

CRS Compliance – What should be on Chief Compliance Officers' Agenda?

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Princeton FATCA & CRS Compliance Forum
Venue: Seward & Kissel LLP offices,
Battery Park, New York

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- CRS = Common Reporting Standards
- CCO = Chief Compliance Officer

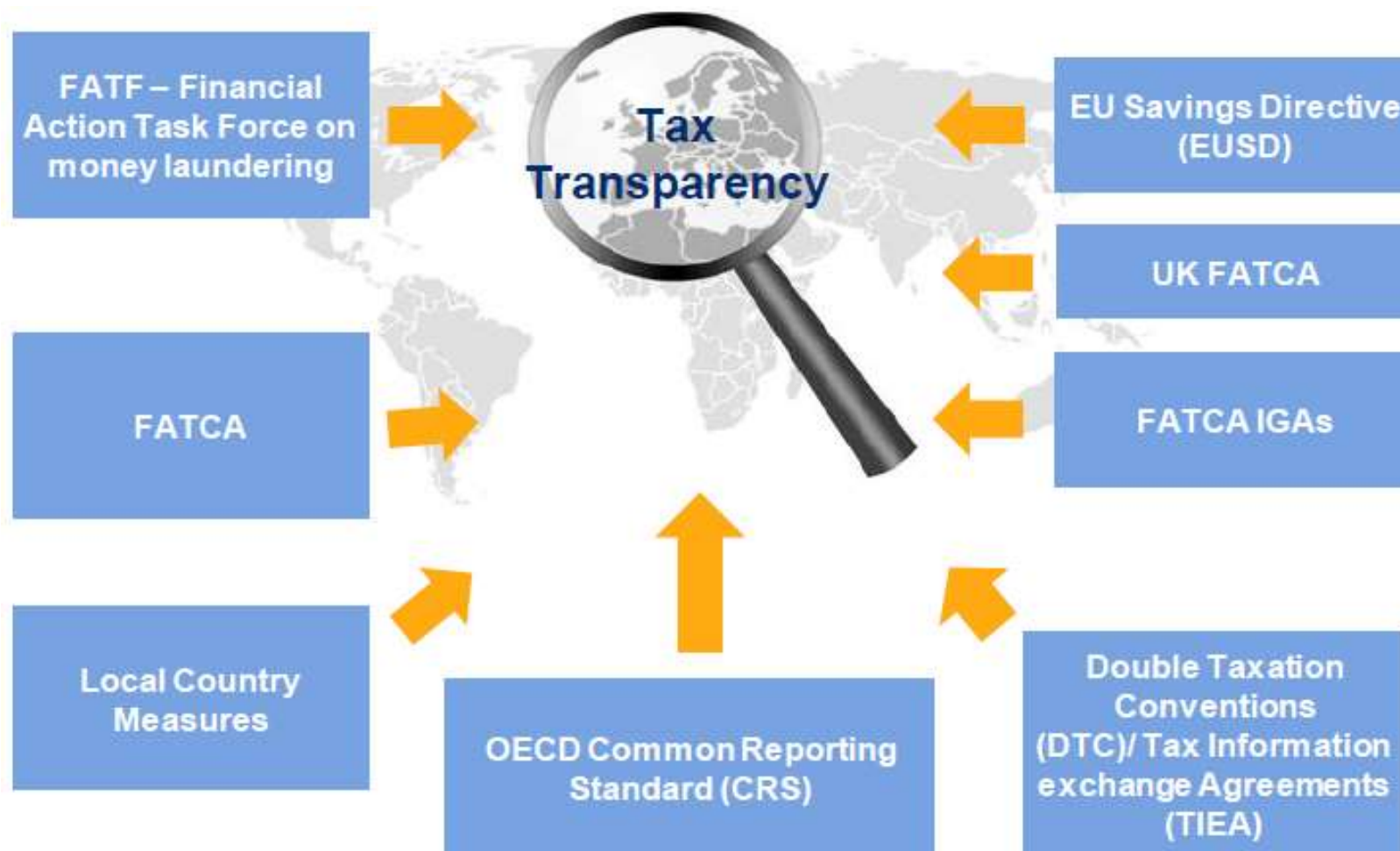
CRS Compliance - Introduction

- What is CRS?
- Which countries have signed up for CRS?
- Who is Impacted?
- Who and What is Reportable?
- What is the Timeline?
- Key Differences between FATCA and CRS

