



cutting through complexity

TAX

Automatic Exchange of Information

The Common Reporting Standard

How financial institutions can
adapt to new global standards

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KPMG INTERNATIONAL



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Summary

The OECD (Organisation 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 to counter tax evasion, it builds upon other information sharing legislation, such as FATCA (the US Foreign Account Tax Compliance Act) and the European Union (EU) Savings Directive.

This paper looks at the impact of CRS and the influence these new Standards have upon financial institutions around the world, and considers the steps financial institutions should take to achieve compliance cost-effectively. Here are some of the key issues:

A major increase in reporting requirements

These initiatives involve governments obtaining information from their financial institutions and exchanging data automatically with other nations. Financial institutions (and other investment entities) will have significant additional reporting responsibilities, in order to disclose details of their account holders, with potential penalties for those unable or unwilling to comply fully. As well as reviewing their existing customer base, they also have to introduce new client on-boarding procedures to identify reportable accounts.

Collecting complex and varied information

Financial information to be reported includes interest, dividends, account balance, income from certain insurance products and sales proceeds from financial assets. In gathering data, residency or tax residency within a particular country is the decisive factor – not citizenship. The CRS relies heavily on local anti-money laundering (AML) and Know Your Customer (KYC) requirements, and on self-certification by account holders, although it includes some documentation remediation. While the intention is to have a single global standard, requirements may vary across countries, making it more difficult for financial institutions to standardize their approaches.



A big impact on systems and culture

Financial institutions need to keep abreast of new regulations around the world, manage relationships with multiple tax authorities, and educate staff and clients on reporting requirements and account opening procedures. Above all, they should be sensitive to how their customers react to additional information requests. All these changes will have a huge impact upon their systems and processes, and will require enhanced controls.

More than just an enhanced version of FATCA

Crucially, FATCA is much narrower in scope than the OECD Standard for automatic exchange of information (AEOI). Financial institutions that took a tactical approach to their FATCA solution, either by creating temporary manual processes or by excluding US persons, cannot now simply upgrade their FATCA systems. Instead, they may have to invest in flexible information technology (IT) architecture that can adapt to evolving regulations, and to new countries coming on board.

For institutions with legacy systems, the introduction of new, flexible IT architecture may result in the added complexity of aggregation of policies. Given that the requirements affect the products of smaller institutions, some of these businesses may no longer be economically viable.

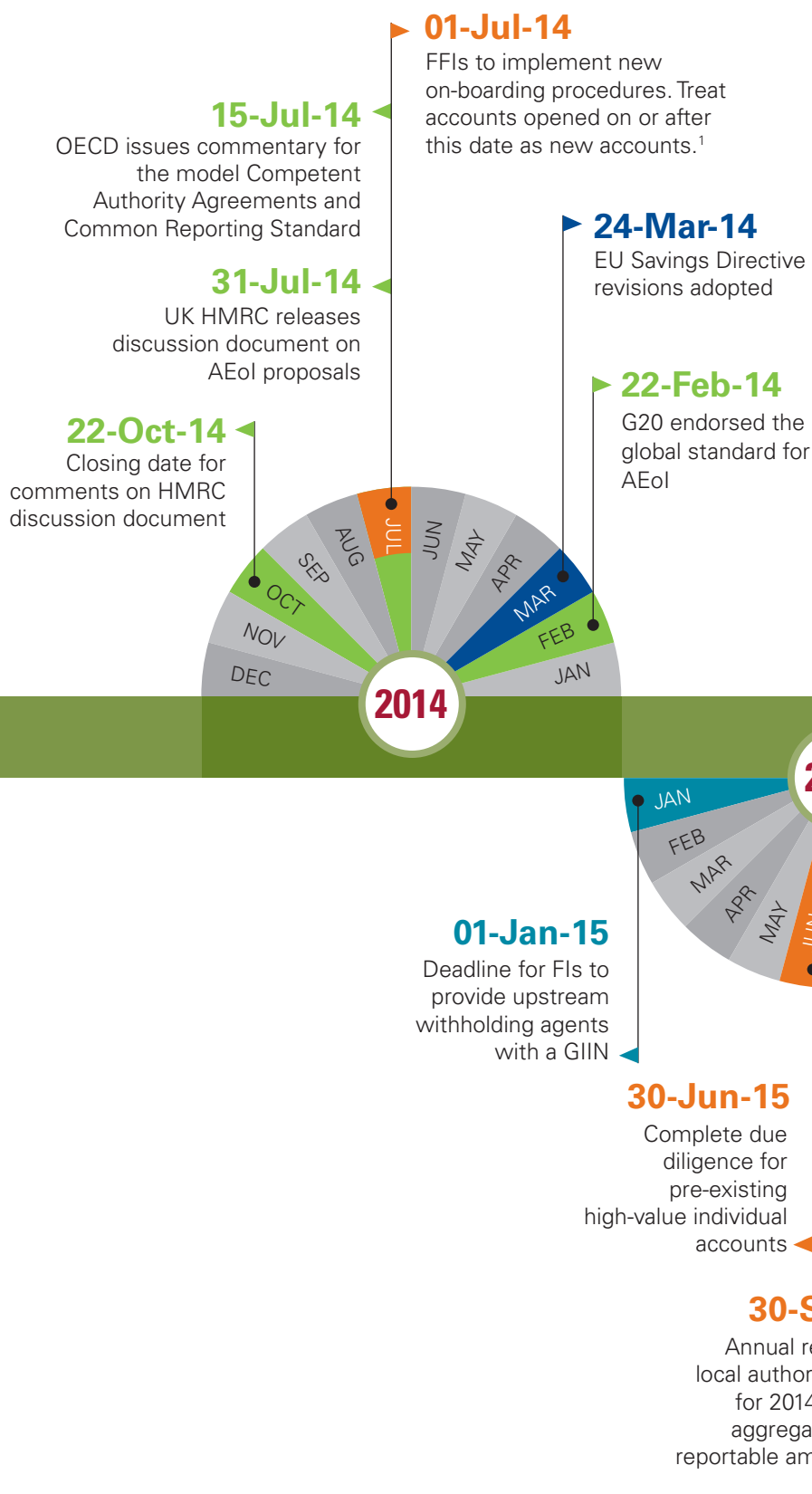
KPMG can help you transition to the new standards

Having worked on more than 600 global and national FATCA and inter-governmental agreement (IGA) projects for some of the world's largest organizations, KPMG member firms are well-positioned to help you evaluate your state of readiness and build a robust set of systems and procedures to enable you to meet your reporting obligations.

Key dates

- for FATCA (Excluding Model I IGA jurisdictions), the first annual reporting to the US on US accounts for individuals will be by 31 March 2015 (for 2014) (received by IRS by 30 September 2015 in Model I IGA jurisdictions)
- the Revised EU Savings Directive will be adopted in 2014 and is likely to take effect from 2017
- G20 approval for CRS is expected in September 2014, with implementation among early adopting countries expected in 2016.

Customer information reporting – expected timelines



■ Model 1
 ■ All IGA
 ■ CRS
 ■ CDOT & UK IGA
 ■ EUSD

Source: KPMG International, 2014

¹ Aside from Germany and the UK, IGA countries will allow FIs to treat entity accounts as preexisting until 1 January 2015.

