



KPMG 2016 Common Reporting Standard Survey Report

December 2016



Contents



Global strategy for tax transparency

The Common Reporting Standard (CRS) is a global transparency initiative to combat tax evasion. The CRS, developed in response to a request by the G20 and approved by the Organisation for Economic Co-operation and Development (OECD) Council on July 15, 2014, calls on jurisdictions to obtain information from their financial institutions (FIs) and automatically exchange that information with other jurisdictions. It sets out the financial account information to be exchanged, the FIs required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by FIs.

Around the world, CRS regulations have had a profound impact on FIs. FIs are faced with significant additional identification and reporting responsibilities, which may vary in detail and timing by jurisdiction. Crucially, FIs need to be able to collect and track complex, varied customer information in each jurisdiction where they operate, with heavy reputational and financial risks for lack of compliance.

This KPMG LLP (KPMG) survey report focuses on the views and behaviors of bank, asset management, and insurance professionals working to bring their FIs into compliance with the CRS. This survey report summarizes the findings of 146 high-level tax and compliance professionals—their views and insights into what their organizations are doing to comply with the CRS regulations.



Survey objectives and methodology

Objectives

Better understand how financial services organizations are preparing for and dealing with the CRS requirements, including but not limited to:

- Awareness within the organization
- Impact on areas of the organization/resources and customer relationships
- Compliance challenges
- Implementation status.

Benchmark respondents against the aggregate as well as compliance and tax organizational groups, where applicable.

Methodology

- Web-based survey conducted in August 2016
- Total respondents: 146
- U.S. headquarters (HQ): 58
- Non-U.S. HQ: 88
- Aggregate results include a data cut by location of HQs (U.S. vs. non-U.S.) and by sector



Key findings

- FIs are still in implementation mode—40 percent either have taken only preliminary steps or are just beginning to focus. (Q3)
- Only 64 percent said they met the January 1, 2016 deadline for onboarding in early adopter jurisdictions. (Q9)
- Yet 60 percent are already collecting information for new accounts in jurisdictions that have committed to implement the CRS effective from January 1, 2017. (Q7)
- Inquiries from investors and customers regarding the CRS are up sharply as compared with 2015. (Q15)
- Despite persistent rumors to the contrary, 97 percent will not/do not plan to terminate any customer relationships to reduce CRS compliance obligations. (Q13)



Findings



Market commentary

FIs around the world have ramped up their CRS implementation efforts, but there is still a lot of work to be done by both governments and FIs. Some jurisdictions that committed to implement the CRS as of January 1, 2016, have not issued comprehensive binding guidance. Others have issued guidance that differs somewhat from the OECD guidance or from other jurisdictions' guidance, making it difficult for FIs to apply a consistent approach across all jurisdictions. With many more jurisdictions scheduled to implement the CRS starting January 1, 2017, meeting compliance deadlines in all jurisdictions will continue to be a major challenge for many FIs.

FIs have taken different approaches to these challenges. Broadly speaking, asset managers have taken more of a "wait-and-see" approach. Asset managers generally have smaller teams and a smaller volume of accounts, and many use manual processes to implement their CRS obligations. Even so, many asset managers are finding that the reporting volumes for the CRS are significantly greater than for the Foreign Account Tax Compliance Act (FATCA) and that automated reporting solutions are needed to address those volumes.

Conversely, many global banks have extraordinary volumes of accounts to address for CRS purposes and, therefore, they have taken a more proactive approach—for example, many have implemented CRS onboarding procedures even in jurisdictions that will not implement the CRS until January 1, 2017. These global banks are anxious to transition CRS compliance from a project team to "business-as-usual" processes.

Transitioning to business as usual while the guidance in many jurisdictions is still in flux raises several practical challenges, and FIs will need to build flexibility into their approaches to CRS. That may be one consideration that has led increasing numbers of FIs to implement a hybrid centralized/decentralized model, with a central team responsible for overall CRS compliance and local teams responsible for local implementation.

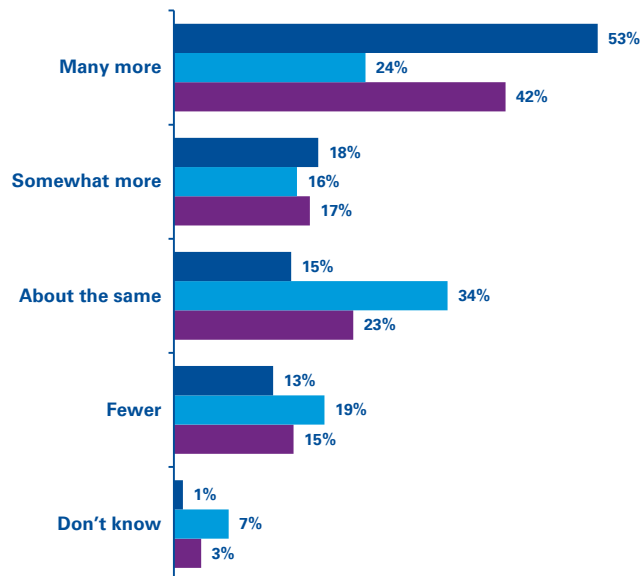
Given the potential reputational and financial risks of noncompliance, central teams will need some level of oversight of local teams and a consistent approach to compliance assurance—for example, through internal or external audit. Most governments have not yet issued guidance regarding how the governments intend to audit FI compliance, but governments clearly expect FIs to document their compliance policies and procedures and to have in place a compliance assurance program to ensure that those policies and procedures are applied appropriately.

Monitoring changes in OECD and local guidance will continue to be a challenge for FIs, especially as they transition to business as usual. Setting up clear communications channels and ensuring that best practices are rolled out across the organization will be critical to managing the risks of noncompliance.

