

What's New in

# Regulatory Compliance

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# Table of Contents

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<b>Release Highlights</b> .....	<b>3</b>
Regulatory Compliance .....	4
Qualified Intermediary » US Tax Database .....	4
CRS Client Identification/FATCA Client Identification » Synchronise Document Details on CRS and FATCA Supplementary Information ...	5
Account Switching Service .....	6
IFRS9 Accounting » Takeover Processing of Arrangement Contracts .	7
<b>Technical Notes</b> .....	<b>9</b>
Regulatory Compliance .....	10
Qualified Intermediary » US Tax Database .....	10
Movement of Data Artefacts from ST .....	10

# | Release Highlights



# Regulatory Compliance

## Qualified Intermediary » US Tax Database

The IRS regulations requires a Qualified Intermediary (QI) to comply with Tax withholding rules pertaining to the incomes derived on US securities owned by their customers. The income on US securities is subject to withholding under either Chapter III (QI) or Chapter IV (FATCA) of IRS and thereby reportable.

The Qualified Intermediary (QI) module in Temenos Transact enables banks that act as a Qualified Intermediary as per chapter III of the Internal Revenue Service (IRS), USA, to comply with documentation and withholding requirements relating to income received from US securities. The module consists of three key features:

- a. Customer and Portfolio QI Status Identification
- b. US Income Transaction Processing and Taxation
- c. US Tax Database

US tax database is one among the three key features. Within the Temenos Transact system, the reportable data is held across various tables and US tax database is introduced to centrally hold the key information that banks can rely on to subsequently generate the tax forms in the IRS prescribed format using their reporting tools.

Click [here](#) to understand the technical impact of this enhancement for customisation and upgrades.

The topics related to this feature are given below:

[US Tax Database](#)

[QI.PARAMETER](#)



## CRS Client Identification/FATCA Client Identification » Synchronise Document Details on CRS and FATCA Supplementary Information

This functionality supports the automatic synchronisation of document data, that is, the renewal or closure of documents related to CRS or FATCA on Document Management applications with that of the secondary applications such as `CRS.CUST.SUPP.INFO` and `FATCA.CUSTOMER.SUPPLEMENTARY.INFO`.

The regulation modules, such as FATCA, CRS and QI in Temenos Transact enable Financial Institutions comply with the corresponding regulatory rules and classify their clients based on documentary evidences, apply taxation on specified incomes based on customer classification where relevant, and finally report in accordance with the guidelines under the respective regulatory body.

The Document Management module in Temenos Transact enables financial institutions manage their customers' documents. The document data managed within the Document Management module can now be synchronised with the corresponding data within the regulatory modules such as FATCA, CRS or QI. This synchronisation of data minimises the manual and repetitive user activity and enhances the system process through automation.

**The topics related to this feature are given below:**

[Synchronising CRS Document Data on CRS Supplementary Information](#)

[CRS.CUST.SUPP.INFO](#)

[Document Details on](#)

[FATCA.CUSTOMER.SUPPLEMENTARY.INFO](#)

[Synchronise Document Data in FATCA Supplementary Information](#)

[QI.PARAMETER](#)



## Account Switching Service

The Account Switching Service is designed to help Temenos Transact banks automate the process of switching their customer's payment accounts, while ensuring continuity of payments within the 13 month switching period, as is stipulated under Article 10 of the European Union (EU) Payment Account Directive (PAD).

The service supports the key components of managing the Switching Service in countries such as the Netherlands, where the Dutch Payment Association's Bank Switching Service provides the basis for the automatic redirection of payments from a customer's old account to their new account, through:

- The upload and management of switching account details.
- The re-routing of payments made to an old account to the customer's new account.
- The provision of summary details of all periodic payments including direct debit mandates and blocks within a five day period.
- The provision of summary details, after 12 months, of all re-routed transactions executed during the switching period.

The Dutch Payments Association, comprising of the major banks in the Netherlands, manages an initiative called Overstapservice or Bank Switching Service. Under this initiative, each participating bank is responsible for the processing of applications to switch payment accounts, including the automatic processing (re-routing) of payments received on the old account into the new account. EquensWorldline acts as a facilitator and supports the Switching Service by providing the daily OVST (Overstap) Bank Switch Tables containing the details of the old and new accounts. Temenos Transact stores the details in a directory, which enables Temenos Transact banks to inform originators and direct debit creditors of the new account number and re-route payments and direct debits to the new payment account within the mandated 13 month switching period.

The Temenos Transact ACSWIT module enables the participating banks to maintain the switch instructions from the Equens directory within the transact tables. This offering ensures the following:



- Account Switching service is applicable to the 'switching-out' account for a period of 13 months from the time the switch has been approved and made effective.
- Payments and collections are validated against the Account Switching table to verify if the beneficiary or debtor IBAN has a switch instruction on it.
- Where a switch instruction exists, the payments is re-routed to the new bank account of the customer.

The topics related to this feature are given below:

[Account Switching Service](#)

[Tasks for Account Switching Service](#)

[Enquiries and Reports](#)

[Model Parameters](#)

## IFRS9 Accounting » Takeover Processing of Arrangement Contracts

Takeover processing of existing clients implementing IFRS9 for the first time is handled using the `EB.CASHFLOW.CAPTURE` application, by capturing the Effective Interest Rate (EIR) or Amortised Cost (AMC) values.

Arrangement Contracts entered through AA lending application can be taken over using the Takeover Cashflow Activity instead of the `EB.CASHFLOW.CAPTURE` application, by entering either the EIR or AMC values. As Reporting Property is optional, arrangements can be taken over with or without a reporting property attached to it.

- For products without Reporting Property, a Reporting condition must be added to the product, followed by the Takeover Cashflow Activity.
- For migration of loans from the legacy system, the product must be built with Reporting Property, followed by triggering the Takeover Cashflow Activity.



This simplifies the takeover process in the case of Arrangement contracts.

The topic related to this feature is given below:

[Takeover Processing for Arrangements](#)

# IT Technical Notes



# Regulatory Compliance

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## Qualified Intermediary » US Tax Database

An eligibility check is invoked for US tax database during transaction authorisation from relevant securities application. The QI.CHK.USDB.TX.UPD.ELIGIBILITY API validates the transaction against the tax types in the QI . PARAMETER application. The QI.CHK.USDB.TX.UPD.ELIGIBILITY API, which is a public API allows further customisation if required.

The following parameters are sent to the JBC API from Temenos Transact:

- APPLICATION – Holds the SEC . TRADE, ENTITLEMENT or SC . ADJ . TXN . UPDATE application names
- APPLN.ID – Refers to the record ID of the transaction
- APPLICATION.REC – Indicates the transaction array
- QI.PARAM.REC – Contains the QI . PARAMETER record of the Customer Company to which the transaction belongs.
- MESSAGE – Indicator of the authorisation message, which usually contains the AUT value.

The following parameters are returned by the JBC API:

- QCSI.TRG.ID and QCSI.TRG.REC – The ID of the QI . CUSTOMER . SUPPLEMENTARY . INFO . TRIGGER trigger table.
- QCSI.TRG.REC – The trigger record array to process any additional information.
- RESERVED.1 – Reserved for future use
- RESERVED.2 – Reserved for future use
- ERR – Indicates the error messages, if any.

## Movement of Data Artefacts from ST

The following components from the System Tables (ST) module under Banking



Framework are now moved to the Regulation Tables (RT) module under Regulatory Compliance.

- ST\_OpenBanking is now RT\_OpenBanking
- ST\_Regulation is now RT\_Regulation

**NOTE:** After the R21 upgrade, the local development should refer to the above component in RT instead of ST.