclaim opportunity even if the taxation is not a German tax

The need is to have a replacement for WITF : it could be either WITL with a change of the definition or another rate type code such as a CPLT.

Option B (country codes) looks difficult to apply on this scenario

**Action:**

Subject on hold for the Tax sub-group until the result of the MWG .

# Tax processing flow / certification process

 

Presentation of a simplified Tax messaging Flow.

The following comments have been shared during the call Comments and discussion about the document:

1. Regarding the ‘one time or renewal’ scenario,

* Why MT564 is not used ?

It is explained that due to narrative that may be important, usage of MT568 is more appropriate than the MT564. Furthermore, in this case, there is no event on the Market, no announcement.

The MX solution (ISO 20022) takes also this case into consideration within the Single narrative message.

* CH Market : For a new client or an account that is segregated, the process related to documents is completely outside a Corporate Action event
* ZA Market : process will depend on beneficiary but there is no certification event so to speak used by the ZA market

1. Regarding the ‘event driven’ scenario

* Some participants consider that a separate event should be used with qualifier WTRC in an MT564 different from the MT564 related to the Income event (INTR, DVCA, …)
* Bernard explained that the WTRC has been created some times ago in order to send some information separately from an Income event.
* CH Market : When a certification is required within an Income payment, an MT568 is used (qualifier to confirm by the CH Market)
* Knowing that there is already a TREC event related to tax Reclaim process, we need to pay attention to the fact that the proposed messaging flow may have an impact on the current CAEV. Does that mean that TREC will have to be removed ?
* On the last step of the flow (Tax adjustment), we’ll probably have to distinguish the periods between quick refunds and standard refunds.

**Action:**

1. NMPGs to review the Tax Messaging flow and provide feedback for next conference call in particular if there are on an ‘one event scenario’ (Certification requested within the Income message) or as a ‘two event’ scenario (Income message and WTRC message separately)
2. SWIFT to research the original Change Request related to WTRC

# FATCA

Reminder of the previous topics raised during May 15th conference call:.

1. The market is waiting for an approval from IRS in July on the US FATCA Market Practices. The impact – if any – may be rather on account opening process
2. Reminder on the fact that new qualifiers (exemption type codes) will come for the SR2014 :
3. Sonda sent a presentation that BBH prepared on behalf of ISITC. Accounting diligence, client documentation, …
4. Question was raised on whether the US ISITC is considering any guidelines / standards in identifying FDAP (Fixed or Determinable Annual or Periodical) Income for FATCA in MT564 / MT566

As per regulations, FATCA generally applies to 1) “withholdable payments”, which consists of a) FDAP income and b) gross proceeds from the sale or other disposition of property that can produce interest or dividend income and 2) pass-thru payments

Some intermediaries and end investors are wondering whether US service providers would be able to determine the FDAP nature of an event. Indeed, while the US custodian may not need to apply FATCA at its level, there is still possibility that, further down the chain, another service provider may need to apply a FATCA withholding towards its underlying customers

=> Having a FDAP indicator identified at the starting point of the chain would facilitate FATCA rules application across the chain

1. Regarding SR2014, Jacques explained that SWIFT will wait for the IRS validation before publishing the final exemption type codes. No changes on Income type codes

* During June’s conference call, a question raised about the above item on FDAP (d) : is this FDAP indicator really necessary knowing that the CAEV should be clear and precise enough ?

**Action:**

Discussion to continue within the group and Sonda to provide any update when available in the US Market

# Tax Breakdown requirements

Information required on Tax breakdowns

See attached file



During the previous call, the group had highlighted that some markets require specific IDs:

* Portugal : the Tax ID is mandatory
* Asia : the local ID of the investor is required

**Action:**,

* NMPGs to review the table to identify if they have some exceptions / discrepancies.

# Other topics

a. Question from APAC WG on ‘FLFR’:

For subsequence E2 Cash Movement Field 92a: Rate, FLFR is defined twice:

* defined as a ‘Qualifier’ along with ‘GRSS’.
* Defined as a ‘rate type code’ in the qualifier GRSS



SWIFT Singaporean representative got some contacts with the Australian Market.

Jyi-Chen also confirmed that a working group in Australia exists and the case will be also raised to them.

**Actions**:

* Australian representative should participate in the next Maintenance Working Group.   
  The different participants will be able to discuss this subject with this person.

# Next Conference Calls

A survey has been launched in particular to know what are the expectations of the group regarding Summer period and September constraints.

To take into consideration :

- CA SMPG conf call on 4th September

- 24 to 26 Sept : SMPG in Boston

- The week after : Sibos

* Option proposed :

- Option 1 : a call in July or in August + September + Oct / Nov / Dec

- Option 2 : no call in July and no call in August. A call beginning of September + Oct / Nov / Dec

- Option 3 : no call in July, no call in August and no call in September. Only calls first or second week of Oct / Nov / Dec

- Option 4 ?

Some feedbacks already received before the call:

ZA proposal :

• July – no call as we are already at the end of June and it beneficial to have a call before SMPG in September. The call can be held towards the end of August - we propose 28 August 2014. We can then feedback into SMPG on 4 September 2014.

• September – no call

• October – no call. Too soon after SMPG

• November – no call. SRG Release

• December - propose 4 December 2014 which will enable us to feedback to SMPG on 18 December

CH : OK with option 2 or 3

**Action:**.

* All participants to come back with their preferred option (or propose another option) by 4th July

**------------------------ End of the Meeting Minutes -----------------**