



TEMENOS
THE BANKING SOFTWARE COMPANY

Temenos

Qualified Intermediary



Designed to meet the requirements of Tax and Compliance professionals. Temenos Qualified Intermediary module helps financial institutions of all sizes reduce risk and improve profitability whilst safeguarding regulatory compliance.

Temenos QI module in Transact provides a fully automated end-to-end process designed to support banks who act as Qualified Intermediary (QI) under chapter III of IRS (USA). Our solution enables QI banks to comply with the documentation and withholding requirements relating to income received by its individual and institutional client customers investing in US securities. Thus enabling our clients to minimize inconsistencies and significantly reduce compliance costs.

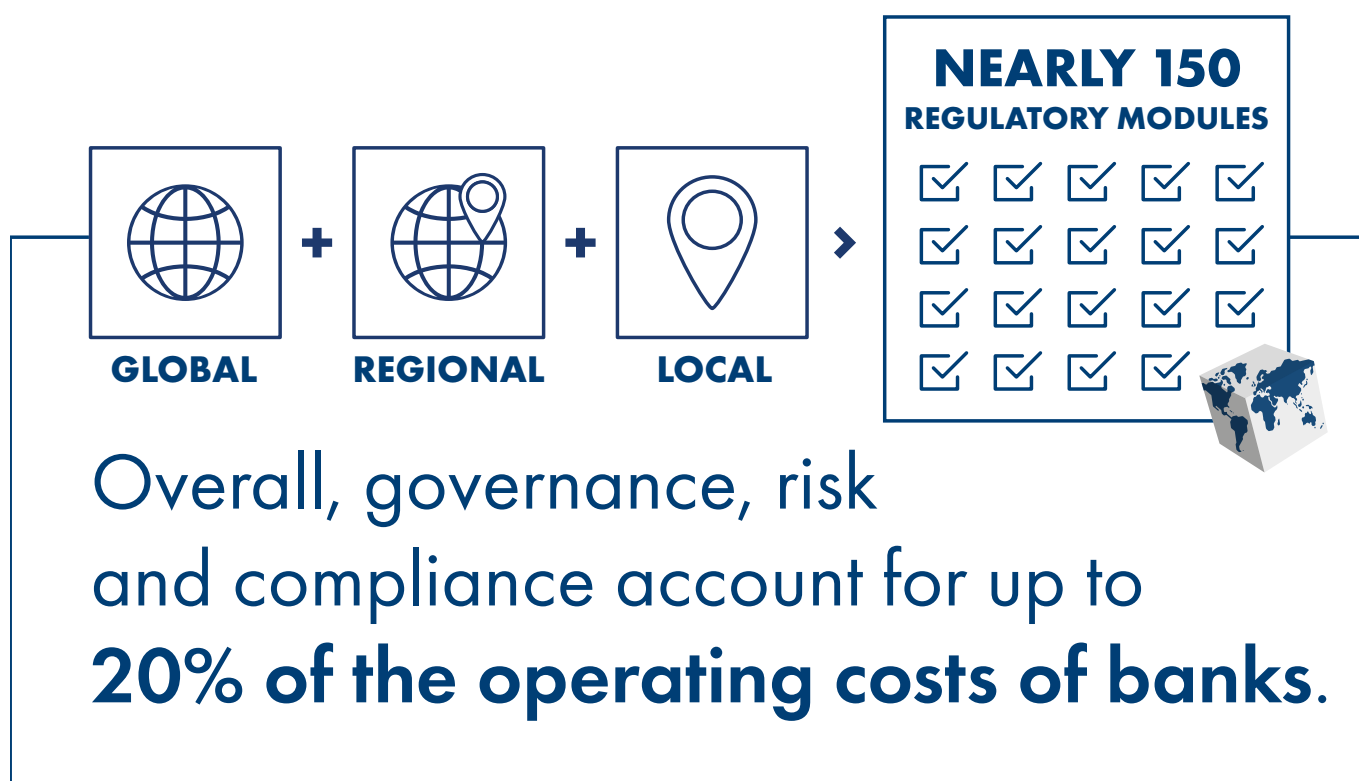
As a component of our Regulatory suite Temenos Qualified Intermediary is fully compatible with Temenos core banking solution and is complementary to our existing FATCA, Securities and core Tax applications. Our Regulatory compliance solutions help banks support their customers more efficiently whilst reducing the headline costs associated with manual compliance processes.