30-Sept 16

Annual reporting by local authorities to IRS for 2015 to include aggregated foreign reportable amounts paid to NPFFIs

30-Jun-16

Complete due diligence for pre-existing lower-value accounts and pre-existing entity accounts

31-May 16

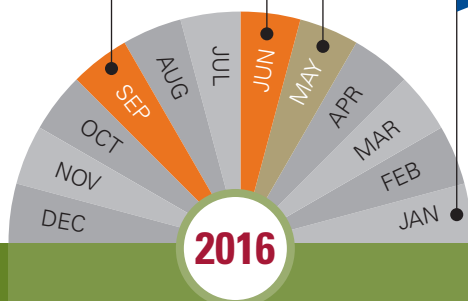
Annual reporting to HMRC for calendar year 2014 and 2015

01-Jan-16

CRS go-live date for early adopter countries

01-Jan-16

Deadline for EU member states to adopt national legislation to comply with revised EUSD



2017



01-Jan-17

Proposed start of reporting for early adopter countries on certain accounts

01-Jan-17

EUSD revisions are expected to become effective in all EU member states

30-Sep-17

Annual reporting by local authorities to IRS for 2016 to include aggregated foreign reportable amounts paid to NPFFIs

Model 1 All IGA CRS CDOT & UK IGA EUSD

Source: KPMG International, 2014

A coordinated effort against tax evasion

In recent years, governments and financial institutions have become much more aware of the large amounts of undisclosed wealth held in offshore accounts. Governments see a big opportunity to boost revenue by collecting tax relating to these accounts – but only if sufficient data can be obtained from financial institutions around the world.

Individuals in particular find it relatively easy to hold and manage investments through financial institutions outside of their country of residence, without any income being visible to their domestic tax authorities, unless the taxpayer actually discloses it.

Consequently, international bodies such as the G20 (Group of Twenty Leaders and Finance Ministers and Central Bank Governors) and the OECD have started coordinated efforts to gain a truer picture of income and assets worldwide. Initiatives such as the EU



Savings Directive and the US FATCA both require greater disclosure, and provide a foundation from which to develop a global standard for exchange of information.

These efforts are primarily aimed at tax evasion by individuals, as opposed to the OECD's BEPS (base erosion and profit shifting) project that focuses more on aggressive tax planning practices by corporate groups. Regardless of the specific emphasis, all of the above developments reflect a growing unwillingness from governments and the wider public to tolerate tax avoidance or evasion.

Traditional arrangements for exchanging information have been bilateral, based around tax treaties for avoiding double taxation, as well as tax information exchange agreements. However, the multilateral Convention on Mutual Administrative Assistance in Tax Matters allows in principle for unilateral, bilateral and multilateral exchange. Automatic exchange of information (AEOI) is not new – a recent survey conducted by the

OECD shows widespread use of this practice – but it is only recently that the push has become more comprehensive and global in scope.

AEOI involves the systematic transmission of large amounts of information (such as investment income) from the tax administration where the account is held to the tax administration where the taxpayer is resident. The resident tax administration can then verify whether the taxpayer has accurately reported his or her income. While the main focus is on exchanging information about financial accounts, many types of income and other information may be relevant, including employment income, pensions, and changes of residence or purchases or sales of real estate.

Automatic exchange of information (AEOI) is not new, but it is only recently that the push has become more global in scope.

Without global reach, individuals or organizations can simply route investments through other countries and evade their local tax authorities.

Components of an AEol system

Standardization simplifies processes, improves effectiveness and reduces costs for all stakeholders. The OECD has identified eight key components of a successful AEol system²:

From the perspective of the receiving country:

- 1. What:** defining the scope of income/ transactions to cover
- 2. Who:** defining the information to capture about the taxpayer/beneficial owner
- 3. Quality:** ensuring data quality; e.g. data validation, tax identification number (TIN) verification, general due diligence standards
- 4. When:** when to receive the information
- 5. How to exchange:** achieving the appropriate format, encryption and transmission system
- 6. How to use:** risk assessment, matching, compliance action.

From the perspective of the sending country:

- 7. Confidentiality:** keeping information protected both in law and in practice
- 8. Reciprocity, acknowledgement and feedback.**

Any system must have global reach. Without it, individuals or organizations can simply route investments through other countries and evade their local tax authorities. One way to counter this tactic is the approach adopted by FATCA, where a major economy like the US forces disclosure by imposing draconian penalties on non-compliant institutions in other countries. Alternatively, economic cooperation between groups of countries like the EU enables legally binding legislation among its members. The third option involves political consensus to take common action to address the problem, as exemplified by the OECD.

Breadth of coverage is equally important, to capture the widest possible range of account holders, financial institutions and financial information, and minimize any gaps.

Effective due diligence procedures can help ensure that the right information is made available to the local tax administration. These, and the reporting requirements themselves, should either already be in place or be separately regulated by each country – an approach taken under FATCA, the EU Savings Directive and the OECD's global Standard.

² Automatic exchange of information, OECD, 2012.



The three main reporting and exchange initiatives

FATCA

FATCA is a US regime aimed at US persons with offshore accounts and investments. To avoid withholding tax on certain US-connected investments, specified types of non-US entities, such as financial institutions, must disclose to the US Internal Revenue Service (IRS) information about their US accounts and the holders of such accounts.

An alternative regime for implementing FATCA with IGAs was developed. This obliged financial institutions in relevant countries to report the required information to their own government, which then exchanges the information on an automatic basis with the IRS. This has led to an increasing number of bilateral IGAs between the US and other participating countries.

The Model 1 IGA regulates the exchange of information between the tax administrations and the due diligence and reporting to be performed by financial institutions. It also set out those entities and

accounts with a low chance of tax evasion. A Model 1 IGA may be either reciprocal or non-reciprocal. Another type of IGA, Model 2, involves financial institutions reporting directly to the IRS, supplemented by exchange of information upon request. While differences can arise between the same types of IGA as between different countries, there is a 'most-favored nation' clause designed to prevent negative consequences. At the time of writing, 40 countries had signed IGAs with the US and more than 60 have been agreed in substance. Financial institutions located in those countries register as if an IGA was in place.

IGA participating countries

Please see Appendix I for a list of those jurisdictions with inter-government agreements in place, in addition to jurisdictions who have reached agreements in substance.



Status and timing of regime

The regime is effective for foreign financial institutions (FFIs) from 1 July 2014 for the on-boarding of new customers, the application of withholding to US source income (outside IGA jurisdictions), and the beginning of the remediation period for pre-existing customers. Recent US guidance allows US, non-IGA, and Model 2 IGA financial institutions to treat entity accounts opened before 1 January 2015 as pre-existing accounts, with certain restrictions. Model 1 IGA countries may or may not provide for similar transition relief.

Timing of reporting

The first annual reporting to the US on US accounts will be on 31 March 2015 (for 2014), while Model 1 FFIs may have a longer period to report to their domestic tax authority. There is transitional reporting for non-participating FFI accounts and withholdable payments for 2015 and 2016.

What must be reported?

