[TEXT OF THE FATCA COMMENT LETTER SUBMITTED BY
THE STATES OF GUERNSEY]

John Sweeney, Esq.
Attorney-Advisor
Internal Revenue Service
1111 Constitution Avenue, NW
Room 4562
Washington, DC 20224

29 October 2010

Dear Mr. Sweeney

RE: *NOTICE 2010-60* GUIDANCE UNDER THE FOREIGN ACCOUNT TAX COMPLIANCE ACT GUIDANCE ("FATCA")

I am writing to you on behalf of the government of Guernsey ("the States of Guernsey") to offer comments on *Notice 2010-60* and future efforts by the Internal Revenue Service ("IRS") to implement the Foreign Account Tax Compliance Act ("FATCA"). In Notice 2010-60, Treasury and the IRS solicited comments on possible approaches to reduce the burden imposed on participating foreign financial institutions ("FFIs") under FATCA.

Under FATCA, withholding is not required with respect to payments to an FFI that enters into a reporting agreement with the IRS, under which the FFI agrees to comply with the verification and due diligence procedures required by the IRS with respect to the identification of U.S. accounts. An FFI may be deemed to satisfy this requirement if it complies with such procedures as the IRS may prescribe to ensure that the FFI does not maintain any U.S. accounts.

As you know, the States of Guernsey entered into a Tax Information Exchange Agreement ("TIEA") with the United States on 19 September 2002 which came into force on 1 January 2006. Guernsey and the United States have exchanged information on a number of occasions under this agreement. Guernsey is also fully compliant with international standards regarding know-your-customer ("KYC") rules, tax information exchange, and international tax enforcement.

In recognition of Guernsey's cooperation with the United States and its exemplary regulatory regime for financial institutions, Guernsey respectfully suggests that in formulating the rules to implement FATCA, the IRS adopt a special rule for entering into agreements with FFIs located and regulated in Guernsey. Such rule would provide that an FFI located and regulated in Guernsey will be considered to have complied with any verification or other customer due diligence procedures required by the IRS with respect to the identification of U.S. accounts for purposes of reporting any U.S. accounts if a U.S.-Guernsey approved external auditor certifies that the FFI's KYC and customer due diligence policies and procedures are adequate to identify U.S. accounts for purposes of reporting U.S. account information to the IRS. This simplified procedure would result in the IRS obtaining the information it needs with much less of an administrative burden placed on Guernsey FFIs.

Guernsey also suggests that the IRS consider adopting a procedure whereby an FFI located and regulated in Guernsey will be considered to have complied with any procedure for ensuring that the FFI does not maintain U.S. accounts if a U.S.-Guernsey approved external auditor certifies that the FFI's KYC and customer due diligence policies and procedures are adequate to ensure that the FFI will not unknowingly maintain any U.S. accounts. Again, this simplified procedure would reduce the administrative burden on Guernsey FFIs.

I am happy to discuss these suggestions further and how they might streamline compliance with FATCA.

Thank you for your consideration.

Yours faithfully,

J G Hooley
Adviser - External Affairs

cc:
Mary Burke Baker,
Professional Tax Staff,
Senate Finance Committee

Thomas A. Barthold,
Chief of Staff,
Joint Committee on Taxation

James D. Carroll,
Program Manager,
Exchange of Information and Overseas Operations
Internal Revenue Service

Aharon Friedman, Esq.,
Tax Counsel (Minority),
Ways and Means Committee

Melissa Mueller, Esq.,
Tax Counsel,

Rep. Richard E. Neal,
House Subcommittee on Select Revenue Measures

Michael F. Mundaca, Esq.,
Assistant Secretary for Tax Policy,
Treasury Department

Robert L. Roach, Esq.,
Counsel & Chief Investigator,
Permanent Subcommittee on Investigations

Stephen E. Shay, Esq.,
Deputy Assistant Secretary (International Tax Affairs),
Treasury Department

Nicholas A. Wyatt,
Tax and Nomination Professional Staff Member
Senate Finance Committee

Jeffrey Ziarko, Esq,
Tax Legislative Counsel,
Chairman

Sander M. Levin
House Ways and Means Committee