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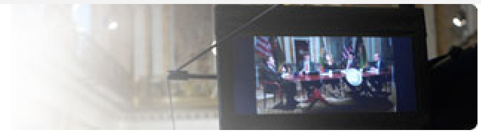

Treasury and IRS Issue Proposed Regulations Under the Foreign Account Tax Compliance Act to Improve Offshore Tax Compliance and Reduce Burden

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Treasury, European Governments Agree to Pursue Framework for Implementing FATCA

The U.S. Department of the Treasury and the Internal Revenue Service (IRS) today issued comprehensive proposed regulations implementing the information reporting and withholding tax provisions commonly known as the Foreign Account Tax Compliance Act (FATCA). Enacted by Congress in 2010, these provisions target non-compliance by U.S. taxpayers using foreign accounts. The regulations announced today lay out a step-by-step process for U.S. account identification, information reporting, and withholding requirements for foreign financial institutions (FFIs), other foreign entities, and U.S. withholding agents.

The proposed regulations implement FATCA's obligations in stages to minimize burdens and costs consistent with achieving the statute's compliance objectives. The rules and implementation schedule are also adjusted to allow time for resolving local law limitations to which some FFIs may be subject.

"When taxpayers overseas avoid paying what they owe, other Americans have to bear a disproportionate share of the tax burden. FATCA is an important part of the U.S. government's effort to address that issue, and these regulations implement FATCA in a way that is targeted and efficient . We believe these efforts will serve as a complement and catalyst to the ongoing global efforts to combat offshore tax evasion." said Acting Assistant Secretary for Tax Policy Emily S. McMahon.

The proposed regulations will:

- Reduce the administrative burdens associated with identifying U.S. accounts by calibrating due diligence requirements based on the value and risk profile of the account and by permitting FFIs in many cases to rely on information they already collect, including information received to comply with anti-money laundering/"know your customer" rules;
- Expand the categories of FFIs that are deemed to comply with FATCA without the need to enter into an agreement with the IRS, in order to focus the application of FATCA on higher-risk financial institutions that provide services to the global investment community; and
- Phase-in the reporting and withholding obligations of FATCA over an extended transition period to provide sufficient lead time for financial institutions to develop necessary systems and maximize the number of financial institutions that will be able to comply with FATCA.

After many months of intensive discussions with foreign governments, the Treasury Department today also jointly issued a statement with France, Germany, Italy, Spain and the United Kingdom expressing mutual intent to pursue a government-to-government framework for implementing FATCA – an important step toward addressing legal impediments to financial institutions' ability to comply with the regulations.

The statement does not contemplate an exemption from FATCA for any jurisdiction, but instead offers a framework for information sharing pursuant to existing bilateral income tax treaties and allows FFIs to report the necessary information to their respective governments rather than to the IRS. The joint statement will serve as a model for the United States' work with other countries, as Treasury officials continue to engage in discussions with foreign governments about the effective and efficient implementation of FATCA by their financial institutions.

FATCA was enacted in 2010 by Congress as part of the Hiring Incentives to Restore Employment (HIRE) Act. FATCA requires FFIs to report to the IRS information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. In order to avoid withholding under FATCA, a participating FFI will have to enter into an agreement with the IRS to:

- Identify U.S. accounts,
- Report certain information to the IRS regarding U.S. accounts, and
- Withhold a 30 percent tax on certain U.S.-connected payments to non-participating FFIs and account holders who are unwilling to provide the required information.

Registration will take place through an online system that will become available by Jan. 1, 2013. FFIs that do not register and enter into an agreement with the IRS will be subject to withholding on certain types of payments relating to U.S. investments.

Treasury and IRS will continue to work closely with businesses and foreign governments to implement FATCA effectively. Updates and further information on FATCA can be found by visiting the FATCA page on www.IRS.gov.