With respect to each US account (i.e., an account held by a specified US person or a passive non-financial foreign entity (NFFE) with a substantial US owner), the financial institution that maintains the account must report: the name, address, and taxpayer ID number of the account holder, as well as the account number, account balance at year-end or account closure, interest, dividends, other income and gross proceeds. If reporting an account held by a passive NFFE with a substantial US owner, the name, address, and taxpayer ID number of the substantial US owner is also required. The information to be reported is staggered, so that income information is not required until the 2016 filing. Custodial accounts and gross proceeds information is not required until the 2017 filing.

Reporting entities

Financial institutions are defined as depository institutions, custodial institutions, investment entities,

The EU has been actively addressing information exchange for many years, but has recently increased its focus.

specified insurance companies, and certain holding companies and treasury centers. The inclusion of holding companies and treasury centers as a separate category of reporting financial institutions is not in the template IGAs and so has not been adopted by all FATCA partner countries. Moreover, the definition of investment entity is not entirely consistent between the US rules and the IGAs, which sometimes leads to different entity classifications depending on the country.

Reportable persons

Reportable persons under FATCA include specified US persons and substantial US owners of passive NFFEs (or US controlling persons of passive NFFEs under an IGA). These exclude certain US publicly traded entities, financial institutions, non-profits and other similar entities. There is also transitional reporting for 2015 and 2016 on non-participating financial institutions that hold accounts or receive US withholdable payments.

Revised EU Savings Directive

The EU has been actively addressing tax fraud and evasion in general and information exchange in particular for many years, but has recently increased its focus. In December 2012, the European Commission presented an action plan to strengthen the fight. This plan highlights the need to promote AEoI as the European and international Standard for tax matters. While also supporting global initiatives, the EU has continued to follow its own path, and this duplication of effort adds to the burden for financial groups. It also means that certain products (e.g. insurance) that were exempt from FATCA could have to be reported.

Among the EU's weapons are the Savings Directive and the Directive on Administrative Cooperation. The Savings Directive was introduced in 2005 and provides for AEoI on interest income within the EU and certain non-EU countries and territories. Changes due to take effect in 2017 broaden the directive's scope, primarily to remove perceived loopholes (including bringing certain insurance products into scope).

The EU also has a proposal on the table to expand the scope of its 2011 Directive on Administrative Cooperation (DAC). The current Directive ensures that, from 2015, member states will exchange information automatically upon availability on five categories of income and capital: employment, directors' fees, life insurance products not covered by other directives, pensions and ownership of and income from immovable property. The proposed changes would also bring the following other items within the scope of the DAC: dividends, capital gains, other financial income and account balances.

However, there is no explicit reporting requirement under the DAC. According to the explanatory memorandum to the proposed amending Directive, information about those new items will certainly be available, as financial intermediaries will be required to report it to tax administrations under the agreements that member states have concluded (or will conclude with) the US regarding FATCA.

Participating countries

EU member states. The regime has also been extended to five 'third' countries (Switzerland, Liechtenstein, Andorra, Monaco and San Marino) and to certain dependent or associated territories ('extended territory'). This summary is limited to the proposal to amend the current EU Directive.

Status and timing of regime

The Savings Directive regime is operative from 1 July, 2005. Luxembourg will adopt information exchange from 2015. The Revised Directive will be adopted 2014 and is likely to take effect from 2017.

Timing of reporting

The timing depends on the domestic law of each EU member state, and will have to conform to information exchange procedures: at least once a

year for all interest payments during that year, and within 6 months of the end of the tax year.

What must be reported?

The identity and residence of the beneficial owner, account/debt claim, reporting entity and interest payments must be reported (or similar information in relation to 'paying agents on receipt'). The extended definition of interest includes interest accrued on sale, redemption of debt claim, interest distributions through funds, and return on certain life insurance contracts.

Reporting entities

These include a credit or financial institution or other person established in the EU making interest payments in the exercise of its professional capacity. It also covers 'paying agents on receipt,' i.e. certain non-taxed EU resident entities/arrangements receiving interest.



In April 2013, the G20, which had been calling for a global approach for years, endorsed the CRS as the new Standard.

Reportable persons

- EU resident individual beneficial owners.
- EU resident tax-exempt entities/arrangements with EU resident individual beneficial owners ('paying agents on receipt').
- certain non-EU entities/arrangements that are not subject to effective taxation, with EU resident beneficial owners.
- certain non-EU economic operators, where there is reason to believe interest will be passed on to EU resident individual beneficial owners.

OECD Common Reporting Standard (CRS)

The OECD has a long history of working with exchange of information, particularly through bilateral tax treaties, but also for the multilateral Convention on Mutual Administrative Assistance and, more recently, with the Global Forum on Transparency and Exchange of Information. AEOI has also recently attracted more political interest, including the aforementioned EU Savings Directive and FATCA, with the latter inspiring a number of countries to explore the possibilities of developing similar arrangements³. In April 2013, the G20, which had already been calling for a global approach for a number of years, endorsed the CRS as the new Standard. In February 2014 the OECD published the text of this single global Standard, drawing extensively on the intergovernmental approach to implementing FATCA.

Participating countries

The G20 has called on all countries to adopt the CRS. In principle there are no restrictions. According to the joint statement dated 19 March 2014, 44 countries had indicated they would be prepared to implement the new Standard by 31 December 2015 (see Appendix II).

Status and timing of regime

The global Standard, comprising the model competent authority agreement and common reporting standard was published in February 2014. On 21 July 2014, the OECD released a detailed commentary on the Standard to help ensure its consistent application. Shortly thereafter, the UK released a Consultation Document seeking views on CRS implementing legislation. Implementation is expected by early adopting countries by 31 December 2015.

³ On 9 April 2013, the Ministers of Finance of France, Germany, Italy, Spain and the UK announced their intention to exchange FATCA-type information amongst themselves in addition to exchanging information with the United States.

Timing of reporting

Annually.

What must be reported?

Essentially the same information must be reported under the CRS as under FATCA, i.e. the identity and residence of financial account holders (including certain entities and their controlling persons), account details, reporting entity, account balance/value and income/sale or redemption proceeds. There is a broad definition of what constitutes a financial account.

Reporting entities

Financial institutions (defined consistently with the definition under FATCA intergovernmental agreements) resident or having a branch in a participating country. Specified exceptions include governments, pension funds, etc.

Reportable persons

These include any individual identified by a reporting entity in one country as resident for tax purposes in a reportable country (i.e., a country with which the participating country has in effect an AEoI agreement), as well as certain entities resident in that country or certain entities ('passive non-financial entities (NFEs)') having individual controlling (reportable) persons.

At the last count, 44 countries
had committed to implement CRS
by 2016

The OECD Common Reporting Standard (CRS) in detail

To satisfy the new single global Standard for the automatic exchange of financial account information between tax authorities worldwide, countries must obtain information from their financial institutions and exchange that information automatically with partner countries annually.

The new Standard draws extensively on the OECD's work on AEOI. It incorporates progress made within the EU, as well as global AML standards, with the intergovernmental implementation of FATCA. Following FATCA, the G5 group of countries (UK, Spain, Germany, France and Italy) announced that they would seek similar exchange of information agreements with each other (based on the Model 1 IGA) covering their tax residents. The G5 called on other countries to join this initiative and at the last count, 44 countries had committed to implement by 2016, with an additional 13 countries endorsing their support for implementation at the OECD Ministerial Council meeting in Paris in May 2014. A series of bilateral and multilateral agreements are to be put in place, along with legislation to establish a consistent set of rules and procedures across all partner countries.

