

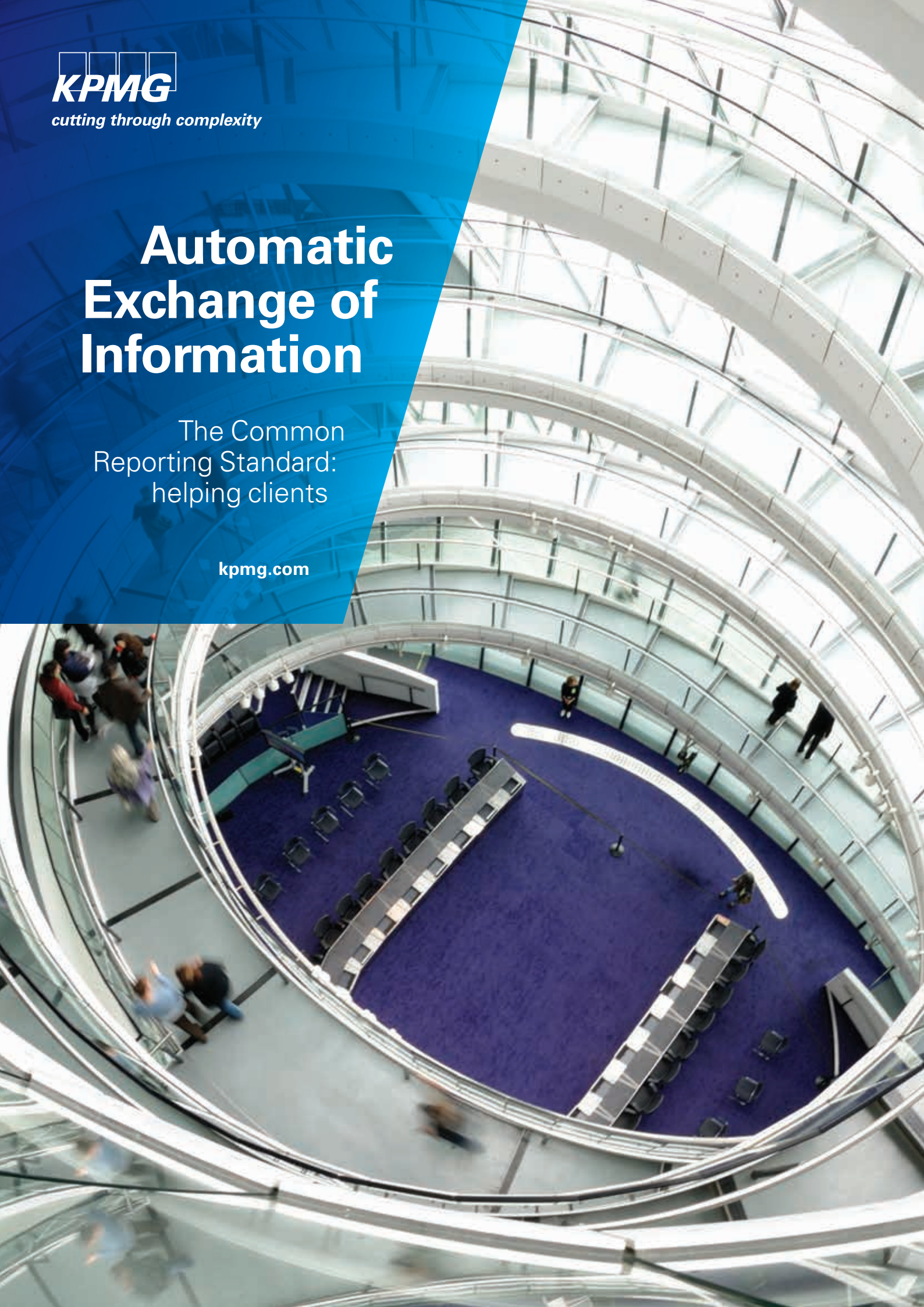


*cutting through complexity*

# Automatic Exchange of Information

The Common  
Reporting Standard:  
helping clients

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# Building on FATCA:

## getting ready for the Common Reporting Standard

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The Organisation for Economic Co-operation and Development (OECD) proposed a Common Reporting Standard (CRS) for the Automatic Exchange of Information (AEOI) that will see a significant increase in the customer due diligence and reporting obligations of financial institutions across the world. The CRS will be effective from January 2016 for more than 50 'early adopter' countries. Financial institutions based in a country that adopts the CRS will, 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.

