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FASTER Directive

Withholding tax | Future state of play: EU FASTER & SAFER Directive

On 10 January 2025, the **Council Directive 2025/50 of 10 December 2024 on Faster and Safer Relief of Excess Withholding Taxes** (**FASTER**) was published in the Official Journal of the European Union. With FASTER, the European Commission wishes to **establish a common EU-wide system for withholding taxes** (**WHT**) **on cross-border dividend and/or interest payments, making WHT procedures in the EU "safer" and more efficient**

What

FASTER is intended to improve the current WHT relief process through a **streamlined, digital and time-bound system for the EU member states**, with:

- A common **EU-wide digital tax residence certificate** (**eTRC**)
- **Due diligence and reporting obligations** for certified financial intermediaries (**CFIs**) and
- The **implementation of faster WHT reclaim procedures** by EU member states

Why

FASTER is intended to address perceived **long-standing inefficiencies and weaknesses in the current EU WHT relief landscape**, establishing a **streamlined WHT process** within the EU, while simultaneously reducing:

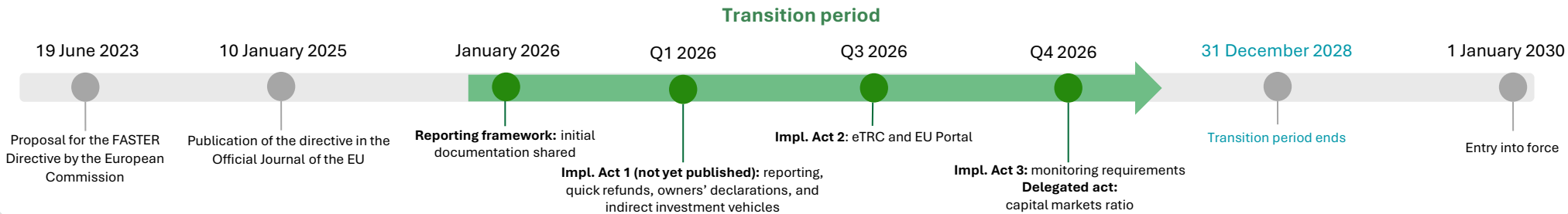
- **Lengthy**, **costly** and **cumbersome** WHT refund procedures **for investors** and
- Revenue losses **for EU member states** resulting from **tax fraud and abuse** and **a lack of information for tax authorities**

Who

FASTER will impact a wide range of market participants and tax authorities involved in cross-border securities transactions, including:

- **EU member states falling within the scope of FASTER** and
- **EU-based financial intermediaries** (CSDs, custodians, banks) involved in securities payment chains facing increased responsibilities and liabilities under FASTER and
- **Non-EU financial intermediaries and third-country CSDs,** generally outside the mandatory scope but eligible for voluntary registration; **non-EU branches of in-scope EU institutions remain mandatory**

When



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Withholding tax | Future state of play: EU FASTER & SAFER Directive

1. Implementation of two fast-track WHT procedures

- A **relief-at-source procedure** allowing the application of the appropriate tax rate at the time of the payment
- A **quick refund of any excess amount of tax paid**, under which EU MS **must reimburse excess WHT applied within the second month after the payment date**

Carve-out

EU MS are not required to implement these procedures if:

- **They already have a comprehensive relief-at-source system** and
- Their **market capitalization ratio does not exceed 1.5% for four consecutive years**

Exclusions

FASTER **only applies to income from publicly traded shares and bonds (optional)**

FASTER also provides for several circumstances under which **EU MS may exclude requests for WHT relief**

2. Enhanced responsibilities for certified financial intermediaries

- Establishment of a **national register of CFIs, accessible via the EU CFI Portal**
- Under FASTER, registration may be either **mandatory** or **optional** depending on the status of the FI
- CFIs must **provide the competent tax authority with the relevant data**
- CFIs must **diligently verify whether the investor is eligible for relief**
- CFIs must **gather documentation** such as the eTRC and registered owner declaration
- CFIs **can be held liable for the loss of WHT revenue** (i.e., where BO was not eligible for relief)

