

April 5, 2017

CC:PA:LPD:PR (REG-103477-14)

Internal Revenue Service

Room 5203

PO Box 7604

Ben Franklin Station,

Washington, D.C. 20044

RE: Comments by the Japanese Bankers Association to REG-103477-14

Dear Sir/Madam:

The Japanese Bankers Association (“JBA”) appreciates this opportunity to provide comments on the Proposed Regulations (REG-103477-14) issued on December 30, 2016 by the Department of the Treasury and the Internal Revenue Service (the “IRS”) relating to the Foreign Account Tax Compliance Act (“FATCA”).

The JBA is an association that represents and works on behalf of banks which have headquarter and branches in Japan, bank holding companies, and regional bankers associations in Japan and currently has 252 member institutions. The JBA conducts various activities both domestically and internationally in order to contribute to a sound and successful banking system that benefits the growth of Japanese economy, and the JBA also promotes compliance of the member banks, proper banking transactions, and advocates consumer protections. Almost all banks conducting banking business in Japan are its members.

JBA member banks understand and support FATCA policy objectives and have implemented a compliance program to comply with FATCA. Further, The JBA truly appreciates the consideration that was given to many of the JBA’s previous comments and suggestions.

We have reviewed the Proposed Regulations and the JBA has significant concerns with respect to certain provisions in the Proposed Regulations. We respectfully request that the IRS consider the comments and recommendations set forth below when finalizing the rules.

Sponsoring entity’s Compliance program with respect to sponsored FFI

[Proposal]

A sponsoring entity is required to have in place a written sponsorship agreement with each sponsored FFI.

The Proposed Regulations clarify that compliance requirements for a sponsoring entity of a sponsored FFI are generally similar to the requirements for a compliance FI. We understand that the intent of the proposal is to reasonably ensure the compliance of schemes involving a sponsored FFI.

Currently, a sponsoring entity of a sponsored FFI is only required to be authorized to act on behalf of the sponsored FFI to fulfill the requirements of the FFI agreement. However, the Proposed Regulations require a sponsoring entity to have a written sponsorship agreement with each sponsored FFI. This requirement does not ensure the compliance of a sponsoring entity but merely imposes excessive burdens on a financial institution.

Requiring a written agreement with each sponsored FFI merely increases burdens on financial institutions but would not contribute to further improvement in FATCA compliance, as such requirement unnecessarily increases administrative burden for sponsored FFIs which significantly vary in size and organizational structures. More specifically, many sponsored FFIs Japanese financial institutions utilize are highly regulated by Japanese laws and regulations. Imposing these burdens might even unnecessarily disturb healthy development of the financial schemes in financial markets.

For example, KYC rules including FATCA due diligence procedures for mutual funds and exchange traded trusts which represent the majority of the number of sponsored FFIs in Japan are carried out by distributors such as securities companies and banks,, not by a sponsoring entity. Tightening compliance of a sponsored FFI would not improve FATCA compliance while unnecessarily imposing burdens on financial institutions.

Further, information on the relationship between a sponsoring entity and a sponsored FFI is publicly available on the IRS website and it is clear that a sponsoring entity is responsible for a sponsored FFI. We believe additional formality is not necessary.

For these reasons, the JBA strongly requests that the proposal to require a sponsoring entity to have a written sponsorship agreement with each sponsored FFI be

reconsidered and repealed.

Very truly yours,
Japanese Bankers Association