In many ways, the CRS will impose a heavier operational burden on financial institutions than the Foreign Account Tax Compliance Act (FATCA) and the United Kingdom's Crown Dependencies and Overseas Territories (CDOT) regimes:

- FATCA only requires a financial institution to identify and report US customers. The CRS requires financial institutions to report non-resident account holders of all countries participating in the Standard.
- CRS does not provide the option of electing a *de minimis* threshold for individuals, therefore increasing the number of customers in scope for further due diligence and reporting.
- CRS does not provide all of the exemptions available to low-risk financial institutions currently existing under FATCA, bringing more financial institutions in scope of the CRS.
- CRS provides a number of definitions that differ either from FATCA or from the UK version of the Model 1 Intergovernmental Agreement (IGA) and guidance notes, which could increase the number of financial accounts and lead to a different classification of account holders and investors under each regime.

The aim of KPMG's member firms is to support clients' efforts to achieve and maintain compliance with the CRS in a cost efficient manner that limits disruption to them and their business operations.

KPMG recognizes that many clients are looking for a range of solutions based on their size, geographical impact, internal project and technology capabilities. To address this, KPMG member firms have developed a suite of integrated services that are designed to work together or independently which can be tailored to the specific needs of each client.

This solution focused approach brings together the appropriate functional and geographical teams from across KPMG's global network to deliver integrated services to clients, to help ensure the right skill-sets, e.g., tax, risk management, technology, and management consulting, are properly deployed. The suite of services is a blend of technology based services, project accelerators, technical advice, communications and training methodologies, process and control workplans, among other services. We view that the integration of relevant technology tools will continue to be an important part of the solution for clients.



## 1. Industry knowledge

KPMG member firms work extensively with numerous clients including Banks, Asset Managers, Hedge Funds, Private Equity & Infrastructure funds, Insurance Companies, Trusts, Wealth Managers and non-Financial Entities.

KPMG member firms' professionals are in regular dialogue with the IRS, HM Treasury, HMRC, and local governments and are active contributors on a number of advisory and industry FATCA and CRS committees, such as the business advisory group to the OECD, government and industry group working parties including ALFI in Luxembourg, SIFMA in the United States and IMA in the United Kingdom.

## 2. Extensive experience, solutions focused

With more than 400 dedicated KPMG professionals based in over 150 countries across our global network, providing a wide range of FATCA, CDOT, and EU Savings Directive services, KPMG member firms are well positioned to assist clients with achieving CRS compliance. Since the advent of FATCA, KPMG has been building technology solutions with tax subject matter content to support clients' compliance with evolving rule sets across jurisdictions. These technology based solutions are the bedrock of our suite of services and we believe enhance our ability to deliver quality, cost efficient services.

## 3. Helping our clients

KPMG member firms have worked across multiple sectors with clients of all sizes to deliver FATCA and broader AEOI solutions. We are leveraging this expertise across our organization via weekly peer sharing calls to support clients with the CRS.

KPMG member firms run a number of initiatives to bring clients together to discuss issues and to seek to ensure these are articulated properly at an industry level. For example, KPMG hosts a quarterly Responsible Officer forum for universal bank clients in London to discuss how their experience affects attestation and assurance of FATCA compliance. Our professionals also join client FATCA steering committees to give insights on recent developments and input on strategy.

# Our services

## Tax regulatory change advice and practical interpretation

**KPMG member firms aim to bring together the right skill-sets to understand your requirements, the legislation or market practice as well as the practical implications to deliver the best advice possible. We believe we can do this by utilizing our AEOL teams and our technology tools that combines recent practical industry experience, deep technical expertise and insights into regulations through participation in industry working groups.**

- Discreet technical advice throughout the life cycle of your AEOL project, including entity and product classification, on-boarding procedures, pre-existing account support, reporting and operational control.
- Training and ad-hoc technical advice utilizing practical and technical understanding of the AEOL regimes.
- Formal help desk service to support clients while they are developing or implementing AEOL solutions.

## Baseline current solution and identify gaps with new AEOL regimes

**The KPMG team has significant experience reviewing existing tax solutions and determining compliance with the relevant regulations. Furthermore, our proprietary regulatory analysis tool, KPMG Regulatory Expertise & Governance (REG), provides detailed analysis**

**of differences between the various regimes in each jurisdiction (following release of regulations or guidance).**

- Allows firms to only make process, systems, and control changes for the differences between regimes or jurisdictions, while maintaining an audit trail.
- Alerts you to new government and industry group releases, highlighting significant differences from a pre-determined baseline. Serves as a checklist for health-check reviews of work carried out so far for AEOL regimes.
- Includes effective dates for each jurisdiction by work stream and bank taxonomy, allowing for detailed project plans to set appropriate timelines and division of responsibility by function.
- Serves as the basis for the creation of policies, business requirements documents, target operating models, and functional specifications.