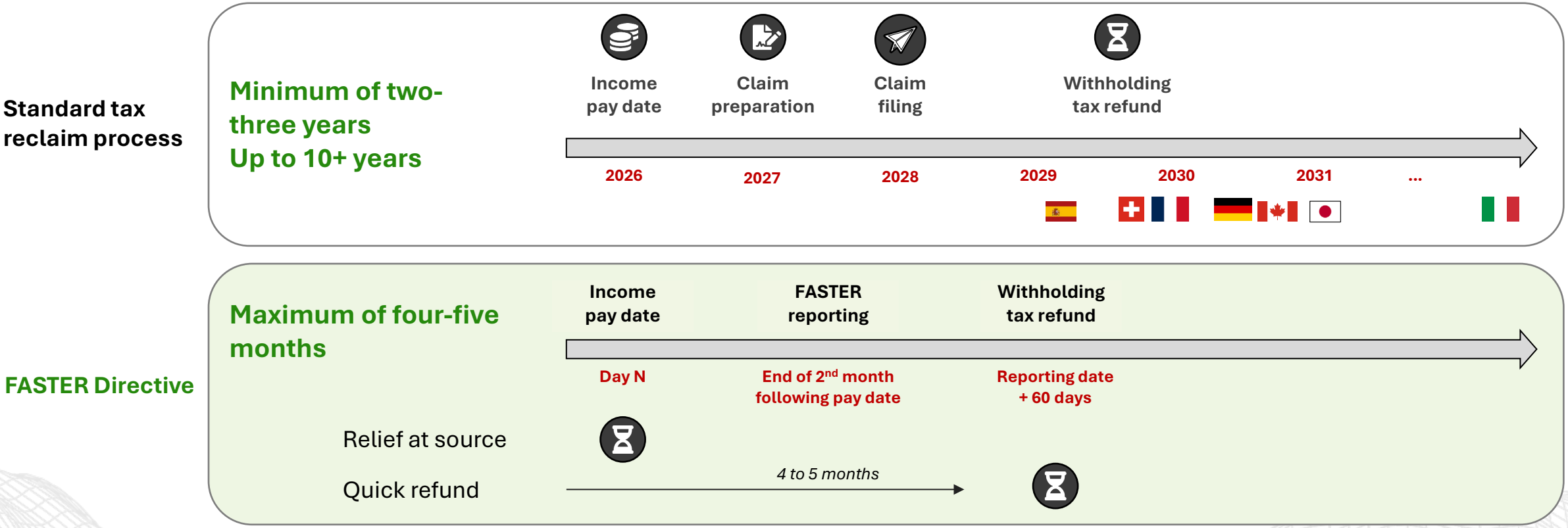
3. Issuance of a common e-tax residence certificate

- eTRC will have a **one-year validity period**
- eTRC should be **delivered within 14 days**
- eTRC will be **issued for one or more countries**
- eTRC is expected to **extend beyond** WHT procedures

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From years to months | illustrative journey of a tax claim process

Fast-track processes under the EU FASTER Directive will **considerably reduce the average refund time frame**. Either the reduced rate will apply **immediately** on the payment date (relief at source) or the refund will take no more **than 5 months** (quick refund). Today, refunds typically take at least **2-3 years from the payment date, even** in the best-case scenario



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FASTER impact assessment

Preliminary impact assessment (2026-2027)

1 Entity scoping

Build a full inventory of group legal entities and branches active in EU securities (including regulatory status, and business lines)

2 Custody chain mapping

Map end-to-end custody and withholding tax flows per EU market, including group and third-party intermediaries as well as key dependencies

3 Impact assessment

Assess preliminary FASTER impacts as well as registration and operational obligations for each in-scope entity

Secondary phase (2028-2030)

4 Gap analysis

Identify data, onboarding process, legal and technology gaps for each entity, and highlight client/product segments where FASTER may change the operating model

