Common Reporting Standard Seminar

03 November 2015
<table>
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<tr>
<th>Topic</th>
<th>Speaker</th>
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<tbody>
<tr>
<td>Introduction to CRS &amp; Key Elements</td>
<td>Eugene O’Keeffe &amp; Karen Devine</td>
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<tr>
<td>Revenue Perspectives</td>
<td>Lyndsay Smyth</td>
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<tr>
<td>Deloitte tools which can assist you in being CRS compliant</td>
<td>Tom Shave</td>
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<tr>
<td>CRS Practical considerations</td>
<td>Sarah Jayne Mac Laverty</td>
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Objectives
After today’s session you should know;

<table>
<thead>
<tr>
<th>Objective</th>
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<tbody>
<tr>
<td>What CRS is and its key elements</td>
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<tr>
<td>The key differences between CRS &amp; FATCA</td>
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<tr>
<td>Revenue’s perspectives on CRS and its implementation in Ireland</td>
</tr>
<tr>
<td>What we can learn from FATCA implementation which will help avoid the same mistakes under CRS</td>
</tr>
<tr>
<td>What you should be doing to achieve CRS compliance</td>
</tr>
<tr>
<td>Some of the tools which are available to assist you in achieving CRS compliance</td>
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</table>
CRS - Key Elements
Eugene O’Keeffe & Karen Devine
OECD Common Reporting Standard

What is CRS?

- CRS is the **new, single global standard on automatic exchange of information** which is aimed at addressing perceived offshore tax evasion.

- Over **90 jurisdictions have committed** to exchanging information under CRS with a group of over 60 countries, including Ireland, having committed to the early adoption of CRS.

- Obliges entities which are classified as Reporting Financial Institutions under CRS to **report certain information to Revenue on their customers** for onward reporting to the countries of tax residence of those customers.
OECD Common Reporting Standard
Key Elements

CRS classification

- Reporting Financial Institutions – Custodial, Investment, and Depository Institutions & Specified Insurance Companies
- Non reporting Financial Institutions – Government entities, Qualified Credit Card Issuers etc.
- Non Financial Entities – Active & Passive NFE’s

Due diligence of existing accounts

- Review of existing accounts at 1 January 2016
  Some due diligence exemptions and thresholds which existed for FATCA have changed/extinguished under CRS
- Existing accounts need to be reviewed to identify which reportable for CRS purposes and to what jurisdictions
- Some additional products and services which were not reportable for FATCA may now be reportable under CRS and so will need to be remediated
**OECD Common Reporting Standard**  
**Key Elements**

<table>
<thead>
<tr>
<th>Due diligence of existing reportable account holders</th>
</tr>
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<tbody>
<tr>
<td>• Determine which countries the holder of existing reportable accounts are resident for tax purposes. Where the concept of residence does not apply in a certain tax jurisdiction, there are other arrangements in place for determining whether information on that account holder must be reported there.</td>
</tr>
<tr>
<td>• Further self certifications may be required to confirm the jurisdictions of tax residency of account holders – US forms alone are not sufficient</td>
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<table>
<thead>
<tr>
<th>On boarding procedures for new accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New account are those opened from 1 January 2016</td>
</tr>
<tr>
<td>• No de minimus limit for new accounts</td>
</tr>
<tr>
<td>• Limitations on exemption for new accounts opened by existing account holders</td>
</tr>
<tr>
<td>• Existing self certifications need to be updated to collect the correct information such as the jurisdictions of tax residency of account holders – US forms alone are not sufficient</td>
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</table>
OECD Common Reporting Standard
Implementing the Standard - Timeline

1 January 2016
New onboarding rules for new accounts (both individual and entity accounts)

2016

31 December 2016
Remediation of high value individual accounts

2017

June 2017
First reporting to Irish Revenue

September 2017
First reporting by Irish Revenue to the tax authorities of other jurisdictions of information collected in June 2017

31 December 2017
Complete remediation (all individual and entity accounts)

2018

June 2018
Second reporting to Irish Revenue

September 2018
Second reporting by Irish Revenue to the tax authorities of other jurisdictions of information collected in June 2018
OECD Common Reporting Standard
What should I be doing now?

• Identify your entity classification for CRS purposes to determine if you have an obligation to report. If so;

  ➢ Establish project teams and resources for impact assessment & the collection of data for reporting – identify outside service providers to supplement this if required

  ➢ Establish CRS governance and develop strategic plan

  ➢ Identify in scope Financial Accounts

  ➢ Confirm compliant account holder due diligence approach before 2016 - consider the form of self certification which will be provided to account holders & whether it captures all relevant information

  ➢ Consider how to track implementation across multiple jurisdictions & changes in relation to CRS in those respective jurisdictions – identify a strategic reporting solution and prepare for 2016 reporting.
OECD Common Reporting Standard
What should I be doing now?