Number of accounts impacted by CRS, as compared with FATCA

Q1

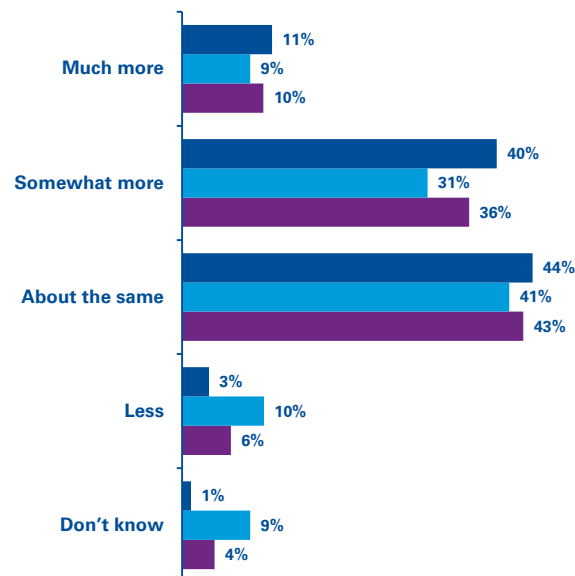
As compared with FATCA, do you think the CRS will impact more, fewer, or about the same number of accounts?



Resources required for CRS compliance as compared to FATCA

Q2

Do you believe that compliance with the CRS will require more resources than compliance with FATCA, less resources, or about the same?



- Headquartered outside the U.S. (n = 88)
- Headquartered in the U.S. (n = 58)
- Total (n = 146)

May not equal 100 percent due to rounding

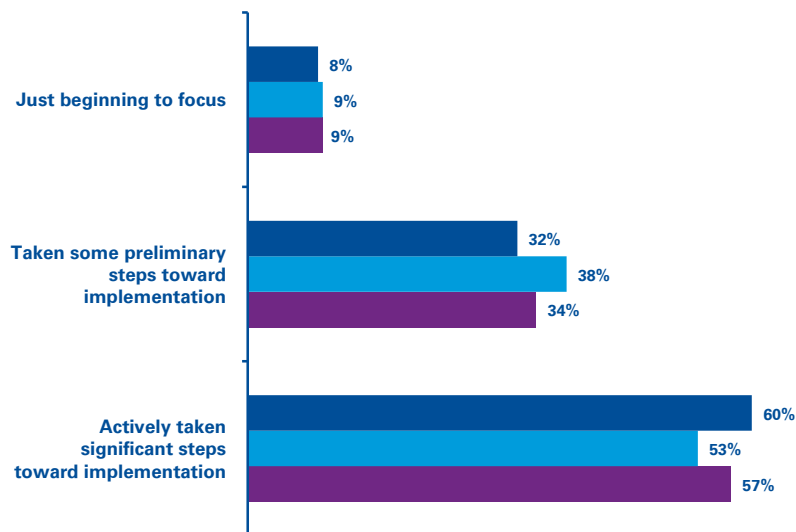
Level of CRS implementation among organizations that have begun dealing with CRS compliance

Level of CRS implementation among organizations that have begun dealing with CRS compliance—by industry

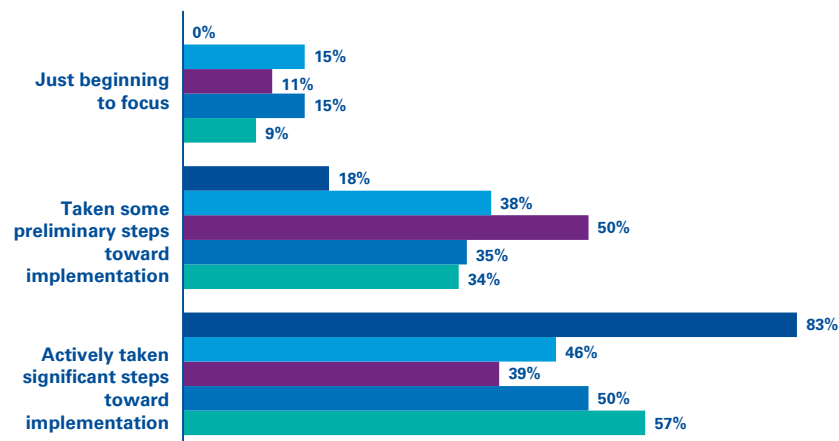
Q3

How prepared for/how far is your organization in the implementation of the CRS?

Among those who have started dealing with CRS compliance



- Headquartered outside the U.S. (n = 72)
- Headquartered in the U.S. (n = 45)
- Total (n = 117)



- Global Banks (n = 40)
- Insurance (n = 13)
- Asset Management (n = 38)
- Other (including Regional Banks) (n = 26)
- Total (n = 117)

May not equal 100 percent due to rounding

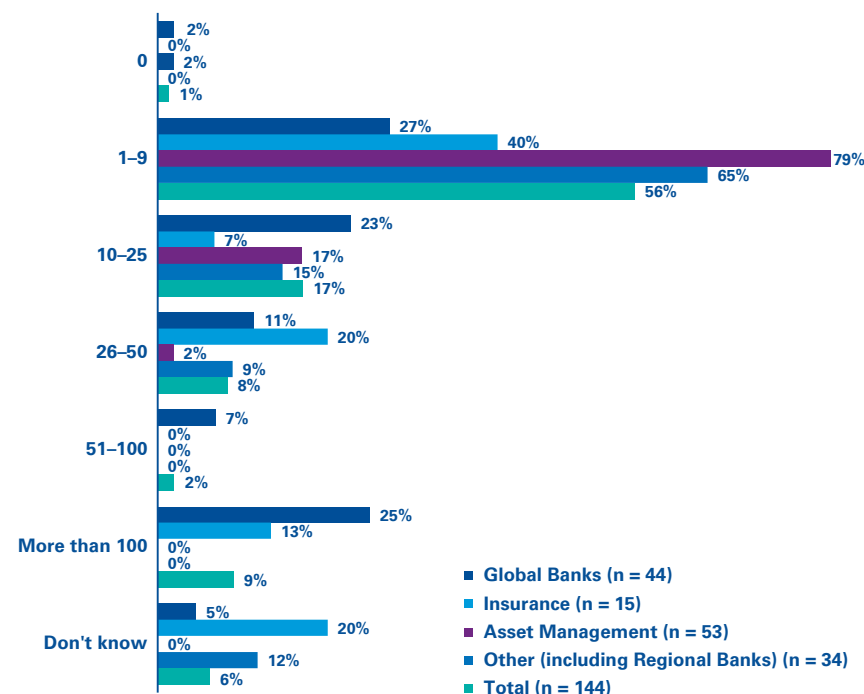
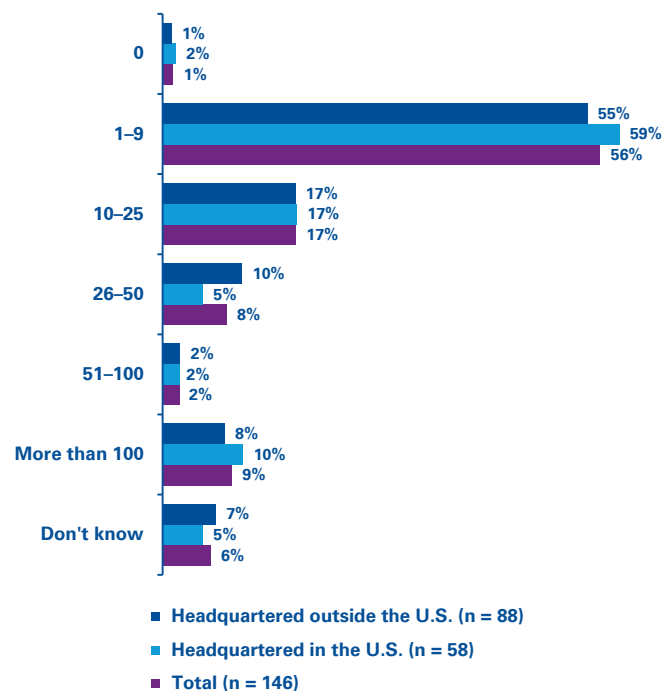
Expected number of people to be involved with CRS implementation