In order to capture all relevant taxpayers, CRS has been designed with a broad scope across four main areas, consistent with FATCA's intergovernmental approach:

- **reportable income** includes all types of investment income (including interest, dividends, income from certain insurance contracts, annuities and similar), as well as account balances and sales proceeds from financial assets that give rise to such income
- **financial institutions** required to report under the CRS include banks, custodians, brokers, certain collective investment vehicles, trusts and certain insurance companies
- **reportable accounts** include accounts held by individuals and entities (which includes trusts and foundations), and the requirement to look through passive entities to provide information on reportable controlling persons
- **robust due diligence procedures** to enable the identification of reportable accounts and obtain the accountholder identifying information that is required to be reported for such accounts.

Reportable accounts are financial accounts held by tax residents in relevant CRS reportable countries. A person is considered to have a tax residence in a country if he/she, under the laws of that country, is liable to tax due to domicile, residence, place of management, or any other similar criterion. A stated goal of the recently released CRS commentary is to help achieve consistency in the application of the Standard. Additional guidance is expected on understanding tax residency and technical solutions for implementation.

For an account holder or controlling person that is a reportable person with respect to multiple participating countries, the entire account balance or value, as well as the entire amount of income or gross proceeds, shall be reported to each participating country.

The reporting of TINs is another key component of CRS reporting. In order to obtain the TIN (if issued by the relevant country) and date of birth for pre-existing accounts, the financial institution would contact the account

holder at least twice during the two calendar years that follow the year in which the account is identified as reportable. A reporting financial institution is allowed to do this by mail or other communications such as email, fax, telephone or self-certification.

Once an account is identified as reportable, it remains so for all subsequent years, even if the account has no balance or value or received no reportable payments – unless the account holder ceases to be a reportable person due to a change in circumstances, or if the account is closed.

In order to identify reportable accounts, due diligence procedures must be followed by financial institutions required to report under CRS. It is unclear whether these procedures can be applied once on a global basis, or whether they will need to be reapplied to the entire account holder base in one country, each time that country reaches an agreement with another government to exchange information under AEOI.

Due diligence and KYC processes

To identify reportable accounts and obtain accurate, required information, financial institutions must follow a common standard with robust due diligence procedures. These procedures distinguish between individual accounts and entity accounts and between pre-existing and new accounts:

Pre-existing individual accounts

Financial institutions have to review pre-existing individual accounts without application of any *de minimis* threshold, though different procedures apply to higher value accounts and lower value accounts.

For lower value accounts, a country may allow a financial institution to perform an indicia search or to rely on a permanent residence address test (based on documentary evidence). Self-certification (and/or documentary evidence) is needed in case of conflicting indicia. If no such certification can be found, reporting would be carried out to all reportable countries for which indicia have been found.

Enhanced due diligence procedures apply for higher value accounts, including a paper record search and a 'reason to know' test for the relationship manager enquiry. The relationship manager of a high value account is the officer or

To identify reportable accounts and obtain accurate, required information, financial institutions must follow a common standard with robust due diligence procedures.

employee of the financial institution, with direct contact and primary responsibility for managing the account.

New individual accounts

The CRS proposes self-certification (and the confirmation of its reasonableness) without *de minimis* threshold for new accounts.

Pre-existing entity accounts

Financial institutions must determine:

- whether the entity itself is a reportable person, which can generally be verified on the basis of available information (AML/KYC procedures), or, if not available, through self-certification
- whether the entity is a passive NFE and, if so, must confirm the residency of controlling persons. Where possible, this should be achieved through available information, but this may require obtaining a self-certification from an account holder or controlling person of a passive NFE where applicable.

If the domestic country allows, and the individual financial institution elects to apply it, pre-existing entity accounts below 250,000 US dollars (US\$) (or local currency equivalent) are not subject to review until such time as the account exceeds US\$250,000 at a subsequent year end.

New entity accounts

Financial institutions must follow the same determination as for pre-existing accounts. However, as it is easier to obtain self-certifications for new accounts as part of account opening process, the US\$250,000 (or local currency equivalent) threshold will not apply, and the residency of controlling persons of passive NFEs

must be determined on the basis of self-certifications.

The CRS due diligence procedures are designed to identify reportable accounts. In addition, financial institutions can, subject to local legal restrictions, embed procedures that obtain tax residency on all pre-existing accounts. Such 'future proofing' could significantly reduce the cost of fresh due diligence for each new country, but beware of domestic data protection rules that may limit the ability to collect this information without amendments to existing legislation.

Each country may allow financial institutions to apply new account due diligence procedures to pre-existing accounts. The financial institutions, in turn, may choose to apply this option to some or all accounts. In such cases, the pre-existing accounts will not be subject to usual due diligence procedures, including electronic record searches or relationship manager inquiries. The new account due diligence procedures applied to pre-existing accounts must be completed within the same timelines as current pre-existing account procedures.

A reporting financial institution may treat a new account opened for a pre-existing account holder as a pre-existing account, provided that certain conditions are met, including that the financial institution is entitled, with respect to the new account, to rely on the AML/KYC due diligence that it conducted for the pre-existing account.

The term 'records' includes electronic records, if the reporting financial institution has policies and procedures to capture residence information electronically, based on documentary evidence. Financial institutions are not required to build new IT systems to retrieve information that cannot be accessed currently.

Standardization simplifies processes, raises effectiveness and lowers costs for all financial institutions.

Monitoring of change of circumstance processes

Requirements for change in circumstance are expected to mirror the Model 1 IGA definitions and include any change to, or addition of information in the account holder's account (including the addition, substitution, or other change of an account holder), or any change to, or addition of information to any account associated with such account. The financial institution should, therefore, add internal controls, systems flags and reports, to track changes in circumstance and have procedures to alleviate any identified issues.

A change of circumstance is only relevant if the change to, or addition of, information affects the status of the account holder for the purposes of reporting. For instance, a change of address within the same country would not indicate a change of circumstance.

A change is only relevant if it indicates that an account holder's status has changed, and indicates that they are

reportable or no longer reportable. If a change causes the financial institution to know or have reason to know that the original documentation, similarly agreed form or self-certification (such as one obtained on the opening of a new individual account) is incorrect or unreliable, the institution can no longer rely on the information.

The financial institution would then obtain new documentation that establishes tax residency. If there is a change in circumstance that indicates a change in the account holder's status, the institution should verify the account holder's actual status in time to allow it to report the account, if required, in the next reportable period.

If an account holder fails to respond to a request for documentation to verify his/her status, then the financial institution would treat the account as reportable until it is given the necessary information to correctly verify the status.

Central taxation and reporting module to identify reportable events

The Standard consists of a fully reciprocal automatic exchange system, from which the US specifics have been removed. The CRS is based upon tax residence and, unlike FATCA, does not refer to citizenship.

The Standard allows countries to use the system without having to negotiate individual annexes in agreements. Unlike FATCA, the Standard does not provide for thresholds for pre-existing individual accounts, but it includes a residence address test similar to the EU Savings Directive. It also provides for a simplified indicia search for such accounts.