Onboarding

- Embed ROD in the onboarding process (incl. a reasonableness test against AML/KYC, FATCA/CRS, W-8 forms)
- Implement a new process to control FASTER-specific requirements (BO declaration, financial arrangements)
- Build a tax rate matrix to control and configure the applicable rates in the system

Legal

- Map FASTER-related liabilities toward source states
- Review SLAs, custodian/sub-custodian and intra-group agreements as well as client documentation (T&Cs) for allocation of FASTER responsibilities

Technology

- Adapt the operating model, data and reporting systems to FASTER requirements
- Upgrade systems to track the holding period (FIFO method)
- Flag and monitor financial arrangements for FASTER eligibility and apply appropriate controls

Tax and regulatory watch

Latest updates

- **Beneficial ownership:** the EU Commission closed the question of the definition of beneficial ownership. Each member state should establish its own definition of BO during transposition
- **Financial arrangement:** the industry is requesting further details on which instruments should be considered financial arrangements, through a safe harbor or whitelist. The request is currently under review by the EU Commission

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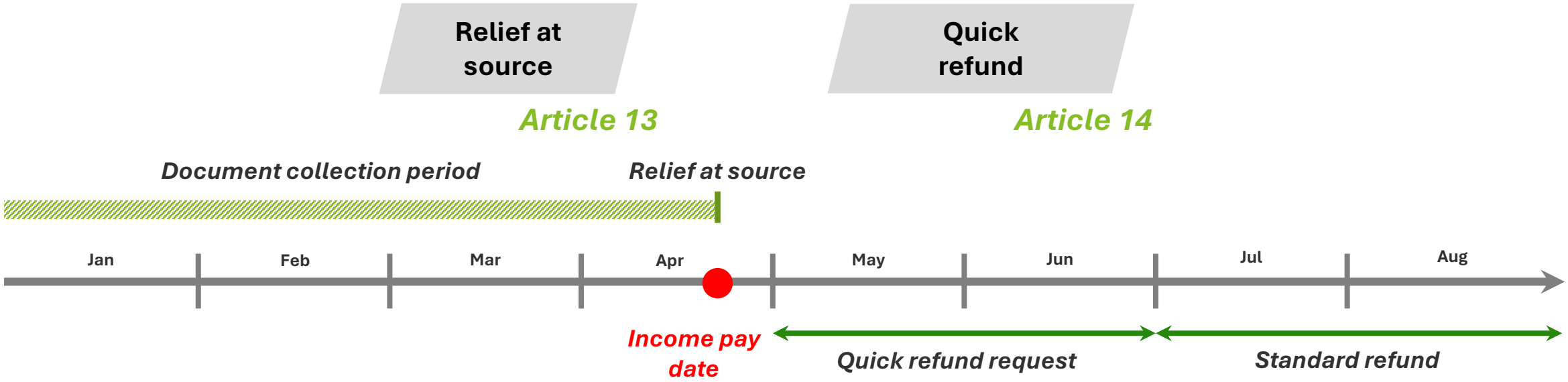
Appendix



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Fast-track procedures | General overview

Two fast-track WHT reclaim procedures aim to **complement each EU member state's existing standard refund procedure** to make relief and **refund processes faster** and more closely **harmonized across the EU**. The fast-track procedures are restricted to low-risk scenarios. The **standard refund system would remain available** for all other cases



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Fast-track procedures | Requirements

The fast-track WHT reclaim procedures will **only be available** if the **following conditions are met**. If **all these conditions are met**, the fast-track procedures **must apply**. This is a noticeable difference compared to the OECD TRACE regime applicable in Finland