• Assess impact of potential changes required to internal policies and procedures – consider making changes which facilitate the data collection ad reporting requirements of each reporting jurisdiction

1. Are group entities in scope?
2. Do they have Financial Accounts?
3. Identify onboarding obligations
4. Identify pre-existing account due diligence obligations
5. Establish reporting process

Governance/internal controls

• Where no obligation to report exists, your accounts with other Reporting Financial Institutions may still be reportable by Revenue to other tax jurisdictions. Your CRS classification will need to be known for this purpose.
CRS – Revenue Perspectives
Lyndsay Smyth
OECD Common Reporting Standard
CRS builds on FATCA but there are some key differences

- Place of tax residence v. U.S. Persons
- No thresholds for individual accounts
- No “frequently traded” exemption
- Fewer Exempt entities
- Potential Multiple Residence Indicia
OECD Common Reporting Standard
Current State of Play

- Legislation contained in Section 891F – DAC2 in Section 891G
- Regulations to be enacted before the end of the year
- The published Standard & Commentary define requirements & terms – Regulations point towards Standard
- Further Guidance in OECD issued Handbook and FAQs
OECD Common Reporting Standard
OECD AEOI Portal

• Where can I find the OEC AEOI Portal?

www.oecd.org/tax/automatic-exchange

<table>
<thead>
<tr>
<th>What does the portal contain?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full text on Standard and Commentary</td>
</tr>
<tr>
<td>CRS Implementation Handbook and FAQs</td>
</tr>
<tr>
<td>Residency rules by jurisdiction</td>
</tr>
<tr>
<td>TIN information</td>
</tr>
</tbody>
</table>
Model Competent Authority Agreement and Common Reporting Standard

I. Introduction

II. Model Competent Authority Agreement and Common Reporting Standard

A. Model Competent Authority Agreement and Common Reporting Standard

Section 1: Definitions
Section 2: Exchange of Information with Respect to Reportable Accounts
Section 3: Time and Manner of Exchange of Information
Section 4: Collaboration on Compliance and Enforcement
Section 5: Confidentiality and Data Safeguards
Section 6: Consultations and Amendments
Section 7: Term of Agreement

B. Common Reporting Standard

Section I: General Reporting Requirements
Section II: General Due Diligence Requirements
Section III: Reporting Requirements
Section IV: Automatic Exchange of Financial Account Information

Commentaries

Commentary on Section VIII concerning Defined Terms

Paragraph 4—Reporting Financial Institution

Subparagraphs (a) and (c) Reporting Financial Institution

Reporting Financial Institution

3. Subparagraph (a) defines the term “Reporting Financial Institution” as any Participating Jurisdictional Financial Institution that is not a Non-Reporting Financial Institution. Therefore, for a Financial Institution to be a Reporting Financial Institution, it must be in a Participating Jurisdictional Financial Institution and not be a Non-Reporting Financial Institution.

Paragraph 5 refers to the meaning of the term “Non-Reporting Financial Institution” through several definitions.

Participating Jurisdictional Financial Institution

3. The term “Participating Jurisdictional Financial Institution” is defined in subparagraph (a) as:

• any Financial Institution that is resident in a Participating Jurisdiction, but excluding any branch of that Financial Institution that is located outside such Participating Jurisdiction; and
• any branch located in a Participating Jurisdiction of a Financial Institution that is not resident in such Participating Jurisdiction.

4. For this purpose, a Financial Institution is “resident” in a Participating Jurisdiction if it is subject to the jurisdiction of such Participating Jurisdiction (i.e., the Participating Jurisdiction is able to enforce reporting by the Financial Institution). In general, where a Financial Institution is resident for tax purposes in a Participating Jurisdiction, it is subject to the jurisdiction of such Participating Jurisdiction.

Section VIII: Defined Terms

The following terms have the meanings set forth below:

A. Reporting Financial Institution

1. The term “Reporting Financial Institution” means any Participating Jurisdiction Financial Institution that is a Non-Reporting Financial Institution.
## OECD Common Reporting Standard

Due Diligence from January 2016

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Definition</th>
<th>Sub-Class</th>
<th>Review Completed by</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>Opened on/after 1/1/2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Existing</td>
<td>Open as at 31/12/2015</td>
<td>High Value</td>
<td>31/12/2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low Value</td>
<td>31/12/2017 at latest</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reportable Entity</td>
<td>31/12/2017</td>
</tr>
</tbody>
</table>
OECD Common Reporting Standard
Self Certifications

Requirements for validity of new Individual account self-certification

- Signed, or positively affirmed
- Dated
- Name
- Residence Address
- Jurisdiction(s) of residence for tax purposes
- TIN with respect to each Reportable Jurisdiction
- Date of birth
OECD Common Reporting Standard
Wider Approach