Compliance Officer's Agenda for CRS Compliance

PVin Corp Solution for CRS

Common Reporting Standards (CRS) Compliance - Introduction



Number of tax transparency regulations have been enacted by various countries. CRS is designed to create a global standard for the automatic exchange of financial account information



- **Common Reporting Standard (CRS) is a standard for automatic exchange of financial account information (“AEI”) developed by the Organization for Economic Co-operation and Development (OECD)**
- **Based upon the Foreign Account Tax Compliance Act (FATCA), CRS is a legal basis for exchange of tax data among participating jurisdictions**
- **Onboarding requirements for jurisdictions that are early adopters started on January 1, 2016**
- **Reporting requirements for these jurisdictions commences on March 31, 2017**
- **90+ participating jurisdiction to date**

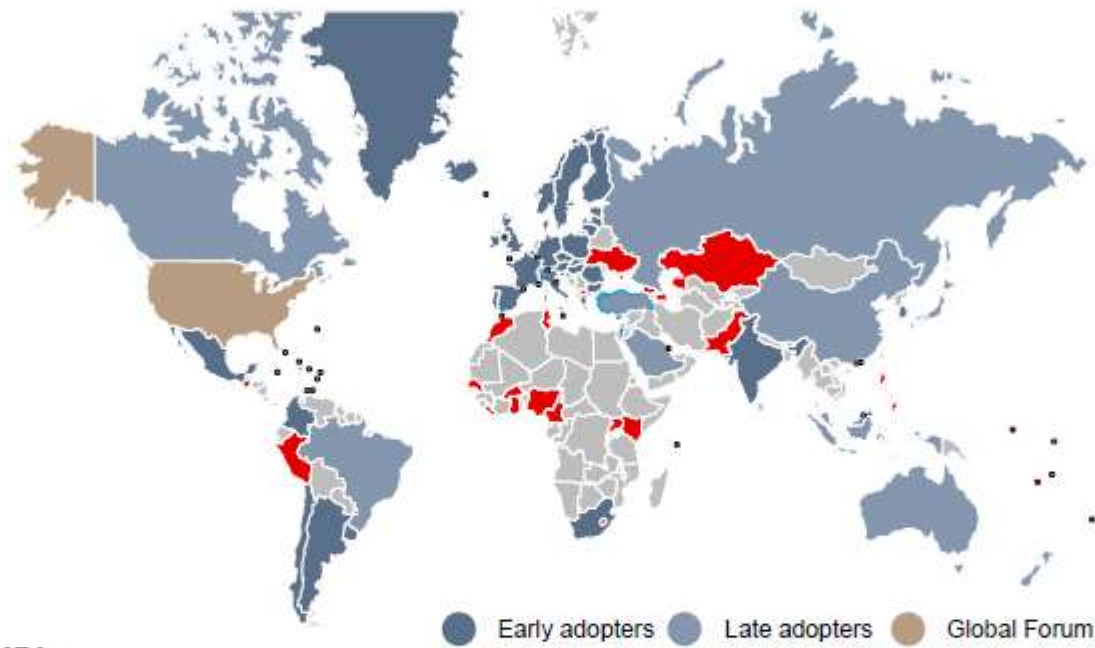


Jurisdictions that have agreed for CRS Compliance

At the October Global Forum Meeting, 58 jurisdictions committed to a first exchange of information in 2017 and 36 jurisdictions in 2018 (of which 61 signed), subject to the completion of necessary legislative procedures¹

Americas

- Anguilla*
- Argentina*
- Barbados
- Bermuda*
- BVI*
- Cayman Islands*
- Colombia*
- Curacao*
- Dominica
- Mexico*
- Montserrat*
- Trinidad and Tobago
- Turks and Caicos*
- Antigua and Barbuda
- Aruba*
- Bahamas
- Belize
- Brazil
- Canada
- Chile
- Costa Rica
- Grenada
- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- Sint Maarten
- Uruguay



Asia-Pacific

- India
- Niue
- South Korea
- Australia
- Brunei Darussalam
- China
- Hong Kong
- Indonesia
- Japan
- Macau
- Malaysia
- Marshall Islands
- New Zealand
- Samoa
- Singapore