Standardization simplifies processes, raises effectiveness and lowers costs for all governments and financial institutions. A variety of different models and formats, on the other hand, means a wider range of information must be collected, imposing significant costs on both governments and businesses. It could also lead to varying standards that create conflicting requirements, further increasing compliance costs and reducing efficiency. This is why it is crucial to have a standard that is uniform, without variation, for all countries; giving countries options to modify certain

CRS is based upon tax residence and, unlike FATCA, does not refer to citizenship.

aspects of the CRS for its domestic institutions will only lead to inconsistency of processes for global institutions, which may sacrifice the overall quality and effectiveness of the regime.

A standardized, automatic exchange system also benefits from common or compatible technical solutions for reporting and exchanging information –

especially where the system is used by a large number of countries and financial institutions.

The technical reporting format must be standardized so that information can be captured, exchanged and processed quickly, efficiently and cost-effectively, with secure and compatible methods of transmission and encryption of data.

Future proofing systems and processes



Source: KPMG International 2014

Reporting processes

The financial information to be reported for reportable accounts includes interest, dividends, account balance, income from certain insurance products and annuities, sales proceeds from financial assets, and other income generated from assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations), and the Standard includes a requirement to look through passive non-financial entities to report on the relevant controlling persons.

Each reporting financial institution must report the following:

1. the name, address, country(s) of residence, tax identification number (TIN) and date and place of birth (in the case of an individual) of each reportable person that is an account holder of the account. Where an entity is an account holder, and one or more controlling persons are a reportable person, the institution must report the name, address, country(s) of residence and TIN of the entity and the name, address, country(s) of residence, TIN and date and place of birth of each reportable person.
2. the account number (or functional equivalent in the absence of an account number).
3. the name and identifying number (if any) of the reporting financial institution.
4. the account balance or value (including, in the case of a cash value insurance contract or annuity contract, the cash value or surrender value) at the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account.



The CRS relies heavily on local AML/KYC requirements and self-certification by account holders.

5. in the case of any custodial account:

- a) the total gross amounts of interest, dividends and other income generated by the assets held in the account, in each case paid or credited to the account (or with respect to the account) during the calendar year or other appropriate reporting period
- b) the total gross proceeds from the sale or redemption of property paid or credited to the account during the calendar year (or other appropriate reporting period) where the reporting financial institution acted as a custodian, broker, nominee, or agent for the account holder.

6. in the case of any depository account, the total gross amount of interest

paid or credited to the account during the calendar year or other appropriate reporting period.

7. in the case of any account not described in subparagraph 5. or 6. above, the total gross amount paid or credited to the account holder with respect to the account, during the calendar year or other appropriate reporting period, where the reporting financial institution is the obligor or debtor. This includes the aggregate amount of any redemption payments made to the account holder during the calendar year or other appropriate reporting period.

The information reported must identify the currency for each amount.

Governance and compliance processes

The CRS relies heavily on local AML/KYC requirements and self-certification by account holders. As the requirements and format will vary across countries, financial institutions may face difficulties standardizing their approaches. Complications could arise from differences in the final Competent Authority Agreements (CAAs) that are entered into between countries, as well as from variations in local implementation.

Financial institutions must also review self-certifications for reasonableness, based on any other information collected regarding the account holders. However, the laws regarding tax residency are complicated, and differ by country, so the validation procedures may not be straightforward. It is hoped that individual governments will make tax residence definitions and examples available on their websites, which could

be used to assist account holders in making the determination.

At an early stage, financial institutions should consider introducing policies to capture information regarding account holders that move their accounts to a non-CRS country. To aid successful implementation across multiple countries, a central record of all variations from the model CRS would help large financial institutions become compliant.

Any attempt at a standardized approach to classify account holders will be complicated due to differences between the CRS, FATCA, the European Savings Directive (EUSD) and (should the proposed amendments be agreed) the DAC.

The CRS will also need to be translated into domestic law. The CAA, meanwhile, can be implemented within existing frameworks such as article 6 of the

Most importantly, financial institutions must consider the impact on the overall customer experience of AEol, and keep requests for information to a minimum.

multilateral Convention on Mutual Administrative Assistance in Tax Matters, or the equivalent of Article 26 in the OECD Model Tax Convention (which provides for the exchange of information between revenue authorities).

Account holders must receive accurate and timely tax reporting information as required under the domestic rules of each country, and be made fully aware of the impact of the new regulatory landscape. There could be nothing more embarrassing or damaging than giving clients tax reporting information that does not match up to the information that has been exchanged between governments. With the increasing complexities of tax reporting, and a range of diverging

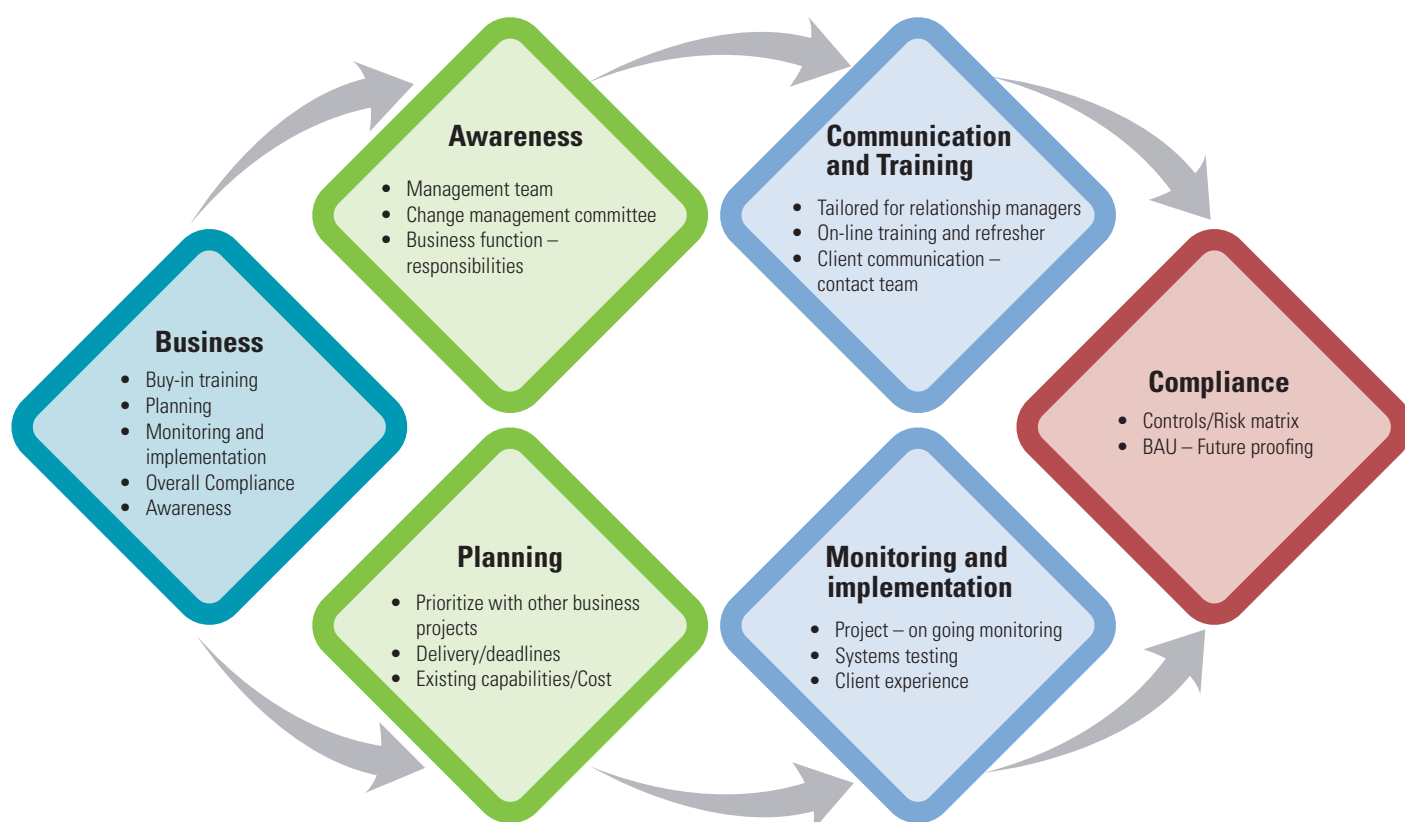
requirements, careful planning is needed to minimize any cost increases. An efficient, market leading reporting process can help in this respect.

