



CRS: the road to a compliant environment

Advisory Services

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The CRS (Common Reporting Standard) issued by the OECD (Organisation for Economic Co-operation and Development) is a big step towards a globally coordinated approach to disclosure of income earned by individuals and organisations. 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. The CRS is effective from January 2016 for more than 54 "early adopter" countries, including Cyprus. Financial institutions based in a country that adopts the CRS is, subject to the enactment of enabling legislation, be compelled to implement new requirements on customer on-boarding, pre-existing customer due diligence, entity and product classification, governance and reporting.

Introduction

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.

Consequently, international bodies such as the G20 (Group of Twenty Leaders and Finance Ministers and Central Bank Governors) and the OECD have made coordinated efforts to gain a truer picture of income and assets worldwide through multilateral Convention on Mutual Administrative Assistance in Tax Matters and usage of Automatic Exchange of Information (AEOI).

What needs to be reported

The Standard provides for annual automatic exchange between governments of financial account information. Reportable accounts include accounts held by individuals and entities and the Standard includes a requirement to look through passive non-financial entities to report on the relevant controlling persons. The financial information to be reported for reportable accounts

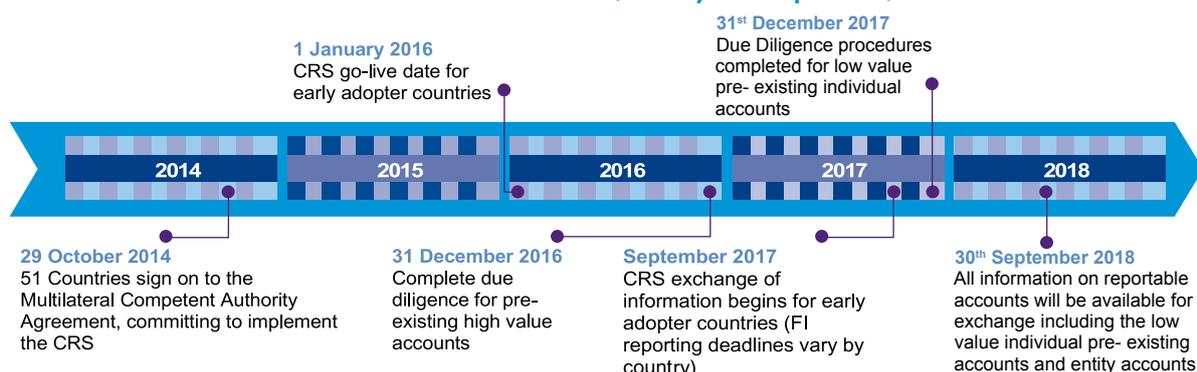
includes interest, dividends, account balance, income from certain insurance products and annuities, sales proceeds from financial assets, and other income generated from assets held in the account or payments made with respect to the account.

Who needs to report

The CRS impacts a range of financial institutions comprising:

- **Custodial institutions:** entities that hold, as a substantial portion of their business, Financial Assets for the account of others.
- **Depository institutions:** entities that accept deposits in the ordinary course of a banking or similar business.
- **Investment Entities:** entities whose primary business involves certain asset management or financial services for or on behalf of a customer; or 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.

CRS Timeline (early adopters)



How can KPMG help?

KPMG has a dedicated team of consultants 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 in a number of issues. Our services include the following:

Governance

- Undertaking an impact assessment to determine the impact of CRS and identifying gaps in the FATCA programme currently in place and the CRS requirements.
- Providing detailed advice on an effective CRS programme and governance arrangements.
- Offering insights in management of information systems and support.
- Providing technical advice throughout the lifecycle of the organisation's CRS project, including; entity and product classification, enhancement of new customer on-boarding procedures, remediation of pre-existing accounts, reporting solutions and operational control.

Entity Classification

- Advising on the jurisdictional variations of in-scope financial institutions.
- Confirming that the identification and classification procedures in place are robust enough to properly identify and classify the entities for CRS.
- Assisting with the internal classification of the organisation's entities and maintaining an internal register that will record all group entities and their classification which is updated for entity changes (e.g. acquisitions and disposals).

Product Classification

- Advising on the jurisdictional variations of in-scope financial accounts.
- Confirming that the identification and classification procedures in place are robust enough to properly identify in-scope products for CRS and carrying out a product classification review.
- Maintaining a Product Register that will record all accounts and their classification which is updated for product changes (e.g., product changes and new products).



Due Diligence on pre-existing and new accounts

- Advising on the jurisdictional variations in due diligence requirements.
- Performing a gap analysis of the pre-existing identification programme, prepare target operating models and assist with change management/ implementation.
- Assisting in updating the organisation's pre-existing identification procedures required under CRS or carrying out pre-existing identification for the client (either as part of the back book review or assurance programme).
- Assisting in updating the organisation's customer on-boarding procedures required under CRS.

Reporting

- Advising on procedures for customer communication with respect to data reported under CRS.
- Advising on the jurisdictional variations in reporting requirements.
- Providing a multi-jurisdictional reporting solution which assists organisations in converting system data into the correct reporting schema in a number of jurisdictions.

Validation and Assurance

- Leveraging from our in depth experience of auditing and validating other tax regimes we are able to tailor the appropriate review programme to meet the needs of your organisation.
- Designing, implementing or monitoring CRS systems and controls and advising on assurance and attestation procedures.

- Reviewing, testing and validating the organisation's assurance and attestation.

In addition, KPMG offers a range of specialised tools aiding in CRS implementation such as KPMG Regulatory Expertise & Governance (REG), KPMG Client On-boarding (COB) and KPMG Tax Reporting Information Management System (TRIMS) which were developed to cut the cost, resources and help manage the risks of meeting your tax reporting obligations by allowing financial institutions to implement only the differences from the baseline regime in each participating country and streamline implementation by targeting requirements to the relevant functions within the organisation.

For any further information
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