1 ***Source country***

2 ***Source income***

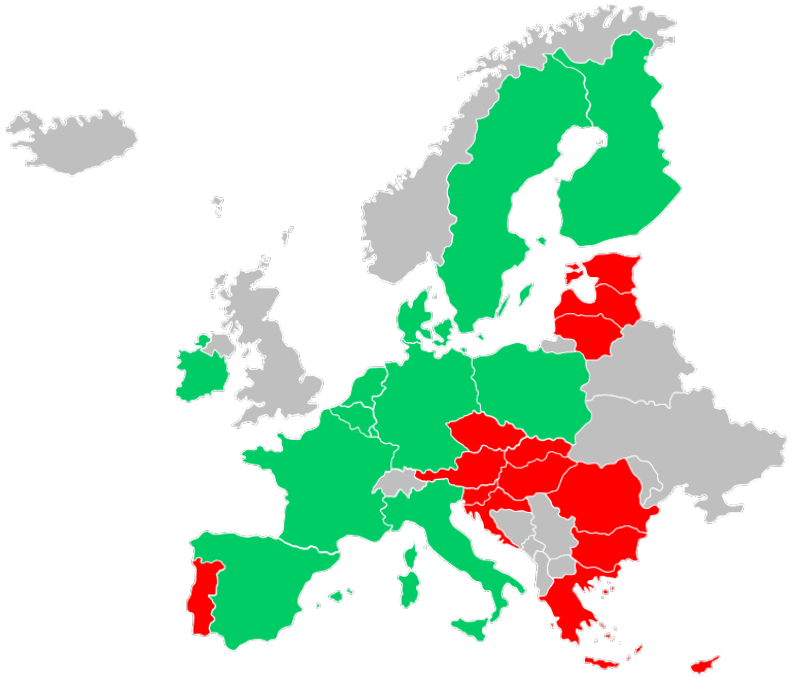
3 ***Financial institutions***

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Fast-track procedures | Source country requirements

1 Source country

- EU MS are **not required** to implement these procedures if:
  - They already operate a **comprehensive relief-at-source system** and
  - **Market capitalization ratio** does not exceed **1.5%** for four consecutive years
- Otherwise, EU MS must apply the fast-track procedures



*EU Member States which shall **irrevocably apply** Chapter III of FASTER*

EU Member States **below the 1.5% MCF** threshold and that may **opt-out** of Chapter III

Non-European Union countries

2024

COUNTRY	MARKET CAPITALISATION (EUR bn)	MARKET CAPITALISATION RATIO (%)
FR	2693.1233	24.1994
DE	2050.6261	18.4262
NL	1261.3929	11.3344
SE	889.6445	7.9940
IE	810.2850	7.2809
ES	754.6765	6.7812
IT	671.8258	6.0368
DK	609.9626	5.4809
BE	298.0726	2.6784
FI	242.4758	2.1788
LU	217.1034	1.9508
PL	172.6925	1.5518
AT	129.2025	1.1610
GR	81.2824	0.7304
PT	58.2757	0.5236
RO	45.9750	0.4131
HU	38.0432	0.3418
CZ	35.7146	0.3209
HR	26.8985	0.2417
SI	11.8741	0.1067
BG	6.6345	0.0596
CY	6.0439	0.0543
MT	5.7366	0.0515
EE	5.2066	0.0468
LT	4.8846	0.0439
SK	0.8938	0.0080
LV	0.3246	0.0029

2025

COUNTRY	MARKET CAPITALISATION (EUR bn)	MARKET CAPITALISATION RATIO (%)
FR	2904.9777	22.6108
DE	2414.8217	18.7957
NL	1357.7847	10.5683
ES	1085.0200	8.4452
SE	1047.8296	8.1557
IT	961.8169	7.4863
IE	845.0056	6.5771
DK	514.5863	4.0053
BE	361.6332	2.8148
FI	323.5910	2.5187
LU	237.8338	1.8512
PL	204.2891	1.5901
AT	181.7485	1.4146
GR	88.3280	0.6875
PT	71.7185	0.5582
RO	62.2511	0.4845
CZ	49.5642	0.3858
HU	48.9134	0.3807
HR	30.3534	0.2363
SI	17.6084	0.1371
CY	10.5227	0.0819
BG	7.9042	0.0615
MT	6.1812	0.0481
LT	5.7100	0.0444
EE	4.9923	0.0389
SK	2.3869	0.0186
LV	0.3847	0.0030

Source: ESMA's annual report: "*Market capitalisation figures under the FASTER Directive,*" 10 July 2026