Robust and risk-focused procedures can help ensure continued compliance. Financial institutions should also have procedures to detect changes to requirements in all relevant countries, to achieve compliance with the various legal obligations within required timescales.

Most importantly, financial institutions must consider the impact on the overall customer experience of AEol, and try to keep requests for information to a minimum, while still satisfying requirements of various regimes.

Where does this leave us operationally?

Future proofing systems and processes



Source: KPMG International 2014

The CRS does not include several of the exemptions found in the FATCA regulations or IGAs.

The impact of CRS on the financial services industry

Who is affected and how?

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 the 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.

Governments could choose to take the ‘big bang’ approach so that financial institutions review existing customers and change on-boarding procedures all at once.

I. How will CRS affect my financial institution?

If a country adopts the CRS, reporting financial institutions (i.e. that are not exempt from reporting) will have to:

- engage in certain due diligence procedures to identify reportable accounts held by: (i) residents of a reportable country; or (ii) certain passive entities that have controlling persons (as defined for AML/KYC purposes) that are resident in a reportable country
- report those reportable accounts, along with financial information about those accounts, to their local tax authorities, for exchange with the relevant reportable country.

Financial institutions within implementing countries will need to develop systems to review their existing customer base (which is likely to be more than once in certain countries that enter into a series of AEOI agreements over the course of years), and introduce new client on-boarding procedures to identify reportable accounts. They will also have to establish reporting systems to capture the required information, and report it to the relevant governmental authority. Each country will decide whether domestic financial institutions must report information for all exchanging jurisdiction account holders together, or if they must separate them by the country of tax residence of account holders.

Unlike FATCA, there is no withholding obligation under the CRS, so no new withholding systems will be necessary. The CRS also does not contemplate a centralized registration, although a government in an implementing country could ask its financial institutions to

register with it to ensure compliance (this may be the case for financial institutions that have not had to register on the IRS portal for FATCA).

II. More participating countries means more accounts/account holders requiring due diligence and reporting

When a country implements the CRS, it will bring in due diligence and reporting rules for its financial institutions. It will also enter into bilateral or multilateral CAA agreements with other countries. Those other countries will be reportable countries with respect to the implementing (or participating) country. Therefore, financial institutions in a participating country will have to identify and report accounts held by residents of those reportable countries and by passive entities with controlling persons that are residents of those reportable countries.

Governments of participating countries could choose to take the ‘big bang’ approach and enact the CRS in a way that allows financial institutions to review their existing customers and change their on-boarding procedures all at once. This is possible for the first phase of early adopters or the G5 countries. Alternatively, these countries may require review of existing accounts and identification of new accounts only for reportable countries. This would call for additional review and on-boarding changes each time a new country is added to the list of reportable countries. The big bang approach would reduce customer contact and implementation costs for financial institutions, but may raise privacy or data protection issues in some countries.



For example: country X is a participating country, and has agreements with countries Y and Z as of year 1. Countries Y and Z are thus reportable countries for country X financial institutions in year 1. In year 1, a tax resident of country Q, which is not a reportable country, opens an account with bank X in country X. Under the big bang approach, country X would require (or allow) bank X to identify the customer as being tax resident in country Q, even though the

account would not be reportable. If, in year 3, country Q becomes a reportable country and the account becomes reportable, bank X would have the necessary information and could begin reporting. In some countries, however, such an approach may raise concerns about the collection by bank X of information that bank X is not required to currently report (namely, the fact that the customer is resident in country Q).

Financial institutions will need to develop systems to review their existing customer base, and introduce new client on-boarding procedures.

Differences between FATCA and the CRS mean that financial institutions may not be able to use the same due diligence and reporting systems for both standards.

III. Deliberate omission of *de minimis* thresholds

Under FATCA, pre-existing accounts under US\$50,000 are excluded from review and reporting, if elected by the financial institution. For many institutions, this *de minimis* exception eliminates the vast majority of their accounts from review and in some instances means that the entity is not a financial institution for the purposes of FATCA.

The CRS does not include the minimum US\$50,000 threshold, and thus all of a financial institution's accounts are subject to review and potential reporting. This, combined with the fact that the review must be done with respect to all reportable countries (and not just for US accounts), means that financial institutions will have to collect and remit information on many more accounts under the CRS than under FATCA. Given this higher volume, some financial institutions that have implemented manual review processes

for FATCA will not be able to use these same procedures for the CRS. Under CRS, many more accounts may also be reportable, which could require greater automation of the reporting function.

Significantly, the CRS has included a similar exemption as FATCA to exempt pre-existing individual cash value insurance contracts and annuities from review. Because the sale of these contracts must be effectively prohibited either by the jurisdiction where they are issued or the jurisdiction where they are sold, relying on the latter criteria would require confirming that all countries where the contracts are sold either prohibit the sale or require some registration to do so. In that case, if one or more countries where the contracts are sold do not effectively prohibit the sale of such contracts, then the entire portfolio of pre-existing JAS individual contract holders need to be reviewed to determine if their are reportable persons from that jurisdiction.



The CRS does not include FATCA's minimum US\$50,000 threshold.

IV. Multiple data exchange regimes in parallel

Because of the differences between FATCA and the CRS (the CRS requires financial institutions to collect and remit more accounts, with additional information to be reported), financial institutions may not be able to use the same due diligence and reporting systems for both standards.

In addition, EU member states have recently adopted revisions to the EU Savings Directive (EUSD). The EUSD requires reporting that is similar to, but differs from the CRS and FATCA and may include more insurance products. Financial institutions in a country under the scope of EUSD that also adopts CRS will have to comply with the reporting requirements, unless the latter conforms to the CRS at a later stage.

EU member states are also considering changes to the Administrative Cooperation Directive, which provides for reporting that is similar to the CRS. At this point it is unclear whether reporting under the Administrative Cooperation Directive will converge with the CRS.

Many countries have existing tax reporting regimes, and it is unclear to what extent the CRS will be integrated with those regimes or simply layered on top. When implementing the CRS, governments should take into account the burden of duplicative reporting regimes, and consult with local financial institutions on the best way forward.

V. You don't have to hire experts for each reportable country – but you do need experts for each participating country

The CRS will become part of the local law of each participating country. Therefore, a financial institution's reporting obligation is determined by the laws of its own country and not by the laws of the reportable country (i.e. the country of residence of the account holder). This is similar to FATCA Model 1 IGA, where domestic law determines the financial institution's obligations, although the US regulations may be relevant in interpreting those obligations.

