

Automatic Exchange of Information

Past, Present and future

Overview

Past

- G20
- Development of AEOI

Present

- Common Reporting Standard
- Model CAA

Future

- Implementation and beyond

Past

G20 Support

G20 Leader's Declaration, St Petersburg Sep '13



Support to *OECD/G20 work* on:

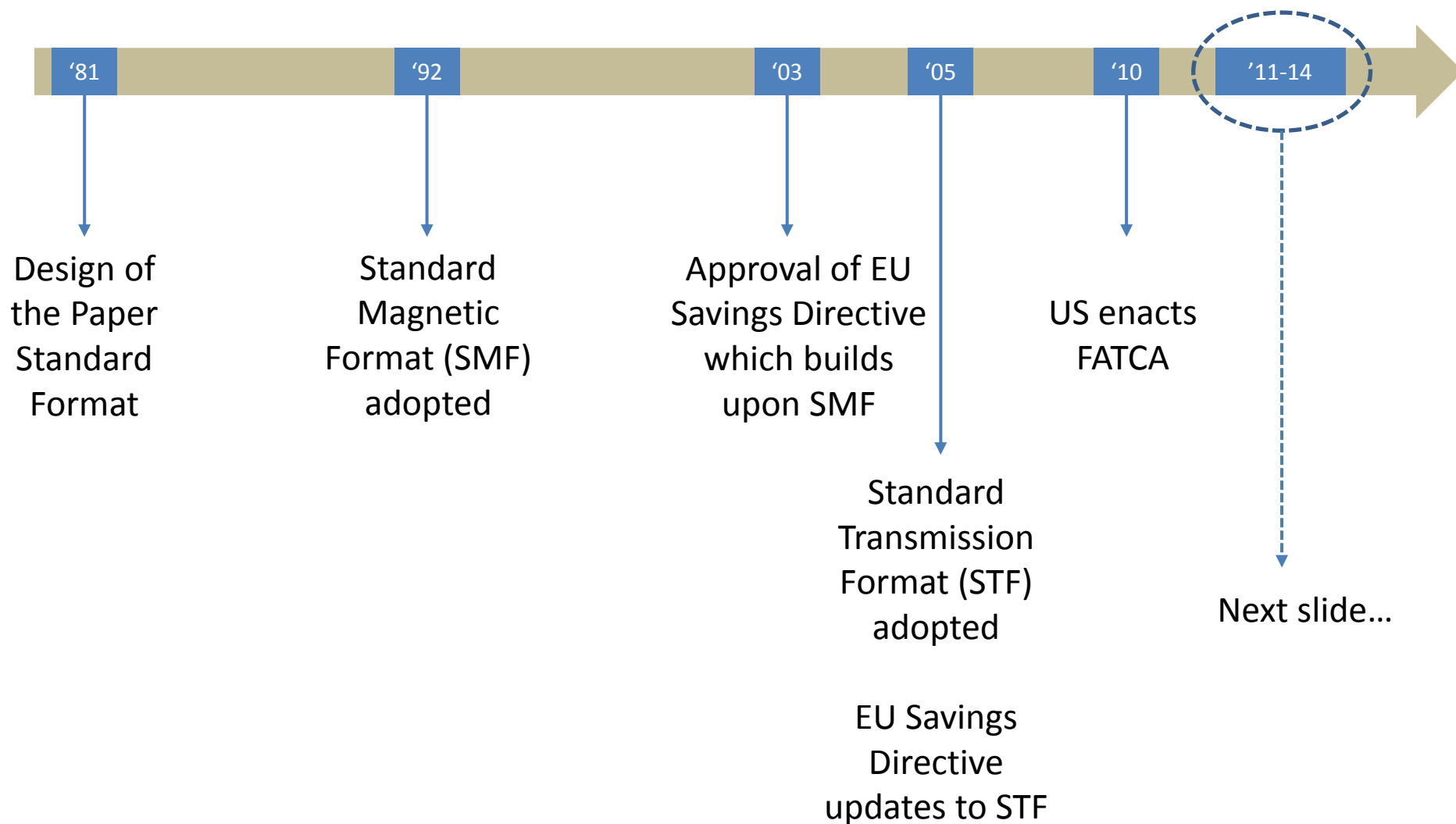
- Presenting standard by February 2014; and
- Finalizing technical modalities by mid-2014.