Key Stats

Keeping pace with changing regulations is a major challenge for today's banks with expenditure on compliance as \$270bn per Year.¹

Bain & Co. estimates that governance risk and compliance expenditure accounts for 15–20% of 'run the bank cost' and 40% of 'change the bank costs'.²



¹ The cost of Compliance. International Banker – 7 November 2018

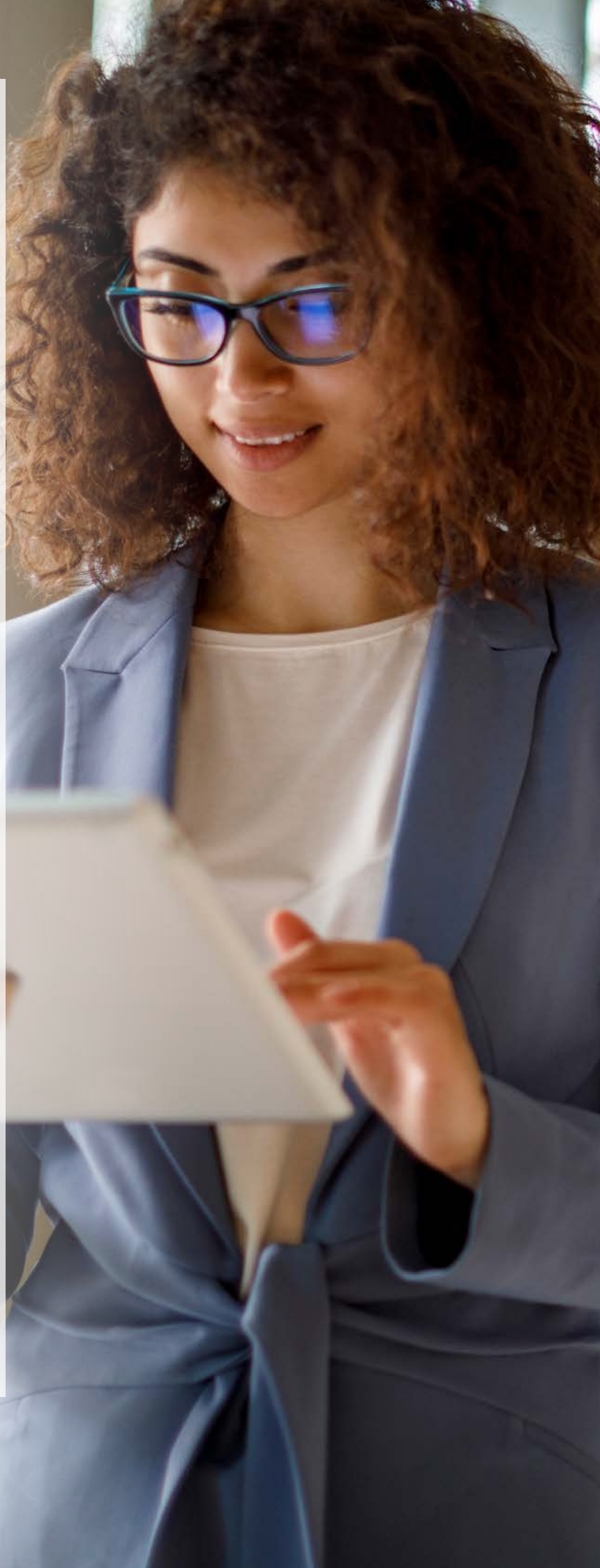
² Bain & Co

How We Address Your Goals and Challenges?

Increasingly as banks operate in a growing regulatory environment, many organizations face multiple compliance challenges requiring constant monitoring and frequent audits. Whilst balancing these challenges with the potential for market disruption, as experienced with COVID-19 pandemic, whilst supporting customers and regulators alike, requires banks to automate manual business processes to “do more with less.”

Foreign financial institutions and foreign branches of U.S. foreign financial institutions required to pay income sourced from US securities to customers have the option to enter into a Qualified Intermediary (QI) Agreement with the US tax authorities under Chapter III of the IRS.

Whilst acquiring QI status places an additional regulatory burden on institutions, it provides the benefit of being able to apply a lower rate of withholding tax to a bank's Non-US customers as per the Tax treaties between the customers' tax residence(s) and the USA.



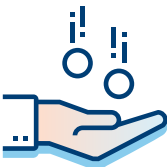
Under this agreement, a Qualified Intermediary is obligated to:



Undertake certain identification and due diligence procedures with respect to its account holders and portfolios;



Determine whether income from US income transactions is subject to withholding under either Chapter III (QI) or Chapter IV (FATCA) of IRS;



Withhold and pay tax on U.S. sourced income, to the Inland Revenue Service (IRS) based on the relevant IRS chapter and;



Issue and manage tax forms and report all transactions producing US Income, customer/portfolio classifications and subsequent withholding statuses to the IRS.

