

Tax Withholding News

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prepared by **GLOBETAX**

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GlobeTax Wins Award for Excellence



(Right to left) Martin Foont & Len Lipton accept award from Global Custodian founder Charlie Ruffie

Global Custodian named GlobeTax best **Tax Reclaim Provider** at Awards for Excellence - Technology, Consultancy, and Law held at the NY Harvard Club..

Engaging with Central Securities Depositories (CSDs)

The custody and sub-custody landscape is changing rapidly, driven by new and more stringent regulations such as CSD-R, FATCA, Basel III, UCITS IV, EMIR, Dodd-Frank and AIFMD, as well as new technologies such as T2S. Harmonization initiatives such as the EU T-BAG group, the OECD TRACE IP and G20 discussions are also facilitating standardization and automation in the industry.

Custodians currently provide customers access to the international equity and debt markets through a complex network of sub-custody relationships. Though this model gives custodians access to specialized market knowledge, it also results in many back office function redundancies, including tax processing.

The emergence of new technology and the pressure of regulatory reform have given CSDs an opportunity to move into this complex space with value added services.

These “mutualized services” take those duplicative functions and centralize them for the benefit of all their participants. This makes for simpler, more efficient processing with reduced cost and lower risk. GlobeTax is centrally involved in this process, having been engaged by two European CSDs. The CSDs will employ our ESP platform to handle the investor disclosure and tax processing elements of new Eurobond debt issuances, in addition to providing a simplified and automated system for handling documentation and tax relief (at source) on dividend and interest payments.



Ross McGill discussed “The Global Tax Environment - Issues for Asia” at NeMa Asia

Securities Class Actions Update

Securities class action settlements are on track to reach record breaking numbers in the next few years, due to the high number of cases filed following the Great Recession of 2007/08. Investors face two major hurdles to recover their rightful share of these settlement funds: Being aware of the settlements in time to file a claim and having all the required supporting documentation.

Over 20% of cases settled between January 2012 and April 2013 involved class

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Issuers and Spanish Bonds

Approximately five percent of Eurobonds are presently subject to withholding tax. That number is expected to increase in the near future. Current trends indicate that more pressure will be put on financial institutions to collect and reconcile tax documentation and data in the near future. As OECD and EU countries move from a Long Form Claim model of reclamation to a Relief at Source model, automation of data acquisition and reconciliation is becoming vital.

Each market employs a different standard of debt instrument issuance and associated disclosure of data. For example, under Spanish regulations, Issuers of debt instruments must make a best efforts attempt to identify and report Spanish residents holding these instruments shortly after each interest payment and at maturity. This Voluntary Disclosure Program extends through the entire financial chain. Collecting and processing all disclosure documentation and data is a considerable challenge.

Spanish Issuer Santander appointed GlobeTax to use our proprietary system, ESP Bonds to achieve an automated solution. ESP Bonds allows financial intermediaries to provide disclosure documentation in a simple and secure manner. The system enables intermediaries to cooperate with Santander more efficiently and allows Santander to meet its tax information reporting obligations.

ESP

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ESP – The Global Claims Platform

GlobeTax's Electronic Submission Portal (ESP) underwent major upgrades in 2013. ESP is a proprietary withholding tax relief and reclaim filing system used by over 250 custodian banks and brokers whose clients hold ADRs and like instruments. Since its launch in 2009, over 6 million beneficial owners' relief/reclaim applications have been processed through ESP, making the platform an essential utility for the market.

Recent upgrades to ESP included two major enhancements: ESP Reports and the Designated Intermediary function. ESP Reports enables Participants to manage claim submissions in real-time. This system includes breakdowns for payments and pushes claim status notifications to the users. The Designated Intermediary function extends access to ESP by allowing up to seven levels of downstream customers to be designated as financial institutions with record date positions. This significantly increases the number of investors able to benefit from tax relief. ESP Participants can obtain tax relief in **Belgium, France, Finland, Germany, Ireland, Japan, the Netherlands, the Republic of Korea, Spain and Sweden.**

Late last year, ESP was rolled out in Europe for London Stock Exchange member Monte Titoli S.p.A. to support outbound claims for domestic customers. This move has led European Issuers and investor CSDs to adopt ESP, in order to provide added value services in a T2S environment.

As the functionality and breadth of ESP is enhanced, reliance on it by US and International Intermediaries as a strategic reclamation tool will continue to grow.

XBRL Pilot Takes Off

By Campbell Pryde, President & CEO of XBRL US

xbri.us

In 2009 XBRL US, along with SWIFT and the Depository Trust and Clearing Corporation (DTCC) launched a Corporate Actions Pilot project, in which GlobeTax was a key participant. The objective of the Pilot was to reduce the cost of corporate actions processing and improve the timeliness and quality of dividend payment announcements. The Pilot program has proven to be very successful. At the time of this printing, DTCC has received over 450 XBRL instances, which can be converted to ISO 20022 messages and distributed to DTCC Participants and other counterparties. GlobeTax has approved nearly 2,000 dividend announcements from Citi and BNY Mellon and structured them as XBRL instances into their proprietary Security Master File. The Pilot includes an oversight governance committee consisting of representatives from DTCC, BNY Mellon, Citi, GlobeTax and XBRL US to coordinate an updated XBRL taxonomy and ensure that event data

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Market Updates*

Updates reflect changes made through January 31, 2014. **New statutory rates in effect January 1, 2014 except as noted otherwise:**

Mexico: New 10% withholding tax on profits generated after December 31, 2013. Potential treaty exemption for UK beneficial owners, US Tax Exempts and Swiss pension funds.

