

THE EXCHANGE OF INFORMATION UNIT



Turks and Caicos Islands

**GUIDANCE NOTES ON THE COMMON REPORTING STANDARDS AND
REQUIREMENTS OF THE LEGISLATION IMPLEMENTING THE
COMMON REPORTING STANDARDS IN THE TURKS & CAICOS ISLANDS**

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UPDATED:

These Guidance Notes are issued in order to facilitate a guidance for the understanding of the CRS which is domesticated in the Islands under the Tax Information (Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information and the Common Reporting Standard) Order 2016 (“the Order”). The Guidance Notes are issued by the Exchange of Information Unit representing the PS/Finance who is the Competent Authority.

It should be noted that the Guidance Notes do not have the force of law. If you are in any doubt as to your obligations under the law you should seek independent professional advice.

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1. BACKGROUND

In April, 2013 the G5 consisting of the UK, France, Germany, Italy and Spain set up a pilot to explore the possibility of developing a common global approach to automatic exchange of information of financial account information (“AEOI”). This was subsequently adopted by the G20, and, in February, 2014, the OECD delivered the Common Reporting Standard (the “CRS”) which was subsequently approved by the G20 as the global standard for AEOI.

A joint statement was issued in October 2014 by the 50 members of the early adopters group (of which the Turks & Caicos Islands is a member) committing to the early adoption of the CRS. In total (as of 26 July 2016), 101 jurisdictions have now formally committed to implementing the CRS. Of the 101 jurisdictions there are a number of them that have already signed the Multilateral Competent Authorities Agreement (“MCAA”) and a few that have not as yet done so. These jurisdictions have specified the date on which they will commence to exchange information under the standard (being either 2017, in respect of 2016 data or 2018, in respect of 2017 data). The list of these jurisdictions can be found using the following link:

<https://www.oecd.org/tax/transparency/AEOI-commitments.pdf>

The Standard for Automatic Exchange of Financial Information in Tax Matters was published by the OECD on 15 July 2014 (the “handbook for AEOI”). The standard consists of 3 parts as follows:

- Part I gives an overview of the Standard;
- Part II contains the text of the Model Competent Authority Agreement and the Common Reporting and Due Diligence Standard; and
- Part III contains the Commentaries on the Model Competent Authority Agreement (MCAA) and the CRS as well as a number of Annexes.

The standard for AEOI consists of the following:

- a. The CRS which contains the due diligence rules for Financial Institutions;
- b. The MCAA which is the link between the CRS and the legal basis to exchange information. The MCAA specifies the financial information to be exchanged. There are three types of Competent Authority Agreements. One is for use as a multilateral instrument, referred to as the MCAA enabling a number of jurisdictions to jointly agree to exchange information automatically, one is a bilateral reciprocal agreement for use between two single jurisdictions and the third is a bilateral non-reciprocal agreement under which one jurisdiction will receive information from another jurisdiction, but will not be obliged to report information in return (these latter agreements being referred to as Bilateral Competent Authority Agreements (“BCAAs”));

- c. Commentaries which illustrate and interpret the MCAA and the CRS;
- d. Guidance on technical solutions this includes xml schema, data safeguard standard, confidentiality rules, transmission and encryption.

The Convention on Mutual Administrative Assistance in Tax Matters (the “MAAC”) was extended to the Turks & Caicos Islands in August, 2013 by the United Kingdom and was domesticated in the Turks & Caicos Islands by the Tax Information (Exchange and Mutual Administrative Assistance) (Convention on Mutual Administrative Assistance in Tax Matters) Order 2014, which came into force on the 4th February, 2014. The Turks & Caicos Islands has decided to incorporate CRS on a multilateral basis and subsequently became a signatory to the MCAA. Article 6 of the MAAC is the legal basis for the MCAA.

For technical constitutional reasons it has been considered that it is not possible for the Turks & Caicos Islands, the UK, the Crown Dependencies and other Overseas Territories to enter into Exchange of Information Agreements under the MAC, any such equivalent arrangements with these territories will require a relevant BCAA. To date the Turks & Caicos Islands has signed non-reciprocal BCAAs with the United States of America, the United Kingdom, Guernsey and Isle of Mann (under which the Competent Authority of the Turks & Caicos Islands will annually exchange information in respect of Financial Accounts held by residents of the United States, the United Kingdom, Guernsey, and Isle of Mann). The Turks & Caicos Islands is also continuing the process of discussing other non-reciprocal BCAAs with other relevant territories and those jurisdictions that have decided to implement the standard of AEOI on a bilateral basis.

The model reciprocal BCAA is contained in Part I of the Handbook for AEOI (pp. 21-27). The MCAA and non-reciprocal BCAA are published in Annexes 1 and 2 of the Handbook for AEOI respectively (pp. 215-229).

The OECD provides comprehensive commentary and examples for CRS and Due Diligence Standards, this guidance is only to be considered supplementary to the OECD commentary and covering those aspects where it is necessary to assist with the practical aspects of the CRS that are specific to implementation by Turks & Caicos Islands Financial Institutions (see annex 1). This guidance includes references and quotations from the following OECD publications:

- Standard for Automatic Exchange of Financial Information in Tax Matters © OECD 2014 (‘the Handbook of AEOI’);
- Standard for Automatic Exchange of Financial Account Information in Tax Matters; and
- Implementation Handbook.

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The MCAA and the CRS and its commentaries have been domesticated in the Turks and Caicos Islands by the Tax Information (Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information and the Common Reporting Standard) Order 2016 (hereinafter referred to as “the Order”), which came into force on 1st April 2016. The Order sets out the MCAA and the text of the CRS in Schedule 1 and 3, respectively. A copy of the Order can be found using the following link:

<https://www.gov.tc/agc/>

These guidance notes must be read as supplementary to the core guidance provided in the OECD publication. Financial Institutions are encouraged to take independent professional advice if they are at all unsure with any of their obligations under CRS or any other AEOI agreement.

2. OPERATION OF CRS IN TURKS & CAICOS ISLANDS

2.1 Domestic Legislation

The CRS has been domesticated in the laws of the Turks & Caicos Islands through the Tax Information (Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information and the Common Reporting Standard) Order 2016. The International Tax Compliance Regulations 2016 (“the Regulations”) also makes further provisions relating to the CRS.

A copy of this Order and the Regulations can be found at <https://www.gov.tc/agc/>.

The Order and the Regulations has been effective since 1 April 2016.

The detailed provisions of the CRS itself are in Schedule 3 to the Order.

2.2 Exchange of Information Unit (“EOIU”)

For the purposes of the Order and the Regulations the EOIU has been delegated to perform the function of the Authority under the Tax Information (Exchange and Mutual Administrative Assistance) Ordinance. Financial Institutions will be required to notify and report information under CRS to the EOIU. The EOIU will then exchange this information with the relevant partners that have satisfied the confidentiality and data safeguards standard, and have the appropriate legal instruments and legislative frameworks in place.

2.3 Notifications and Reporting to the EOIU

Notifications

A Reporting Financial Institution in accordance with regulation 14 of the Regulations must notify each individual reportable person or individual Specified United Kingdom or Specified U.S. Person that information relating to them is to be reported to the government of another state or territory.

The notification must be made by 31st January in the first calendar year in which the Reporting

Financial Institution is required to comply with the reporting obligations.

Reporting

Under regulation 10 of the Regulations a Reporting Financial Institution to report annually to the EOIU by making a return. This must be done in respect of the first reporting year and each subsequent calendar year. Regulation 10(2)(b) specifies that the first reporting year for the purposes of the CRS is the calendar year of 2016 and regulation 10(4) requires the return to be made on or before the 31st March of the year following the calendar year to which the return relates.

This means that the first reporting must be made on or before **31 March, 2017**¹. This reporting must be done **ANNUALLY**.

Reporting and Notification must be done via EOIU, the EOIU will issue a press release to all Financial Institutions when the TCIG AEOI Portal is available to accept reporting and notifications under CRS.

The reporting schema to be used is available on the OECD Automatic Exchange Portal and will be published on the website of the EOIU at www.gov.tc

2.4 Important Dates

The following are the effective dates for the implementation of CRS in the Turks & Caicos Islands:

- Pre-existing Accounts subject to due diligence procedures are those in existence as at 31 December, 2015;
- New Accounts requiring self-certification by the customer are those opened on or after 1 January, 2016;
- The review of Pre-existing High Value Individual Accounts at 31 December, 2015;
- The first CRS reporting period ends on 31 December 2016;
- Financial Institutions must complete their notifications to the EOIU by 30 April 2017 for the 2016 reporting year for CRS;
- Financial Institutions must complete their reporting to the EOIU by 31 May 2017 for the 2016 reporting year for CRS ;

¹ The initial first phase of reporting will be extended from 31st March, 2017 to May 31st, 2017. Note that the timeline hereafter will be adhered to.

- First exchanges of information by the EOIU to partner jurisdictions will occur on or before 30 September 2017;
- The review of Pre-existing Lower Value Individual Accounts at 31 December 2015 must be completed by 31 December 2017

2.5 Participating Jurisdictions

Under the Order (Schedule 3 (CRS); Section VIII; D (5)) the term “**Participating Jurisdiction**” means a jurisdiction:

- (i) with which an agreement is in place pursuant to which it will provide the information specified in Section I, and
- (ii) which is identified in a published list.

In line with the options provided in the CRS handbook, the Turks & Caicos Islands has specified all committed jurisdictions (2017 and 2018) as Participating Jurisdictions. A list of the participating jurisdictions is set out in Schedule 2 of the Order.

2.6 Reportable Jurisdiction

Under the Order (Schedule 3 (CRS), Section VIII; D (4)) the term “**Reportable Jurisdiction**” means a jurisdiction:

- (i) with which an agreement is in place pursuant to which there is an obligation in place to provide the information specified in Section I, and
- (ii) which is identified in a published list.

Following the completion of formalities by jurisdictions which are party to the MCAA or a party that has a bilateral CAA with the Turks & Caicos Islands, and upon completion of the confidentiality and legal requirements stipulations in the CRS and the relevant CAAs, at that time the Turks & Caicos Islands will be able to identify who reportable jurisdictions are for the purposes of the CRS.

2.7 Confidentiality

The Turks & Caicos Islands will not exchange information under the CRS until it is satisfied that a partner jurisdiction has in place adequate measures to ensure the required confidentiality and data safeguards are met. These confidentiality obligations are evaluated by the Global Forum on Transparency and Exchange of Information for Tax Purposes through its implementation monitoring programme. Confidentiality and data safeguard questionnaires for all CRS jurisdictions (Annex 4 of the CRS) are filed with the OECD Co-ordinating Body Secretariat.

2.8 UK FATCA / CDOT transition to CRS

The Turks & Caicos Islands currently exchanges information automatically with the United Kingdom under “UK FATCA”/“CDOT” based on an intergovernmental agreement (IGA) entered into on 1st December, 2014, and domesticated –by the Tax Information (Exchange and Mutual Administrative Assistance) (United Kingdom and Turks and Caicos Islands Agreement to Improve International Tax Compliance) Order 2014 which came into force on 23rd January, 2015. The CDOT arrangement will transition to the CRS by 2017.

The below contains extracts from guidance notes issued by Her Majesty’s Revenue & Customs (HMRC) detailing the transition from the IGAs to the CRS² which have been edited accordingly to apply to the Turks & Caicos Islands:

“Reporting under the Crown Dependency and Overseas Territories (CDOT) arrangement will begin in 2016 for information relating to the years 2014 and 2015. In 2017 the UK and all of the Crown Dependencies and Overseas Territories will adopt the CRS.

There are items that would be reportable under the CDOT arrangement for 2017 which are not within the CRS, and terms within the CRS which would lead to more reporting than under the CDOT arrangement. In order to ease the transition, arrangements will be put in place to ensure that, while there is overlap in the period covered by the IGAs and the CRS, there is no need for duplicate reporting. The rule to follow will be that wherever the IGA or the CRS requires more reporting in the transition year of 2017, then the “more” should be reported.

Example

- In 2017 the CRS does not require reporting of lower value pre-existing individual accounts and pre-existing entity accounts unless identified. The due diligence processes to identify these can run until 31 December 2017; the due diligence required by the IGA for these accounts will have been completed, consequently all CDOT reportable lower-value pre-existing accounts will need to be reported in 2017.*
- What should be reported in respect of low value accounts in 2017 is therefore what is required under the IGA since that is “more”; where the accounts would be reportable under both regimes the report under the IGA will satisfy the requirement to report under the CRS.*

The practical effect of this approach is that for 2016, reporting is done under the IGA requirements. For 2017, there is a mix under IGA and CRS requirements. Then, from 2018 onwards it is just the requirements of the CRS that apply. However, at no time will there be a need to report the same thing twice. Where Reportable Accounts have been identified and reported under the IGA, they will be deemed to have been identified and reported for the

² <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim400550>

purposes of the CRS.

The first reports under the CDOT IGAs happen in 2016 in respect of both of the years 2014 and 2015, with different due diligence for pre-existing accounts (and hence different accounts and details from accounts) applying to each year. Reporting in 2017 for the 2016 calendar year will then add the final details.

The first report in 2016 under the CDOT IGAs will include:

- *All new accounts opened after 1 July 2014 (subject to reporting thresholds); and*
- *Pre-existing high value individuals' accounts as the due diligence for such accounts must have been completed by 30 June 2015 (as set out in Article 3 and Annex 1 to the IGAs).*
- *Those pre-existing lower value individual accounts and pre-existing entity accounts that have been identified as reportable in 2014 or 2015.*

Once identified as reportable accounts, these accounts continue to be reported annually thereafter, subject to account closure or a change of circumstance making them non-reportable.

For the remaining pre-existing accounts the due diligence procedures must be completed by 30 June 2016 in preparation for first reporting in 2017.

The first reports under the CRS happen in 2017 and will include:

- *All new accounts opened on or after 1 January 2016;*
- *Pre-existing high value individuals' accounts in existence at 31 December 2015 that have not been previously identified as reportable accounts under the CDOT IGAs; and*
- *Any other reportable accounts that are identified as reportable in 2016, including closed accounts which were open at the end of 2015.*

The transition in 2016, 2017, and 2018

The due diligence processes Financial Institutions carry out in 2016 may be under both the IGAs and the CRS, as the due diligence procedures under the IGAs do not need to be fully completed until 30 June 2016 while the CRS procedures commence on 1 January 2016. As indicated above, EOIU will only require the data to be reported once whichever regime identifies the account as reportable, and reporting can be done in 2017 using the CRS schema.

2017 is the year where there is overlap between reporting under the IGA and the CRS.

From 2018 onwards, reporting is purely under the CRS.

For 2017, as set out above, what should be reported is the maximum of what is required by the CRS or the IGA for that year. This meets both the purpose of the IGAs and the CRS.