Expected number of people to be involved with CRS implementation—by industry

Q4

What is the estimated total number of people your organization expects to be involved with the project of implementing the CRS?

Among those who have started dealing with CRS compliance

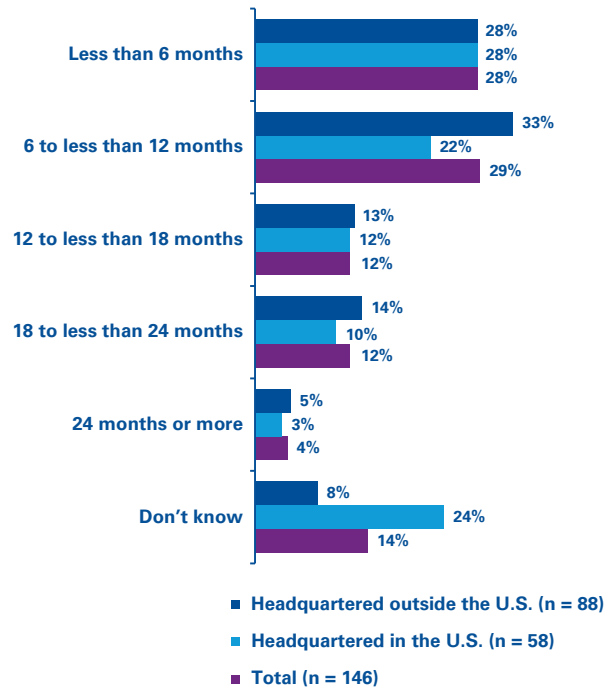


May not equal 100 percent due to rounding

Anticipated time required for CRS implementation

Q5

How long does your organization anticipate CRS implementation will take?



May not equal 100 percent due to rounding

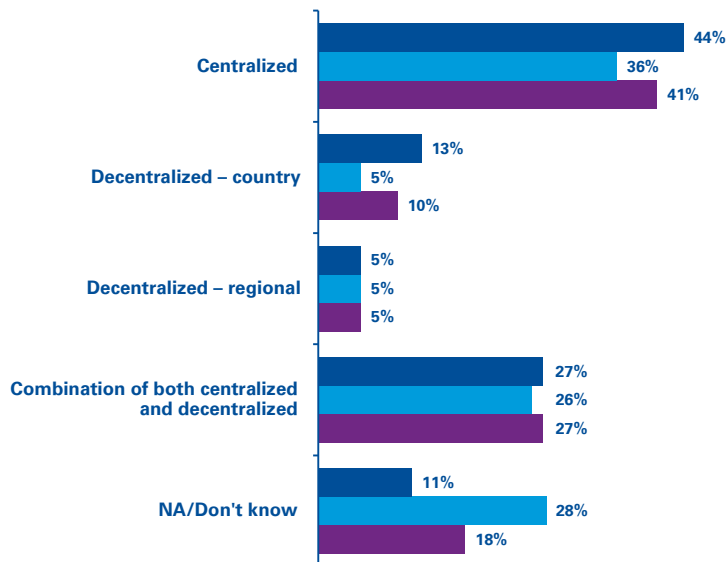


Expected implementation plan to be followed for CRS

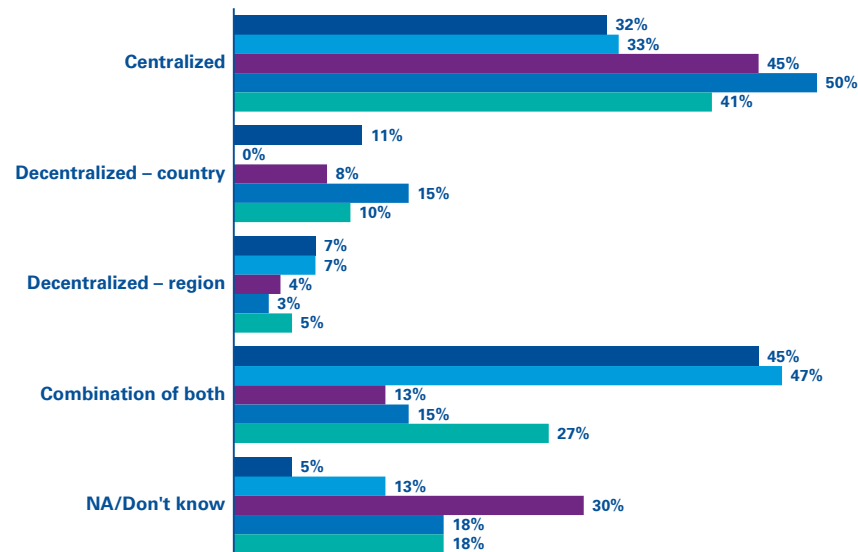
Expected implementation plan to be followed for CRS— by industry

Q6

What implementation plan does your organization expect to follow for the CRS?