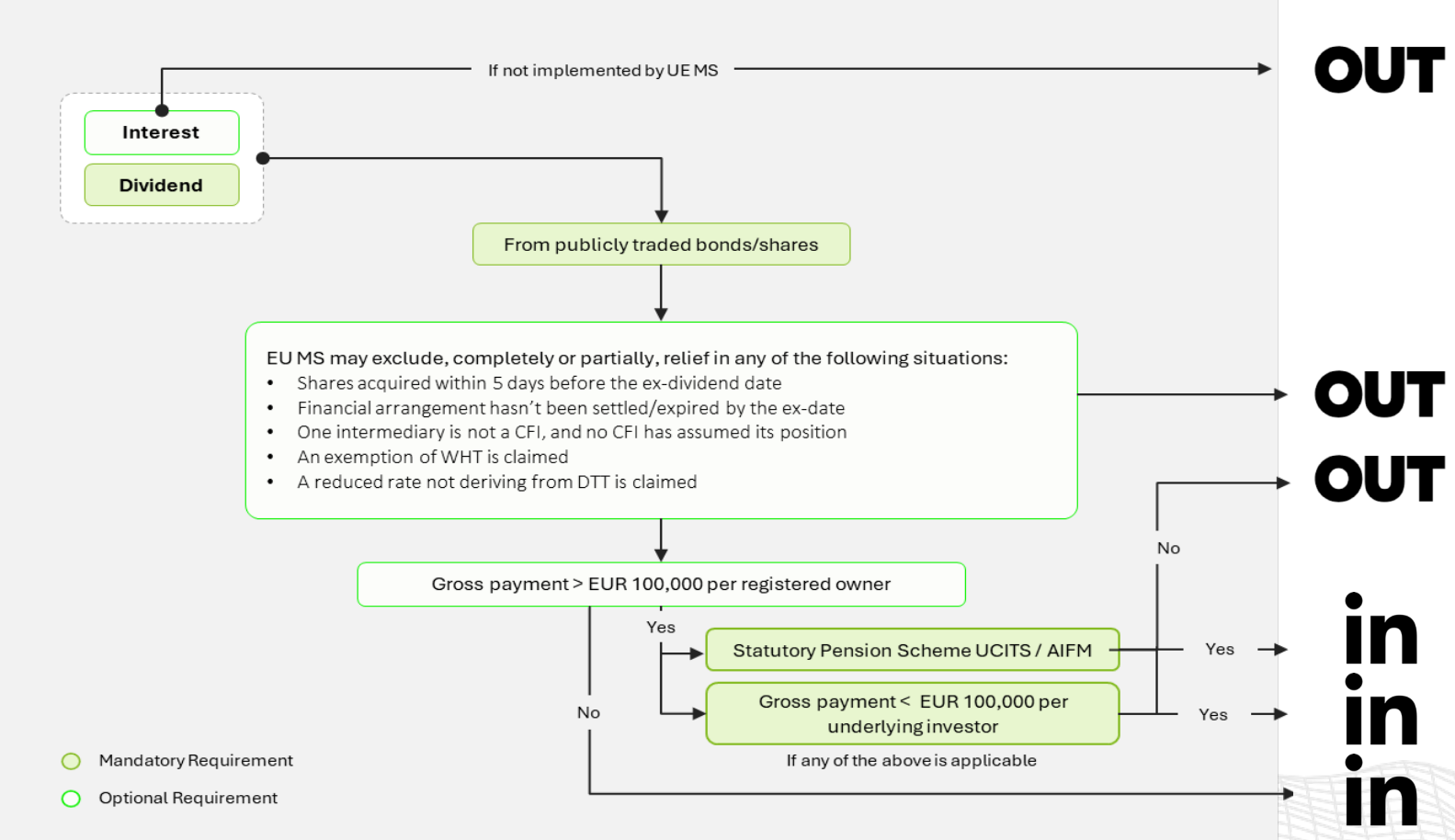
Under the FASTER framework, member states whose market capitalization exceeds 1.5% of total EU market capitalization for four consecutive years will be subject to specific withholding tax relief requirements under chapter III of the directive. For both 2024 and 2025, 12 member states exceeded the 1.5% threshold: France, Germany, the Netherlands, Spain, Sweden, Italy, Ireland, Denmark, Belgium, Finland, Luxembourg and Poland. Final determinations will be made using the relevant data for the applicable year, in accordance with the timelines established in the regulatory framework