This means that the accounts which need to be reported in 2017, in addition to what is required under the IGA, are those accounts identified as reportable under the CRS but not reportable under the IGA. These will include, for example, accounts where an election has been made to exclude accounts below a specified amount from review, identification and reporting under the IGA.

For new accounts opened on or after 1 January 2016, Financial Institutions may rely on CRS due diligence processes to identify Specified CDOT Persons.

All accounts identified as reportable by 31 December 2016 must be reported in 2017 irrespective of the regime under which they were identified.”

As a result of the transition of the CDOT regime to CRS, it is anticipated that the CDOT will be phased out in Turks & Caicos Islands by 2018.

It is important to note that CRS does not provide for special arrangements, such as the Alternative Reporting Regime (ARR) that was available under Annex III of the UK IGA. As a result of the adoption of CRS from 1 January 2016, reporting of all reportable UK accounts, including all UK non-domiciled account holders will be required in 2017. The ARR will therefore be available for 2014 and 2015 reporting periods only. (Please see annex 2 for CRS transition summary proposal table).

2.9 EU Savings Directive to CRS transition

The obligations on Financial Institutions to report information under the EU Savings Directive (EUSD) 2003/48/EC (as amended) which was brought into force in the Turks & Caicos Islands through the Retention Tax Ordinance 2009, will end following the repeal of the EUSD by Directive 2015/2060/EU. Without the Directive on which they are dependent, the Retention Tax Ordinance will have no meaning.

In accordance with the terms of Directive 2015/2060/EU, the reporting obligations of the Turks & Caicos Islands under the EUSD and the Retention Tax Ordinance will continue in respect of the reporting year ended 31 December 2016, after which they will cease except in so far as obligations in relation to reporting years until that date remain unsatisfied.

The last reporting year under the EUSD is therefore the tax year in the Turks & Caicos Islands ending 31 December 2016. There will be a legal obligation on Financial Institutions to report information in respect of that year.

3. OPERATIONAL APPROACHES

The CRS offered a number of “optional approaches” available to jurisdictions to implement into their domestic legislation where it was considered to be more appropriate, or of greater assistance to FIs in implementing the CRS regime and/or conducting their due diligence requirements.

Outlined below are the 16 options available in the CRS implementation handbook and where they have been incorporated in the Turks & Caicos Islands reference is made to where these options can be found in the CRS.

1. Alternative approach to calculating account balances – N/A

A jurisdiction that already requires Financial Institutions to report the average balance or value of the account may provide for the reporting of average balance or value during the calendar year or other appropriate reporting period instead of the reporting of the account balance or value as of the end of the calendar year or other reporting period. This option is likely only desirable to a jurisdiction that has provided for the reporting of average balance or value in its FATCA IGA.

2. Use of reporting period other than calendar year – N/A

A jurisdiction that already requires Financial Institutions to report information based on a designated reporting period other than the calendar year may provide for the reporting based on such reporting period. This option is likely only desirable to a jurisdiction that includes (or will include) a reporting period other than a calendar year in its FATCA implementing legislation.

3. Phasing in the requirements to report gross proceeds – N/A

A jurisdiction may provide for the reporting of gross proceeds to begin in a later year (as was the case in FATCA). If this option is provided a Reporting Financial Institution would report all the information required with respect to a Reportable Account. This will allow Reporting Financial Institutions additional time to implement systems and procedures to capture gross proceeds for the sale or redemption of Financial Assets. This option is contained in the FATCA IGAs, with reporting required beginning in 2016 and thus Financial Institutions may not need additional time for reporting of gross proceeds for the CRS. The Multilateral Competent Authority Agreement does not provide this option.

4. Filing of Nil Returns- See regulations 4 and 10 of the Regulations

A jurisdiction may require the filing of a nil return by a Reporting Financial Institution to indicate that it did not maintain any Reportable Accounts during the calendar year or other reporting period.

NOTE: Under regulation 4 the filing of nil returns is not mandatory. However, the Financial Institutions with no reportable accounts will still need to complete the notification requirement via the Portal for CRS.

5. Third Party Service Providers to fulfil reporting obligations for FIs – See regulation 11(4) of the Regulations

A jurisdiction may allow Reporting Financial Institutions to use service providers to fulfil the Reporting Financial Institution's reporting and due diligence obligations.

(Without this difficulties could occur due to the interactions between various counterparties.) The Reporting Financial Institution remains responsible for fulfilling these requirements and the accounts of the service provider are imputed to the Reporting Financial Institution. This option is available for FATCA.

NOTE: Under regulation 11 Financial Institutions may rely on a third party service provider to fulfil due diligence and reporting obligations. However, the Financial Institution remains ultimately responsible for fulfilling these obligations and any failures on the part of the service provider are imputed to the Financial Institution.

6. Allowing due diligence procedures for New Accounts to be used for Pre-existing Accounts – See Section II (E) of the CRS in Schedule 3 of the Order

A jurisdiction may allow a Financial Institution to apply the due diligence procedures for New Accounts to Pre-existing Accounts. This means, for example, a Financial Institution may elect to obtain a self-certification for all Pre-existing accounts held by individuals consistent with the due diligence procedures for New Individual Accounts. If a jurisdiction allows a Financial Institution to apply the due diligence procedures for New Accounts to Pre-existing Accounts, a jurisdiction may allow a Reporting Financial Institution to make an election to apply such exclusion with respect to (1) all Pre-existing Accounts; or (2) with respect to any clearly identified group of such accounts (such as by line of business or location where the account is maintained).

7. Allowing due diligence procedures for High Value Accounts to be used for Low Value Accounts – See Section II (E) of the CRS in Schedule 3 of the Order

A jurisdiction may allow a Financial Institution to apply the due diligence procedures for High Value Accounts to Lower Value Accounts. A Financial Institution may wish to make such election because otherwise they must apply the due diligence procedure for Lower Value Accounts and then at the end of a subsequent calendar year when the account balance of value exceeds \$1 million, apply the due diligence procedures for High Value Accounts.

8. Residence address test for Lower Value Accounts – See Section III (B)(1) of the CRS in Schedule 3 of the Order

A jurisdiction may allow Financial Institutions to determine an Account Holder’s residence based on the residence address provided by the account holder so long as the address is current and based on Documentary Evidence. The residence address test may apply to Pre-existing Lower Value Accounts (less than \$1 million) held by Individual Account Holders.

NOTE: In respect of Lower Value Accounts only, the CRS law allows Financial Institutions to determine an Account Holder’s residence based on the residence address provided by the account holder so long as that address is current and based on Documentary Evidence. This residence test may apply to Pre-existing Lower Value Accounts held by Individual Account Holders, *see commentary of the CRS at commentary on section III, paragraph 9.*

The test is an alternative to the electronic indicia search for establishing residence. If the residence address test cannot be applied, because for example, the only address on file is an “in care of” address, the Financial Institution must perform the electronic indicia search.

9. Optional Exclusion from Due Diligence for Pre-existing Entity Accounts of less than \$250,000 – See Section V (A) of the CRS in Schedule 3 of the Order

A jurisdiction may allow Financial Institutions to exclude from its due diligence procedures pre-existing Entity Accounts with an aggregate account balance or value of \$250,000 or less as of a specified date. If, at the end of a subsequent calendar year, the aggregate account balance or value exceeds \$250,000, the Financial Institution must apply the due diligence procedures to identify whether the account is a Reportable Account. If this option is not adopted, a Financial Institution must apply the due diligence procedures to all Pre-existing Entity Accounts.

NOTE: Section V (A) of the CRS in Schedule 3 of the Order allows Financial Institutions to apply a threshold exemption for the review, identification and reporting of Pre-existing Entity Accounts. For Financial Institutions applying the threshold exemption, accounts with a balance or value not exceeding \$250,000 at 31 December of a subsequent calendar year. Financial Institutions applying the threshold exemption must keep an internal record of the application of the exemption as part of the policies and procedures which they are required to have in place in accordance with the CRS.

10. Simplified due diligence rules for Group Cash Value Insurance Contracts and Group Annuity Contracts – See Section VII (B) of the CRS in Schedule 3 of the Order

With respect to a group cash value insurance contract or annuity contract that is issued to an employer or individual employees, a jurisdiction may allow a Reporting Financial Institution to treat such contract as a Financial Account that is not a Reportable Account until the date on which an amount is payable to an employee/certificate holder or beneficiary provided that certain conditions are met. These conditions are: (1) the group cash value insurance contract or group annuity contract is issued to an employer and covers twenty-five or more employees/certificate holders; (2) The employees/certificate holders are entitled to receive any contract value related to their interest and to name beneficiaries for the benefit payable upon the employee's death; and (3) the aggregate amount payable to any employee/certificate holder or beneficiary does not exceed \$1 million. This provision is provided because the Financial Institution does not have a direct relationship with the employee/certificate holder at inception of the contract and thus may not be able to obtain documentation regarding their residence.

NOTE: In Section VII (B) of the CRS in Schedule 3 of the Order Financial Institution may treat an account that is a Group Cash Value Insurance Contract or a Group Annuity Contract, as a non-reportable account until the date on which an amount is payable to an employee/certificate holder or beneficiary, if the Financial Account that is a member's interest in a Group Cash Value Insurance Contract or Group Annuity Contract meets the following requirements:

- The Group Cash Value Insurance Contract or Group Annuity Contract is issued to an employer and covers 25 or more employees/certificate holders;
- The employees/certificate holders are entitled to receive any contract value related to their interests and to name beneficiaries for the benefit payable upon the employee's death; and
- The aggregate amount payable to any employee/certificate holder or beneficiary does not exceed \$1,000,000.

11. Allowing greater use of existing standardised industry coding systems for the due diligence process - See definition of "Documentary Evidence" in Section VIII (E)(6) of the CRS in Schedule 3 of the Order

A jurisdiction may define documentary evidence to include any classification in the Reporting Financial Institution's records based on a standard industry coding system provided that certain conditions are met (making it easier to identify types of account holders). With respect to a pre-existing entity account, when a Financial Institution is applying its due diligence procedures and accordingly required to maintain a record of documentary evidence, this option would permit the Financial Institution to rely on the standard industry code contained in its records.

12. Currency Translation – See Section 1(B and Section VII (C) of the CRS in Schedule 3 of the Order

All amounts in the Standard are stated in US dollars and the Standard provides for the use of equivalent amounts in other currencies as provided by domestic law. For example, a lower value account is an account with an aggregate account balance or value of less than \$1 million. The Standard permits jurisdictions to include amounts that are equivalent (or approximately equivalent) in their currency to the US dollars amounts as part of their domestic legislation. Further, a jurisdiction may allow a Financial Institution to apply the US dollar amount or the equivalent amounts. This allows a multinational Financial Institution to apply the amounts in the same currency in all jurisdictions in which they operate.

13. Expanded definition of Pre-existing Account when pre-existing customers open a new account - See “Pre-existing Account” definition at Section VIII (C)(9) of the CRS in Schedule 3 of the Order

A jurisdiction may, by modifying the definition of Pre-existing Account, allow a Financial Institution to treat certain new accounts held by pre-existing customers as a Pre-existing Account for due diligence purposes. A customer is treated as pre-existing if it holds a Financial Account with the Reporting Financial Institution or a Related Entity. Thus, if a pre-existing customer opens a new account, the Financial Institution may rely on the due diligence procedures it (or its Related Entity) applied to the customer’s Pre-existing Account to determine whether the account is a Reportable Account. A requirement for applying this rule is that the Reporting Financial Institution must be permitted to satisfy its AML/KYC procedures for such account by relying on the AML/KYC performed for the Pre-existing Account and the opening of the account does not require new, additional, or amended customer information.

14. Expanded definition of Related Entity - See definition of “Related Entity” at Section VIII (E)(4) of the CRS in Schedule 3 of the Order

Related Entities are generally defined as one entity that controls another entity or two or more entities that are under common control. Control is defined to include direct or indirect ownership of more than 50 percent of the vote and value in an Entity. As provided in the Commentary, most funds will likely not qualify as a Related Entity of another fund, and thus will not be able to apply the rules described above for treating certain New Accounts as Pre-existing Accounts or apply the account aggregation rules to Financial Accounts maintained by Related Entities. A jurisdiction may modify the definition of Related Entity so that a fund will qualify as a Related Entity of another fund by providing that control includes, with respect to Investment Entities described in subparagraph (A)(6)(b), two entities under common management, and such management fulfils the due diligence obligations of such Investment Entities

15. Grandfathering rule for bearer shares issued by Exempt Collective Investment Vehicle - n/a

With respect to an Exempt Collective Investment Vehicle, a jurisdiction may provide a grandfathering rule if the jurisdiction previously allowed collective investment vehicles to issue bearer shares. The Standard provides that a collective investment vehicle that has issued physical shares in bearer form will not fail to qualify as an Exempt Collective Investment Vehicle provide that: (1) it has not issued and does not issue any physical shares in bearer form after the date provided by the jurisdiction; (2) it retires all such shares upon surrender; (3) it performs the due diligence procedures and reports with respect to such shares when presented for redemption or payment; and (4) it has in place policies and procedures to ensure the shares are redeemed or immobilized as soon as possible and in any event prior to the date provided by the jurisdiction.

16. Controlling Persons of Trusts- CRS Commentary on section VIII, paragraph 134

The definition of Controlling Person of a trust includes the settlor(s), trustee(s), beneficiary(ies), protector(s) and any other natural person exercising ultimate effective control over the trust. A jurisdiction may however allow Reporting Financial Institutions to align the scope of beneficiaries of a trust, who are treated as Controlling Persons of that trust, with the scope of the beneficiaries who are treated as Reportable Persons of a trust that is a Financial Institution. In such cases, a Reporting Financial Institution would only need to report discretionary beneficiaries as Controlling Persons in the year they receive distributions from the Passive NFE trust. Jurisdictions allowing their Financial Institutions to make use of this option must ensure that such Financial Institutions have appropriate procedures in place to identify when a distribution is made to a discretionary beneficiary of the trust in a given year that enables the trust to report such beneficiary as a Controlling Person. For instance, the Reporting Financial Institution would require notification from the trustee that a distribution has been made to that discretionary beneficiary.

4. FINANCIAL ACCOUNTS OF INVESTMENT MANAGERS AND ADVISERS

Financial Institutions that are not maintaining any financial accounts have no reporting responsibilities. Entities which provide investment advisory or management services that meet the “solely because” test in the definition of Financial Account in Section VIII (C)(1) of the CRS in Schedule 3 of the Order will be regarded as not having any financial accounts, and therefore will not have any reporting obligations.

5. TEMPLATE CRS SELF-CERTIFICATION FORMS

Self-certifications should be obtained and validated as part of a Financial Institution’s account opening procedures. Where it is not possible to obtain a self-certification on ‘day one’ of the account opening process, one should be obtained and validated as soon as practicable, and in any event, no later than 90 days after the account has been opened. Failure to obtain a self-certification within 90 days will result in the account being reported as undocumented. Financial Institutions with a disproportionate number of undocumented accounts may be subject to compliance reviews by the EOIU.