- Headquartered outside the U.S. (n = 88)
- Headquartered in the U.S. (n = 58)
- Total (n = 146)



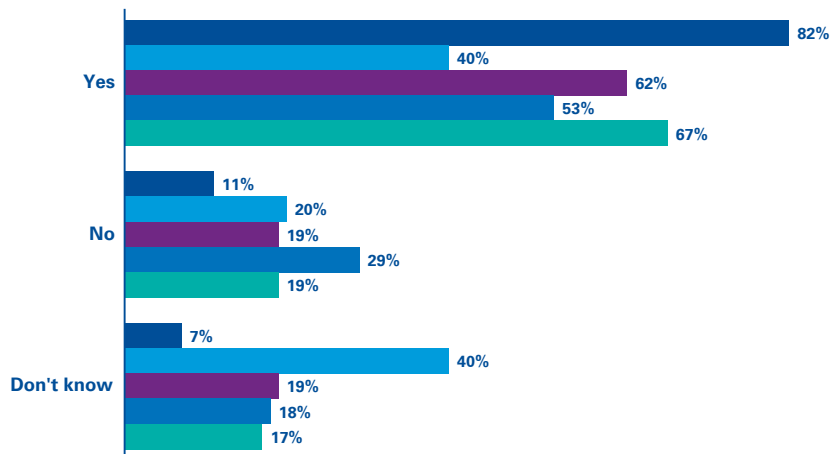
- Global Banks (n = 44)
- Insurance (n = 15)
- Asset Management (n = 53)
- Other/including Regional Banks (n = 34)
- Total (n = 146)

May not equal 100 percent due to rounding

Collection of CRS information for new accounts for those jurisdictions that have not enacted legislation—by industry

Q7

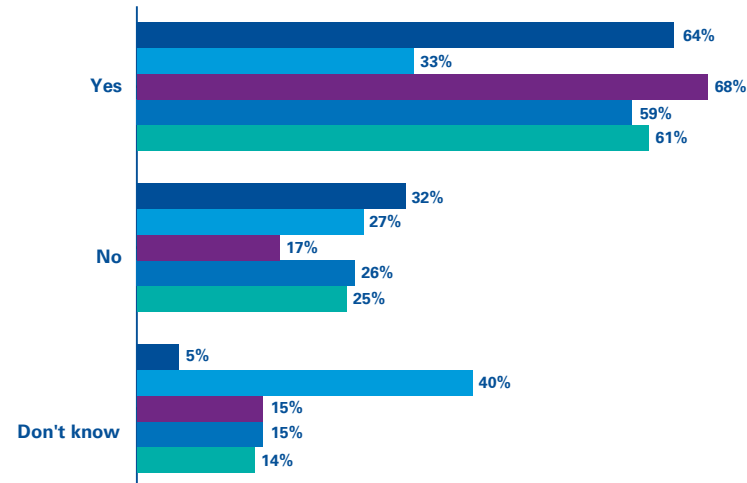
Some jurisdictions have committed to adopt the CRS effective as of January 1, 2016, but have not yet enacted implementing legislation. In those jurisdictions, are you collecting CRS information for new accounts?



Collection of CRS information for new accounts in jurisdictions that have committed to implement CRS effective from January 1, 2017—by industry

Q8

Are you collecting CRS information for new accounts in jurisdictions that have committed to implement the CRS effective from January 1, 2017?



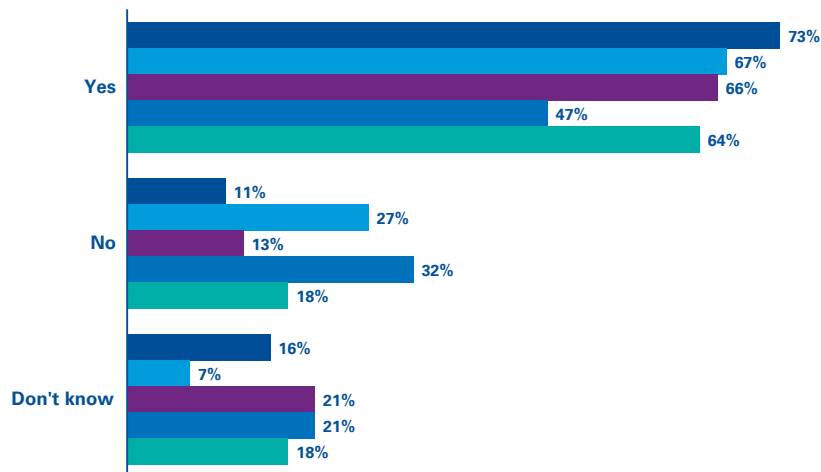
- Global Banks (n = 44)
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- Total (n = 146)

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CRS requirements met by January 1, 2016 deadline for new onboarding procedures in applicable jurisdictions—by industry

Q9

Did you meet the CRS requirements by the January 1, 2016, deadline for new onboarding procedures in applicable jurisdictions?

