

FATCA

In 2010, the United States of America (US), in an effort to enhance tax compliance by US persons in foreign jurisdictions or those with offshore accounts, introduced the Foreign Account Tax Compliance Act (FATCA). The reporting regime under FATCA requires foreign financial institutions (FFIs) to report information to the US Internal Revenue Service (IRS) relating to US person account holders (both individual and legal entities). To give effect to this, the US introduced an intergovernmental agreement (IGA) which was signed between South Africa and the US and reporting South African financial institutions (including Mercantile Bank Ltd) must comply with the requirements and obligations set out in the IGA from 1 July 2014. Consequently Mercantile Bank Ltd is obliged to collect and report information such as US taxpayers' account details, balances, names and addresses.

CRS

In 2014, the Organisation for Economic Cooperation and Development (OECD), working with G20 countries, developed the Standard for Automatic Exchange of Financial Account Information in Tax Matters (the Standard), which encompasses the OECD's Common Reporting Standard (CRS). The Standard requires Financial Institutions of CRS countries (referred to as "participating jurisdictions") to determine and report financial account information of account holders that may be tax resident in a foreign jurisdiction (other than the US, as this is regulated by FATCA) to their tax authority. South Africa has committed to implement CRS regulations effective from 1 March 2016 as governed under the Tax Administration Act 28 of 2011.

MERCANTILE BANK LTD COMPLIANCE WITH FATCA/CRS

Similar to FATCA, the CRS requires all financial institutions resident in a participating jurisdiction to identify and report any reportable accounts (typically persons tax resident in a CRS participating jurisdiction). Mercantile Bank Ltd is committed to becoming fully compliant in respect of both FATCA and CRS regulations. Any potential new Mercantile Bank Ltd account holder that requests to open an account will need to be classified for both FATCA and CRS purposes. Mercantile Bank Ltd has developed a self-certification for individuals, entities and controlling persons of entities. Form 338 is applicable to individuals and Form 330 applies to entities. Controlling persons of applicable entities are required to complete the Form 338 in their individual capacities. The remediation of all impacted pre-existing accounts as required by both FATCA and CRS regulations will continue until we are in a position to be fully FATCA and CRS compliant.

Additional information on CRS is available on the following link, provided by the OECD.

<http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/#d.en.347760>