Markit Releases Solution for CRS Requirements

Data vendor Markit announced the launch of Markit | CTI Tax Solutions for Common Reporting Standard (CRS), which looks at tax residency and executes due diligence on customer accounts.

Markit's CRS solution was build based on the framework already in place from its Foreign Account Tax Compliance Act (Fatca) solution, which has been in production for years. Cyrus Daftary, CEO of Markit | CTI Tax Solutions tells WatersTechnology that while the two regulations share similar data requirements, there are several differences. For example, Fatca self-certifications don't work for CRS and vice versa. To solve for this, the idea was to create a self-certification that solves for both regimes.

"The key was we didn't want them, from an IT perspective, to have to reengineer their processes and have to onboard and implement a new system. So the way our clients interface our Fatca application against their books and records is through this applica-

Cyrus Daftary, Markit

tion programming interface (API), which is basically like a data bridge. We modified the existing data bridge we had for Fatca, and expanded it to encompass CRS by asking up front: What are you solving for now? Are you solving for Fatca? Are you solving for CRS? Or both? And depending on what is noted, the API manages the data elements for one regime or the other," Daftary says. "So we leveraged the existing framework of our Fatca solution because this concept of change in circumstances has become more important to managing your downstream reporting obligations."

While the Fatca and CRS tools are still separate, they sit together for clients who use both, essentially serving as an integrated solution, according to Daftary. For example, if a change of circumstance occurs that impacts both CRS and Fatca but is only submitted to the CRS tool, it will still be pushed over and applied to the Fatca side.

Team Design

Daftary says Markit | CTI Tax Solutions created a consortium of five financial firms to help design the CRS tool, a process Markit also followed while creating the Fatca solution. Only two of the firms—Barclays and Brown Brothers Harriman—were willing to have their names released, according to Daftary.

The consortium, which was initially formed in May 2015, worked with Markit to come up with requirements for the solution, how to manage and modify the existing framework and then plan out a two-year road map to ensure the tool was scalable, Daft-

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ary says. The beta code was delivered in September 2015, followed by production code in November 2015.

"We had a really wide range of perspectives, which then enabled us to build a solution that was scalable for the financial services firm despite some of their own, if you will, unique nuances based on their business or based on their client type," Daftary says. "What the early adopters did is help us come up with the business requirements and the functional requirements. They helped us test the application and then we agreed on a two-year road map of additional features, functionality that we would add to the tool to make it a truly comprehensive industry solution."

Speaking My Language

Part of that road map includes adding "a lot of other bells and whistles to help our clients," Daftary says. That includes the ability to scan a paper self-certification and scrape off all the

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data without requiring the user to do it. The plan is to do quarterly releases going forward to continue to add more sophisticated features.

The biggest request throughout the beta process, according to Daftary, was offering additional languages. The Fatca already comes equipped with French, German, Spanish, Japanese and Chinese. The CRS solution will add additional languages.

"From a CRS perspective, basically, a French national could do the back-office work all in French. A German national can have it all in Deutsch. That was a big shift in our paradigm," Daftary says. "When they're reading the questions in their native language we find that the success rate in answering

the compliance questions is just exponentially higher. So of course that was a natural ask as well because people recognize if they can localize it they're going to have a better result from their staff and clients."

Daftary says the plan is to roll out eight core languages (Spanish, German, French, Russian, Japanese, Chinese, Italian and Portuguese) throughout the year and then expand from there.

At the end of the day, Daftary says the goal of the tool is to take two parts of a financial firm that are typically separate (due diligence and client reporting) and combine them into one holistic solution.

"We're really helping the industry take two separate, disparate processes and we're bringing it together and we're giving them, if you will, a management oversight and preview so the left hand really knows what the right hand is doing," Daftary says.

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