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Fast-track procedures | Source income requirements

2 Source income

- FASTER only applies to income from **publicly traded equities** and**, optionally, publicly traded bonds**
- FASTER also provides for several circumstances under which **EU MS may exclude requests for WHT relief**



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Fast-track procedures | Financial institutions-related requirements

3 Financial institutions

- Fast-track WHT procedures apply when:
  - **All financial** intermediaries in the payment chain **qualify as CFIs**
  - **If a CFI is missing** in the payment chain**, another CFI may step in** and assume the **roles and responsibilities of that intermediary**

What

- Financial intermediaries **registered in national registers** via the **EU CFI Portal**
- Act as the **key operational and reporting hub in the WHT payment chain**: apply relief-at-source/quick refund, perform **due diligence**, and perform the **reporting** of the required information
- Can operate under direct or indirect reporting models and, **if a CFI is absent, may assume its operational and reporting duties** in the payment chain

Why

- **Enable fast relief of excess WHT** via the **RaS** or **quick refund** procedure within the prescribed timeline
- Provide **trusted, data-rich reporting** to tax authorities to combat fraud/abuse (e.g., dividend arbitrage schemes)
- Centralize **due diligence** on **tax residence**, eligibility for a reduced rate, **beneficial ownership** & **financial arrangements**, using existing KYC/AML data and eTRCs

Who

- **Mandatory CFIs**: large institutions under CRR (EU) No. 575/2013 and CSDs providing WHT agent services
- **Voluntary CFIs:** other financial institutions (e.g., banks, brokers…) that choose to register in a national register to report information along the payment chain or to tax authorities
- Registration can be at **group, branch or subsidiary level**, with the option to be represented by another group entity

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Certified financial intermediaries | Registration

The EU directive introduces the **pivotal concept** of **certified financial intermediaries (CFI)**
In order to apply the fast-track process, **all financial intermediaries in the payment chain** must in principle be **registered as CFIs** (although a CFI may step in and take over the roles and responsibilities of a financial institution not registered as a CFI)

Mandatory registration

Large institutions, as defined in the Capital Requirements Regulation (EU) No. 575/2013, i.e.:

(i) A **global systemically important institution** (G-SII) **or other G-SII**, as per article 131 of Directive 2013/36/EU

(ii) One of **the three largest institutions** in terms of total value of assets in the MS in which it is established

(iii) Institutions holding **total assets above €30 billion**

Voluntary registration

Any **financial intermediary** that:

a) Is **tax resident** in an **EU MS or in a third country** which is not a **non-cooperative jurisdiction**

b) Is **authorized** by the relevant authority to **perform custodial or central securities depositary** activities

c) Is **compliant** with Directive (EU) 2015/849 **(EU AML Directive) or with equivalent AML rules** applicable in a third country

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Certified financial intermediaries | Due diligence and reporting obligations

CFI status imposes due diligence & reporting obligations on financial institutions. Non-compliance with these obligations can lead to **significant penalties (as CFIs can be held liable for any loss of WHT revenue that arises when the BO was not eligible for the relief applied)**

Due diligence

Registered owner declaration confirming:

- Entitlement to tax relief
- Any unsettled financial arrangement involving the income and
- Prompt notification to the CFI of any changed circumstances

BO declaration (if required by the member state)

- Declaration that the registered owner is the beneficial owner of the dividend or interest, in accordance with domestic law or double tax treaty

Anti-abuse checks

- The CFI must verify whether there is any financial arrangement linked to the share that could affect relief eligibility

e-TRC

- 1-year validity period
- Delivered within 14 days
- Issued for one or more countries
- Expected to extend beyond WHT procedures