6. NON-PARTICIPATING JURISDICTION INVESTMENT ENTITIES

Under Section VIII (D) (8)] of the CRS in Schedule 3 of the Order, Turks & Caicos Islands’ Financial Institutions are required to treat ‘managed’ Investment Entities, (or branches thereof) that are resident in (or located in) any Non-Participating Jurisdiction, as Passive NFEs and therefore report on the Controlling Persons of such entities that are Reportable Persons as defined in Section VIII (D) (2) of the CRS in Schedule 3 of the Order.

‘Managed’ Investment Entities are those that meet the definition of an Investment Entity as per the Section VIII (A)(6)(b) of the CRS in Schedule 3 of the Order. Any Jurisdiction that is not listed as a Participating Jurisdiction is therefore a Non-Participating Jurisdiction.

7. DETERMINATION OF CRS STATUS OF ENTITIES

The CRS commentary provides that an Entity’s status as a Financial Institution or nonfinancial entity (NFE) should be resolved under the laws of the participating jurisdiction in which the Entity is resident. If an Entity is resident in a Non-Participating Jurisdiction, the rules of the jurisdiction in which the account is maintained determine the Entity’s status as a Financial Institution or NFE since there are no other rules available.

Therefore, when determining an Entity’s status as an active or passive NFE, the rules of the jurisdiction in which the account is maintained determine the Entity’s status. For example, a Financial Institution resident in a Non-Participating Jurisdiction with accounts maintained in the Turks & Caicos Islands may apply the active NFE definition in Section VIII (D) (9) of the CRS in Schedule 3 of the Order.

8. NON-REPORTING FINANCIAL INSTITUTIONS

The rules regarding Non-Reporting Financial Institutions are in Section VIII (B) of the CRS in Schedule 3 of the Order. The following Guidance relates to two types of Non-Reporting Financial Institutions under the CRS.

9. RETIREMENT AND PENSION FUNDS

Pension funds that meet the definitions of Broad Participation Retirement Fund or Narrow Participation Retirement Fund under Section VIII paragraph B will be Non-Reporting Financial Institutions under CRS.

Pension funds availing themselves of the Non-Reporting Financial Institution Broad and Narrow Participation Retirement Fund definitions must submit an annual declaration to the Authority in order to satisfy the requirements under CRS.

10. EXCLUDED ACCOUNTS

Schedule 1 of the CRS provides that dormant accounts with a balance that does not exceed US\$1,000 are Excluded Accounts for the purposes of CRS.

ANNEX 1 - CRS Commentary

B. Commentaries on the Common Reporting Standard

Introduction

The CRS contains the reporting and due diligence standards that underpin the automatic exchange of financial account information. An implementing jurisdiction must have rules in place that require financial institutions to report information consistent with the scope of reporting set out in Section I and to follow due diligence procedures consistent with the procedures contained in Sections II through VII of the CRS.

Capitalised terms used in the CRS are defined in Section VIII. An implementing jurisdiction may provide that the amount and characterisation of payments made with respect to a Reportable Account must be determined in accordance with the principles of its tax laws.

Section IX of the CRS describes the rules and administrative procedures a jurisdiction is expected to have in place to ensure effective implementation of, and compliance with, the CRS.

Commentary on Section I concerning General Reporting Requirements

1. Section I contains the general reporting requirements applicable to Reporting Financial Institutions. Paragraphs A and B specify the information to be reported as a general rule, while paragraphs C through F provide for a series of exceptions in connection with TIN, date of birth, place of birth and gross proceeds. Paragraph 1 of Section 2 of the Model Competent Authority Agreement makes clear that the information to be exchanged is the information required to be reported under the reporting and due diligence rules of the Common Reporting Standard, including the exceptions contained in paragraphs C through F of Section I.

2. Reporting Financial Institutions would often inform Account Holders (e.g. through a change to terms and conditions) that information relating to their accounts, if their accounts are Reportable Accounts, will be reported and may be exchanged with other jurisdictions. In some jurisdictions, Reporting Financial Institutions may be required to do so under their jurisdiction's privacy and disclosure rules. Reporting Financial Institutions would need to comply with such rules in this regard (e.g. by providing Account Holders, upon request, with a copy of the information reported).

Paragraph A – Information to be reported

3. Pursuant to paragraph A, each Reporting Financial Institution must report the following information with respect to each Reportable Account of such Reporting Financial Institution:

- a) in the case of any individual that is an Account Holder and a Reportable Person: the name, address, jurisdiction(s) of residence, TIN(s) and date and place of birth;
- b) in the case of any Entity that is an Account Holder and a Reportable Person: the name, address, jurisdiction(s) of residence and TIN(s);
- c) in the case of any Entity that is an Account Holder and that is identified as having one or more Controlling Persons that is a Reportable Person:

- (1) the name, address, jurisdiction(s) of residence and TIN(s) of the Entity; and
 - (2) the name, address, jurisdiction(s) of residence, TIN(s) and date and place of birth of each Controlling Person that is a Reportable Person;
 - d) the account number (or functional equivalent in the absence of an account number);
 - e) the name and identifying number (if any) of the Reporting Financial Institution; and
 - f) the account balance or value (including, in the case of a Cash Value Insurance Contract or Annuity Contract, the Cash Value or surrender value) as of the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account.
4. In addition, the following information must also be reported:
- a) in the case of any Custodial Account:
 - (1) the total gross amount of interest paid or credited to the account (or with respect to the account) during the calendar year or other appropriate reporting period;
 - (2) the total gross amount of dividends paid or credited to the account (or with respect to the account) during the calendar year or other appropriate reporting period;
 - (3) the total gross amount of other income generated with respect to the assets held in the account paid or credited to the account (or with respect to the account) during the calendar year or other appropriate reporting period; and
 - (4) the total gross proceeds from the sale or redemption of Financial Assets paid or credited to the account during the calendar year or other appropriate reporting period with respect to which the Reporting Financial Institution acted as a custodian, broker, nominee, or otherwise as an agent for the Account Holder.
 - b) in the case of any Depository Account: the total gross amount of interest paid or credited to the account during the calendar year or other appropriate reporting period.
 - c) in the case of any account other than a Custodial Account or a Depository Account: the total gross amount paid or credited to the Account Holder with respect to the account during the calendar

year or other appropriate reporting period with respect to which the Reporting Financial Institution is the obligor or debtor, including the aggregate amount of any redemption payments made to the Account Holder during the calendar year or other appropriate reporting period.

Subparagraph A(1) – Address

5. The address to be reported with respect to an account is the address recorded by the Reporting Financial Institution for the Account Holder, pursuant to the due diligence procedures in Sections II through VII. Consequently, in the case of an account held by an individual that is a Reportable Person, the address to be reported is the current residence address of the individual (see paragraphs 8 and 22 of the Commentary on Section III) unless the Reporting Financial Institution does not have such address in its records where it would report the mailing address it has on file. In the case of an account held by an Entity that is identified as having one or more Controlling Persons that is a Reportable Person, the address to be reported is the address of the Entity and the address of each Controlling Person of such Entity that is a Reportable Person.

Subparagraph A(1) – Jurisdiction(s) of residence

6. The jurisdiction of residence to be reported with respect to an account is the jurisdiction of residence identified by the Reporting Financial Institution for the Reportable Person with respect to the relevant calendar year or other appropriate reporting period, pursuant to the due diligence procedures in Sections II through VII. In the case of a Reportable Person that is identified as having more than one jurisdiction of residence, the jurisdictions of residence to be reported are all the jurisdictions of residence identified by the Reporting Financial Institution for the Reportable Person with respect to the relevant calendar year or other appropriate reporting period. The jurisdiction(s) of residence that are identified as a result of the due diligence procedures in Sections II through VII are without prejudice to any residence determination made by the Reporting Financial Institution for any other tax purposes.

Subparagraph A(1) – TIN

7. The TIN to be reported with respect to an account is the TIN assigned to the Account Holder by its jurisdiction of residence (i.e. not by a jurisdiction of source). In the case of a Reportable Person that is identified as having more than one jurisdiction of residence, the TIN to be reported is the

Account Holder's TIN with respect to each Reportable Jurisdiction (subject

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to the application of paragraphs C and D). As defined in subparagraph E(5) of Section VIII, the term “TIN” includes a functional equivalent in the absence of a Taxpayer Identification Number (see paragraph 148 of the Commentary on Section VIII).

Subparagraph A(2) – Account number

8. The account number to be reported with respect to an account is the identifying number assigned by the Reporting Financial Institution for purposes other than to satisfy the reporting requirements of subparagraph A(1) or, if no such number is assigned to the account, a functional equivalent (i.e. a unique serial number or other number such Reporting Financial Institution assigns to the Financial Account that distinguishes the account from other accounts maintained by such institution). A contract or policy number would generally be considered functional equivalents of an account number.

Subparagraph A(3) – Identifying number

9. The Reporting Financial Institution must report its name and identifying number (if any). Identifying information on the Reporting Financial Institution is intended to allow Participating Jurisdictions to easily identify the source of the information reported and subsequently exchanged in order to, e.g. follow-up on an error that may have led to incorrect or incomplete information reporting. The “identifying number” of a Reporting Financial Institution is the number assigned to a Reporting Financial Institution for identification purposes. Normally this number is assigned to the Reporting Financial Institution by its jurisdiction of residence or location, but it could also be assigned globally. Examples of identifying numbers include a TIN, business/company registration code/number, Global Legal Entity Identifier (LEI),⁶ or Global Intermediary Identification Number (GIIN).⁷ Participating Jurisdictions are expected to provide their Reporting Financial Institutions with guidance with respect to any identifying number to be reported. If no such number is assigned to the Reporting Financial Institution, then only the name and address of the Reporting Financial Institution are required to be reported.

6. See the Regulatory Oversight Committee (ROC) of the Global Legal Entity Identifier System (GLEIS) webpage, available on www.leiroc.org/.

7. The Global Intermediary Identification Number (GIIN) is an identification number that is assigned to certain financial institutions by the Internal Revenue

Service (IRS) of the United States.

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Subparagraph A(4) – Account balance or value

10. The Reporting Financial Institution must report the balance or value of the account as of the end of the calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account (see paragraph 14 below). An account with a balance or value that is negative must be reported as having an account balance or value equal to zero. In the case of an account that is a Cash Value Insurance or Annuity Contract, the Reporting Financial Institution must report the Cash Value or surrender value of the account.

11. Some jurisdictions, however, already require financial institutions to report the average balance or value of the account during the calendar year or other appropriate reporting period. These jurisdictions are free to maintain reporting of that information instead of requiring reporting of the balance or value of the account as of the end of the calendar year or other appropriate reporting period, which can be done by replacing subparagraph A(4) by the following provision:

4. the [highest] average [monthly] account balance or value (including, in the case of a Cash Value Insurance Contract or Annuity Contract, the Cash Value or surrender value) during the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account;

In such a case, subparagraph 2(d) of Section 2 of the Model Competent Authority Agreement should be modified accordingly (see paragraph 4 of the Commentary on Section 2 of the Model Competent Authority Agreement).

12. In general, the balance or value of a Financial Account is the balance or value calculated by the Financial Institution for purposes of reporting to the Account Holder. In the case of an equity or debt interest in a Financial Institution, the balance or value of an Equity Interest is the value calculated by the Financial Institution for the purpose that requires the most frequent determination of value, and the balance or value of a debt interest is its principal amount. The balance or value of an Insurance or Annuity Contract is the balance or value as of the end of either the calendar year or other appropriate reporting period (see paragraph 15 below). The balance or value of the account is not to be reduced by any liabilities or obligations incurred by an account holder with respect to the account or any of the assets held in the account.

13. Each holder of a jointly held account is attributed the entire balance or value of the joint account, as well as the entire amounts paid or credited to the joint account (or with respect to the joint account). The same is applicable with respect to:

- an account held by a Passive NFE with more than one Controlling Person that is a Reportable Person, where each Controlling Person is attributed the entire balance or value of the account held by the Passive NFE, as well as the entire amounts paid or credited to the account;
- an account held by an Account Holder that is a Reportable Person and is identified as having more than one jurisdiction of residence, where the entire balance or value of the account, as well as the entire amount paid or credited to the account, must be reported with respect to each jurisdiction of residence of the Account Holder;
- an account held by a Passive NFE with a Controlling Person that is a Reportable Person and is identified as having more than one jurisdiction of residence, where the entire balance or value of the account held by the Passive NFE, as well as the entire amount paid or credited to the account, must be reported with respect to each jurisdiction of residence of the Controlling Person; or
- an account held by a Passive NFE that is a Reportable Person with a Controlling Person that is a Reportable Person, where the entire balance or value of the account held by the Passive NFE, as well as the entire amount paid or credited to the account, must be reported with respect to both the Passive NFE and the Controlling Person.

14. In the case of an account closure, the Reporting Financial Institution has no obligation to report the account balance or value before or at closure, but must report that the account was closed. In determining when an account is “closed”, reference must be made to the applicable law in a particular jurisdiction. If the applicable law does not address closure of accounts, an account will be considered to be closed according to the normal operating procedures of the Reporting Financial Institution that are consistently applied for all accounts maintained by such institution. For example, an equity or debt interest in a Financial Institution would generally be considered to be closed upon termination, transfer, surrender, redemption, cancellation, or liquidation. An account with a balance or value equal to zero or that is negative will not be a closed account solely by reason of such balance or value.

Subparagraphs A(4) through (7) – Appropriate reporting period

15. The information to be reported must be that as of the end of the relevant calendar year or other appropriate reporting period. In determining what is meant by “appropriate reporting period”, reference must be made to the meaning that the term has at that time under each jurisdiction’s reporting

rules, which must be consistently applied for a reasonable number of years.

The period between the most recent contract anniversary date and the previous contract anniversary date (e.g. in the case of a Cash Value Insurance Contract), and a fiscal year other than the calendar year, would generally be considered appropriate reporting periods.

Subparagraph A(5)(a) – Other income

16. The information to be reported, in the case of a Custodial Account, includes the total gross amount of other income generated with respect to the assets held in the account paid or credited to the account (or with respect to the account) during the calendar year or other appropriate reporting period. The term “other income” means any amount considered income under the laws of the jurisdiction where the account is maintained, other than any amount considered interest, dividends, or gross proceeds or capEIOIU gains from the sale or redemption of Financial Assets.

Subparagraph A(5)(b) – Gross proceeds

17. In the case of a Custodial Account, information to be reported includes the total gross proceeds from the sale or redemption of Financial Assets paid or credited to the account during the calendar year or other appropriate reporting period with respect to which the Reporting Financial Institution acted as a custodian, broker, nominee, or otherwise as an agent for the Account Holder. The term “sale or redemption” means any sale or redemption of Financial Assets, determined without regard to whether the owner of such Financial Assets is subject to tax with respect to such sale or redemption.