Collect and return data regarding all non resident customers under CRS (other than US residents)

- Transitional period to allow for CRS implementation
- Customers must be informed that data will be exchanged
- Residency and TIN data collected solely for CRS purposes cannot be used for any other purpose
# OECD Common Reporting Standard

## Options in the CRS

<table>
<thead>
<tr>
<th>Item</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Alternative approach to calculating account balances</td>
<td>No</td>
</tr>
<tr>
<td>2. Use of reporting period other than calendar year</td>
<td>No</td>
</tr>
<tr>
<td>3. Phasing in the requirements to report gross proceeds</td>
<td>No</td>
</tr>
<tr>
<td>4. Filing of nil returns</td>
<td>Yes</td>
</tr>
<tr>
<td>5. Allowing third party service providers to fulfil obligations for FIIs</td>
<td>Yes</td>
</tr>
<tr>
<td>6. Allowing due diligence procedures for New Accounts to be used for pre-existing Accounts</td>
<td>Yes</td>
</tr>
<tr>
<td>7. Allowing the due diligence procedures for High-Value Accounts to be used for Low-Value Accounts</td>
<td>Yes</td>
</tr>
</tbody>
</table>
## OECD Common Reporting Standard Options in the CRS

<table>
<thead>
<tr>
<th>Item</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Residence address test for Lower Value Accounts</td>
<td>Yes</td>
</tr>
<tr>
<td>9. Threshold of $250,000 for Pre-existing Entity Accounts</td>
<td>Yes</td>
</tr>
<tr>
<td>10. Simplified due diligence rules for Group Cash Value Insurance</td>
<td>Yes</td>
</tr>
<tr>
<td>Contracts and Annuity Contracts</td>
<td></td>
</tr>
<tr>
<td>11. Allowing greater use of existing standardised industry coding</td>
<td>Yes</td>
</tr>
<tr>
<td>systems for the due diligence</td>
<td></td>
</tr>
<tr>
<td>12. Permitting a single currency translation rule</td>
<td>Yes</td>
</tr>
<tr>
<td>13. Expanding definition of Pre-existing Account when pre-existing</td>
<td>Yes</td>
</tr>
<tr>
<td>customers open a new account</td>
<td></td>
</tr>
<tr>
<td>14. Expanded Related Entity definition</td>
<td>Yes</td>
</tr>
<tr>
<td>15. Grandfathering rule for bearer shares issued by Exempt Collective Investment Vehicle</td>
<td>Yes</td>
</tr>
</tbody>
</table>
OECD Common Reporting Standard
Excluded Accounts & Non Reporting FIs

Non Reporting FIs

- No additional Non Reporting FIs outside of what is included in Section VIII B 7 (a) to (e) of the Standard

Excluded Accounts

- All accounts covered by Section VIII C 17 (a) to (f)
- Personal Retirement Savings Accounts
- Approved retirement funds and approved minimum retirement funds
- Occupational Pension Schemes
- Retirement Annuities
OECD Common Reporting Standard

Next Steps

- Minimal Domestic guidance
- Regulations
- DAC2 legislation and Regulations
- Continued Industry engagement
OECD Common Reporting Standard
AEOI Developments

• Global Forum on Tax Transparency
  ➢ CRS to 120+ countries, Early Adopters + 1 year

• EU Savings Directive
  ➢ Repeal of Directive currently at Council review

• TRACE
  ➢ Residence to Source reporting
  ➢ Qualified Intermediaries

• Country by Country Reporting
  ➢ Reporting by MNCs of income allocation in different jurisdictions
CRS - Global Propositions
Tom Shave
Current industry insight
We have identified a number of current trends within industry

Governance
The evolution from FATCA to a wider AEOI programme has proved challenging for some in terms of momentum, structure and timings

Assurance
Fast approaching deadlines and continuing uncertainty has lead to an increase in requests for external assurance around compliance solutions

Synergies
Budget and resource pressures are leading to a renewed focus on areas that can be consolidated (for example, remediation and self certification)

Strategy
Compressed timelines and uncertainty over future-proofing are causing FIs to consider switching to short term tactical solutions and outsourcing

Technology
Pressure on resource and increasing volumes are also generating immediate demand for scalable technological solutions

Data
Immediate reporting and remediation requirements have focused attention on the quality and availability of client data
Successful compliance solutions will ultimately incorporate a number of functions and leverage technology where possible.