Expects to *begin AEOI* among G20 members by the end of 2015.

Asked the GFTEI to establish mechanism to monitor and *review implementation* of standard.

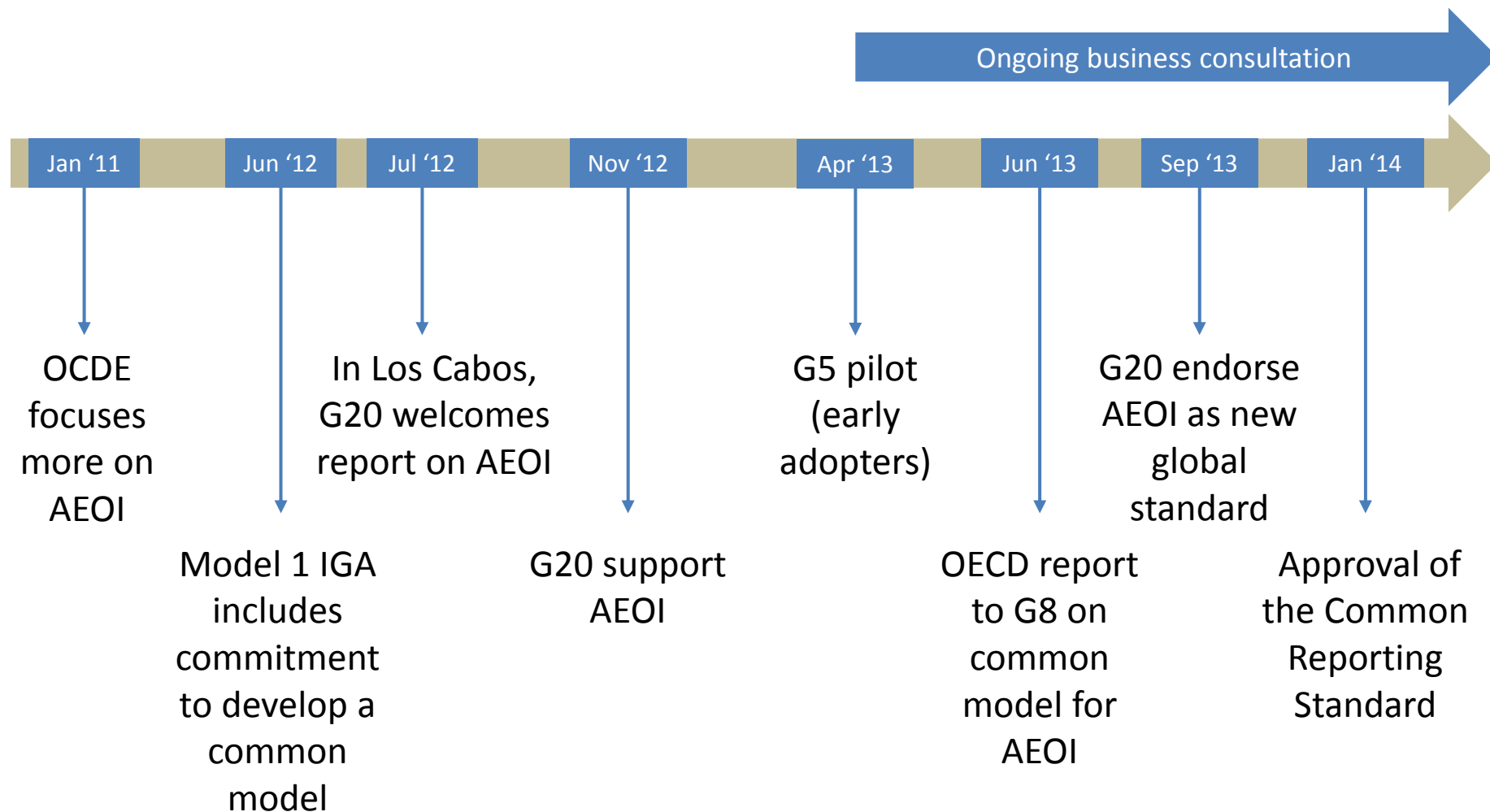
Called on the OECD, the GFTEI and others to allow *developing countries* overcome obstacles to participation in the standard, and to assist them in meeting the standard.