18. A clearing or settlement organisation that maintains Reportable Accounts and settles sales and purchases of securities between members of such organisation on a net basis may not know the gross proceeds from sales or dispositions. Where the clearing or settlement organisation does not know the gross proceeds, gross proceeds are limited to the net amount paid or credited to a member’s account that is associated with sales or other dispositions of Financial Assets by such member as of the time that such transactions are settled under the settlement procedures of such organisation. The term “clearing or settlement organisation” means an entity that is in the business of clearing trades of securities for its member organisations and transferring, or instructing the transfer of, securities by credit or debit to the account of a member without the necessity of physical delivery of the securities.

19. With respect to a sale that is effected by a broker that results in a payment of gross proceeds, the date the gross proceeds are considered paid

is the date that the proceeds of such sale are credited to the account of or otherwise made available to the person entitled to the payment.

20. The total gross proceeds from a sale or redemption means the total amount realised as a result of a sale or redemption of Financial Assets. In the case of a sale effected by a broker, the total gross proceeds from a sale or redemption means the total amount paid or credited to the account of the person entitled to the payment increased by any amount not so paid by reason of the repayment of margin loans; the broker may (but is not required to) take commissions with respect to the sale into account in determining the total gross proceeds. In the case of a sale of an interest bearing debt obligation, gross proceeds includes any interest accrued between interest payment dates.

Subparagraph A(7) – Gross amounts

21. The information to be reported, in the case of any account other than a Custodial Account or a Depository Account, includes the total gross amount paid or credited to the Account Holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the Reporting Financial Institution is a creditor or debtor. Such “gross amount” includes, for example, the aggregate amount of:

- any redemption payments made (in whole or part) to the Account Holder during the calendar year or other appropriate reporting period; and
- any payments made to the Account Holder under a Cash Value Insurance Contract or an Annuity Contract during the calendar year or other appropriate reporting period, even if such payments are not considered Cash Value in accordance with subparagraph C(8) of Section VIII.

CRS schema and user guide

22. As provided in the Model Competent Authority Agreement, Competent Authorities will use the Common Reporting Standard schema for purposes of exchanging the information to be reported. The schema may also be used by Reporting Financial Institutions for purposes of reporting the information (as permitted by domestic law). Both the diagrammatic representation of the schema and its user guide may be found in Annex 3. The user guide may be particularly useful for Reporting Financial Institutions as it contains more detailed information on each data element and any attributes that apply to such data element. For example, the user guide describes the three data elements that apply specifically to the place of birth (i.e. CountryInfo, City and CitySubentity) and clarifies that, where the place

of birth is required to be reported, the data elements CountryInfo (identified by country code or name) and City must both be reported and the data element CitySubentity is optional.

Paragraph B – Currency

23. The information must be reported in the currency in which the account is denominated and the information reported must identify the currency in which each amount is denominated. In the case of an account denominated in more than one currency, the Reporting Financial Institution may elect to report the information in a currency in which the account is denominated and is required to identify the currency in which the account is reported.

24. If the balance or value of a financial account or other amount is denominated in a currency other than the currency used by a Participating Jurisdiction when implementing the Common Reporting Standard (for purposes of thresholds or limits), a Reporting Financial Institution must calculate the balance or value by applying a spot rate to translate such balance or value into the currency equivalent. For the purpose of a Reporting Financial Institution reporting an account, the spot rate must be determined as of the last day of the calendar year or other appropriate reporting period for which the account is being reported.

Paragraphs C through F – Exceptions

TIN and date of birth

25. Paragraph C contains an exception applicable to Preexisting Accounts: the TIN or date of birth is not required to be reported if (i) such TIN or date of birth is not in the records of the Reporting Financial Institution, and (ii) there is not otherwise a requirement for such TIN or date of birth to be collected by such Reporting Financial Institution under domestic law. Thus, the TIN or date of birth is required to be reported if either:

- the TIN or date of birth is in the records of the Reporting Financial Institution (whether or not there is an obligation to have it in the records); or
- the TIN or date of birth is not in the records of the Reporting Financial Institution, but it is otherwise required to be collected by such Reporting Financial Institution under domestic law (e.g. AML/KYC Procedures).

26. The “records” of a Reporting Financial Institution include the customer master file and electronically searchable information (see paragraph 34 below). A “customer master file” includes the primary files of a Reporting Financial Institution for maintaining account holder information, such as information used for contacting account holders and for satisfying AML/KYC Procedures. Reporting Financial Institutions would generally have a two-year period to complete the review procedures for identifying Reportable Accounts among Lower Value Accounts (see paragraph 51 of the Commentary on Section III) and, thus, could first review their electronic records (or obtain TIN or date of birth from the Account Holder) and then review their paper records.

27. In addition, even where a Reporting Financial Institution does not have the TIN or date of birth for a Preexisting Account in its records and is not otherwise required to collect such information under domestic law, the Reporting Financial Institution is required to use reasonable efforts to obtain the TIN and date of birth with respect to Preexisting Accounts by the end of the second calendar year following the year in which such Accounts were identified as Reportable Accounts, unless one of the exceptions in paragraph D applies with respect to the TIN and it is not required to be reported.

28. “Reasonable efforts” means genuine attempts to acquire the TIN and date of birth of the Account Holder of a Reportable Account. Such efforts must be made, at least once a year, during the period between the identification of the Preexisting Account as a Reportable Account and the end of the second calendar year following the year of that identification. Examples of reasonable efforts include contacting the Account Holder (e.g. by mail, in-person or by phone), including a request made as part of other documentation or electronically (e.g. by facsimile or by e-mail); and reviewing electronically searchable information maintained by a Related Entity of the Reporting Financial Institution, in accordance with the aggregation principles set forth in paragraph C of Section VII. However, reasonable efforts do not necessarily require closing, blocking, or transferring the account, nor conditioning or otherwise limiting its use. Notwithstanding the foregoing, reasonable efforts may continue to be made after the abovementioned period.

29. Paragraph D contains an exception applicable to both Preexisting and New Accounts. A TIN is not required to be reported if either:

- a) a TIN is not issued by the relevant Reportable Jurisdiction; or
- b) the domestic law of the relevant Reportable Jurisdiction does not require the collection of the TIN issued by such Reportable Jurisdiction.

30. A TIN is considered not to be issued by a Reportable Jurisdiction

(i) where the jurisdiction does not issue a Taxpayer Identification Number nor

a functional equivalent in the absence of a Taxpayer Identification Number (see paragraph 148 of the Commentary on Section VIII), or (ii) where the jurisdiction has not issued a TIN to a particular individual or Entity. As a consequence, a TIN is not required to be reported with respect to a Reportable Account held by a Reportable Person that is resident in such a Reportable Jurisdiction, or with respect to whom a TIN has not been issued. However, if and when a Reportable Jurisdiction starts issuing TINs and issues a TIN to a particular Reportable Person, the exception contained in paragraph D no longer applies and the Reportable Person's TIN would be required to be reported if the Reporting Financial Institution obtains a self-certification that contains such TIN, or otherwise obtains such TIN.

31. The exception described in clause (ii) of paragraph D focuses on the domestic law of the Account Holder's jurisdiction. Where a Reportable Jurisdiction has issued a TIN to a Reportable Person that holds a Reportable Account and the collection of such TIN cannot be required under such jurisdiction's domestic law (e.g. because under such law the provision of the TIN by a taxpayer is on a voluntary basis), the Reporting Financial Institution that maintains such account is not required to obtain and report the TIN. However, the Reporting Financial Institution is not prevented from asking for, and collecting the Account Holder's TIN for reporting purposes if the Account Holder chooses to provide it. In this case, the Reporting Financial Institution must report the TIN. In practice, there may be only a few jurisdictions where this is the case (e.g. Australia).

32. Participating Jurisdictions are expected to provide Reporting Financial Institutions with information with respect to the issuance, collection and, to the extent possible and practical, structure and other specifications of taxpayer identification numbers. The OECD will endeavour to facilitate its dissemination.

Place of birth

33. Paragraph E contains an exception for both Preexisting and New Accounts: the place of birth is not required to be reported unless the Reporting Financial Institution is otherwise required to obtain and report it under domestic law and it is available in the electronically searchable data maintained by the Reporting Financial Institution. Thus, the place of birth is required to be reported if, with respect to the relevant Account Holder, both:

- the Reporting Financial Institution is otherwise required to obtain the place of birth and report it under domestic law; and
- the place of birth is available in the electronically searchable information maintained by the Reporting Financial Institution.

34. The term “electronically searchable information/data” means information that a Reporting Financial Institution maintains in its tax reporting files, customer master files, or similar files, and that is stored in the form of an electronic database against which standard queries in programming languages, such as Structured Query Language, may be used. Information, data, or files are not electronically searchable merely because they are stored in an image retrieval system (such as portable document format (.pdf) or scanned documents). “Reporting” for this purpose does not include information that is provided only upon request.

Gross proceeds

35. Paragraph F contains an exception with respect to the year the information is to be reported. It may be more difficult for Reporting Financial Institutions to implement procedures to obtain the total gross proceeds from the sale or redemption of Financial Assets. Thus, when implementing the Common Reporting Standard, jurisdictions may consider (if necessary) gradually introducing the reporting of such gross proceeds. In that case, the transitory provision would be drafted as paragraph F.

Commentary on Section II concerning General Due Diligence Requirements

1. This Section contains the general due diligence requirements. It also deals with reliance on service providers and alternative due diligence procedures for Preexisting Accounts.

Paragraphs A through C – General Due Diligence Requirements

2. An account is treated as a Reportable Account, according to paragraph A, beginning as of the date it is identified as such pursuant to the due diligence procedures in Sections II through VII. Once an account is a Reportable Account, it maintains such status until the date it ceases to be a Reportable Account (e.g. because the Account Holder ceases to be a Reportable Person or the account becomes an Excluded Account, is closed, or is transferred in its entirety), even if the account balance or value is equal to zero or is negative, or there was not any amount paid or credited to the account (or with respect to the account). Where an account is identified as a Reportable Account based on its status at the end of the calendar year or reporting period, information with respect to that account must be reported as if it were a Reportable Account through the full calendar year or reporting period in which it was identified as such. Where a Reportable Account is closed, information with respect to that account must be reported until the date of closure. Unless otherwise provided, information with respect to a Reportable Account must be reported annually in the calendar year following the year to which the information relates.

3. The following examples illustrate, in general, the application of paragraph A:

- Example 1 (Account that becomes a Reportable Account): An account is opened on 28 May 00 and is identified as a Reportable Account on 3 December 01. Because the account was identified as a Reportable Account in calendar year 01, information with respect to that Reportable Account must be reported in calendar year 02 with respect to the full calendar year 01 and on an annual basis thereafter.

- Example 2 (Account that ceases to be a Reportable Account): The facts are the same as in Example 1. However, on 24 March 02, the Account Holder ceases to be a Reportable Person and, as a consequence, the account ceases to be a Reportable Account. Because the account ceased to be a Reportable Account on 24 March 02, information with respect to that account is not required to be reported in calendar year 03 nor afterwards, unless the account once again becomes a Reportable Account in calendar year 03 or any subsequent calendar year.
- Example 3 (Account that is closed): An account is opened on 9 September 04 and becomes a Reportable Account on 8 February 05. However, on 27 September 05, the Account Holder closes the account. Because the account was a Reportable Account between 8 February and 27 September 05 and was closed in calendar year 05, information with respect to that account (including the closure of the account) must be reported in calendar year 06 with respect to the part of calendar year 05 between 1 January and 27 September.
- Example 4 (Account that ceases to be a Reportable Account and is closed): The facts are the same as in Example 2, except that on 4 July 02 the Account Holder closes the account. Because the account ceased to be a Reportable Account on 24 March 02, information with respect to that account is not required to be reported in calendar year 03.

4. Whilst the balance or value of an account is part of the information to be reported, it is also relevant for other purposes, such as the due diligence procedures for Preexisting Entity Accounts (see paragraphs A and B, and subparagraph E(1) and (2) of Section V) and the account balance aggregation rules (see subparagraphs C(1) and (2) of Section VII). According to paragraph B, the balance or value of an account is to be determined as of the last day of the calendar year or other appropriate reporting period.

5. Where a balance or value threshold is to be determined as of the last day of a calendar year (see, e.g. subparagraph C(6) of Section III, and paragraphs A and B of Section V), according to paragraph C, the relevant balance or value must be determined as of the last day of the reporting period that ends with or within that calendar year. Thus, if the reporting period ends with the calendar year, then the relevant balance or value must be determined as of 31 December of the calendar year. However, if the reporting period ends within the calendar year, then the relevant balance or value must be determined as of the last day of the reporting period, but within the calendar year.

Paragraph D – Reliance on Service Providers

6. According to paragraph D, each Jurisdiction may allow Reporting Financial Institutions to use service providers to fulfil the reporting and due diligence obligations imposed on such Reporting Financial Institutions (e.g. a jurisdiction may permit Reporting Financial Institutions to rely on due diligence procedures performed by service providers). In such cases, Reporting Financial Institutions must satisfy the requirements contained in domestic law and remain responsible for their reporting and due diligence obligations (i.e. the service provider's actions are imputed to the Reporting Financial Institution), including their obligations under domestic law on confidentiality and data protection. This alternative allows a Reporting Financial Institution to use a service provider that is resident in the same or in a different jurisdiction as the Reporting Financial Institution. Also, it does not modify the time and manner of the reporting and due diligence obligations, which remain the same as if they were still being fulfilled by the Reporting Financial Institution. For example, the service provider must report the information as the Reporting Financial Institution would have (e.g. to the same jurisdiction) and identify the Reporting Financial Institution with respect to which it fulfils the reporting and due diligence obligations.

7. The following example illustrates the application of paragraph D: Investment Entity P is a mutual fund managed by Fund manager M that is resident in Participating Jurisdiction B and does not qualify as an Exempt Collective Investment Vehicle. Participating Jurisdiction B allows Reporting Financial Institutions to use service providers to fulfil all their CRS related obligations. Because Investment Entity P is a Reporting Financial Institution in Participating Jurisdiction B, Investment Entity P may use Fund manager M to perform the due diligence procedures and comply with its reporting and other CRS obligations.

Paragraph E – Alternative due diligence procedures for Preexisting Accounts

8. According to paragraph E, each Jurisdiction may allow Reporting Financial Institutions to apply (i) the due diligence procedures for New Accounts to Preexisting Accounts, and (ii) the due diligence procedures for High Value Accounts to Lower Value Accounts. It may also permit Reporting Financial Institutions to make such election either with respect to all relevant Preexisting Accounts or, separately, with respect to any clearly identified group of such accounts (such as by line of business or the location where the account is maintained).