<table>
<thead>
<tr>
<th>Regulatory Workstreams</th>
<th>Due Diligence</th>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New Investor Enhanced Due Diligence</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Pre-existing Investor Due Diligence</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Changes in Circumstance Module</td>
<td>-</td>
</tr>
</tbody>
</table>

Deloitte Information Reporting Solution

- Self Certification Portal Module
- Classification Module
- Change in Circumstance Module
- Reporting Module

Workflow management
D&B/Deloitte classification solution

Classifying entities through using information that is publicly available

Key Features:

- Identification
- Classification
- Portfolio management
- Batch processing capability
- D&B Database
- Due diligence checks
- GIIN processing
Account Information Management System

Deloitte’s customer on-boarding technology offers a flexible approach to self-certification management

1. Identify account holders and obtain self-certifications

2. Review and record data

3. Monitor onboarding reportable population

4. Compile reporting information and prepare for submission
FATCA and CRS reporting solution
Deloitte has developed a comprehensive Reporting Solution to meet current and future requirements efficiently

✓ A multi-jurisdictional solution covering IRS and local schemas
✓ Regularly maintained to keep pace with regulatory change (e.g. CRS)
✓ Transformation and mapping capability allows for data input in multiple formats
✓ Validation identifies errors and confirms the validity of reports
✓ Embedded controls and security functionality to restrict access
✓ Supported by regulatory SMEs to ensure completeness and accuracy
✓ Workflow tools and process methodology to track and meet deadlines

45,000+ reportable accounts
25,000 hours invested
9 days average data to filing turnaround time
60 FTEs working in Deloitte’s Global Delivery Center
2,500+ Foreign financial institutions
40 Jurisdictions
Deloitte’s eLearning module has been produced by a dedicated team comprising FATCA, CDOT and CRS subject matter experts, learning specialists and digital design professionals.

<table>
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<th>Unit 1 – Introduction to AEI</th>
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<td>Unit 2 – The key facts</td>
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<tr>
<td>Unit 3 – What do you need to do?</td>
</tr>
<tr>
<td>Unit 4 – Summary</td>
</tr>
<tr>
<td>Unit 5 – Assessment</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Deloitte LMS</th>
<th>Enterprise Licence</th>
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</thead>
<tbody>
<tr>
<td>• Deloitte host</td>
<td>• Client host</td>
</tr>
<tr>
<td>• Deloitte administration</td>
<td>• Client administration</td>
</tr>
<tr>
<td>• Higher cost band</td>
<td>• SCORM files provided</td>
</tr>
<tr>
<td>• Most suited to low volumes of learners</td>
<td>• Low cost band</td>
</tr>
</tbody>
</table>
Assurance
Deloitte’s FATCA and CRS assurance solution supports organisations by ensuring that their approach to compliance is sufficiently documented and effective controls are in place.

Key phases:

1. **Benchmarking**
   - Understand the current compliance framework at a high level

2. **Controls validation**
   - Review processes and controls

3. **Controls testing and BAU**
   - Test the robustness of existing controls

Moving to BAU

Ensuring policies and procedures developed during implementation continue to meet the ongoing regulatory obligations in BAU:

- Classification for FATCA
- Ongoing account holder monitoring and due diligence requirements
- Handling larger volumes of data for reporting
- Managing risks while ensuring regulatory compliance
CRS Practical considerations -
Sarah Jayne Mac Laverty
What we can learn from FATCA implementation
Lessons learned from embedding FATCA changes in organisations

Stakeholder Engagement
Strong stakeholder engagement is key to identifying the right people to help drive effort and also the key decision makers in process change

Process Definition & Change
New clear FATCA processes need to be drawn up to educate stakeholders on changes

System Enhancements
FATCA regulations have required organisations to make changes to source systems

Innovative Thinking
Complex IT structures and multiple and rigid guidelines often require innovative thinking to ensure data is managed correctly for reporting

Interpretation of Guidance
Difficulties arise in applying broad guidance to an organisation’s unique set of data e.g. what is in scope/out of scope

Differing Approaches Globally to Legislation
Individual tax jurisdictions requirements will need to be catered for e.g. Model 1 & 2 agreements and differing timelines
What your organisation should consider in getting ready for CRS

The obligations for Financial Institutions under CRS are very broad, however, there are a number of key areas that Deloitte can provide assistance with in advance of the ‘go live’ date of 1 Jan 2016 and in the months after.

**CRS Impact Assessment**
- CRS impact assessments allow the organisation to understand the level and extent of change e.g. reporting, system changes, deadlines and process changes

**On-Boarding & Monitoring**
- Mobilise on-boarding team to define changes at account opening for CRS

**Document Collection**
- Amend Tax Document Collection Process for CRS implementation ensuring all stakeholders are aware of changes and trained

**System Changes**
- Ensure the organisation understands system changes for CRS e.g. flags and reporting extracts

**Data Analysis**
- Conduct deep dive analysis of static data processes and changes required for CRS e.g. is information and data quality sufficient for reporting

**Education**
- Prepare training materials for CRS
- Create stakeholder matrix to highlight areas impacted by CRS
Concluding Comments
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