As part of Transact Regulatory suite of products, Temenos Qualified Intermediary addresses the challenges of QI with a comprehensive solution for all aspects of due diligence, withholding and storing the essential data set required to support downstream Reporting processes.



What Our Solution Covers

Temenos Qualified Intermediary is a fully automated solution designed to provide an efficient cost-effective process enabling any financial institution acting as a Qualified Intermediary, to identify the withholding tax status of its customers and customer portfolios receiving income from US securities as required by Chapter III and IV of IRS.

The Temenos solution for QI is a new module, which, in conjunction with several complimentary TRANSACT modules, comprises the following components in line with the main tasks QI firms need to perform.



Client Identification and Due Diligence procedures



Identification and assignment of customer statuses to facilitate the application of withholding tax, under both chapter III and IV ³, on income from US securities they hold



Detailed data capture of all data elements to support the Reporting process in a dedicated "US Tax Database"

³ Temenos FATCA Withholding is a prerequisite for calculating Chapter IV status

In line with Temenos' strategy of progressive renovation, the modular approach provides clients with the flexibility to either implement QI module in any combination required with the following modules depending on their individual circumstances:

Securities module – Processes the corporate actions required to identify US-sourced income on financial securities.

TAX – Core Tax engine in conjunction with FATCA calculates the amount of withholding based on the US income code, Customer's status from QI perspective and the exemptions applicable.

FATCA – Performs a check to determine if US Income is subject to Chapter IV withholding or not.

Document validation⁴ – Supports the documentation status of a Qualified Intermediary's customers and portfolios held by institutional clients who are also intermediaries.

4 The Qualified Intermediary module has a dependency on the Document Validation module (DM) for the management of client tax forms.



Alternatively, the Qualified Intermediary module⁵ can be installed with TRANSACT but independently of the other modules to interact with a client's existing Wealth Management and Tax systems.

This approach ensures our clients are able to meet their QI withholding obligations with minimal disruption to their business.



Classification of bank's customers under IRS rules

Ability to identify customer's status under Chapter III of IRS (Qualified Intermediary).



Flexible configuration of rules to determine QI status

The ability for users to configure the rules, data elements, and documentation to determine the QI status of a bank's customers and portfolios.



Capability to determine the withholding tax either as per FATCA or QI

Establish customer and portfolio statuses, either as identified under FATCA or QI rules, during transaction processing of income from US securities to determine correct withholding tax to apply.



Application of withholding tax

The calculation and application of the requisite level of withholding tax due where QI withholding applies, considering Double Taxation Avoidance Agreements, after establishing FATCA withholding is not applicable.



Capture and aggregation of data required to support downstream Reporting processes

Provision of a dedicated Tax Database to store all detailed corporate events, customer/portfolio classification, income classification, tax type and corresponding tax rate and amount information pertaining to banks customers and portfolios required for the bank to fulfill its QI reporting requirements⁶.

⁵ In conjunction with DM – Document Validation

⁶ Generation of QI reports is performed using the bank's reporting solution

A close-up, shallow depth-of-field photograph of a person's hands typing on a silver laptop keyboard. The person is wearing a light-colored, long-sleeved shirt. In the foreground, slightly out of focus, is a white calculator. The background is a soft, warm-toned blur, suggesting an office or professional setting.

I Features

- ✓ **Fully automated end-to-end solution** – Reduces inefficiencies and costs associated with manual processes.
- ✓ **Component-based implementation** – Modular approach provides the option to implement in phases as required.
- ✓ **Complimentary Wealth Management/Tax/Regulatory solutions** – QI solution is part of the Regulatory Compliance product suite supporting our global client base.



Key Benefits

- Supports compliance with Qualified Intermediary rules under Chapter III IRS
- Ability to increase the banks footprint by supporting its customers investing in U.S. securities
- Increased automation and accuracy
- Reduced risk
- Reduced overheads and cost
- Better service your customers
- Automate manual processes for improved efficiency
- Avoid reputational damage and financial penalties associated with non-compliance



Get in touch

To find out more about Qualified Intermediary, contact us at sales@temenos.com.

temenos.com

About Temenos

Temenos AG (SIX: TEMN) is the world's leader in banking software. Over 3,000 banks across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic and AI-driven front office, core banking, payments and fund administration software enabling banks to deliver frictionless, omnichannel customer experiences and gain operational excellence.

Temenos software is proven to enable its top-performing clients to achieve cost-income ratios of 26.8% half the industry average and returns on equity of 29%, three times the industry average. These clients also invest 51% of their IT budget on growth and innovation versus maintenance, which is double the industry average, proving the banks' IT investment is adding tangible value to their business.

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