9. Where a Jurisdiction allows New Account due diligence procedures to be used for Preexisting Accounts, the rules otherwise applicable to

Preexisting Accounts continue to apply. Thus, a Reporting Financial Institution can apply the due diligence procedures for New Accounts without forgoing access to relieving provisions that apply to Preexisting Accounts, such as paragraphs C of Section I, A of Section III, and A of Section V, which continue to apply in such circumstances. Also, consistent with subparagraph B(1) of Section III, the reporting of a single residence for a Preexisting Individual Account is sufficient to satisfy the reporting requirements of Section I.

Commentary on Section III concerning Due Diligence for Preexisting Individual Accounts

1. This Section contains the due diligence procedures for purposes of identifying Reportable Accounts among Preexisting Individual Accounts. It distinguishes between Lower Value Accounts and High Value Accounts.

Paragraph A – Accounts not required to be reviewed, identified or reported

2. Paragraph A exempts from review all Preexisting Individual Accounts that are Cash Value Insurance Contracts and Annuity Contracts, provided that the Reporting Financial Institution is effectively prevented by law from selling such contracts to residents of a Reportable Jurisdiction. A Reporting Financial Institution is “effectively prevented by law” from selling Cash Value Insurance Contracts or Annuity Contracts to residents of a Reportable Jurisdiction if:

- a) the law of the Reporting Financial Institution’s jurisdiction prohibits or otherwise effectively prevents the sale of such contracts to residents in another jurisdiction; or
- b) the law of a Reportable Jurisdiction prohibit or otherwise effectively prevents the Reporting Financial Institution from selling such contracts to residents of such Reportable Jurisdiction.

3. Where the applicable law does not prohibit Reporting Financial Institutions from selling insurance or annuity contracts outright, but requires them to fulfil certain conditions prior to being able to sell such contracts to residents of the Reportable Jurisdiction (such as obtaining a license and registering the contracts), a Reporting Financial Institution that has not fulfilled the required conditions under the applicable law will be considered to be “effectively prevented by law” from selling such contracts to residents of such Reportable Jurisdiction.

Paragraph B – Due diligence for Lower Value Accounts

4. Paragraph B contains the procedures that apply with respect to Lower Value Accounts. Such procedures are the residence address test and the electronic record search.

5. When implementing the Common Reporting Standard, jurisdictions may allow Reporting Financial Institutions to apply (i) either the residence address test or the electronic record search set forth in subparagraphs B(2) through (6), or (ii) only the electronic record search. In the first case, jurisdictions may also allow Reporting Financial Institutions to make an election to apply the residence address test either with respect to all Lower Value Accounts or, separately, with respect to any clearly identified group of such accounts (such as by line of business or the location where the account is maintained).

6. Where domestic law allows Reporting Financial Institutions to apply the residence address test and a Reporting Financial Institution elects to apply it, the Reporting Financial Institution must apply such a test with respect to each Lower Value Account or clearly identified group of such accounts (as permitted by domestic law). If the Reporting Financial Institution decides not to apply the test or one or more of the requirements of the test are not satisfied, then it must perform the electronic record search with respect to the Lower Value Account.

Subparagraph B(1) – Residence address test

7. Subparagraph B(1) contains the “residence address” test. Under this test, a Reporting Financial Institution must have policies and procedures in place to verify the residence address based on Documentary Evidence. For purposes of determining whether an individual Account Holder is a Reportable Person, the Reporting Financial Institution may treat such individual as being a resident for tax purposes of the jurisdiction in which an address is located if:

- a) the Reporting Financial Institution has in its records a residence address for the individual Account Holder;
- b) such residence address is current; and
- c) such residence address is based on Documentary Evidence.

8. The first requirement is that the Reporting Financial Institution has in its records a residence address for the individual Account Holder (see paragraph 26 of the Commentary on Section I). In general, an “in-care-of” address or a post office box is not a residence address. However, a post office box would generally be considered a residence address where it forms part of an address together with, e.g. a street, an apartment or suite number, or a

rural route, and thus clearly identifies the actual residence of the Account Holder. Similarly, in special circumstances such as that of milEOIUry personnel, an “in-care-of” address may constitute a residence address. Jurisdictions implementing the Common Reporting Standard may determine other special circumstances where an “in -care-of” address or a post office box is used that clearly identify a residence address, provided that such determination does not frustrate the purposes of the Common Reporting Standard.

9. The second requirement is that the residence address in the Reporting Financial Institution’s records is current. A residence address is considered to be “current” where it is the most recent residence address that was recorded by the Reporting Financial Institution with respect to the individual Account Holder. However, a residence address is not considered to be “current” if it has been used for mailing purposes and mail has been returned undeliverable-as-addressed (other than due to an error). Notwithstanding the foregoing, a residence address associated with an account that is a dormant account would be considered to be “current” during the dormancy period. An account (other than an Annuity Contract) is a “dormant account” if (i) the Account Holder has not initiated a transaction with regard to the account or any other account held by the Account Holder with the Reporting Financial Institution in the past three years; (ii) the Account Holder has not communicated with the Reporting Financial Institution that maintains such account regarding the account or any other account held by the Account Holder with the Reporting Financial Institution in the past six years; and (iii) in the case of a Cash Value Insurance Contract, the Reporting Financial Institution has not communicated with the Account Holder that holds such account regarding the account or any other account held by the Account Holder with the Reporting Financial Institution in the past six years. Alternatively, an account (other than an Annuity Contract) may also be considered as a “dormant account” under applicable laws or regulations or the normal operating procedures of the Reporting Financial Institution that are consistently applied for all accounts maintained by such institution in a particular jurisdiction, provided that such laws or regulations or such procedures contain substantially similar requirements to those in the previous sentence. An account ceases to be a dormant account when (i) the Account Holder initiates a transaction with regard to the account or any other account held by the Account Holder with the Reporting Financial Institution; (ii) the Account Holder communicates with the Reporting Financial Institution that maintains such account regarding the account or any other account held by the Account Holder with the Reporting Financial Institution; or (iii) the account ceases to be a dormant account under applicable laws or regulations or the Reporting Financial Institution’s normal operating procedures.

10. The third requirement is that the current residence address in the

Reporting Financial Institution's records is based on Documentary Evidence (see paragraphs 150-162 of the Commentary on Section VIII). This

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requirement is satisfied if the Reporting Financial Institution’s policies and procedures ensure that the current residence address in its records is the same address, or in the same jurisdiction, as that on the Documentary Evidence (e.g. identity card, driving license, voting card, or certificate of residence). The third requirement is also met if the Reporting Financial Institution’s policies and procedures ensure that where it has government-issued Documentary Evidence but such Documentary Evidence does not contain a recent residence address or does not contain an address at all (e.g. certain passports), the current residence address in the Reporting Financial Institution’s records is the same address, or in the same jurisdiction, as that on recent documentation issued by an authorised government body or a utility company, or on a declaration of the individual Account Holder under penalty of perjury. Acceptable documentation issued by an authorised government body includes, for example, formal notifications or assessments by a tax administration. Acceptable documentation issued by utility companies relates to supplies linked to a particular property and includes a bill for water, electricity, telephone (landline only), gas, or oil. A declaration of the individual Account Holder under penalty of perjury is acceptable only if (i) the Reporting Financial Institution has been required to collect it under domestic law for a number of years; (ii) it contains the Account Holder’s residence address; and (iii) it is dated and signed by the individual Account Holder under penalty of perjury. In such circumstances, the standards of knowledge applicable to Documentary Evidence would also apply to the documentation relied upon by the Reporting Financial Institution (see paragraphs 2-3 of the Commentary on Section VII). Alternatively, a Reporting Financial Institution can meet the third requirement if its policies and procedures ensure that the jurisdiction in the residence address corresponds to the jurisdiction of issuance of government-issued Documentary Evidence.

11. There may also be accounts opened at a time when there were no AML/KYC requirements and the Reporting Financial Institution therefore did not review any Documentary Evidence in the initial on-boarding process. The FATF Recommendations, which set out the international standards on combating money laundering and include the requirement to verify the identity of the customers on the basis of reliable independent sources, were first issued in 1990 and subsequently revised in 1996, 2003 and 2012.⁸ Even for accounts opened before the introduction of such requirements and “grandfathered” under the rules, there is a requirement to apply customer due diligence measures to existing customers on the basis of materiality and

8. FATF/OECD (2013), *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation*, The FATF Recommendations February 2012, FATF/OECD, Paris, available on www.fatf-gafi.org/media/fatf/

[documents/recommendations/pdfs/FATF_Recommendations.pdf](#).

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risk. In addition, with respect to Reportable Accounts that are Preexisting Accounts, Reporting Financial Institutions are already required to use reasonable efforts and contact their customers to obtain their TIN and date of birth (subject to the application of paragraphs C and D of Section I). It would be expected that such a contact would also be used to request Documentary Evidence. As a result, such instances of accounts without Documentary Evidence should be exceptional, relate to low-risk accounts, and affect accounts opened prior to 2004. In such instances, the third requirement contained in subparagraph B(1) may also be satisfied if the Reporting Financial Institution's policies and procedures ensure that current residence address in its records is in the same jurisdiction (*i*) as that of the address on the most recent documentation collected by such Reporting Financial Institution (e.g. a utility bill, real property lease, or declaration by the individual Account Holder under penalty of perjury); and (*ii*) as that reported by the Reporting Financial Institution with respect to the individual Account Holder under any other applicable tax reporting requirements (if any). Alternatively to meet the third requirement in the abovementioned circumstances, in the case of a Cash Value Insurance Contract, a Reporting Financial Institution may rely on the current residence address in its records until (*i*) there is a change in circumstances that causes the Reporting Financial Institution to know or have reason to know that such residence address is incorrect or unreliable, or (*ii*) the time of pay-out (full or partial) or maturity of the Cash Value Insurance Contract. The pay-out or maturity of such contract will constitute a change in circumstances and will trigger the relevant procedures (see paragraph 13 below).

12. The following examples illustrate the application of Reporting Financial Institutions' policies and procedures with respect to subparagraph B(1):

- Example 1 (Identity card): M, a bank that is a Reporting Financial Institution, has policies and procedures in place, pursuant to which it has collected a copy of the identity card of all its Preexisting Individual Accounts and pursuant to which it ensures that the current residence address in its records for those accounts is in the same jurisdiction as the address on their identity card. M may treat such Account Holders as being resident for tax purposes of the jurisdiction in which such address is located.
- Example 2 (Passport and utility bill): M has account opening procedures in place pursuant to which it relies on the Account Holder's passport to confirm the identity of the Account Holder and on recent utility bills to verify their residence address, as recorded in M's systems. M may treat its Preexisting Individual Account Holders as being resident for tax purposes of the jurisdiction recorded in its systems.

- Example 3 (Utility bill with reporting obligations): H, a bank that is a Reporting Financial Institution, has a number of accounts opened prior to 1990 that has been grandfathered from the application of AML/KYC Procedures and the related rules on materiality and risk have not required re-documenting the accounts. H has in its records a current residence address for these accounts that is supported by utility bills collected upon account opening. Such address is also the same address as that periodically reported by H with respect to those accounts under its non-CRS tax reporting obligations. Because H's records do not contain any Documentary Evidence associated with these accounts and H is not required to collect it under AML/KYC Procedures, and the current residence address in H's records is the same as that on the most recent documentation collected by H and as that reported by H under its non-CRS tax reporting obligations, H may treat its Account Holders as being resident for tax purposes of the jurisdiction in which such address is situated.

13. If a Reporting Financial Institution has relied on the residence address test described in subparagraph B(1) and there is a change in circumstances (see paragraph 17 below) that causes the Reporting Financial Institution to know or have reason to know that the original Documentary Evidence (or other documentation as described in paragraph 10 above) is incorrect or unreliable, the Reporting Financial Institution must, by the later of the last day of the relevant calendar year or other appropriate reporting period, or 90 calendar days following the notice or discovery of such change in circumstances, obtain a self-certification and new Documentary Evidence to establish the residence(s) for tax purposes of the Account Holder. If the Reporting Financial Institution cannot obtain the self-certification and new Documentary Evidence by such date, the Reporting Financial Institution must apply the electronic record search procedure described in subparagraphs B(2) through (6). The following examples illustrate the procedures to be followed in case of a change in circumstances:

- Example 1: I, a bank that is a Reporting Financial Institution, has relied on the residence address test to treat an individual Account Holder, P, as a resident of Reportable Jurisdiction X. Five years later, P communicates to I that he has moved to jurisdiction Y, which is also a Reportable Jurisdiction, and provides his new address. I obtains from P a self-certification and new Documentary Evidence confirming that he is resident for tax purposes in jurisdiction Y. I must treat P as a resident of Reportable Jurisdiction Y.
- Example 2: The facts are the same as in Example 1, except that I does not obtain a self-certification from P. I must apply the electronic record search procedure described in subparagraphs B(2) through (6)

and, as a result, treat P as a resident of, at least, jurisdiction Y (based on the new address provided by the Account Holder).

Subparagraphs B(2) through (6) – Electronic record search

14. Subparagraphs B(2) through (6) describe the “electronic record search” procedure. Under this procedure, the Reporting Financial Institution must review electronically searchable data maintained by the Reporting Financial Institution for any of the indicia described in subparagraph B(2).

15. Subparagraph B(3) makes clear that if none of the indicia listed in subparagraph B(2) are discovered in the electronic search, no further action is required until there is a change in circumstances that results in one or more indicia being associated with the account, or the account becomes a High Value Account.

16. If any of the indicia listed in subparagraph B(2)(a) through (e) are discovered in the electronic search, or if there is a change in circumstances that results in one or more indicia being associated with the account, then, according to subparagraph B(4), the Reporting Financial Institution must treat the Account Holder as a resident for tax purposes of each Reportable Jurisdiction for which an indicium is identified, unless it elects to apply the curing procedure described in subparagraph B(6) and one of the exceptions in such subparagraph applies with respect to that account. However, in case of a change in circumstances, a Reporting Financial Institution may choose to treat a person as having the same status that it had prior to the change in circumstances until the later of the last day of the relevant calendar year or other appropriate reporting period or 90 calendar days following the date that the indicium was identified due to the change in circumstances.

17. A “change in circumstances” includes any change that results in the addition of information relevant to a person’s status or otherwise conflicts with such person’s status. In addition, a change in circumstances includes any change or addition of information to the account holder’s account (including the addition, substitution, or other change of an account holder) or any change or addition of information to any account associated with such account (applying the account aggregation rules described in subparagraphs C(1) through (3) of Section VII) if such change or addition of information affects the status of the account holder.

