

MEMO# 28279

July 21, 2014

OECD Releases Commentary for Automatic Exchange of Information (AEOI) Regarding Financial Accounts

[28279]

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TO: ICI GLOBAL STEERING COMMITTEE No. 10-14

ICI GLOBAL MEMBERS No. 27-14

ICI GLOBAL TAX COMMITTEE No. 15-14

TAX MEMBERS No. 20-14

INTERNATIONAL MEMBERS No. 26-14

INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 11-14

TRANSFER AGENT ADVISORY COMMITTEE No. 47-14

BROKER/DEALER ADVISORY COMMITTEE No. 37-14

TAAC FATCA TASK FORCE No. 8-14 RE: OECD RELEASES COMMENTARY FOR AUTOMATIC EXCHANGE OF INFORMATION (AEOI) REGARDING FINANCIAL ACCOUNTS

The Organisation for Economic Co-operation and Development (OECD) today released the first edition of the Standard for Automatic Exchange of Financial Account Information in Tax Matters. [\[1\]](#) This package was approved by the Council of the OECD on 15 July and will be presented at the meeting of the G20 Finance Ministers and Central Bank Governors on 20-21 September.

Over 65 jurisdictions [\[2\]](#) have committed publicly to implement the Standard. A signing ceremony for a new multilateral agreement that activates automatic exchange (once legislation and other conditions are in place) is scheduled for 28 October.

The Standard consists of:

- the Common Reporting Standard (CRS), [\[3\]](#) approved in February, [\[4\]](#) which contains due diligence and reporting rules applicable to financial institutions;
- the Model Competent Authority Agreement (CAA), also approved in February, which contains information exchange rules applicable to governments;
- Commentaries, explaining the CRS and CAA, which were developed in consultation with a Business Advisory Group formed by the Business and Industry Advisory Committee to the OECD (BIAC) and is chaired by ICI Global; [\[5\]](#) and
- numerous annexes including the CRS schema and user guide.

The Commentaries are designed to ensure that the Standard is applied consistently by all participating governments. To that end, the CRS Commentary discusses:

- general reporting requirements;
- general due diligence requirements;
- detailed due diligence requirements for the preexisting and new accounts of financial institutions' individual account holders;
- detailed due diligence requirements for the preexisting and new accounts of financial institutions' entity accounts;
- special due diligence rules;
- detailed definitions for reporting financial institutions, non-reporting financial institutions, financial accounts, reportable accounts, and other matters; and
- procedures for implementing the CRS effectively.

The Commentary clarifies many critical aspects of the CRS and its application to funds, their investors, and their distributors. In one particularly important change, paragraph 82 of the Commentary's Section VIII allows a fund's government to treat new fund share purchases by an existing customer as includable within a "Preexisting Account." Pursuant to this change, an existing customer need not self-certify his/her tax residence when purchasing shares of a different fund directly from the fund family so long as the individual otherwise is not required to provide new, additional, or amended customer information. The effect of this change is that fund families need not modify their systems and procedures to prevent existing customers from purchasing shares of different funds in the fund family without first providing tax residency self-certifications.

The Standard does not provide an implementation timeline. Under one potential timeline being discussed:

- any account that is open on 31 December 2015 would be an account subject to the customer identification (due diligence) rules for existing accounts;
- any account that is opened on or after 1 January 2016 would be an account subject to enhanced customer identification (due diligence) rules for new accounts;
- the rigorous customer identification (due diligence) procedures for preexisting high value accounts (i.e., those with account balances exceeding the equivalent of US\$1 million) would be required to be completed by 31 December 2016;
- the first exchange of information for new accounts and preexisting high value accounts would take place by September 2017; and
- the first exchange of information for preexisting lower value accounts would take place in 2018.

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[Attachment](#)

endnotes

[1]
<http://www.oecd.org/ctp/exchange-of-tax-information/standard-for-automatic-exchange-of-financial-information-in-tax-matters.htm>. The Background Information Brief for Automatic Exchange of Financial Account Information, which can be accessed from the link above, is

attached.

[2] The OECD has announced that this group consists of: Andorra, Anguilla, Argentina, Australia, Austria, Belgium, Bermuda, Brazil, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Chile, People's Republic of China, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Montserrat, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Saudi Arabia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, Turks & Caicos Islands, United Kingdom, and United States, and the European Union.

[3]

<http://www.oecd.org/ctp/exchange-of-tax-information/Automatic-Exchange-Financial-Account-Information-Common-Reporting-Standard.pdf>.

[4] See ICI Memorandum #27892 (dated February 13, 2014) for a detailed discussion of the CRS and the CAA.

[5] See ICI Memorandum #27947 (dated March 11, 2014).