## Client On-boarding solutions

**KPMG's Client Onboarding (COB) tool is a broad ranging application with capabilities that allow financial institutions to reduce dependency on legacy infrastructure while on-boarding investors, clients and counter-parties in a more efficient manner – with the flexibility to handle multiple AEOL regimes, as well as other regulatory regimes (such as Know Your Customer (KYC) and Dodd Frank requirements),**

**thus providing users with a holistic approach to their customers.**

**Features of KPMG COB include:**

- Automated data extraction and verification
- Customized workflow and escalation interfaces
- Automated due diligence searches
- Reporting and analytics engines
- Audit trail

## Reporting

**Reporting information on financial accounts to local tax authorities can be challenging without an automated solution. Developing an automated solution can be expensive and detract resources from other critical initiatives required for AEOL regimes. KPMG has developed a tool called the Tax Reporting Information Management System (TRIMS) to assist clients convert system data into the correct reporting schema in a number of jurisdictions.**

- Provides a reporting solution to convert data from core systems into the correct reporting schema in multiple jurisdictions.
- Acts as a validation tool to identify gaps in reportable data.
- Offers a central oversight tool to track reporting progress across organizations with multiple financial institutions in different jurisdictions.

## Validation and assurance

***By leveraging KPMG member firms in depth experience of auditing and validating other tax regimes, we are able to tailor the appropriate review program to meet the needs of clients, regardless of size, geographical scope or product range. In particular, the teams have significant experience carrying out qualified intermediary audits, KYC and AML reviews and readiness reviews for FATCA and CDOT regimes.***

- Review, test and validate the organization's AEOL systems and processes against final rules and guidance.
- Provide a KPMG hallmark to demonstrate the attainment of compliant AEOL solutions to support our clients who provide services to third parties.
- Carry out assurance reviews and provide an attestation program to help clients ensure ongoing compliance with AEOL regimes.
- Design and execute testing plans across new account or product classifications, system functionality and new and pre-existing customer due diligence.

## Ongoing document management

***Managing client documentation and contact, while minimizing client disruption, is critical for every financial institution. KPMG has developed a case management workflow tool, KPMG Customer Remediation Center (CRC), designed to enable institutions to manage their client contact and give management the information they need to be confident the client documentation is being managed effectively and efficiently.***

- Allows users to contact clients in a controlled, consistent manner, tracking their progress to reach a conclusion on whether a client is reportable or not and storing the relevant documentation in an easy to retrieve fashion.
- Contains templates for client letters and call scripts that can be customized for your organization's communications policies.
- Provides a management dashboard to give the responsible executive visibility into the volume of cases being created, managed and resolved.



# Making global information reporting manageable

KPMG member firms have a suite of technology enabled solutions designed to accelerate and simplify our clients' path to compliance.

- KPMG LINK 360 – a management information and document retention solution that can be used to track entity classification and self-certifications for group entities, track and monitor relationship manager annual certifications, or manage a global CRS helpdesk function within your organization.
- KPMG REG – compares three key regulatory regimes – Model 1 and 2 IGAs and the CRS – with domestic implementation to highlight the differences among those regimes and the ability to trace back to the regulatory text. This solution saves time by only making changes to your FATCA implementation for any differences and reduces risk by producing an audit trail.
- KPMG COB – provides a holistic client on boarding process and FATCA Classification (KYC/Country specific indicia) & Due Diligence that can both on board new customers or investors and remediate existing customers for FATCA compliance, including compliance for Chapter 3 regulation. Supports end to end case management for exception handling and a platform to enforce global governance. This tool also incorporates AML/KYC rules and certain aspects of Dodd Frank. All rules in the system can be traced back to the regulatory publications for end to end traceability.
- KPMG Business Process Management – Optimizer (BPM-O) – provides a case management workflow solution to resolve open indicia questions and properly classify entities and individuals by designating them as reportable or not reportable. This solution can serve as the backbone for resolution of cases and management oversight of that process.
- Tools and enablers – KPMG member firms have significant experience assisting clients in navigating the myriad rules and regulations to develop processes and procedures needed to comply with complex AEOI documentation and remediation requirements. Our services in this area are supported by a series of matrices, flow charts, checklists and other tools and enablers created by our subject matter professionals to facilitate operational efficiency and effective workflow management.





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