



Common Reporting Standard

Are you compliant?



What is CRS?

The Inland Revenue (Amendment) (No. 3) Ordinance 2016, which came into effect on 30 June 2016, requires financial institutions (FIs) in Hong Kong to implement a framework for compliance with Common Reporting Standard (CRS), also generally known as the Automatic Exchange of Information (AEOI). Under CRS, FIs are obliged to identify the tax residencies of their customers, maintain personal and financial account information and report the information of those with foreign tax residencies to the Hong Kong Inland Revenue Department (HKIRD) on an annual basis.

Why is CRS important?

In contrast to the Foreign Account Tax Compliance Act (FATCA), which requires a Responsible Officer (RO) designated by the FI to certify its compliance to the United States on an ongoing basis, CRS currently does not have a certification arrangement in place. Nonetheless, CRS is legally enforceable in Hong Kong and FIs are expected to develop a framework that:

- (i) addresses the obligations of maintaining financial accounts;
- (ii) ensures the completeness and reasonableness of information attained from customers; and
- (iii) ensures the accuracy and completeness of information reported to tax authorities.

CRS is important to the status of Hong Kong as an international finance center, as non-compliance may place Hong Kong on the EU and OECD's lists of non-cooperative jurisdictions. It is therefore in the interests of authorities, particularly the HKIRD, to ensure FIs abide by the rules. The HKIRD is expected to raise queries and conduct audits to assess the CRS compliance status of FIs in Hong Kong.

Are you compliant?

You met the required reporting deadline, but is your reporting compliant and supportable?

- Many FIs have established policies and procedures to identify, maintain and report the required CRS data, but how effective are your current policies? Are you keeping up with changes in law and practice?
- An effectively designed framework needs to be robust enough to respond to the ever evolving CRS requirements and increasingly sophisticated financial industry. Are you comfortable with your on-going compliance with CRS?

Are you ready for an audit?

- Upon inspection, will you be able to readily furnish the required CRS data with confidence?



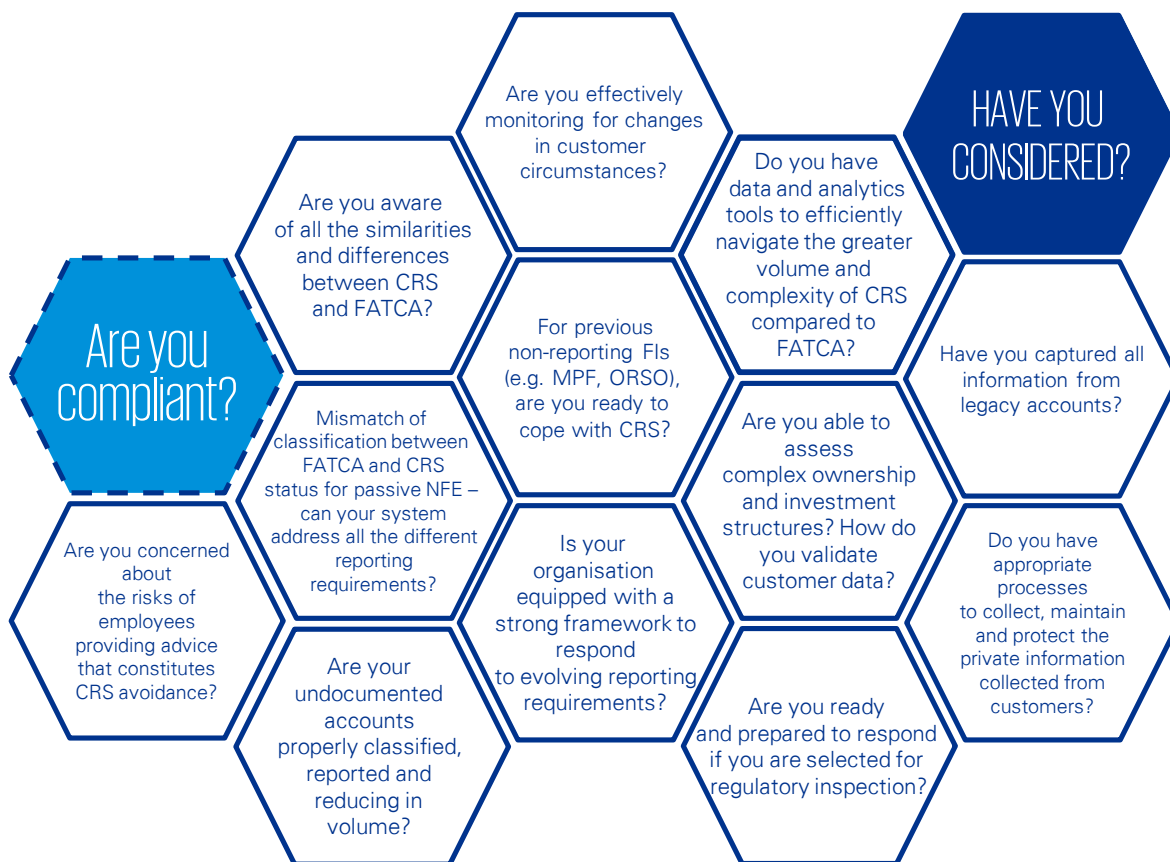
What are the consequences of non-compliance?