Portugal: Procedures to obtain withholding tax exemption on debt instrument interests simplified. New treaties with Cyprus, Japan and Switzerland.

South Korea: More detailed beneficial owner disclosures requiring Tax ID Number. New treaties with Uruguay, Ecuador, Bahrain, and Kyrgyzstan.

Switzerland: Names and entity type disclosure now required. New treaties with Bulgaria, Czech Republic, Ireland, Portugal and Slovenia.

**Not an exhaustive list.*

For information on subscribing to our data services, please e-mail:

eTaxDataOnline@GlobeTax.com

Japan

Effective January 1, 2014 dividends withholding tax for non-residents/corporations increased from 7.147% to 15.315%, and from 10.147% to 20.315% for Japanese individuals.

New treaties with Kuwait, New Zealand, and Portugal are in effect.

Russia

Effective January 1, 2014 withholding responsibility transferred from the Issuer to the depository acting as withholding agent as the use of the National Settlement Depository became mandatory. A 30% withholding tax rate will apply when certain information is not disclosed. New treaties with Luxembourg and UAE are in effect.

GlobeTax's US Tax Services

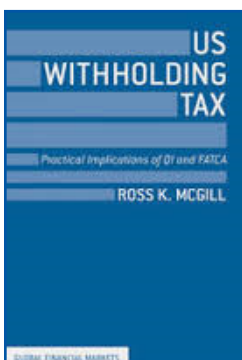
GlobeTax services clients in over 40 countries recovering entitlements in over 30 markets. We also have a rapidly growing US Tax Service to assist non-US institutions with understanding, complying with and optimizing returns on clients' US investments.



FATCA has added an additional layer of complexity to existing tax reclaim, relief at source and reporting processes. In order to ensure our customers continue enjoying the benefits of our expertise in a simplified way, we have changed the way we package the services and processing tools that apply to the US market. Following an initial assessment with our team, clients will have access to our range of services under one (minimum) subscription. There are over a dozen service elements available, including the standard consulting and tax information reporting (1042, 1042-S and 1099-X); other alternatives include FATCA Accreditation, QI support for relief at source and document solicitation and validation through our eCerts and eDocs portals. The initial assessment is designed to provide clients with a tailored solution.

US Withholding Tax: QI and FATCA Regulation

As we move rapidly into the era of FATCA, the US stands heads above any other investment market in terms of the complexity, cost, risk and liability associated with the taxation of inbound investment. Managing Director Ross McGill's recently released **US Withholding Tax: Practical Implications of QI and FATCA (Global Financial Markets)** explores the day-to-day challenges these regulations present for non-US financial institutions as well as those who provide support services to them.



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Former Olympian and GlobeTax team member Roman Sludnov (left) participates in the 2014 Olympic Torch Relay



Upcoming Events

NACUBO Endowment and Debt Management Forum
New York, NY
February 5-7, 2014

Operations for Alternatives
Palm Beach Gardens, FL
March 5-7, 2014

Hedge Funds Care | Help for Children Benefit
New York, NY
March 6, 2014



ISITC Industry Forum & Vendor Show
Boston, MA
March 23 -26, 2014

FIRMA National Risk Management Training Conference
Orlando, FL
April 27 – May 1, 2014

SIFMA Operations Conference
Boca Raton, FL
April 28 - May 1, 2014

SALT Conference
Las Vegas, NV
May 13-16, 2014

FRA Private Investment Funds Tax Master Class
New York, NY
May 21-22, 2014

Securities Class Actions Update *(continued from page 1)*

periods that were more than six years old. Retaining records for such an extended period of time can be a difficult task for some financial institutions; unfortunately, only claimants who had the foresight to save those transactional records will be able to file a claim on these cases.

GlobeTax's comprehensive Securities Class Action Service database is updated continuously and includes litigation from initial filing to final settlement. Additionally, our proprietary process captures and retains our clients' transactional data so that information will be available to file and support a claim once a case is settled.

XBRL Pilot Takes Off *(continued from page 2)*

is processed and distributed correctly.

Looking forward, XBRL US plans to work more closely with XBRL International on what is clearly a global initiative that stands to benefit securities processing players worldwide. Continued development of the taxonomy and the pilot program, and a greater international focus will help to move this initiative forward.

More information on this Pilot can be found at <http://youtu.be/xCdC4wWhEvA>. GlobeTax Managing Director Len Lipton joined the XBRL US Board of Directors on January 1, 2014 to help continue our work to expand the usage of XBRL.

**RELIEF,
RECOVERY AND
REPORTING
WORLDWIDE**



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