EMEA

- | | | | | | |
|-------------------------|--------------|------------------|----------------|-------------------|------------------------|
| • Austria* ² | • Finland* | • Ireland* | • Mauritius* | • Slovenia* | • Monaco |
| • Belgium* | • France* | • Isle of Man* | • Netherlands* | • South Africa* | • Qatar |
| • Bulgaria | • Germany* | • Italy* | • Norway* | • Spain* | • Russian Federation |
| • Croatia* | • Gibraltar* | • Jersey* | • Poland* | • Sweden* | • Saudi Arabia |
| • Cyprus* | • Greece* | • Latvia* | • Portugal* | • United Kingdom* | • Switzerland* |
| • Czech Republic* | • Greenland | • Liechtenstein* | • Romania* | • Albania* | • Turkey |
| • Denmark* | • Guernsey* | • Lithuania* | • San Marino* | • Andorra | • United Arab Emirates |
| • Estonia* | • Hungary* | • Luxembourg* | • Seychelles | • Ghana | |
| • Faroe Islands* | • Iceland* | • Malta* | • Slovakia* | • Israel | |

- CRS is applicable to **Financial Institutions** (*Definitions are broadly the same as FATCA*)
 - **Custodial Institution** - entities that hold, as a substantial portion of their business, financial assets for the account of others
 - **Depository Institution** - entities that accept deposits in the ordinary course of a banking or similar business
 - **Investment Entity**
 - **Specified Insurance Company**
- Following financial institutions that are excluded from FATCA Model 1 IGA are not excluded from the CRS:
 - Financial institutions with a local client base
 - Local banks
 - Certain retirement funds
 - Financial institutions with only low value accounts
 - Sponsored investment vehicles
 - Some investment advisors and investment managers • certain investment trusts.

Intermediary Institutions are accountable to report under CRS

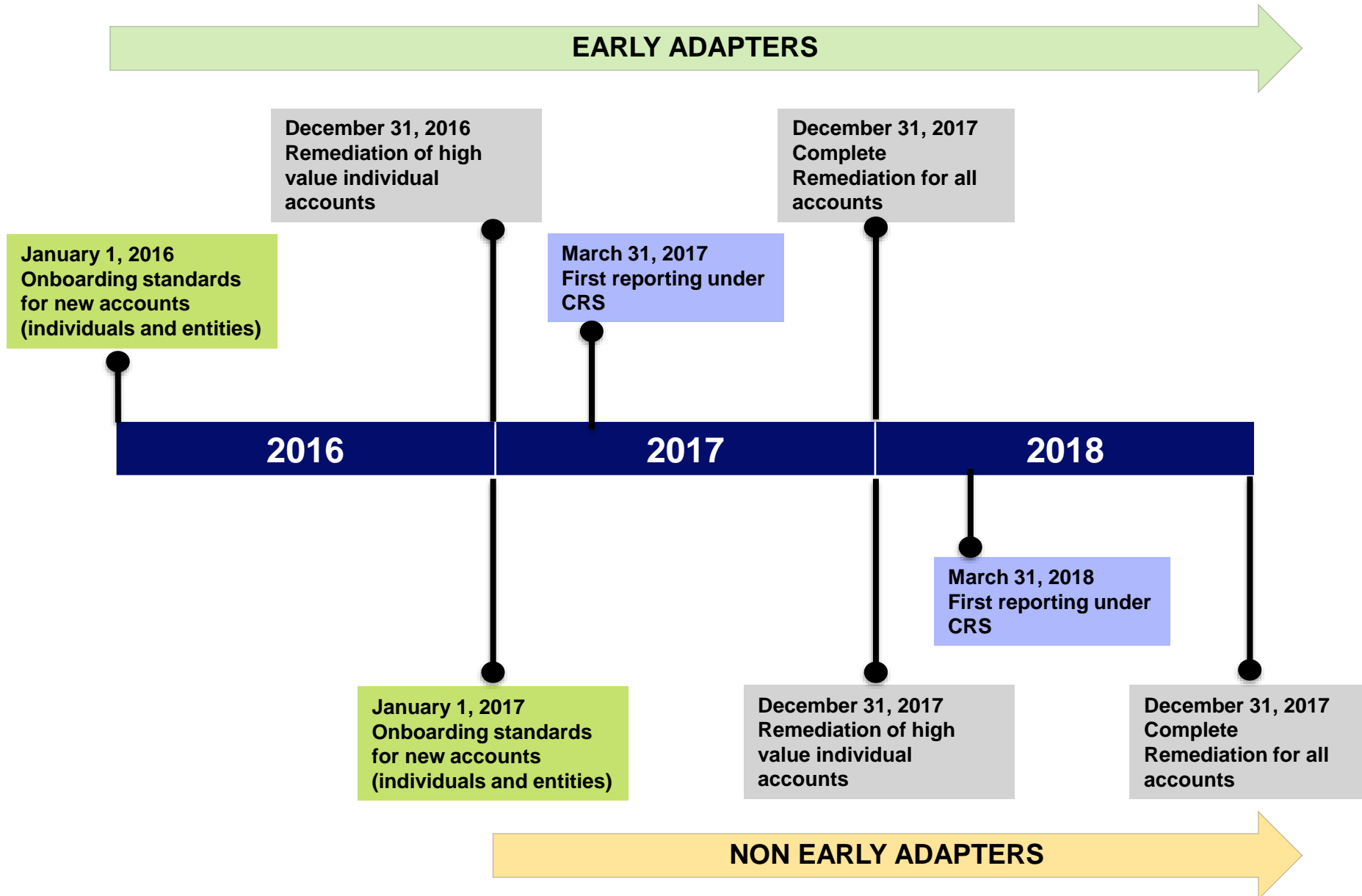
What are Reportable Accounts?