Content of reporting

- The person providing the information
- The recipient of dividend/interest payment
- The payor of dividend/interest payment
- The dividend or interest payment
- The application of anti-abuse measures
- Transactions that can be requested by the source member state
- Depositary receipts that can be requested by the source member state

Direct and indirect reporting models

- CFI reports data directly to the tax authorities or through the payment chain intermediary

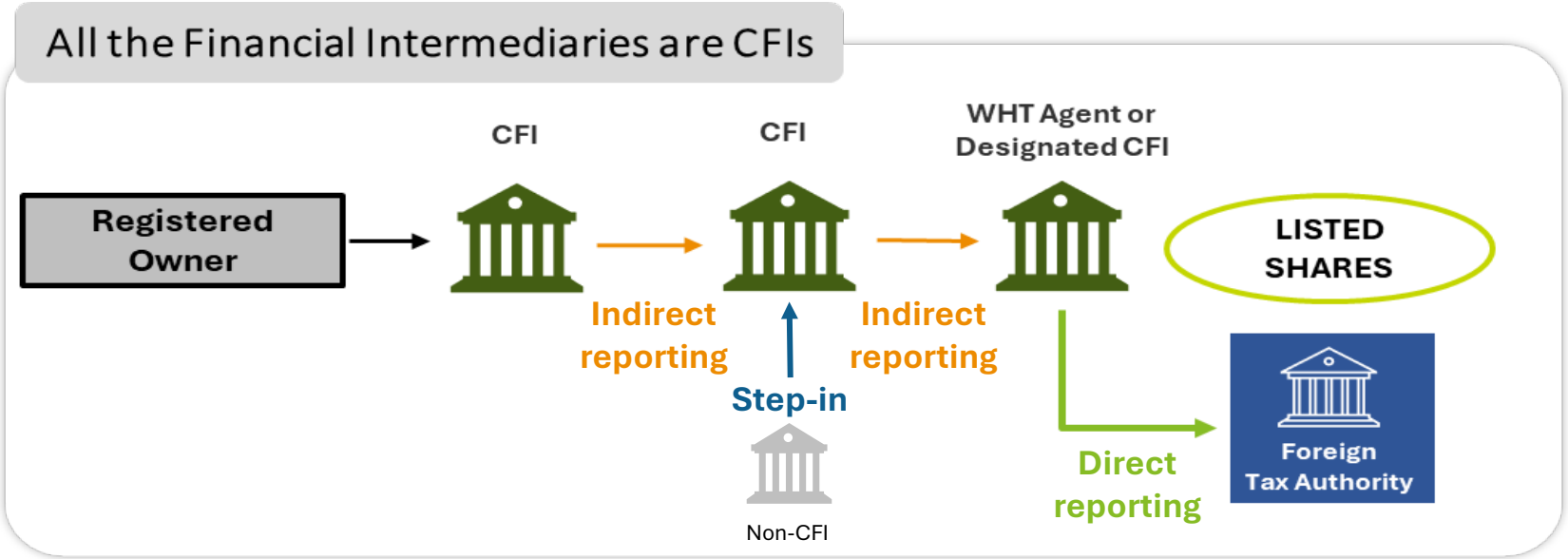
Deadline

- Reports are due within the second month following the payment date

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Certified financial intermediaries | snapshot of the reporting mechanism

Reporting obligations are imposed on CFIs **within 60 days from the income payment event**. As CFIs are liable toward the tax authorities in the event of a loss of WHT revenue, **legal documentation (SLA) is expected to be reviewed in detail** to define the precise roles and responsibilities of each CFI with clear liability clauses



Indirect reporting

The CFIs should provide the information along the securities payment chain in sequential order and in respect of their position in the securities payment chain of which they are part

Step-in

To avoid gaps in the payment chain, a CFI (whether or not involved in a specific payment chain) may step in and take on the roles and responsibilities of another financial intermediary within that chain

Direct reporting

The designated CFI should report directly to the competent authority of the source member state within 60 days from the income payment date

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