18. Despite the fact that the indicia described in subparagraph B(2) should limit the number of instances in which the electronic record search results in indicia for different Reportable Jurisdictions, these instances may still occur in practice. Some of these cases may be “false” indications of residence in a Reportable Jurisdiction. Some others may be genuine cases of

Account Holders that are resident in multiple jurisdictions. Reporting

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Financial Institutions would often contact their customers to resolve such cases (by applying the curing procedure described in subparagraph B(6)) and advise them that if the conflicting indicia cannot be cured, information may be exchanged with two or more jurisdictions. Such course of action would often already result from customer relationship considerations and the need to handle customer information with care. The same would apply in the context of the due diligence procedures for Preexisting Individual Accounts that are High Value Accounts. To the extent an Account Holder would nevertheless be reported as resident of more than one jurisdiction, it is expected that the Competent Authorities would exchange all jurisdictions of residence to each respective jurisdiction. This would allow the relevant Competent Authorities to resolve any residence questions.

19. Subparagraph B(5) contains a special procedure in case a “hold mail” instruction or “in- care-of” address is discovered in the electronic search, and none of the other indicia listed in subparagraph B(2)(a) through (e) and no other address (within such indicia) are identified for the Account Holder in such electronic search.

Subparagraph B(2) – Indicia

20. Subparagraph B(2) contains the actual “electronic record search”. Under this procedure, the Reporting Financial Institution must review electronically searchable data maintained by the Reporting Financial Institution for any of the following indicia (see paragraph 34 of the Commentary on Section I) and apply subparagraphs B(3) through (6):

- a)* identification of the Account Holder as a resident of a Reportable Jurisdiction;
- b)* current mailing or residence address (including a post office box) in a Reportable Jurisdiction;
- c)* one or more telephone numbers in a Reportable Jurisdiction and no telephone number in the jurisdiction of the Reporting Financial Institution;
- d)* standing instructions (other than with respect to a Depository Account) to transfer funds to an account maintained in a Reportable Jurisdiction;
- e)* currently effective power of attorney or signatory authority granted to a person with an address in a Reportable Jurisdiction; or
- f)* a “hold mail” instruction or “in-care-of” address in a Reportable Jurisdiction if the Reporting Financial Institution does not have any other address on file for the Account Holder.

21. The indicium contained in subparagraph B(2)(a) is an identification of the Account Holder as a resident of a Reportable Jurisdiction. This indicium is met if the Reporting Financial Institution’s electronically searchable information contains a designation of the Account Holder as a Reportable Jurisdiction’s resident for tax purposes.

22. The indicium contained in subparagraph B(2)(b) is a current mailing or residence address (including a post office box) in a Reportable Jurisdiction. A mailing or residence address is considered to be “current” where it is the most recent mailing or residence address that was recorded by the Reporting Financial Institution with respect to the individual Account Holder. A mailing or residence address associated with an account that is a dormant account (see paragraph 9 above) would be considered to be “current” during the dormancy period. Where the Reporting Financial Institution has recorded two or more mailing or residence addresses with respect to the Account Holder and one of such addresses is that of a service provider of the Account Holder (e.g. external asset manager, investment advisor, or attorney), the Reporting Financial Institution is not required to treat the service provider’s address as an indicium of residence of the Account Holder.

23. The indicium contained in subparagraph B(2)(c) is one or more telephone numbers in a Reportable Jurisdiction and no telephone number in the jurisdiction of the Reporting Financial Institution. The telephone number(s) in a Reportable Jurisdiction is only required to be treated as an indicium of residence of the Account Holder where it is a “current” telephone number(s) in a Reportable Jurisdiction. For these purposes, a telephone number(s) is considered to be “current” where it is the most recent telephone number(s) that was recorded by the Reporting Financial Institution with respect to the individual Account Holder. Where the Reporting Financial Institution has recorded two or more telephone numbers with respect to the Account Holder and one of such telephone numbers is that of a service provider of the Account Holder (e.g. external asset manager, investment advisor, or attorney), the Reporting Financial Institution is not required to treat the service provider’s telephone number as an indicium of residence of the Account Holder.

24. The indicium contained in subparagraph B(2)(d) is standing instructions (other than with respect to a Depository Account) to transfer funds to an account maintained in a Reportable Jurisdiction. The term “standing instructions to transfer funds” means current payment instructions provided by the account holder, or an agent of the account holder, that will repeat without further instructions being provided by the account holder. Therefore, for example, a transfer instruction to make an isolated payment is not a standing instruction to transfer funds, even if the instructions are given one year in advance. However, an instruction to make payments indefinitely is a standing

instruction to transfer funds for the period during which such instructions are in effect, even if such instructions are amended after a single payment.

25. The following example illustrates the application of subparagraph B(2)(d): An individual, K, holds a Custodial Account with E, a custodial bank resident in Reportable Jurisdiction R. K also holds a Depository Account with F, a commercial bank resident in Reportable Jurisdiction S. K has provided E with standing instructions to transfer to the Depository Account, all the income generated with respect to the securities held in the Custodial Account. Because the standing instructions are with respect to a Custodial Account and the funds are to be transferred to an account maintained in a Reportable Jurisdiction, then such standing instructions are an indicium of residence in Reportable Jurisdiction S.

26. The indicia contained in subparagraph B(2)(f) cover a “hold mail” instruction and a “in-care-of” address in a Reportable Jurisdiction if the Reporting Financial Institution does not have any other address on file for the Account Holder. A “hold mail” instruction is a current instruction by the Account Holder, or an agent of the Account Holder, to keep the Account Holder’s mail until such instruction is amended. Where such an instruction is in place and the Reporting Financial Institution does not have any address on file for the Account Holder, the indicium is met. An instruction to send all correspondence electronically is not a “hold mail” instruction. Where the Reporting Financial Institution holds an “in-care-of” address in a Reportable Jurisdiction and does not have any other address on file for the Account Holder, the indicium is also met.

Subparagraph B(5) – Special procedure

27. Subparagraph B(5) contains a special procedure in case a “hold mail” instruction or “in-care-of” address is discovered in the electronic search, and none of the other indicia listed in subparagraph B(2)(a) through (e) and no other address (within such indicia) are identified for the Account Holder in such electronic search.

28. Where the special procedure is applicable, the Reporting Financial Institution must, in the order most appropriate to the circumstances, apply the paper record search described in subparagraph C(2), or seek to obtain from the Account Holder a self-certification or Documentary Evidence to establish the residence(s) for tax purposes of such Account Holder. If the paper search fails to establish an indicium and the attempt to obtain the self-certification or Documentary Evidence is not successful, the Reporting Financial Institution must report the account as an undocumented account.

29. Once a Reporting Financial Institution determines that a Lower Value

Account is an undocumented account, the Reporting Financial Institution is

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not required to re-apply the procedure set forth in subparagraph B(5) to the same Lower Value Account in any subsequent year until there is a change in circumstances that results in one or more indicia being associated with the account, or the account becomes a High Value Account. However, the Reporting Financial Institution must report the Lower Value Account as an undocumented account until such account ceases to be undocumented.

Subparagraph B(6) – Curing procedure

30. Subparagraph B(6) contains a procedure for curing a finding of indicia under subparagraph B(2). A Reporting Financial Institution is not required to treat an Account Holder as a resident of a Reportable Jurisdiction if:

a) the Account Holder information contains a current mailing or residence address in the Reportable Jurisdiction, one or more telephone numbers in the Reportable Jurisdiction (and no telephone number in the jurisdiction of the Reporting Financial Institution) or standing instructions (with respect to Financial Accounts other than Depository Accounts) to transfer funds to an account maintained in a Reportable Jurisdiction, the Reporting Financial Institution obtains, or has previously reviewed and maintains a record of:

- i)* a self-certification from the Account Holder of the jurisdiction(s) of residence of such Account Holder that does not include such Reportable Jurisdiction; and
- ii)* Documentary Evidence establishing the Account Holder’s non-reportable status.

b) the Account Holder information contains a currently effective power of attorney or signatory authority granted to a person with an address in the Reportable Jurisdiction, the Reporting Financial Institution obtains, or has previously reviewed and maintains a record of:

- i)* a self-certification from the Account Holder of the jurisdiction(s) of residence of such Account Holder that does not include such Reportable Jurisdiction; or
- ii)* Documentary Evidence establishing the Account Holder’s non-reportable status.

31. A self-certification or Documentary Evidence that has been previously reviewed may be relied upon for purposes of the curing procedure unless the Reporting Financial Institution knows or has reasons to know that the self-certification or Documentary Evidence is incorrect or unreliable (see paragraphs 2-3 of the Commentary on Section VII).

32. The self-certification that is part of the curing procedure does not need to contain an express confirmation that an Account Holder is not resident in a given Reportable Jurisdiction provided the Account Holder confirms that it contains all its jurisdictions of residence (i.e. the information with respect to the Account Holder’s jurisdiction(s) of residence is correct and complete). Documentary Evidence is sufficient to establish an Account Holder’s non-reportable status if the Documentary Evidence (i) confirms that the Account Holder is resident in a jurisdiction other than the relevant Reportable Jurisdiction; (ii) contains a current residence address outside the relevant Reportable Jurisdiction; or (iii) is issued by an authorised government body of a jurisdiction other than the relevant Reportable Jurisdiction (see paragraph 150-162 of the Commentary on Section VIII).

Paragraph C – Due diligence for Higher Value Accounts

33. Paragraph C contains the enhanced review procedures that apply with respect to High Value Accounts. Such procedures are the electronic record search, the paper record search and the relationship manager inquiry.

Subparagraph C(1) – Electronic record search

34. The “electronic record search” is required with respect to all High Value Accounts. As provided in subparagraph C(1), the Reporting Financial Institution must review electronically searchable data maintained by the Reporting Financial Institution for any of the indicia described in subparagraph B(2) (see paragraph 34 of the Commentary on Section I).

Subparagraph C(2) and (3) – Paper record search

35. If the Reporting Financial Institution’s electronically searchable databases include fields for, and capture all of the information described in, subparagraph C(3), then a further paper record search is not required. This means that the Reporting Financial Institution’s electronically searchable database has fields for the information described in subparagraph C(3) from which, via an electronic search, it can determine whether information is contained in such fields. Thus, the exception for the paper record search would not be available where a field was simply left blank unless, pursuant to the Reporting Financial Institution’s policies and procedures, the fact that such field is left blank means that the information described in subparagraph C(3) is not in the Reporting Financial Institution’s records (e.g. because a telephone number has not been provided, or a power of attorney has not been granted).

36. A Reporting Financial Institution is not required to perform the paper record search described in subparagraph C(2) to the extent the Reporting

Financial Institution’s electronically searchable information includes the information described in subparagraph C(3). Thus, if the Reporting Financial Institution’s electronically searchable information does not include all the information described in subparagraph C(3), then the Reporting Financial Institution is only required to perform the paper record search with respect to the information described in subparagraph C(3) that is not included in its electronically searchable information. For example, a Reporting Financial Institution’s electronically searchable database that includes all the information described in subparagraph C(3) apart from the one contained in subparagraph C(3)(d) (i.e. standing instructions to transfer funds), only causes the Reporting Financial Institution to perform the paper record search with respect to the information described in subparagraph C(3)(d). Similarly, a Reporting Financial Institution’s electronically searchable database that does not include all the information described in subparagraph C(3) with respect to a clearly identified group of High Value Accounts, only causes the Reporting Financial Institution to perform the paper record search with respect to such group of accounts and limited to the information described in subparagraph C(3) that is not included in its electronically searchable information.

37. When the Reporting Financial Institution is required to perform the “paper record search” with respect to a High Value Account, it must also review the current customer master file and, to the extent not contained in the current customer master file, the documents listed in subparagraph C(2) associated with the account and obtained by the Reporting Financial Institution within the last five years for any of the indicia described in subparagraph B(2).

Subparagraph C(4) – Relationship manager inquiry

38. The “relationship manager inquiry” is required in addition to the electronic and paper record searches. As provided in subparagraph C(4), the Reporting Financial Institution must treat as a Reportable Account any High Value Account assigned to a relationship manager (including any Financial Accounts aggregated with that High Value Account) if the relationship manager has actual knowledge that the Account Holder is a Reportable Person.

39. A “relationship manager” is an officer or other employee of a Reporting Financial Institution who is assigned responsibility for specific account holders on an on-going basis (including as an officer or employee that is a member of a Reporting Financial Institution’s private banking department), advises account holders regarding their banking, investment, trust, fiduciary, estate planning, or philanthropic needs, and recommends, makes referrals to, or arranges for the provision of financial products, services, or other assistance by internal or external providers to meet those needs.

40. Relationship management must be more than ancillary or incidental to the job function of a person for the person to be considered a relationship manager. As such, a person whose functions do not involve direct client contact or which are of a back office, administrative or clerical nature is not considered a relationship manager. It is recognised that regular contact can exist between an Account Holder and an employee of a Reporting Financial Institution without causing the employee to be a relationship manager. For example, a person at a Reporting Financial Institution who is largely responsible for processing transactions/orders or ad hoc requests may end up knowing an Account Holder well. However, the person is not considered a relationship manager unless that person is ultimately charged with managing the Account Holder's affairs at the Reporting Financial Institution.

41. Notwithstanding paragraphs 39-40 above, a person is only a relationship manager for purposes of subparagraph C(4) with respect to an account that has an aggregate balance or value of more than USD 1 000 000, taking into account the account aggregation and currency translation rules described in paragraph C of Section VII. Thus, in determining whether an officer or employee of a Reporting Financial Institution is a relationship manager, (i) the employee must satisfy the definition of relationship manager and (ii) the aggregate balance or value the Account Holder's accounts must exceed USD 1 000 000.

42. The following examples illustrate how to determine whether an employee of a Reporting Financial Institution is a relationship manager:

- Example 1: An individual, P, holds a custodial account with R, a bank that is a Reporting Financial Institution. The value in P's account at the end of year is USD 1 200 000. An employee of R's private banking department, O, oversees the account of P on an on-going basis. Because O satisfies the definition of "relationship manager" and the value in P's account is more than USD 1 000 000, O is a relationship manager with respect to P's account.
- Example 2: Same facts as Example 1, except that the value in P's custodial account at the end of year is USD 800 000. In addition, P also holds a depository account with R, the balance of which at the end of year is USD 400 000. Both accounts are associated with P and with one another by reference to R's internal identification number. Because O satisfies the definition of "relationship manager" and, once the account aggregation rules have been applied, the aggregated balance or value in P's accounts is more than USD 1 000 000, O is a relationship manager with respect to P's accounts.
- Example 3: Same facts as Example 2, except that O's functions do not involve direct contact with P. Because O does not satisfy the definition of "relationship manager", O is not a relationship

manager with respect to P's accounts.

Subparagraph C(5) – Effect of finding indicia

43. If none of the indicia listed in subparagraph B(2) are discovered in the enhanced review of High Value Accounts, and the account is not identified as held by a Reportable Person in subparagraph C(4), then, according to subparagraph C(5)(a), further action is not required until there is a change in circumstances that results in one or more indicia being associated with the account.