Reportable accounts include accounts held by:

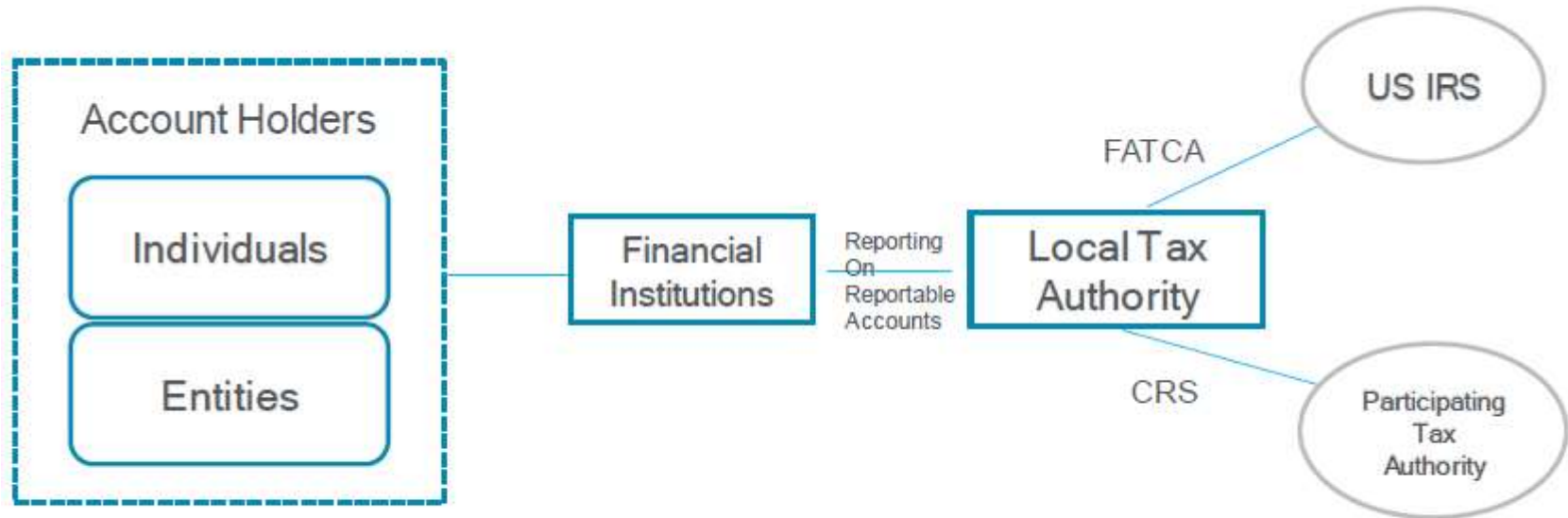
- Individuals
- Entities (includes trusts and foundations)
- Passive entities to report on the individuals that ultimately control these entities.

What is Reportable?

