KPMG AEOI Updates & Tracking Service CRS Alert
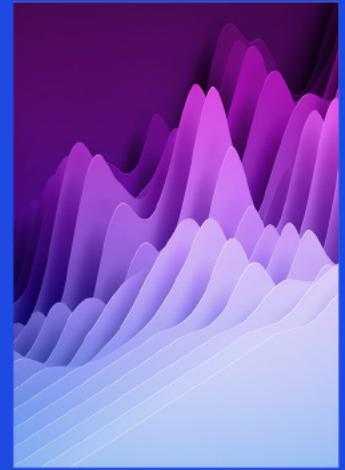
Date:	20 December 2024	Alert Type:	Announcement
Country:	Cayman Islands	Regime:	CRS

Cayman Islands: Issued Updates on Upcoming CRS Comprehensive Reviews

On 04 November 2024, during a seminar hosted by the Cayman Islands Customs Agency (CICA) and Department for International Tax Cooperation (DITC), the DITC outlined a comprehensive review process for Financial Institutions (FIs) that will resemble an onsite inspection or audit. Key aspects of the process are as follows:

— When the DITC selects an FI for review, it will be contacted through the principal point of contact (PPOC).

— The DITC will first request high-level information, such as financial statements, self-certification forms, and investor lists.

— After reviewing the information and receiving responses to any queries, the DITC will organize a meeting with all relevant parties, including directors, AEOI service providers, and any other relevant individuals involved in fulfilling the CRS obligations.

Upon completing the review, the DITC will require rectification of any identified deficiencies and assess whether any offenses have been committed under the CRS Regulations. The process is expected to involve multiple rounds of communication between relevant parties and may take up to 4-6 months. Notably, a penalty would apply if an FI selected for the review fails to respond to the DITC's requests, as this will be considered an offense.

Additional DITC Updates:

Furthermore, the DITC has indicated that it will increase its compliance enforcement activities in the upcoming years. Due in part to compliance issues regarding dates of birth (DoBs) reported in 2022 and prior years, which were below industry standards, the DITC

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focused on three key areas during the last reporting season and has witnessed success with compliance exceeding industry standards:

— Missing Information: This includes TINs, DoBs, incomplete addresses, any missing account holder from prior year that is not closed.

— Late Filings: DITC is taking precautions to ensure that FIs are submitting their reports on or before the deadline.

— Mismatches between CRS reports and submitted CRS Compliance forms.

The DITC advised FIs to report DoBs for all individuals and controlling persons. The DITC confirmed that it will conduct annual matching exercises of the number and identity of account holders reported by FIs. If a discrepancy is found and an account holder is not reported in a given year without being marked as 'closed' in the previous year, the DITC will investigate further and request the FI to explain the mismatch.

KPMG advises Cayman FIs and their governing bodies to review their CRS policies and procedures to ensure that they are aligned with the updates highlighted by the DITC. Importantly, FIs should ensure that the CRS policies are being consistently applied to maintain compliance.

Reference: KPMG AEOI Alert [PDF 251KB]

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For more information on KPMG AEOI Updates & Tracking Service, please see here.

For additional summaries of the latest AEOI developments, please visit KPMG's TaxNewsFlash-FATCA/IGA/CRS Insights page, here.

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