Optimizing tax operations in financial services organizations

A vision for operating model innovation
Is your tax operating model ready for today’s tax realities and tomorrow’s challenges?

Tax operating models have hit an inflection point. A number of macro trends are significantly challenging current tax operating strategies. In response, enterprises must determine if their tax function is positioned to meet these evolving needs, both now and in the future. Now is the time for organizations to ask themselves this question: Is our tax operating model positioned to meet both today’s realities and tomorrow’s challenges?

Macro trends impacting tax functions

- Legislative change
- Business agility
- Digital disruption
- Cost reduction
- Finance transformation
- Talent management
Now is the time for organizations to ask themselves: does our tax operating model still fit?

Data and technology
- Do our accounting, finance and tax departments share data in the most efficient, effective way possible?
- Are we leveraging leading-edge technology and data management innovations to facilitate collaboration, mitigate risk, and develop actionable analytics?

Established framework
Do we have a tax function that is cohesive and effectively executes domestically and worldwide?

Talent
Are we positioned to attract and retain the right talent and skills?

People and organization
Do we have our resources adding optimal value in the right locations at the lowest cost?

Process and policy
Are we reducing redundancies and continuously driving to innovate and improve?

Global service delivery
Have we built a global infrastructure that delivers best-in-class and best-in-cost tax services to the organization?

Digital transformation
In an increasingly digital working world, it’s critical that tax departments consider the opportunities that new technologies – particularly automation – provide to unlock value, manage risk, improve efficiency and provide value-added insights. Innovative tactics and tools to consider include:
- Digitization of operations
- Intelligent automation, including robotics
- Artificial intelligence
- Service centers
- Centers of excellence

If your organization has invested in any or all of these, ask yourself if you are truly maximizing your investments. If not, it is time to map out your optimal path to digital transformation. In either case, it is critical to determine what to keep in-house and what to outsource to a provider with a robust technology platform.
How financial services firms can evaluate their tax operating model

Setting the strategic direction for your tax operations involves a four-step process. Our unique methodology can help ascertain which tax capabilities should be retained internally, which might benefit from a hybrid solution and which can be outsourced.

1. Understand and evaluate your current state
   - Ernst & Young LLP works with you to develop a high-level understanding of the current state of your tax function and your future needs and goals (e.g., cost reduction, risk management).
   - Together we identify the business needs and benefits of a transformed tax function and pinpoint the drivers for change (e.g., cost management, legislative change).

2. Benchmark against leading practices
   - We utilize assessment tools to help determine how your current tax operating model can benefit from adopting leading practices.
   - This step can help establish the basis upon which sponsors can evaluate future state recommendations.

3. Envision the future state
   - We then work closely with your team to develop operating model improvement initiatives, focusing on how the organization can improve its investments and enhance current resources.
   - We outline capabilities that should be retained, as well as areas where the organization may benefit from other alternatives.
   - Organizations may stand to gain by outsourcing heavily manual and highly repeatable processes, such as tax compliance.
   - Some firms may be candidates for a full or partial lift out of the tax function, while others may require enhancements to current technology.

4. Build the business case for change
   - This step involves obtaining buy-in from executive sponsors for the future state vision of the to-be operating model.
   - We help identify areas that require further assessment to build a business case for transformation.
   - At this stage, we provide guidance on leading practices, key considerations and any other issues that need to be managed under various operational change scenarios.
Build a strategic collaboration with EY to create agility and add significant value

Tax areas to consider
Leveraging our unique methodology, we can help organizations determine which capabilities can benefit from transformation – in order to meet your business goals. Because every client is unique, our strategies are customized for each situation.