What **comfort** do you have over your CRS framework?



Areas of assessment that the IRD focuses on:

- **Pre-existing accounts:** Appropriate procedures are in place to review electronically searchable data for indicia, perform paper record searches and obtain self-certification and assurances that reasonable efforts are used to obtain TIN and date of birth of account holders and controlling persons.
- **Self-certifications:** Self-certifications are obtained upon opening of new accounts and their reasonableness is confirmed.
- **Change in circumstances:** Procedures are in place to determine whether there has been a change in circumstances in relation to the identity or reportable status of account holders and/or controlling persons.
- **Undocumented accounts:** Undocumented accounts are properly classified and reported
- **CRS related training:** Regular training is provided to ensure that officers are aware of the required information and required procedures.
- **Records retention:** Sufficient records are kept for a period of 6 years beginning on the date on which the return is furnished.



Are you **asking** all the **right questions?** Let us help you get there.



How can KPMG help?

01 CRS health check

- Structured review against the prevailing CRS requirements
- Defined approach with process walk-through and sample testing
- Pragmatic recommendations
- Optional inclusion of remediation support and post-implementation review

Key benefits

- Suitable for FIs with limited resources to execute due diligence for new and pre-existing reportable entities.
- Independent assessment of compliance with CRS requirements
- Market insights into effectiveness of existing compliance policies and procedures.
- Pragmatic recommendations on alignment of policies, procedures and controls to meet CRS requirements effectively and efficiently.
- Access to industry best practices and subject matter experts to ensure compliance, even for complex reporting FIs.
- Advice on remediation to support ground-level execution and drive best practices within the financial sector.
- Support for handling non-compliant events or material failures (if any).

02 Compliance program

- Tailored compliance monitoring program with regulatory requirements mapped to suggested controls and testing steps for ongoing compliance assessment

Key benefits

- Suitable for FIs with minimal staffing resources that require an external consultant to help strengthen the CRS framework and to enable agile responses to the evolving requirements.
- Proprietary program with end-to-end mapping of all prevailing CRS regulations, control objectives, controls and suggested test steps.
- Sustainable solution enabling FI to be self-reliant and independently assess control effectiveness and compliance with CRS on an ongoing basis to satisfy current and future CRS due diligence requirements.
- Specific guidance on how procedures can be enhanced with consideration of suggested controls in the program based on industry best practices.

03 CRS refresher training

- Training on prevailing CRS requirements, regulatory updates, upcoming requirement changes and trends in regulatory findings

Key benefits

- Suitable for FIs with adequate staffing resources looking for the latest regulatory insights into the prevailing and impending requirements.
- Access to the latest updates on CRS compliance audits, results of regulatory reviews, and insights into leading industry best practices.

If you have any questions regarding your organisation's compliance with CRS, please feel free to contact us:



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