44. If any of the indicia listed in subparagraph B(2)(a) through (e) are discovered in the enhanced review of High Value Accounts, or if there is a subsequent change in circumstances that results in one or more indicia being associated with the account, then, pursuant to subparagraph C(5)(b), the Reporting Financial Institution must treat the account as a Reportable Account with respect to each Reportable Jurisdiction for which an indicium is identified unless it elects to apply the curing procedure contained in subparagraph B(6) and one of the exceptions in such subparagraph applies with respect to that account. An indicium discovered in one review procedure such as the paper record search or the relationship manager inquiry, cannot be used to cure an indicium identified in another review procedure such as the electronic record search. For example, a current residence address in a Reportable Jurisdiction within the knowledge of the relationship manager cannot be used to cure a different residence address currently on file with the Reporting Financial Institution discovered in the paper record search.

45. If a “hold mail” instruction or “in-care-of” address is discovered in the enhanced review of High Value Accounts, and no other address and none of the other indicia listed in subparagraph B(2)(a) through (e) are identified for the Account Holder, then, according to subparagraph C(5)(c), the Reporting Financial Institution must obtain from such Account Holder a self-certification or Documentary Evidence to establish the residence(s) for tax purposes of the Account Holder. If the Reporting Financial Institution cannot obtain such self-certification or Documentary Evidence, it must report the account as an undocumented account until such account ceases to be undocumented.

Subparagraphs C(6) through (9) – Additional procedures

46. According to subparagraph C(6), if a Preexisting Individual Account is not a High Value Account as of 31 December [xxxx] (i.e. it is a Lower Value Account), but becomes a High Value Account as of the last day of a subsequent calendar year, the Reporting Financial Institution must complete the enhanced review for High Value Accounts with respect to such account within the calendar year following the year in which the account becomes a High Value Account. If based on such review such account is identified as

a Reportable Account, the Reporting Financial Institution must report the required information about such account with respect to the year in which it is identified as a Reportable Account and subsequent years on an annual basis, unless the Account Holder ceases to be a Reportable Person.

47. While the selection of the year referred to in subparagraph C(6) is a decision of the jurisdiction implementing the Common Reporting Standard, it is expected that the year selected for that purpose is the same year as the year selected for the term “Preexisting Account”.

48. According to subparagraph C(7), once a Reporting Financial Institution applies the enhanced review procedures of High Value Accounts, the Reporting Financial Institution is not required to re-apply such procedures, other than the relationship manager inquiry, to the same High Value Account in any subsequent year unless the account is undocumented. In such a case, the Reporting Financial Institution should re-apply them annually until such account ceases to be undocumented. Similarly, with respect to the relationship manager inquiry, annual verifications would suffice without there being a requirement for a relationship manager to confirm on an account-by-account basis that it does not have actual knowledge that each Account Holder assigned to him is a Reportable Person.

49. According to subparagraph C(8), if there is a change of circumstances with respect to a High Value Account that results in one or more indicia described in subparagraph B(2) being associated with the account, then the Reporting Financial Institution must treat the account as a Reportable Account with respect to each Reportable Jurisdiction for which an indicium is identified unless it elects to apply subparagraph B(6) and one of the exceptions in such subparagraph applies with respect to that account. However, a Reporting Financial Institution may choose to treat a person as having the same status that it had prior to the change in circumstances during the 90 calendar days following the date that the indicium was identified due to the change in circumstances (see also paragraph 17 above).

50. A Reporting Financial Institution must have appropriate communication channels and procedures in place to ensure that a relationship manager identifies any change in circumstances of an account, as provided in subparagraph C(9). For example, if a relationship manager is notified that the Account Holder has a new mailing address in a Reportable Jurisdiction, the Reporting Financial Institution is required to treat the new address as a change in circumstances and, if it elects to apply subparagraph B(6), is required to obtain the appropriate documentation from the Account Holder.

Paragraphs D and E – Timing of review and additional procedures

51. Paragraph D contains the rule governing the timing of the review procedures for identifying Reportable Accounts among Preexisting Individual Accounts. Such rule requires that the review must be completed by [xx/xx/xxxx]. While the selection of this date is a decision of the jurisdiction implementing the Common Reporting Standard, it is expected that the date selected for that purpose is the year following the year selected for the term “Preexisting Account” with respect to High Value Accounts, and the second year following the year selected for such term with respect to Lower Value Accounts.

52. Paragraph E contain an additional procedure applicable to Preexisting Individual Accounts: any Preexisting Individual Account that has been identified as a Reportable Account under Section III must be treated as a Reportable Account in all subsequent years, unless the Account Holder ceases to be a Reportable Person.

Commentary on Section IV concerning Due Diligence for New Individual Accounts

1. This Section contains the due diligence procedures for New Individual Accounts and provides for the collection of a self-certification (and confirmation of its reasonableness).

2. According to paragraph A, upon account opening, the Reporting Financial Institution must:

- obtain a self-certification, which may be part of the account opening documentation, that allows the Reporting Financial Institution to determine the Account Holder’s residence(s) for tax purposes; and
- confirm the reasonableness of such self-certification based on the information obtained by the Reporting Financial Institution in connection with the opening of the account, including any documentation collected pursuant to AML/KYC Procedures.

3. If the self-certification establishes that the Account Holder is resident for tax purposes in a Reportable Jurisdiction, then, as provided in paragraph B, the Reporting Financial Institution must treat the account as a Reportable Account.

4. The self-certification must allow determining the Account Holder’s residence(s) for tax purposes. Generally, an individual will only have one jurisdiction of residence. However, an individual may be resident for tax purposes in two or more jurisdictions. The domestic laws of the various jurisdictions lay down the conditions under which an individual is to be treated as fiscally “resident”. They cover various forms of attachment to a jurisdiction which, in the domestic taxation laws, form the basis of a comprehensive taxation (full liability to tax). They also cover cases where an individual is deemed, according to the taxation laws of a jurisdiction, to be resident of that jurisdiction (e.g. diplomats or other persons in government service). To solve cases of double residence, tax conventions contain special rules which give the attachment to one jurisdiction a preference over the attachment of the other jurisdiction for purposes of those conventions. Generally, an individual will be resident for tax purposes in a jurisdiction if, under the laws of that jurisdiction

(including tax conventions), he pays or

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should be paying tax therein by reason of his domicile, residence or any other criterion of a similar nature, and not only from sources in that jurisdiction. Dual resident individuals may rely on the tiebreaker rules contained in tax conventions (if applicable) to solve cases of double residence for determining their residence for tax purposes (see paragraph 23 below).

5. The following examples illustrate how an individual's residence for tax purposes may be determined:

- Example 1: An individual has his permanent home in Jurisdiction A and is taxed as being a resident of Jurisdiction A. He has had a stay of more than six months in Jurisdiction B and according to the legislation of the latter Jurisdiction he is, in consequence of the length of the stay, taxed as being a resident of that Jurisdiction. Thus, he is resident of both Jurisdictions.
- Example 2: Same facts as Example 1, except that the individual only had a stay of eight weeks in Jurisdiction B and according to the legislation of that Jurisdiction he is not, by reason of the length of the stay, taxed as being a resident of Jurisdiction B. Thus, he is only resident of Jurisdiction A.

6. Participating Jurisdictions are expected to help taxpayers determine, and provide them with information with respect to, their residence(s) for tax purposes. That may be done, for example, through the various service channels used for providing information or guidance to taxpayers on the application of tax laws (e.g. phone, walk-in offices, internet). The OECD will endeavour to facilitate the dissemination of such information.

Requirements for validity of self-certifications

7. A “self-certification” is a certification by the Account Holder that provides the Account Holder's status and any other information that may be reasonably requested by the Reporting Financial Institution to fulfil its reporting and due diligence obligations, such as whether the Account Holder is resident for tax purposes in a Reportable Jurisdiction. With respect to New Individual Accounts, a self-certification is valid only if it is signed (or otherwise positively affirmed) by the Account Holder, it is dated at the latest at the date of receipt, and it contains the Account Holder's:

- a) name;
- b) residence address;
- c) jurisdiction(s) of residence for tax purposes;
- d) TIN with respect to each Reportable Jurisdiction (see paragraph 8

below); and

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e) date of birth (see paragraph 8 below).

The self-certification may be pre-populated by the Reporting Financial Institution to include the Account Holder's information, except for the jurisdiction(s) of residence for tax purposes, to the extent already available in its records.

8. If the Account Holder is resident for tax purposes in a Reportable Jurisdiction, the self-certification must include (i) the Account Holder's TIN with respect to each Reportable Jurisdiction, subject to paragraph D of Section I (see paragraphs 29-32 of the Commentary on Section I); and (ii) the Account Holder's date of birth. The self-certification would not need to include the place of birth of the Account Holder as, according to paragraph E of Section I, the place of birth is not required to be reported unless the Reporting Financial Institution is otherwise required to obtain and report it under domestic law and it is available in the electronically searchable data maintained by the Reporting Financial Institution.

9. The self-certification may be provided in any manner and in any form (e.g. electronically, such as portable document format (.pdf) or scanned documents). If the self-certification is provided electronically, the electronic system must ensure that the information received is the information sent, and must document all occasions of user access that result in the submission, renewal, or modification of a self-certification. In addition, the design and operation of the electronic system, including access procedures, must ensure that the person accessing the system and furnishing the self-certification is the person named in the self-certification, and must be capable of providing upon request a hard copy of all self-certifications provided electronically. Where the information is provided as part of the account opening documentation, it does not need to be on any one specific page of the documentation or any specific form, provided that it is complete.

10. The following examples illustrate how a self-certification may be provided:

- Example 1: Individual A completes an online application to open an account with Reporting Financial Institution K. All the information required for self-certification is entered by A on an electronic application (including a confirmation of A's jurisdiction of residence for tax purposes). A's information, as provided in the electronic self-certification, is confirmed by K's service provider to be reasonable based on the information it has collected pursuant to AML/KYC Procedures. A's self-certification is valid.
- Example 2: Individual B makes an application in person to open an account with bank L. B produces his identity card as proof of identification and provides all the information required for

self-certification to an employee of L who enters the information into the L's systems. The application is subsequently signed by B. B's self-certification is valid.

11. A self-certification may be signed (or otherwise positively affirmed) by any person authorised to sign on behalf of the Account Holder under domestic law. A person authorised to sign a self-certification generally includes an executor of an estate, any equivalent of the former title, and any other person that has been provided written authorisation by the Account Holder to sign documentation on such person's behalf.

12. A self-certification remains valid until there is a change of circumstances that causes the Reporting Financial Institution to know, or have reason to know, that the original self-certification is incorrect or unreliable (see paragraphs 17 of the Commentary on Section III and 2-3 of the Commentary on Section VII). When that is the case, according to paragraph C, the Reporting Financial Institution cannot rely on the original self-certification and must obtain either (i) a valid self-certification that establishes the residence(s) for tax purposes of the Account Holder, or (ii) a reasonable explanation and documentation (as appropriate) supporting the validity of the original self-certification (and retain a copy or a notation of such explanation and documentation). Therefore, a Reporting Financial Institution is expected to institute procedures to ensure that any change that constitutes a change in circumstances is identified by the Reporting Financial Institution. In addition, a Reporting Financial Institution is expected to notify any person providing a self-certification of the person's obligation to notify the Reporting Financial Institution of a change in circumstances.

13. A change in circumstances affecting the self-certification provided to the Reporting Financial Institution will terminate the validity of the self-certification with respect to the information that is no longer reliable, until the information is updated (see paragraph 17 of the Commentary on Section III).

14. A self-certification becomes invalid on the date that the Reporting Financial Institution holding the self-certification knows or has reason to know that circumstances affecting the correctness of the self-certification have changed. However, a Reporting Financial Institution may choose to treat a person as having the same status that it had prior to the change in circumstances until the earlier of 90 calendar days from the date that the self-certification became invalid due to the change in circumstances, the date that the validity of the self-certification is confirmed, or the date that a new self-certification is obtained. A Reporting Financial Institution may rely on a self-certification without having to inquire into possible changes of circumstances that may affect the validity of the statement, unless it knows or has reason to know that circumstances have changed.

15. If the Reporting Financial Institution cannot obtain a confirmation of the validity of the original self-certification or a valid self-certification during such 90-day period, the Reporting Financial Institution must treat the Account Holder as resident of the jurisdiction in which the Account Holder claimed to be resident in the original self-certification and the jurisdiction in which the Account Holder may be resident as a result of the change in circumstances.

16. A Reporting Financial Institution may retain an original, certified copy, or photocopy (including a microfiche, electronic scan, or similar means of electronic storage) of the self-certification. Any documentation that is stored electronically must be made available in hard copy form upon request.

Curing self-certification errors

17. A Reporting Financial Institution may treat a self-certification as valid, notwithstanding that the self-certification contains an inconsequential error, if the Reporting Financial Institution has sufficient documentation on file to supplement the information missing from the self-certification due to the error. In such case, the documentation relied upon to cure the inconsequential error must be conclusive. For example, a self-certification in which the individual submitting the form abbreviated the jurisdiction of residence may be treated as valid, notwithstanding the abbreviation, if the Reporting Financial Institution has government issued identification for the person from a jurisdiction that reasonably matches the abbreviation. On the other hand, an abbreviation for the jurisdiction of residence that does not reasonably match the jurisdiction of residence shown on the person's passport is not an inconsequential error. A failure to provide a jurisdiction of residence is not an inconsequential error. In addition, information on a self-certification that contradicts other information contained on the self-certification or in the customer master file is not an inconsequential error.

Self-certifications furnished on account-by-account basis

18. In general, a Reporting Financial Institution with which a customer may open an account must obtain a self-certification on an account-by-account basis. However, a Reporting Financial Institution may rely upon the self-certification furnished by a customer for another account if both accounts are treated as a single account for purposes of satisfying the standards of knowledge requirements set forth in paragraph A of Section VII.

Documentation collected by other persons

19. As provided in paragraph D of Section II, a Participating Jurisdiction may allow Reporting Financial Institutions to use service providers to fulfil their reporting and due diligence obligations. In such cases, a Reporting Financial Institution may use the documentation (including a self-certification) collected by service providers (e.g. data providers, financial advisors, insurance agents), subject to the conditions described in domestic law. The reporting and due diligence obligations remain, however, the responsibility of the Reporting Financial Institution.