<table>
<thead>
<tr>
<th>We can help you in the following areas:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Talent</strong></td>
</tr>
<tr>
<td>► Attract and retain the right resources</td>
</tr>
<tr>
<td>► Improve career opportunities of your employees</td>
</tr>
<tr>
<td><strong>People and organization</strong></td>
</tr>
<tr>
<td>► Reduce dependence on location</td>
</tr>
<tr>
<td>► Utilize lower-cost resources</td>
</tr>
<tr>
<td>► Pivot resources for more strategic activities</td>
</tr>
<tr>
<td><strong>Data and technology</strong></td>
</tr>
<tr>
<td>► Establish a robust technology platform</td>
</tr>
<tr>
<td>► Leverage leading-edge technology and data management innovations</td>
</tr>
<tr>
<td><strong>Global service delivery</strong></td>
</tr>
<tr>
<td>► Leverage global EY infrastructure</td>
</tr>
<tr>
<td>► Guide you with proven global methodologies and governance</td>
</tr>
<tr>
<td><strong>Established framework</strong></td>
</tr>
<tr>
<td>► Create a structure that maintains cohesion and improves execution domestically and worldwide</td>
</tr>
<tr>
<td>► Facilitate a smooth transition</td>
</tr>
<tr>
<td>► Emphasize change management</td>
</tr>
<tr>
<td><strong>Process and policy</strong></td>
</tr>
<tr>
<td>► Reduce redundancies and utilize a risk-based approach</td>
</tr>
<tr>
<td>► Drive continual innovation</td>
</tr>
</tbody>
</table>
Why EY?

The EY organization is the only public accounting firm with a separate business unit dedicated to the financial services marketplace with seamless access to a global tax network of 50,000 tax professionals in more than 150 countries.
Contact one of the dedicated EY financial services tax executives to discuss the benefits of a tax function transformation strategy

**Banking and capital markets**

**Terry Cardew**  
*Partner*  
Ernst & Young LLP  
Financial Services Tax Leader  
+1 212 773 3628  
terence.cardew@ey.com

**Karina Pogrebinsky**  
*Partner*  
Ernst & Young LLP  
Financial Services Tax  
+1 212 773 1342  
karina.pogrebinsky@ey.com

**Insurance**

**Scott Guasta**  
*Partner*  
Ernst & Young LLP  
Financial Services Tax Leader  
+1 732 516 4314  
scott.guasta@ey.com

**Rick Gelfond**  
*Partner*  
Ernst & Young LLP  
Financial Services Tax  
+1 202 327 7032  
rick.gelfond@ey.com

**Wealth and asset management**

**Michael Serota**  
*Partner*  
Ernst & Young LLP  
Financial Services, Tax Fund Leader  
+1 212 773 0378  
michael.serota@ey.com

**Julie Canty**  
*Partner*  
Ernst & Young LLP  
Financial Services, Hedge Funds Tax  
+1 212 773 5403  
jlucy.canty@ey.com

**Robert Meiner**  
*Partner*  
Ernst & Young LLP  
Financial Services, Mutual Funds Tax  
+1 201 551 5029  
robert.meiner@ey.com

**Petter Wendel**  
*Partner*  
Ernst & Young LLP  
Financial Services, Private Equity Tax  
+1 201 551 5013  
petter.wendel@ey.com

**Tax, technology and transformation**

**Darren Beardsley**  
*Principal*  
Ernst & Young LLP  
Financial Services Tax, Technology and Transformation Leader  
+1 201 551 5003  
darren.beardsley@ey.com

**Coskun Cavusoglu**  
*Principal*  
Ernst & Young LLP  
Financial Services Tax, Technology and Transformation  
+1 312 879 5743  
coskun.cavusoglu@ey.com
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

EY is a leader in serving the global financial services marketplace
Nearly 51,000 EY financial services professionals around the world provide integrated assurance, tax, transaction and advisory services to our asset management, banking, capital markets and insurance clients. In the Americas, EY is the only public accounting organization with a separate business unit dedicated to the financial services marketplace. Created in 2000, the Americas Financial Services Organization today includes more than 11,000 professionals at member firms in over 50 locations throughout the US, the Caribbean and Latin America.

EY professionals in our financial services practices worldwide align with key global industry groups, including EY's Global Wealth & Asset Management Center, Global Banking & Capital Markets Center, Global Insurance Center and Global Private Equity Center, which act as hubs for sharing industry-focused knowledge on current and emerging trends and regulations in order to help our clients address key issues. Our practitioners span many disciplines and provide a well-rounded understanding of business issues and challenges, as well as integrated services to our clients.

With a global presence and industry-focused advice, EY's financial services professionals provide high-quality assurance, tax, transaction and advisory services, including operations, process improvement, risk and technology, to financial services companies worldwide.

© 2018 Ernst & Young LLP.
All Rights Reserved.

1811-2947595
US SCORE no. 01293-181US

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com/digitaltax