When determining their obligations, however, financial institutions with a presence in more than one participating country will have to look to the local legislation.

KPMG viewpoint: the CRS is not FATCA 2.0

For those financial institutions with a significant customer or investor base outside their home country, AEoI means a big increase in the volume of data to be reported to the local tax authority. In integrated regions such as the EU, the sheer scale of reporting will make manual or semi-manual solutions impractical. It is a similar story with due diligence and customer data monitoring, as

financial institutions may have to store more than one classification for a customer or investor with multiple tax residences, and track all changes to customer status or residence, to keep up-to-date.

Most financial institutions have dozens, if not hundreds of (legacy) systems to (attempt to) update and align, to capture and validate the required data for annual reporting. They are

Even those institutions with highly automated FATCA systems could struggle to future-proof these for AEol purposes.

unlikely to have allocated budget for such work in 2014 and, even if the commitment and funds exist, there is still considerable uncertainty over the scope and timing of the CRS. It is unclear how many countries will formalize the agreements by the end of 2014, or whether 2016 will remain the big bang date for introducing the CRS due diligence requirements. Financial institutions also have to find ways to deal with any national legal restrictions on collecting additional CRS data.

FATCA is much narrower in scope than the CRS, and only focuses on certain US persons, so the programs built for this Standard cannot simply be enhanced slightly to comply with AEol. This becomes even more apparent when comparing the treatment of certain investment entities under the CRS with their treatment under the Model 1 IGAs. Under the CRS, investment entities in non-participating countries are treated as passive NFEs (requiring look-through to identify controlling persons); while under the Model 1 IGAs those entities may be participating or non-participating financial institutions (neither of which requires look-through).

It is thus highly unlikely that entity classifications under the CRS will mirror FATCA classifications in all instances. Not only could those entities have different responsibilities under the two regimes, but the status of customers or investors may also vary. The IT system would therefore need new fields to capture these classifications – and possibly a different process for the two regimes, if the status of the institution itself differs. The range of products exempt from reporting may also vary, especially in the insurance sector, and institutions may have to reassess whether each product offered creates

a reportable account. In the investment management sector, equity interests in exchange traded funds are financial accounts under CRS.

Finally, some financial institutions chose to limit their burden under FATCA, including closing accounts of US individuals to reduce reporting, or centralizing all US investments in one entity. These strategies will not work for the CRS when there are many other countries with which to exchange information. In short, the CRS is not 'FATCA 2.0.' Although the tools and analysis for FATCA can inform an AEol program, the differences are so profound that new processes, systems and controls will undoubtedly be needed.

Even those institutions with highly automated FATCA systems could struggle to future-proof these IT solutions for AEol purposes. For those FATCA projects which are either complete or in their final stages, it is unrealistic to expect to upgrade these at a time when the CRS requirements have not been fully finalized.

The CRS is likely to be highly complex, as it allows for additional requirements to be introduced bilaterally between reportable countries. And there may be more than one big bang date, due to future CAAs. To be fully prepared, financial institutions must keep a close eye on regulatory developments, and face the possibility of an additional operational and financial burden for reporting, including repeated remediation of customer or investor information, as each new group of countries enters into CAA agreements. A sustainable and flexible IT architecture should mean that institutions are prepared for new countries joining, or evolving the CRS requirements.

Preparing for the CRS

Financial institutions should:

- participate in relevant domestic industry groups to outline where rules might not be administrable in the several situations where the CRS provides for decision points for participating jurisdictions
- be aware that the required standard is to identify tax residency or residencies of customers (as opposed to determining whether a customer is a citizen of a particular country)
- embed alternative standard forms of self-certification or similar agreed forms
- implement necessary internal changes in a comprehensive and efficient manner
- enhance controls to monitor change in circumstance
- educate staff and clients on additional KYC, due diligence and reporting requirements
- minimize the impact on clients, business processes and cost, while achieving full compliance
- review the impact of AEoI across the whole client base
- review the impact on the different business lines and different models.

In addition financial institutions will need:

- stronger processes and automated IT for due diligence, monitoring customer data, identifying reportable events, reporting and responding to authorities' requests for information. Reporting formats must be standardized for quick and efficient processing in a cost-effective manner (a common scheme is being developed for the standardized model as well as recommendations on transmission and encryption)
- to create a sustainable and flexible IT architecture to accommodate additional AEoI requirements and new countries joining the Standard; you should factor this additional requirement into product design and pricing
- to carefully consider any attempts to avoid implementation of certain AEoI requirements; this may not be as straightforward as it is with FATCA, where financial institutions are able to restrict selling products to certain non-residents.

How can KPMG help?

With the advent of the CRS and the recently announced adoption of the expanded EU Savings Directive, it is more important than ever to plan for the impact of regulatory regimes, and design an efficient response. FATCA – and its subsequent expansion into multiple IGAs – and the CRS affect almost everything from compliance, operations and tax processes to business models and products, as well as market and distribution strategies.

KPMG member firms are here to help. We are among the leading service providers across the financial and non-financial industry arenas. Our FATCA/CRS teams contain an experienced, multidisciplinary group of tax and advisory professionals that have worked on a range of global and national FATCA and IGA 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. To date, KPMG member firms have assisted more than 600 clients with integrating FATCA, using a cross-functional approach encompassing tax, AML/KYC, IT systems, business strategy and project management services. Our established FATCA methodologies utilize traceability matrices, and enable KPMG professionals to help our member firm clients to measure, design, implement and monitor changes, providing

powerful information throughout the program and reducing the chance for costly mistakes.

A detailed audit trail provides essential support during internal and external audits and regulatory examinations. Our readiness methodology has already been used by many large multinational organizations to help with remediation programs and to move projects along in a timely manner. KPMG member firms also perform more than 42 percent of all global 'qualified intermediary' audits.

Our AEoI team includes former US government professionals that helped develop IGA model agreements and negotiated bilateral IGAs, and have drafted US regulatory guidance under FATCA, as well as helping draft the CRS. Professionals from across KPMG's global network are also in regular dialogue with the US IRS and other tax authorities (e.g. UK's HMRC) that are involved with drafting FATCA and IGA implementing guidance. We also



participate in a number of FATCA, IGA and CRS committees and working parties, including the OECD Business Advisory Group advising on the development of the CRS, and the British Bankers Association (BBA) International Custody Tax Liaison Group. Member firms can help identify and address technical complexities while supporting effective compliance.

We recognize that you face a number of regulatory requirements. Our approach to FATCA and the CRS is consistent with our delivery of other regulatory consulting services, enabling you to achieve compliance synergies.

Tailored services from KPMG member firms include:

- **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 the 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.

KPMG member firms are among the market leaders in AML/KYC services and were recently recognized by Finance Monthly and ACQ magazines as their 'Global AML Firm of the Year for 2014.' In addition, OpRisk & Compliance magazine has also ranked KPMG member firms as its No. 1 AML consultant for three of the past 5 years.