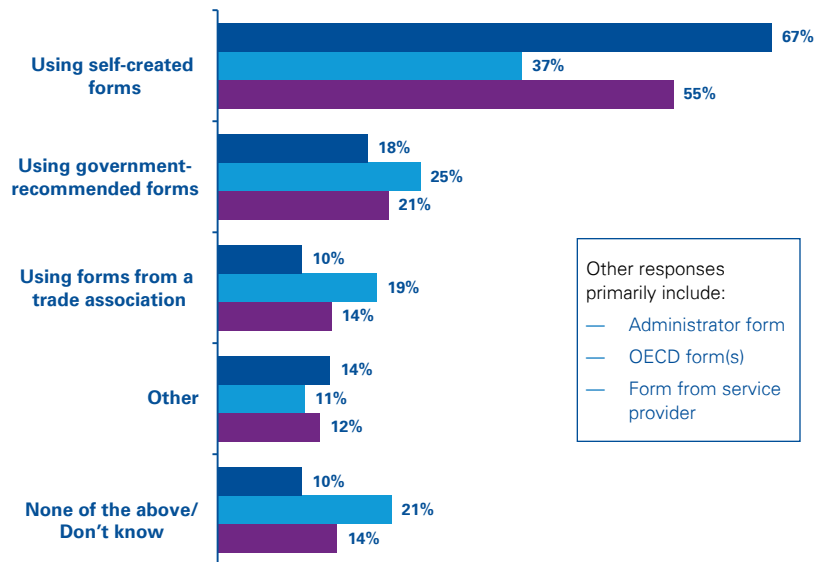


- Global Banks (n = 44)
- Insurance (n = 15)
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- Total (n = 146)

Use of self-certification forms: Self-created or from an external source

Q10

Are you currently using self-certification forms you developed yourself, or are you using forms from an external source (e.g., trade association or government)?



Other responses primarily include:

- Administrator form
- OECD form(s)
- Form from service provider

- Headquartered outside the U.S. (n = 88)
- Headquartered in the U.S. (n = 57)
- Total (n = 145)

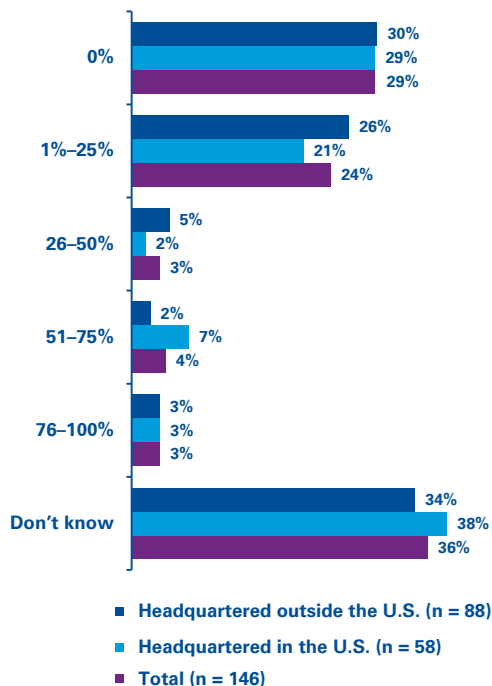
Multiple responses allowed

May not equal 100 percent due to rounding

Portion of new entity account holders classified based on information other than self-certification (e.g., publicly available information)

Q11

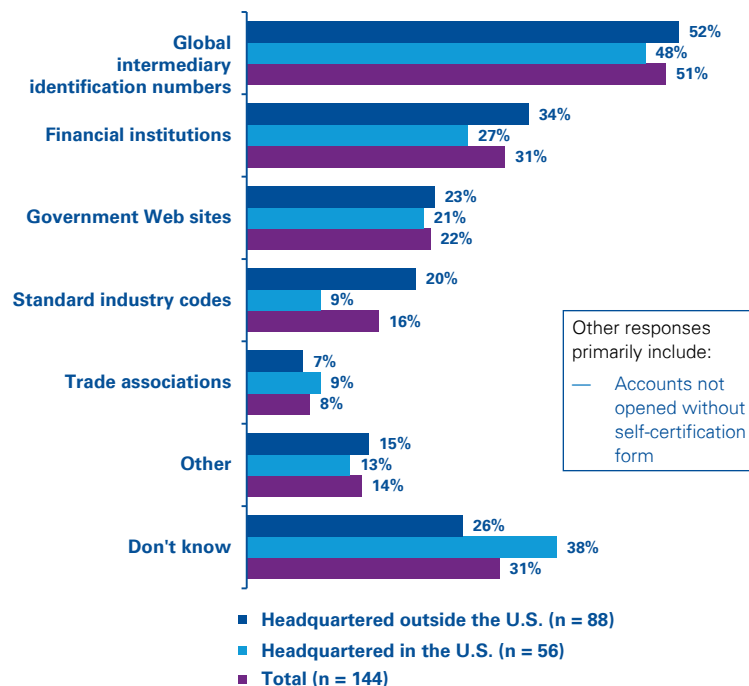
What portion of your new entity account holders are you classifying based on information other than self-certification (e.g., publicly available information)?



Information used when opening new accounts without self-certifications

Q12

Due to the difficulty in collecting self-certifications from new entity account holders, what type of information do you rely on when opening accounts without the self-certifications?



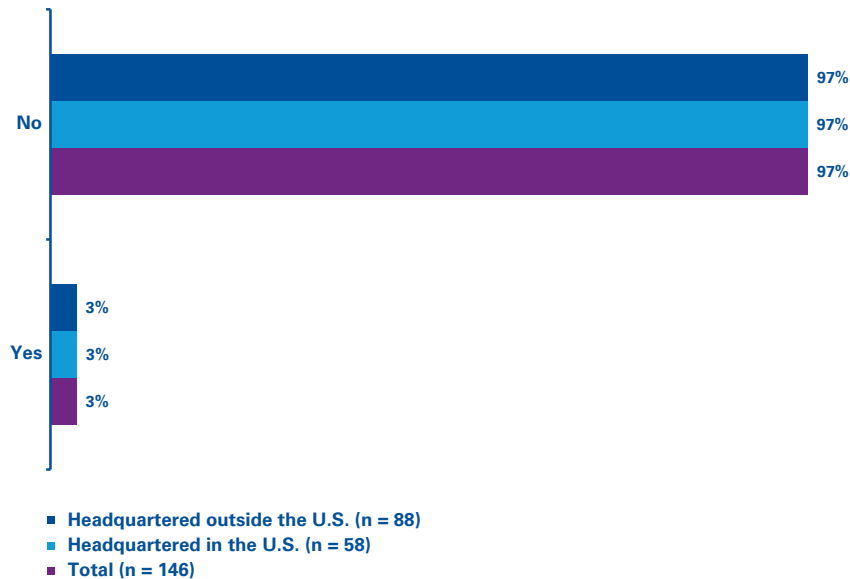
Multiple responses allowed

May not equal 100 percent due to rounding

Termination (or contemplating) of customer relationships to move away from/reduce CRS compliance obligations