Past Development of AEOI



Past

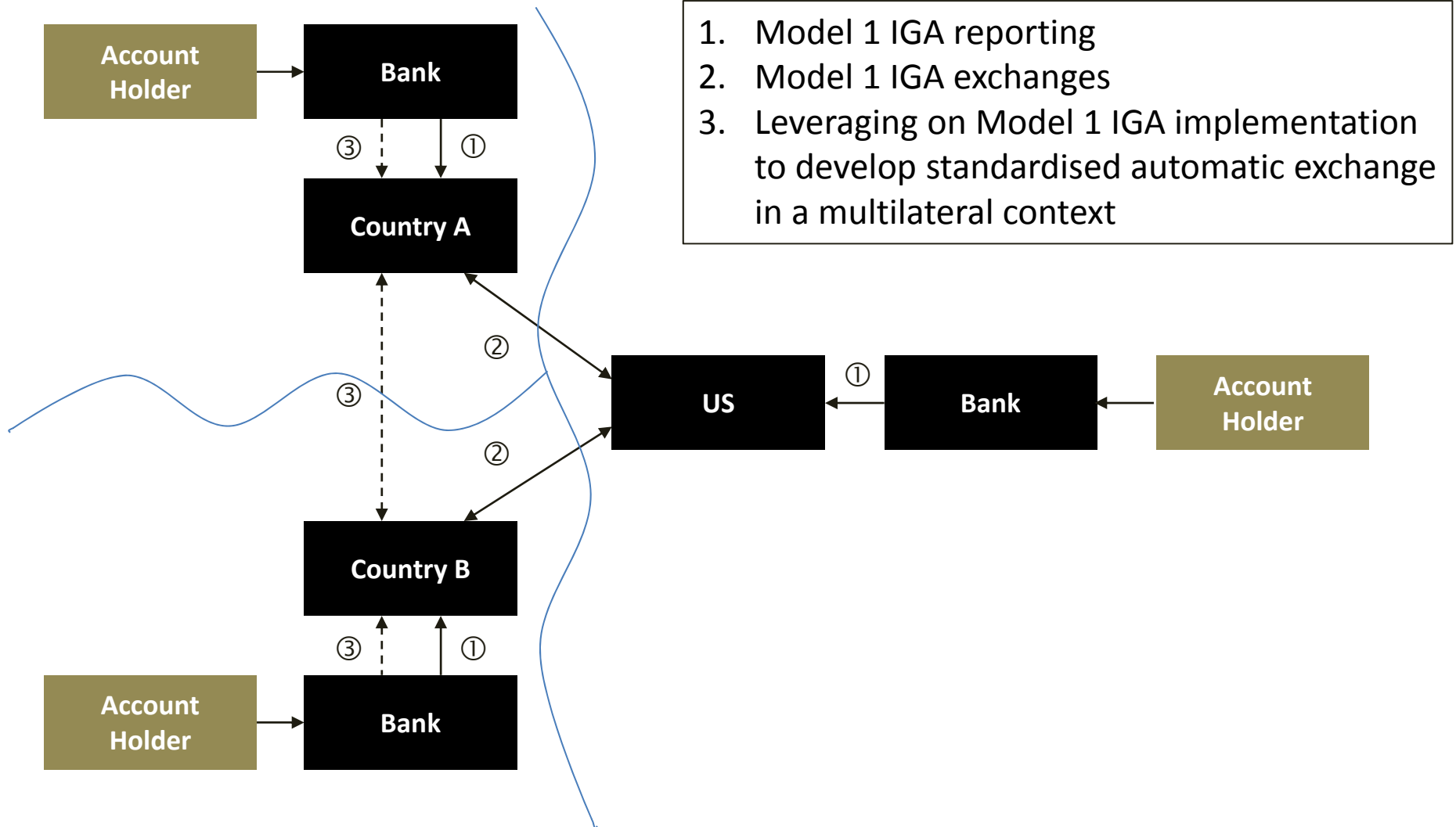
Development of AEOI



PRESENT

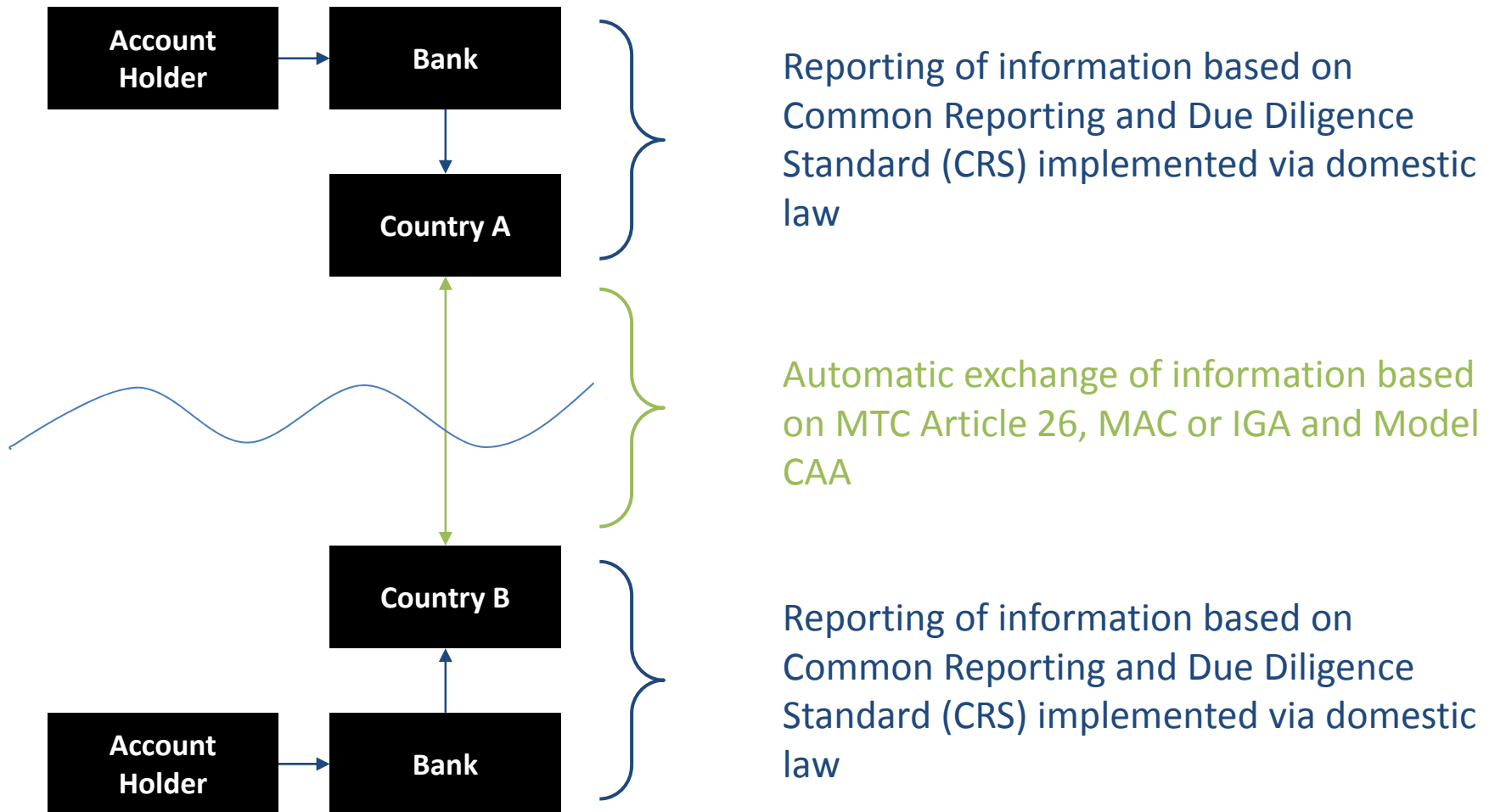
Present

Basic approach



Present

Basic approach - CRS + CAA = exchange standard



Present

Key features

To prevent taxpayers from circumventing the CRS, it is specifically designed with a broad scope across three dimensions:

Broad scope of information reported:

- Personal data: name, address, tax residence, TIN
- Financial data: account balance, all investment income (including interest, dividends, income from certain insurance contracts), and also account balances and sales proceeds from financial assets

Broad scope of financial institutions required to report:

- Banks, custodians, and other financial institutions (brokers, certain collective investment vehicles, and certain insurance companies)

Broad scope of account holders subject to reporting:

- Individuals
- Entities (including trusts and foundations)
- Controlling persons (i.e., beneficial owners) of entities

Present

Key features

Due diligence procedure

- The CRS also includes a robust set of due diligence procedures to be followed by financial institutions to identify reportable accounts and obtain the accountholder identifying information that is required to be reported for such accounts. This is critical as they help to ensure the quality of the information that is reported and exchanged.
- This diligence procedure rules distinguish between individual accounts and entity accounts. They also make a distinction between pre-existing and new accounts, recognizing that it is more difficult and costly for financial institutions to obtain information from existing accountholders rather than requesting such information upon account opening.

Present

Key Features

Due Diligence Procedure

Pre-existing Individual Accounts:

- Financial institutions are required to review accounts without application of any de minimis threshold.
- The rules distinguish between Higher and Lower Value Accounts. For Lower Value Accounts (does not exceed 1,000,000) they provide for a permanent residence address test based on documentary evidence or the financial institution would need to determine the residence on the basis of an indicia search. For Higher Value Accounts (exceeds 1,000,000) enhance due diligence procedures apply, including a paper record search and an actual knowledge test by the relationship manager.

New Individual Accounts:

- The CRS requires self-certification without de minimis threshold.

Present

Key Features

Due Diligence Procedure

For Pre-existing Entity Accounts:

- Financial institutions are required to determine:
 - a) Whether the entity is a reportable person (which can generally be done on the basis of available information AML/KYC procedures) and if not, a self-certification would be needed; and
 - b) Whether the entity is a passive NFE and, if so, the residency of controlling persons.
- Jurisdictions may choose to allow financial institutions to apply a threshold such that Pre-existing accounts below 250,000 USD are not subject to review.

For New Entity Accounts:

- The same assessments need to be made. However, as it is easier to obtain self-certifications for new accounts, the 250,000 USD threshold does not apply.

Present

Key features

Legal and operational basis for exchange of information

- Different legal basis for automatic exchange of information already exist. The most efficient way seems to be through a multilateral exchange instrument such as the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. This Convention:
 - provides all forms of administrative cooperation,
 - contains strict rules on confidentiality and proper use of information,
 - and permits automatic exchange of information with the advantage of having a global reach.
- The Convention requires a separate agreement between the competent authorities of the parties, which can be entered into by two or more parties thus allowing for a single agreement with either two or more parties (with actual automatic exchange always taking place on a bilateral basis).

Present

Key features

Confidentiality

- All of the exchange of information instruments that allow for an automatic exchange of information contain strict provisions that require information exchanged to be kept confidential and limit the persons to whom the information can be disclosed and the purposes for which the information may be used.
- Before entering into an agreement to exchange information automatically with another jurisdiction, it is essential that the receiving jurisdiction has the legal framework and administrative capacity and processes in place to ensure the confidentiality of the information received and that such information is used only for the purposes specified in the instrument.

Present

Main differences from FATCA

Individuals

- Residence (not citizenship)
- No thresholds
- Residence address test for pre-existing accounts building on EU Savings Directive
- Simplified indicia search