- **FINANCIAL INFORMATION** on **REPORTABLE ACCOUNTS**
- All forms of investment income, interest, dividends, income from certain insurance products and other similar types of income
- Account balances and sale proceeds



Commonalities between FATCA and CRS



What is different between FATCA and CRS?

| | FATCA | CRS |
|-----------------------------------|---|--|
| Governing Authority | ✓ United States | ✓ 90+ separate Tax Jurisdictions |
| Withholding | ✓ 30% withholding on Non-Compliant persons | ✓ No withholding |
| Account Scope | ✓ US Individuals ✓ US Entity Accounts ✓ Passive NFFE accounts held by substantial US owners | ✓ Individual ✓ Entity accounts held by tax residents of any CRS jurisdiction ✓ Passive NFEs with controlling persons that are resident in a jurisdiction |
| Thresholds | ✓ \$ 50000 for individuals ✓ \$ 250000 for entities | ✓ None, with exception of pre-existing entity accounts |
| Documentation Requirements | ✓ Forms W8/W9 may be used to capture all data | ✓ Must use self certifications |

Key Challenges unique to CRS:

- Requires **monitoring of local jurisdictions**
- **Enforcement by the tax authorities** of the signatory jurisdictions
- Number of **CRS reportable accounts** for a Financial Institution **is likely to be greater**
- Must **capture CRS specific data** such as multiple tax residency, CRS legal entity classification
- Controlling person required to provide own self certification
- **Passive NFEs** required to **identify controlling persons**

Compliance Officers Agenda for Global FATCA Compliance



Chief Compliance Officers Must:

- **Socialize CRS Compliance** among Executive Leadership
- Conduct **gap assessment** between FATCA and CRS
- Review **classification of legal entities** within their group according to **CRS statuses**
- Review **products and payments** from the CRS Financial Account definition standpoint
- Implement **Due diligence procedures** described in CRS
- Draft new **CRS Compliance policies and procedures**
- Establish a **compliance program team** specific for CRS

PVin Corp Solution for CRS

- PVin is a boutique provider of **integrated compliance technology solutions & services**, helping enterprises comply with FATCA & CRS* reporting & withholding requirements.
- PVin offers **onsite, cloud and custom solutions** to meet FATCA & CRS needs of clients throughout the world.
- Technology utilizes a **Microsoft data-warehouse and the application is designed to integrate with client financial services information systems** and scales easily to adapt to future regulations.
- **Founders are former partners from the Big 4 accounting** and consulting firms & technology integrators, each with expertise in banking and compliance.

* **FATCA = Foreign Accounts Tax Compliance Act, US**

* **CRS= Common Reporting Standards**





Factor provides actionable insights into FATCA and CRS specific compliance needs. It proactively monitors and manages system information, without waiting for year end, to achieve better control over key compliance needs like IRS reporting and tax withholdings, and to help improve the data governance of source systems and transactions.

Factor offers a series of modules, which can be individually setup, configured, administered, and reported from or can be installed as an integrated platform.

Identification & Classification



leverages US Indicia FATCA rules to identify, and classify individuals, financial, & non-financial institutions to enable FATCA and CRS specific reporting

Remediation



Factor can assist in the remediation process by providing vital data inputs at multiple levels of the FATCA life-cycle

Tax Withholding



Compliance administrators have the flexibility to scale and adjust to the dynamic regulatory requirement on FATCA Payments.

Reporting & Analytics



Management and compliance teams have access to a robust set of analytics, at various levels of granularity, e.g., 1042S, 8966

Data Management



Integrated status tracking and workflow features to manage data quality, data lineage and data aggregation

Configuration & GL Accounting Control



Non-technical solution allows for FATCA and CRS rule maintenance without IT support and integration with the GL system to reconcile information



- Pvin Corp's FATCA Regulatory Compliance Platform will offer:
 - **FATCA Classification Engine:** Onboarding, Identification & Classification
 - Remediation
 - Tax Withholding
 - Reporting & Analytics
 - Data Management – Customers, Accounts, & Transactions
 - GL Accounting Control Module
 - Configuration module



- Technology Service includes:
 - Technical assessment
 - Data Quality assessment & Remediation
 - Data transformation & Governance Strategy
 - Technology Implementation Roadmap including platform selection or legacy upgrades, deployment
 - Data remediation
 - Support and platform enhancement
 - Reporting & Analytics – strategy and deployment

Our GTM Strategy: We work with CPA, Chartered Accountant, Risk & Compliance Consulting Firms & SI focused on BFSI vertical as our implementation partners

THANK YOU

www.pvincorp.com

Offices at US, India & Singapore