Q13

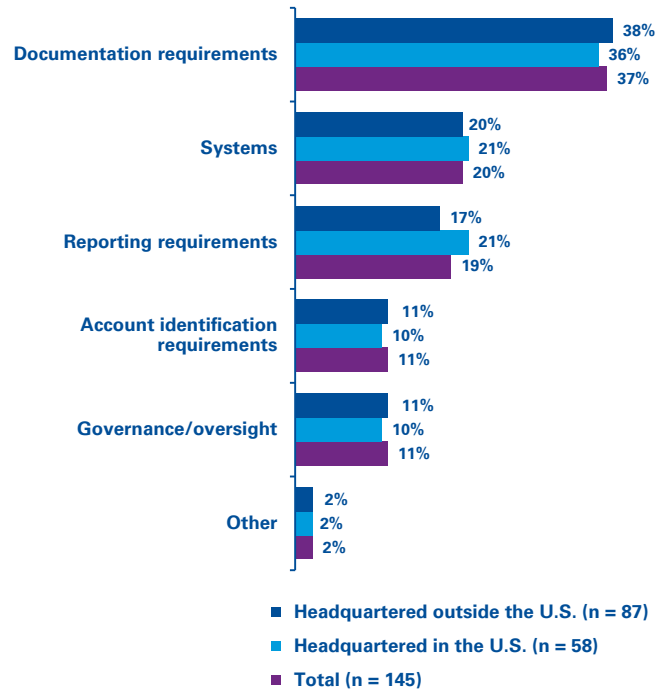
Considering the burden operationally, budget-wise, and resourcing with respect to implementing the CRS, are you contemplating terminating, or have you terminated, any customer relationships so as to move away from/reduce CRS compliance obligations?



Challenges related to CRS compliance

Q14

What do you believe presents the greatest CRS-related compliance challenge for your enterprise overall?

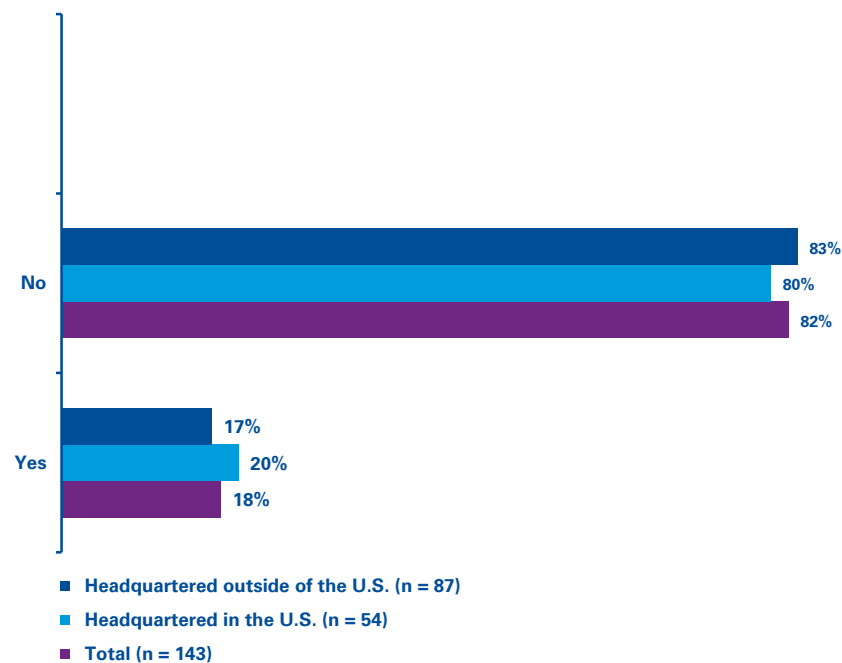
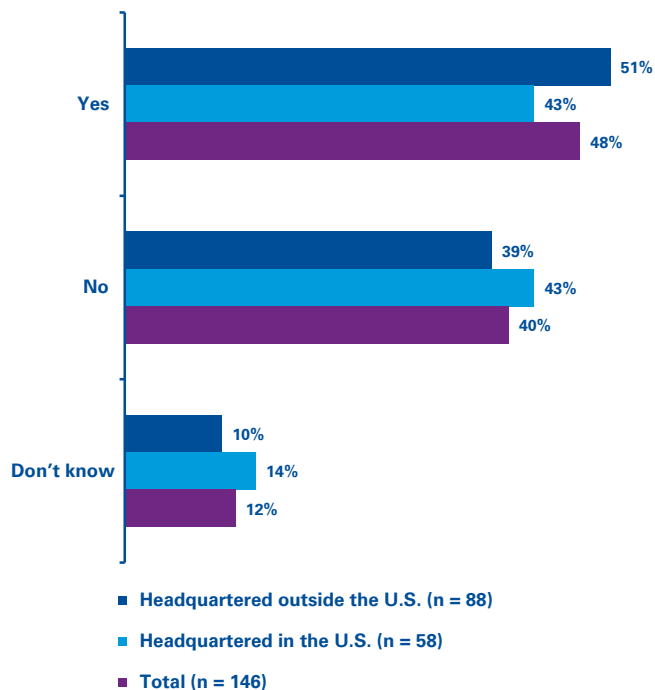


Contact by clients, customers, and investors specifically regarding CRS – 2016

Contact by clients, customers, and investors specifically regarding CRS – 2015

Q15

Are your clients, customers, and investors reaching out to your organization on questions specifically regarding the CRS?



May not equal 100 percent due to rounding

Ideas to consider

A major undertaking. Even for FIs that have a good handle on their obligations under FATCA, complying with the CRS model will continue to be a major additional project. Although it emerged from the principles of FATCA, the CRS will require most FIs to collect and remit much larger amounts of data on many more accounts from multiple jurisdictions.

Explore automations options. CRS means that most FIs will need to undertake significant changes to their customer onboarding, due diligence, and reporting procedures and systems. To meet these requirements for international tax planning, FIs must plan in advance, allocating sufficient time to review the standard's key components and create a due diligence checklist of in-house disciplines directly impacted by CRS-related changes, including:

- Technology systems
- Operational processes
- Management controls.