KPMG's Regulatory Compliance Managed Services can help companies navigate regulatory and compliance challenges, fostering operational efficiency and improvement at significantly reduced operating expense. Errors and omissions in manually processing millions of on-boarding documents can inflate annual operating expenses, and heighten regulatory risk when policies are not followed. And the cost of getting that wrong can be significant. KPMG's solution platform operates across multiple regulations. That means common data and policies can be leveraged across the infrastructure, to unleash the inherent cross-regulatory and cross-industry economies of scale in a way that disassociated tools and workflow alone cannot. Our technology solution combines data aggregation and search, policy automation, and efficient workflow processes with deep tax and regulatory domain knowledge, all performed with speed and accuracy, leaving an audit trail.

KPMG's Regulatory Expertise & Governance Methodology for managing regulatory change aims to help member firms' clients to simplify the regulatory impact assessment. This methodology is based on the implementation of the central regulation library and associated capturing tool, which allows KPMG subject matter experts to easily decompose and interpret applicable regulations. Our methodology allows linking between the regulatory documents, to highlight the significant differences between them. It also allows mapping of each actionable requirement against the functional model of the organization. The methodology provides the initial and subsequent timing of the requirements resulting from the adoption of the agreements. This approach results in a clear traceability of the existing and upcoming requirements resulting from the constantly changing multinational regulations.

Ten key questions about your state of readiness for CRS

1. Have you defined the scope of the information that you need to capture?
2. Are you aware of appropriate AML/ KYC requirements?
3. Have you established reporting systems for reviewing your existing customer base and capturing the required information?
4. Have you introduced appropriate new client on-boarding procedures?
5. Can you assure data quality, reliability, accuracy and security?
6. Can you handle and translate information in different formats?
7. Do you have a plan for communicating details and implications of the new standards to both staff and customers?
8. Are you confident that you can manage relationships with multiple tax authorities and keep abreast of regulatory changes in relevant countries?
9. Do you have internal controls, system flags and reports to track changes in circumstance?
10. Do you have an established process for obtaining self-certification and communicating with account holders that they may be reported on to a tax authority?

APPENDIX I

IGA participating countries

Jurisdictions that have signed agreements

Model 1 IGA:

Australia (4-28-2014)
Belgium (4-23-2014)
British Virgin Islands (6-30-2014)
Canada (2-5-2014)
Cayman Islands (11-29-2013)
Costa Rica (11-26-2013)
Czech Republic (8-4-14)
Denmark (11-19-2012)
Estonia (4-11-2014)
Finland (3-5-2014)

France (11-14-2013)
Germany (5-31-2013)
Gibraltar (5-8-2014)
Guernsey (12-13-2013)
Hungary (2-4-2014)
Honduras (3-31-2014)
Ireland (1-23-2013)
Isle of Man (12-13-2013)
Israel (6-30-2014)
Italy (1-10-2014)
Jamaica (5-1-2014)

Jersey (12-13-2013)
Latvia (6-27-2014)
Liechtenstein (5-19-2014)
Lithuania (8-26-2014)
Luxembourg (3-28-2014)
Malta (12-16-2013)
Mauritius (12-27-2013)
Mexico (4-9-2014)
Netherlands (12-18-2013)
New Zealand (6-12-2014)
Norway (4-15-2013)

South Africa (6-9-2014)
Spain (5-14-2013)
Slovenia (6-2-2014)
Sweden (8-8-2014)
United Kingdom (9-12-2012)

Model 2 IGA:

Austria (4-29-2014)
Bermuda (12-19-2013)
Chile (3-5-2014)
Japan (6-11-2013)
Switzerland (2-14-2013)

Jurisdictions that have reached agreements in substance

Model 1 IGA:

Algeria (6-30-2014)
Anguilla (6-30-2014)
Antigua and Barbuda (6-3-2014)
Azerbaijan (5-16-2014)
Bahamas (4-17-2014)
Bahrain (6-30-2014)
Barbados (5-27-2014)
Belarus (6-6-2014)
Brazil (4-2-2014)
Bulgaria (4-23-2014)
Cabo Verde (6-30-2014)
China (6-26-2014)
Colombia (4-23-2014)
Croatia (4-2-2014)
Curaçao (4-30-2014)

Cyprus (4-22-2014)
Dominica (6-19-2014)
Dominican Republic (6-30-2014)
Georgia (6-12-201)
Greenland (6-29-2014)
Grenada (6-16-2014)
Guyana (6-24-2014)
Haiti (6-30-2014)
India (4-11-2014)
Indonesia (5-4-2014)
Kosovo (4-2-2014)
Kuwait (5-1-2014)
Malaysia (6-30-2014)
Montenegro (6-30-2014)
Panama (5-1-2014)
Peru (5-1-2014)

Poland (4-2-2014)
Portugal (4-2-2014)
Qatar (4-2-2014)
Romania (4-2-2014)
St. Kitts and Nevis (6-4-2014)
St. Lucia (6-12-2014)
St. Vincent and the Grenadines (6-2-2014)
Saudi Arabia (6-24-2014)
Serbia (6-30-2014)
Seychelles (5-28-2014)
Singapore (5-5-2014)
Slovak Republic (4-11-2014)
South Korea (4-2-2014)
Thailand (6-24-2014)
Turkey (6-3-2014)
Turkmenistan (6-3-2014)

Turks and Caicos Islands (5-12-2014)
Ukraine (6-26-2014)
United Arab Emirates (5-21-2014)
Uzbekistan (6-30-2014)

Model 2 IGA:

Armenia (5-8-2014)
Hong Kong (5-9-2014)
Iraq (6-30-2014)
Nicaragua (6-30-2014)
Moldova (6-30-2014)
Paraguay (6-6-2014)
San Marino (6-30-2014)
Taiwan (6-23-2014)*

*Consistent with the Taiwan Relations Act, the parties to the agreement would be the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States.

Source: <http://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA-Archive.aspx>

APPENDIX II

OECD – difference between statement countries

OECD Ministerial Statement, May 2014

Chile
 Colombia
Costa Rica
 Czech Republic
 Denmark
 Estonia
European Union
 Finland
 France
 Germany
 Greece
 Hungary
 Iceland
India
Indonesia
 Ireland
Israel
 Italy
Japan
Korea
 Latvia
 Lithuania

Luxembourg
Malaysia
 Mexico
 Netherlands
New Zealand
 Norway
 Poland
 Portugal
Saudi Arabia
Singapore
 Slovak Republic
 Slovenia
 South Africa
 Spain
 Sweden
Switzerland
Turkey
 United Kingdom
United States

AEol early adopters (March 2014)

Argentina
Belgium
Bulgaria
 Colombia
Croatia
Cyprus
 Czech Republic
 Denmark
 Estonia
 Finland
 France
 Germany
 Greece
 Hungary
 Iceland
India
 Ireland
 Italy
 Latvia
Liechtenstein
 Lithuania

Malta
 Mexico
 Netherlands
 Norway
 Poland
 Portugal
Romania
 Slovakia
 Slovenia
 South Africa
 Spain
 Sweden
 United Kingdom

UK's Crown Dependencies of Isle of Man, Guernsey and Jersey
UK's Overseas Territories of Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat, and the Turks & Caicos

Common countries: 26

Countries unique to the OECD Ministerial Statement (May 2014) (countries highlighted): 16 – excluding the EU as a country

Countries unique to the AEol Early Adopters (March 2014) (countries highlighted): 18





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