



# Automatic Exchange of Information (AEOI): The Common Reporting Standard (CRS)

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# What is CRS?

The OECD's (Organization for Economic Co-operation and Development) CRS is a big step towards a globally coordinated approach to disclosure of income earned by individuals and organizations. As a measure of counter tax evasion, it builds upon other information sharing legislation, such as FATCA (the US Foreign Account Tax Compliance Act). The OECD's model CRS, based on the FATCA Model 1 IGA, is designed to be a standardized approach to identifying and reporting information about taxpayers by financial institutions that will be exchanged with residence jurisdictions.

## Who is affected by CRS?

In addition to the countries that have announced their intention to implement the CRS, the G20 countries have also committed to implementation plans, as well as calling on financial centers to adopt the Standard. The CRS impacts a similar range of financial institutions as FATCA (albeit with fewer exceptions), comprising:

- Depository institutions: entities that accept deposits in the ordinary course of a banking or similar business
- Custodial institutions: entities that hold, as a substantial portion of their business, financial assets for the account of others
- Investment entities: entities: (i) whose primary business involves certain asset management or financial services for or on behalf of a customer; or (ii) whose gross income is primarily attributable to investing, reinvesting, or trading in financial assets, if the entity is managed by another financial institution
- Specified insurance companies: insurance companies that issue or are obligated to make payments for cash value insurance contracts or annuity contracts

The CRS does not include several of the exemptions found in the FATCA regulations or IGAs. The following categories of financial institutions that are excluded from FATCA Model 1 IGA are not excluded from the CRS:

- Financial institutions with a local client base
- Local banks
- Certain retirement funds
- Financial institutions with only low-value accounts
- Sponsored investment vehicles
- Some investment advisors and investment managers
- Certain investment trusts

These exceptions are specific to FATCA and may not make sense in the context of a multilateral Standard such as the CRS. However, their absence means that CRS is likely to impact more financial institutions than FATCA in any implementing country.

# How can we help?

KPMG member firms are here to help. We are among the leading service providers across the financial and non-financial industry arenas. Our AEOI Teams contain an experienced, multidisciplinary group of tax and advisory professionals that have worked on a range of global and national AEOI projects for some of the world's largest organizations. Our network of professionals can help you meet your reporting obligations with limited disruption to your business. We recognize that you face a number of regulatory requirements. Our approach to CRS is consistent with our delivery of other regulatory consulting services, enabling you to achieve compliance synergies.

Tailored services from KPMG AEOI Team include:

**Entity  
classification &  
Registration &  
Account**

**Compliance and  
Governance**

**Client on  
boarding**

**Documentation  
Review**

**Reporting**

**Existing  
Customers**

**Ad hoc  
advice**

- **Impact assessment:** providing a detailed analysis of the CRS' and FATCA's impact on your entities, customers/investors, suppliers, distributors, systems and governance
- **Impact assessment remediation:** offering assistance when your organization has conducted an impact assessment that requires reevaluation: e.g. as a result of the change in the requirements following release of the final regulations, or to get benefit of a second opinion on your situation and compliance plans
- **Target state design:** helping design a response to address the different CRS and FATCA impacts on areas such as on-boarding processes, tax documentation and due diligence compliance, and client data management, to identify risks and opportunities for enhancement
- **Implementation:** preparing for entity classification and documentation, project managing technology, process, and change governance. We also help with readiness assessment when a CRS or FATCA compliance program has already been designed.
- **Monitor and sustain:** evaluating the effectiveness of compliance programs and identifying opportunities to enhance efficiencies.



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