Ideas to consider (continued)

While each area is important, the CRS reporting mandate will force most FIs to upgrade legacy infrastructure to create automated solutions. To streamline the path to compliance, it is essential to involve IT professionals in order to develop an integrated, flexible architecture to accommodate these and other features:

- Automated data extraction and verification
- Customized workflow and escalation interfaces
- Due diligence searches
- Reporting and analytic engines
- Easy-to-follow audit trails.

Stay informed. Although the OECD has published significant guidance, many jurisdictions have not yet enacted legislation or published local guidance. For the latest guidance, regularly visit www.oecd.org, follow industry groups, and speak to tax regulators about what to expect next.



Ideas to consider (continued)

Use this survey report as an ice breaker. Consider using this survey as a way to reinvigorate the internal conversations. Be proactive in developing your organization's CRS plan and involving the right stakeholders.

Outline a basic strategy. If not already started, FIs should begin the process of developing a plan to update their systems and procedures to onboard customers, manage data, and report account information. Consider how the project will be managed globally within your organization. The strategy may require some balance between centralized and decentralized project governance.

Perform impact assessment. An "impact assessment" can help identify gaps in compliance capabilities and expertise. By isolating any potential shortfalls, FIs can focus on individual business units or geographies to determine if additional resources—money, time, or personnel—may be needed.

Create a calendar. To help ensure a more seamless management flow, publish a planning calendar that maps out key dates and milestones. Make it visible to all internal business units to help each stay on track and raise concerns when targets appear off. Think of your planning calendar as a flexible working document that may be updated periodically to adjust to changing business conditions.

Establish communications protocol. Establish a timely communications mechanism to alert all parts of your organization as to the latest CRS disclosures and procedure updates.



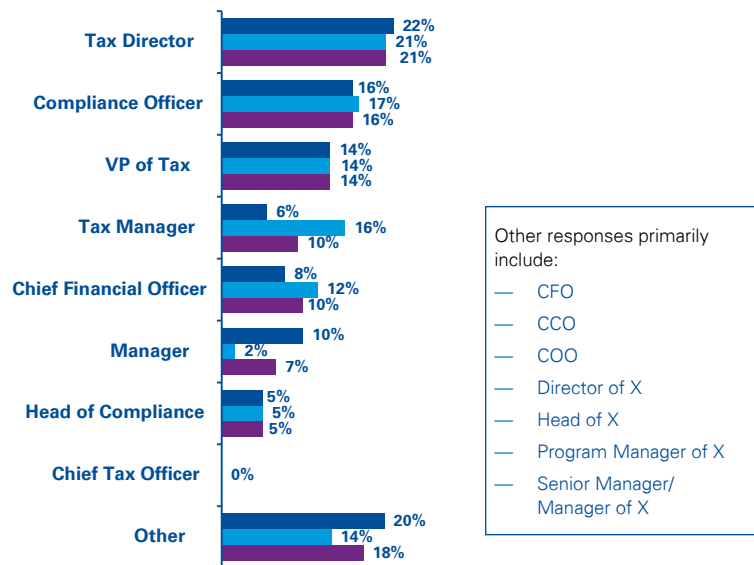
Demographics



Title/Role

Q1

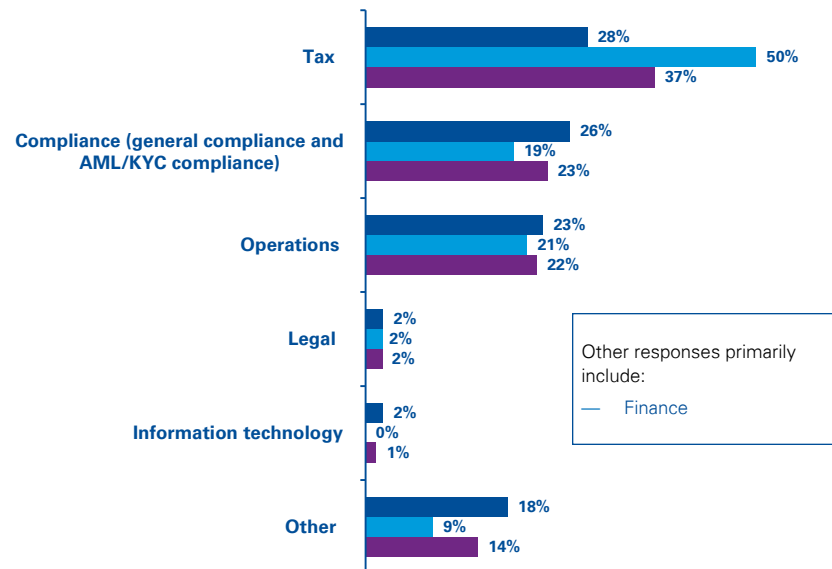
What is your title/role in your organization?



Organizational group

Q2

What group are you a part of in your organization?



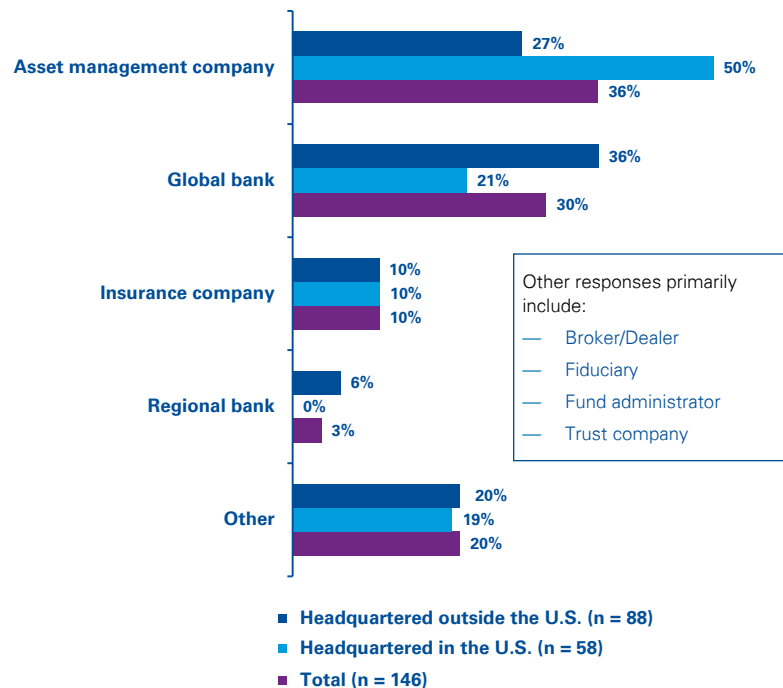
- Headquartered outside the U.S. (n = 88)
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Financial institution category