Entities

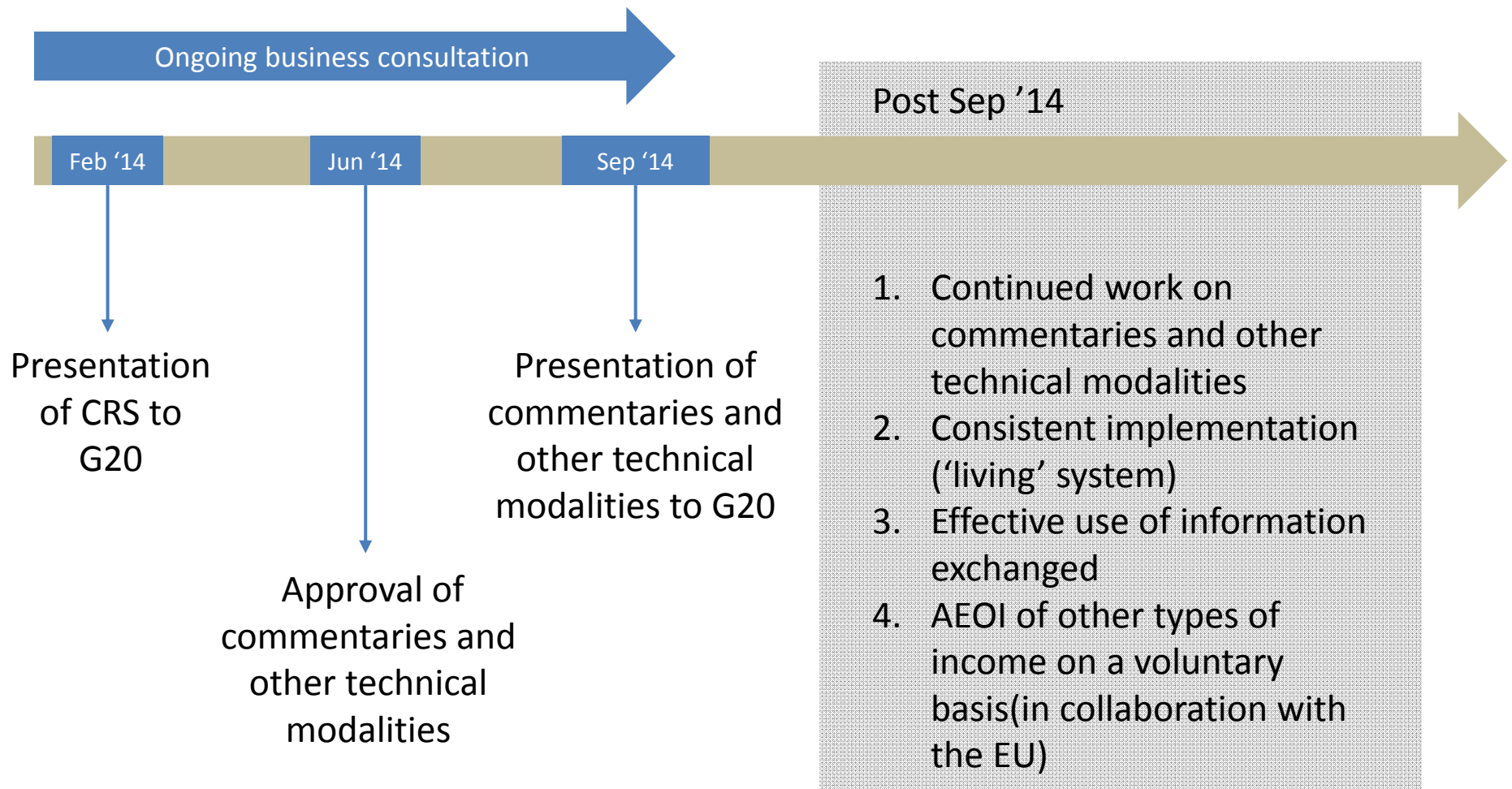
- Look-through for professionally managed investment entities in non-participating jurisdictions

Low risk FIs and products

General exclusion for country specific low-risk reporting financial institutions and accounts

