

Contact

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Automatic Exchange of Information

Health Checks and Risks Frameworks to help financial institutions navigate the transitions from project to Business As Usual

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The challenge

Reporting information on “Financial Accounts” to local tax authorities as part of Automatic Exchange of Information has been required in Belgium since 2016. AEOI is a challenging compliance obligation where the reporting process will highlight the accuracy and completeness of data and documentation obtained from all relevant clients.

While many financial institutions have implemented projects to meet the reporting deadline, this is an ongoing annual requirement which must be integrated into Business As Usual (BAU) activities with appropriate controls and governance.

How KPMG can help

KPMG can help financial institutions navigate the transition to Business As Usual through the following services:

1. The AEOI Health Check – A detailed analysis of your current implementation and approach to identifying gaps in existing AEOI processes (internal procedures and policies, processes, documents, data collection, reporting systems and reports, etc.).
2. The AEOI Consistency Exercise – An analysis of your clients’ tax related data consistency and an approach to integrate FATCA, CRS, QI and Belgian withholding tax systems.
3. The AEOI Risk Framework – An analysis of the existing risk framework or assistance to help to: implement a new AEOI risk framework to identify gaps that may exist, ensure that sufficient controls are in place and analyze effectiveness and completeness to help determine how compliance is evidenced.

Your benefits

How can this help Financial Institutions?

- Helps to provide you with the confidence that your business is compliant with the AEOI requirements across all legal entities.
- Offers a rigorous review of procedures to help you

demonstrate compliance in any upcoming tax authority review or audit.

- Helps enabling a seamless transition into BAU with a strong maintainable monitoring mechanism which helps guarantee complete and accurate reporting.
- Highlights potential cost savings by removing inefficiencies and leveraging your existing FATCA and CRS controls.
- Helps you to provide your clients with a positive experience by aligning all relevant documentation (procedures, policies etc.) with processes.

Having the right processes and procedures in place is not the only challenge: there must be proper and effective controls to help ensure financial institutions are doing what they should to meet their AEOI obligations.

The KPMG approach

1. The AEOI Health Check methodology:

- End-to-end AEOI processes are analysed in detail for all work streams covering:
 - Entity and product classification
 - Client on-boarding and analysis of pre-existing accounts
 - Change in circumstance
 - Reporting
 - Governance and compliance
- The Health Check uses both a top-down approach (to identify deficiencies and inefficiencies in the existing processes) and a bottom-up approach using checklists and enquiry tools (to help guarantee compliance).
- Using checklists, questionnaires and analysing supporting documentation, we aim at obtaining a thorough understanding of each of your organization’s AEOI business processes.
- Following this we will conduct in-depth structured interviews with key personnel and perform live end-to-end process walk-throughs to help ascertain exactly the processes being followed.
- End-to-end testing will help to identify any issues, both with the underlying systems data and the completeness of reporting on that data. Statistical and targeted sample selection can help identify and analyse all possible scenarios within the client lifecycle.
- The client experience is key for all businesses. So an analysis of internal and external communications will help determine whether regulations are clearly explained, implemented and communicated in such a way that they can be understood by your clients.

2. The AEOI Consistency Exercise:

- Due to AEOI regulations, financial institutions gathered huge volumes of tax related personal data of their customers. That information may be used by (Belgian) tax authorities to check for data inconsistencies and to trace breaches of AEOI rules or other tax legislation.
- The AEOI Consistency Exercise will help your organization to manage data consistency as part of your AEOI compliance framework.
 - Integration of CRS information as a FATCA indicium.
 - Consistency between FATCA & CRS entity qualification (where appropriate).
 - Integration of FATCA & CRS data in your Qualified Intermediary (QI) identification processes.
 - Alignment between CRS and Belgian Withholding Tax / TOB in respect to non-residents.

3. The AEOI Risk Framework methodology:

- We believe risk management needs to be a primary part of any AEOI project, linking different areas of the business (tax, operations, reporting, IT and legal for example) to paint a comprehensive picture of the risks involved, the controls needed to mitigate them, the tests required and any escalation process needed in case issues are identified.
- An effective AEOI monitoring program can be embedded into an existing risk framework or a new risk framework can be developed and implemented to help ensure on-going monitoring and compliance. KPMG can design and execute tailored compliance frameworks to suit your business type and client offering to help make sure you:
 - meet end-to-end regulatory requirements
 - identify risks
 - establish effective controls are established
 - test processes and documents
 - identify, document and monitor issues / gaps

Financial institutions need to keep track of how they incorporate their ongoing AEOI processes into their everyday business so that it becomes standard procedure.

Points to consider in making the transition from the project phase to BAU:

- How can you keep track of developments linked to the AEOI project and other regulatory updates?
- Who is responsible for post-AEOI implementation compliance?
- Who is responsible for reviewing and updating the internal processes and procedures, including staff communication, to reflect changes and review flags?
- How will you maintain and monitor the remediation process to deal with your client queries until deadlines have been met and processes have moved from remediation to change in circumstance?
- Who will review reporting requirements well in advance of key deadlines to ensure systems and flags are up-to-date and that your clients have been contacted where reportable data is missing or incorrect?
- Who will be responsible for running regular exception reports, follow-up gaps in the information requested promptly, and chase the follow-ups evidencing this process?
- When will you review processes over data maintenance and data storage?
- How will you maintain an audit trail of information requests, data gathered and data validation?
- Who will perform internal audits and health checks of the processes? Have you considered commissioning external independent checks as well?
- When and how will you provide regular refresher training to client-facing and back-office staff?
- How will you ensure client communications are updated to ensure clients are fully informed of all changes and / or requirements?