Q3

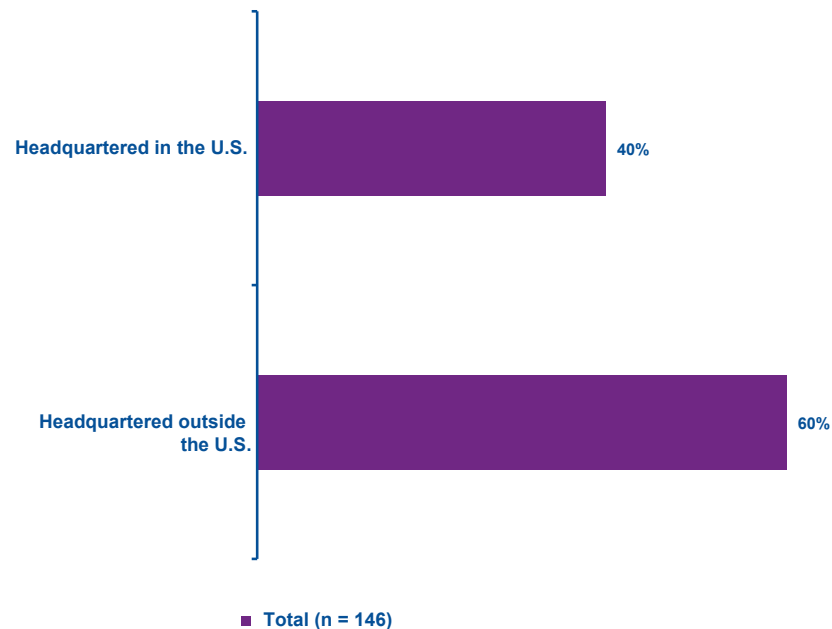
What category of financial institution do you belong to?



Location of headquarters

Q4

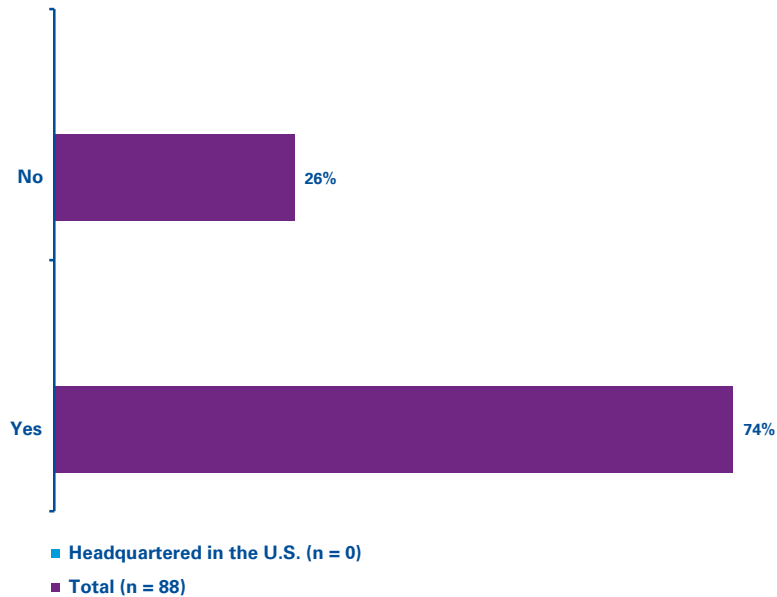
Is your institution headquartered in the United States or outside the United States?



May not equal 100 percent due to rounding

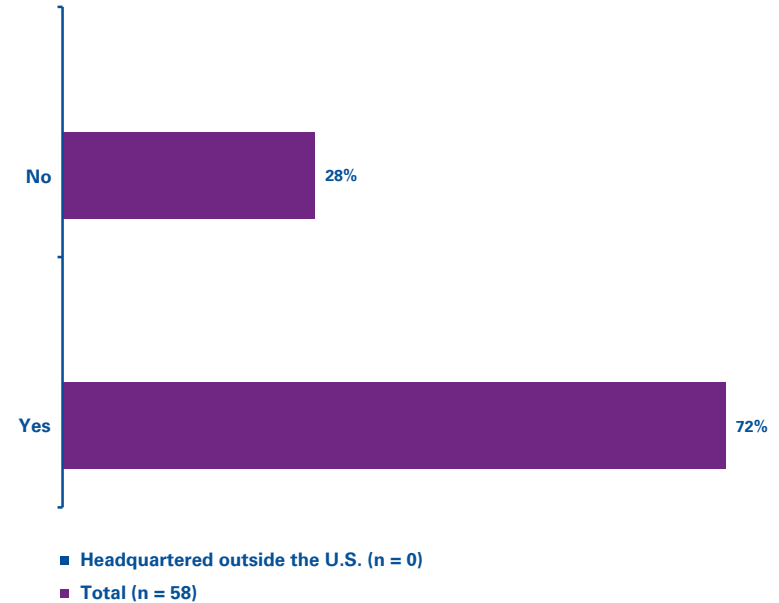
Q5

Among those who are headquartered outside the United States, does your organization have operations in jurisdictions other than your headquarters country and the United States?



Q6

Among those who are headquartered in the United States, does your organization have operations outside the United States?



Contacts

Contact us

We hope this KPMG survey report sheds some light on what your peers are doing to comply with the CRS. Because each financial institution is different, there is no single solution to this massive undertaking.

To learn more about our CRS, FATCA, automatic exchange of information, and other services, contact your KPMG adviser or any of the professionals listed below:

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