Future

Future Next steps



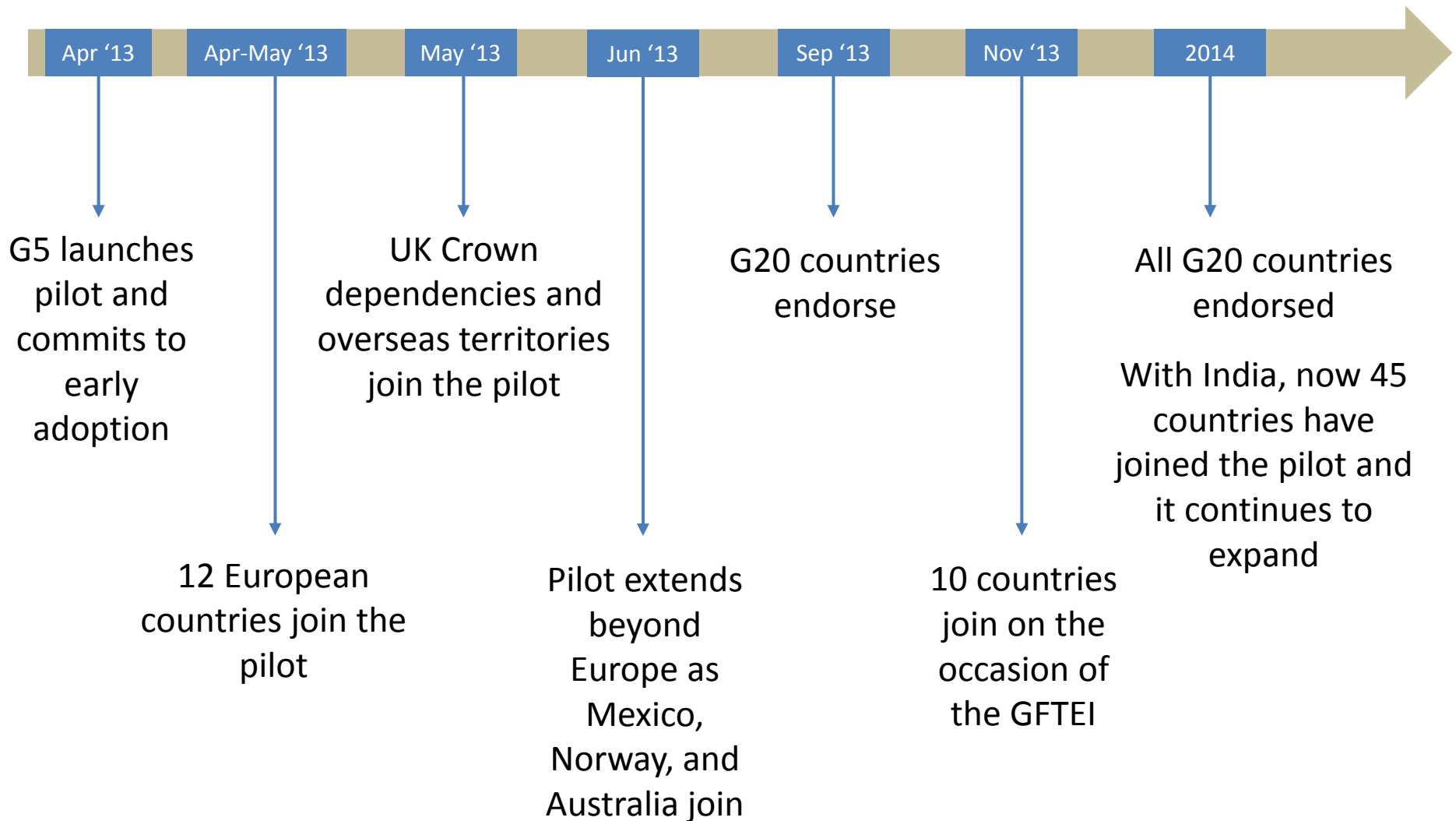
Future

Roles & responsibilities

Country	WP10	GFTEI / AEOI Group
<ol style="list-style-type: none"> 1. Enact legislation adopting CRS 2. Issue regulations and guidance incorporating more detailed rules of CRS 3. Enter into CAAs 4. Commence IT and other process implementation including exchange infrastructure 5. Ensure confidentiality of information 6. Effective use of information exchanged 7. Ensure consistent implementation going forward 	<ol style="list-style-type: none"> 1. Continued work on commentaries and other technical modalities 2. Develop best practices on the effective use of information exchanged 3. Resolve issues arising during implementation to ensure consistent application going forward and achieve objectives of CRS 4. AEOI of other types of income on a voluntary basis (in collaboration with the EU) 	<ol style="list-style-type: none"> 1. Identify the needs of developing countries for technical assistance and capacity building in respect of AEOI 2. Monitor and review implementation

Future

Endorsing the Standard



Future

Main challenges