20. A Reporting Financial Institution may rely on documentation (including a self-certification) collected by an agent (including a fund advisor for mutual funds, hedge funds, or a private equity group) of the Reporting Financial Institution. The agent may retain the documentation as part of an information system maintained for a single Reporting Financial Institution or multiple Reporting Financial Institutions provided that under the system, any Reporting Financial Institution on behalf of which the agent retains documentation may easily access data regarding the nature of the documentation, the information contained in the documentation (including a copy of the documentation itself) and its validity, and must allow such Reporting Financial Institution to easily transmit data, either directly into an electronic system or by providing such information to the agent, regarding any facts of which it becomes aware that may affect the reliability of the documentation. The Reporting Financial Institution must be able to establish, to the extent applicable, how and when it has transmitted data regarding any facts of which it became aware that may affect the reliability of the documentation and must be able to establish that any data it has transmitted has been processed and appropriate due diligence has been exercised regarding the validity of the documentation. The agent must have a system in effect to ensure that any information it receives regarding facts that affect the reliability of the documentation or the status assigned to the customer are provided to all Reporting Financial Institutions for which the agent retains the documentation.

21. A Reporting Financial Institution that acquires an account from a predecessor or transferor in a merger or bulk acquisition of accounts for value would generally be permitted to rely upon valid documentation (including a valid self-certification) or copies of valid documentation collected by the predecessor or transferor. In addition, a Reporting Financial Institution that acquires an account in a merger or bulk acquisition of accounts for value from another Reporting Financial Institution that has completed all the due diligence required under Sections II through VII with respect to the accounts transferred, would generally be permitted to also rely upon the predecessor's or transferor's determination of status of an Account Holder until the acquirer

knows, or has reason to know, that the status is inaccurate or a change in circumstances occurs (see paragraph 17 of the Commentary on Section III).

Reasonableness of self-certifications

22. As mentioned in paragraph 2 above, upon account opening, once the Reporting Financial Institution has obtained a self-certification that allows it to determine the Account Holder's residence(s) for tax purposes, the Reporting Financial Institution must confirm the reasonableness of such self-certification based on the information obtained in connection with the opening of the account, including any documentation collected pursuant to AML/KYC Procedures (i.e. the "reasonableness" test).

23. A Reporting Financial Institution is considered to have confirmed the "reasonableness" of a self-certification if, in the course of account opening procedures and upon review of the information obtained in connection with the opening of the account (including any documentation collected pursuant to AML/KYC Procedures), it does not know or have reason to know that the self-certification is incorrect or unreliable (see paragraphs 2-3 of the Commentary on Section VII). Reporting Financial Institutions are not expected to carry out an independent legal analysis of relevant tax laws to confirm the reasonableness of a self-certification.

24. The following examples illustrate the application of the "reasonableness" test:

- Example 1: A Reporting Financial Institution obtains a self-certification from the Account Holder upon account opening. The jurisdiction of the residence address contained in the self-certification conflicts with that contained in the documentation collected pursuant to AML/KYC Procedures. Because of the conflicting information, the self-certification is incorrect or unreliable and, as a consequence, it fails the reasonableness test.
- Example 2: A Reporting Financial Institution obtains a self-certification from the Account Holder upon account opening. The residence address contained in the self-certification is not in the jurisdiction in which the Account Holder claims to be resident for tax purposes. Because of the conflicting information, the self-certification fails the reasonableness test.

25. In the case of a self-certification that would otherwise fail the reasonableness test, it is expected that in the course of the account opening procedures the Reporting Financial Institution would obtain either (i) a valid self-certification, or (ii) a reasonable explanation and documentation (as appropriate) supporting the reasonableness of the self-certification (and retain

a copy or a notation of such explanation and documentation). Examples of such “reasonable explanation” include a statement by the individual that he or she (1) is a student at an educational institution in the relevant jurisdiction and holds the appropriate visa (if applicable); (2) is a teacher, trainee, or intern at an educational institution in the relevant jurisdiction or a participant in an educational or cultural exchange visitor program, and holds the appropriate visa (if applicable); (3) is a foreign individual assigned to a diplomatic post or a position in a consulate or embassy in the relevant jurisdiction; or (4) is a frontier worker or employee working on a truck or train travelling between jurisdictions. The following example illustrates the application of this paragraph: A Reporting Financial Institution obtains a self-certification for the Account Holder upon account opening. The jurisdiction of residence for tax purposes contained in the self-certification conflicts with the residence address contained in the documentation collected pursuant to AML/KYC Procedures. The Account Holder explains that she is a diplomat from a particular jurisdiction and that, as a consequence, she is resident in such jurisdiction; she also presents her diplomatic passport. Because the Reporting Financial Institution obtained a reasonable explanation and documentation supporting the reasonableness of the self-certification, the self-certification passes the reasonableness test.

Commentary on Section V concerning Due Diligence for Preexisting Entity Accounts

1. This Section describes the due diligence procedures for Preexisting Entity Accounts.

Paragraph A – Accounts not required to be reviewed, identified or reported

2. Paragraph A exempts from review all Preexisting Entity Accounts with an account balance or value that does not exceed USD 250 000 as of 31 December [xxxx], until such balance or value exceeds USD 250 000 as of the last day of any subsequent calendar year. This threshold is provided to reduce the compliance burden for financial institutions, recognising that the due diligence procedures for accounts held by Entities are more complex than those for accounts held by individuals.

3. However, the application of paragraph A is subject to (i) the implementing jurisdiction allowing Reporting Financial Institutions to apply the exception, and (ii) the Reporting Financial Institution electing to apply it, either with respect to all Preexisting Entity Accounts or, separately, with respect to any clearly identified group of such accounts. Thus, if the implementing rules in a jurisdiction do not provide for such an election or the Reporting Financial Institution does not make such an election, all Preexisting Entity Accounts are required to be reviewed in accordance with the procedures set forth in paragraph D.

4. While the selection of the years referred to in paragraphs A and B is a decision of the jurisdiction implementing the Common Reporting Standard, it is expected that the year selected for that purpose is the same year as the year selected for the term “Preexisting Account”.

Paragraphs B and C – Accounts subject to be reviewed and reporting

5. According to paragraph B, any Preexisting Entity Account not described in paragraph A (i.e. with an account balance or value that exceeds USD 250 000 as of 31 December of any calendar year) must be reviewed in accordance with the procedures set forth in paragraph D. Thus, a Preexisting Entity Account is required to be reviewed where:

- a) it has an account balance or value that exceeds USD 250 000 as of 31 December [xxxx]; or
- b) it does not exceed USD 250 000 as of 31 December [xxxx] but the account balance or value of which exceeds USD 250 000 as of the last day of any subsequent calendar year.

6. However, a Preexisting Entity Account not described in paragraph A must only be treated as a Reportable Account, according to paragraph C, if it is held by one or more Entities that are either:

- a) Reportable Persons, or
- b) Passive NFEs with one or more Controlling Persons who are Reportable Persons.

7. A Preexisting Entity Account held by a Passive NFE with one or more Controlling Persons who are Reportable Persons does not fail to qualify as a Reportable Account under paragraph C, solely because the Entity itself is not a Reportable Person or any of the Controlling Persons of the Passive NFE is resident in the same jurisdiction as the Passive NFE.

Paragraph D – Review procedures

8. Paragraph D contains the review procedures to identify Reportable Accounts among Preexisting Entity Accounts. Such procedures require Reporting Financial Institutions to determine:

- a) whether a Preexisting Entity Account is held by one or more Entities that are Reportable Persons; and
- b) whether the Preexisting Entity Account is held by one or more Entities that are Passive NFEs with one or more of the Controlling Persons who are Reportable Persons.

Subparagraph D(1) – Review procedure for Account Holders

9. Subparagraph D(1) contains the review procedure to determine whether a Preexisting Entity Account is held by one or more Entities that are

Reportable Persons. If any of the Entities is a Reportable Person, then the account must be treated as a Reportable Account.

10. A Reporting Financial Institution must review information maintained for regulatory or customer relationship purposes (including information collected pursuant to AML/KYC Procedures) to determine whether the information indicates that the Account Holder is resident in a Reportable Jurisdiction. For this purpose, information indicating that the Account Holder is resident in a Reportable Jurisdiction includes:

- a place of incorporation or organisation in a Reportable Jurisdiction;
- an address in a Reportable Jurisdiction (for example, this would be likely to apply for Entities treated as fiscally transparent and could reflect the registered address, principal office, or place of effective management); or
- an address of one or more of the trustees of a trust in a Reportable Jurisdiction.

However, the existence of a permanent establishment (including a branch) in a Reportable Jurisdiction (including an address of a permanent establishment) is not by itself an indication of residence for this purpose.

11. If the information indicates that the Account Holder is resident in a Reportable Jurisdiction, then, as provided in subparagraph D(1)(b), the Reporting Financial Institution must treat the account as a Reportable Account unless it obtains a self-certification from the Account Holder, or reasonably determines based on information in its possession or that is publicly available, that the Account Holder is not a Reportable Person with respect to such Reportable Jurisdiction.

12. “Publicly available” information includes information published by an authorised government body (for example, a government or an agency thereof, or a municipality) of a jurisdiction, such as information in a list published by a tax administration that contains the names and identifying numbers of financial institutions (e.g. the IRS FFI list); information in a publicly accessible register maintained or authorised by an authorised government body of a jurisdiction; information disclosed on an established securities market (see paragraph 112 of the Commentary on Section VIII); and any publicly accessible classification with respect to the Account Holder that was determined based on a standardised industry coding system and that was assigned e.g. by a trade organisation or a chamber of commerce, consistent with normal business practices (see paragraph 154 of the Commentary on Section VIII). In this respect, the Reporting Financial Institution is expected to retain a notation of the type of information reviewed, and the date the information was reviewed.

13. In determining whether a Preexisting Entity Account is held by one or more Entities that are Reportable Persons, the Reporting Financial Institution may follow the guidance in subparagraphs D(1)(a) and (b) in the order most appropriate under the circumstances. That would allow a Reporting Financial Institution, for example, to determine under subparagraph D(1)(b) that a Preexisting Entity Account is held by an Entity that is not a Reportable Person (e.g. a corporation that is publicly traded) and, thus, the account is not a Reportable Account.

14. As mentioned in paragraph 7 of the Commentary on Section IV, a “self-certification” is a certification by the Account Holder that provides the Account Holder’s status and any other information that may be reasonably requested by the Reporting Financial Institution to fulfil its reporting and due diligence obligations, such as whether the Account Holder is resident for tax purposes in a Reportable Jurisdiction or whether the Account Holder is a Passive NFE. With respect to Preexisting Entity Accounts, a self-certification is valid only if it is signed (or otherwise positively affirmed) by the person with authority to sign for the Account Holder, it is dated at the latest at the date of receipt, and it contains the Account Holder’s:

- a) name;
- b) address;
- c) jurisdiction(s) of residence for tax purposes; and
- d) TIN with respect to each Reportable Jurisdiction.

The self-certification may be pre-populated by the Reporting Financial Institution to include the Account Holder’s information, except for the jurisdiction(s) of residence for tax purposes, to the extent already available in its records.

15. A person with authority to sign a self-certification generally includes an officer or director of a corporation, a partner of a partnership, a trustee of a trust, any equivalent of the former titles, and any other person that has been provided written authorisation by the Account Holder to sign documentation on such person’s behalf.

16. A self-certification with respect to Preexisting Entity Accounts may also contain the Account Holder’s status. When that is the case, the Account Holder’s status may be any of the following:

- a) Financial Institution:
 - (1) Investment Entity described in subparagraph A(6)(b) of Section VIII.
 - (2) Financial Institution (other).

b) NFE:

- (1) corporation that is publicly traded or an affiliate of a publicly traded corporation.
- (2) Governmental Entity.
- (3) International Organisation.
- (4) Active NFE (other than 1 through 3).
- (5) Passive NFE (not including an Investment Entity described in subparagraph A(6)(b) of Section VIII).

When requesting a self-certification, Reporting Financial Institutions are expected to provide Account Holders with the information that is relevant for the latter to determine their status (e.g. the definition of the term “Active NFE” contained in subparagraph D(9) of Section VIII).

17. The requirements for the validity of self-certifications with respect to New Individual Accounts are applicable for the validity of self-certifications with respect to Preexisting Entity Accounts (see paragraphs 7-16 of the Commentary on Section IV). The same is applicable with respect to curing self-certification errors, the requirement to obtain self-certifications on an account-by-account basis, and documentation collected by other persons (see paragraphs 17-21 of the Commentary on Section IV).

Subparagraph D(2) – Review procedure for Controlling Persons

18. Subparagraph D(2) contains a review procedure to determine whether a Preexisting Entity Account is held by one or more Entities that are Passive NFEs with one or more Controlling Persons that are Reportable Persons. If any of the Controlling Persons of a Passive NFE is a Reportable Person, then the account must be treated as a Reportable Account (even if the Controlling Person is resident in the same jurisdiction as the Passive NFE).

19. In making these determinations, the Reporting Financial Institution must follow the guidance in subparagraphs D(2)(a) through (c) in the order most appropriate under the circumstances. Those subparagraphs are aimed at determining:

- a) whether the Account Holder is a Passive NFE;
- b) the Controlling Persons of such Passive NFE; and
- c) whether any of such Controlling Persons is a Reportable Person.

20. For purposes of determining whether the Account Holder is a Passive NFE, according to subparagraph D(2)(a), the Reporting Financial Institution must obtain a self-certification from the Account Holder to establish its

status, unless it has information in its possession or that is publicly available (see paragraph 12 above), based on which it can reasonably determine that the Account Holder is an Active NFE or a Financial Institution other than a non-participating professionally managed investment entity (i.e. an Investment Entity described in subparagraph A(6)(b) of Section VIII that is not a Participating Jurisdiction Financial Institution). For example, a Reporting Financial Institution could reasonably determine that the Account Holder is an Active NFE where the Account Holder is legally prohibited from conducting activities or operations, or holding assets, for the production of passive income (see paragraph 126 of the Commentary on Section VIII). The self-certification to establish the Account Holder's status must comply with the requirements for the validity of self-certification with respect to Preexisting Entity Accounts (see paragraphs 13-17 above). A Reporting Financial Institution that cannot determine the status of the Account Holder as an Active NFE or a Financial Institution other than non-participating professionally managed investment entity must presume that it is a Passive NFE.

21. For the purposes of determining the Controlling Persons of an Account Holder, according to subparagraph D(2)(b), a Reporting Financial Institution may rely on information collected and maintained pursuant to AML/KYC Procedures.

22. For the purposes of determining whether a Controlling Person of a Passive NFE is a Reportable Person, a Reporting Financial Institution may also rely on information collected and maintained pursuant to AML/KYC Procedures. However, in the case of a Preexisting Entity Account with an account balance or value that exceeds USD 1 000 000, subparagraph D(2)(c)(ii) prescribes the collection of a self-certification from either the Account Holder or the Controlling Person, which may be provided in the same self-certification as the one provided by the Account Holder to certify its own status. The self-certification with respect to the Controlling Person is valid only if it is signed (or otherwise positively affirmed) by the Controlling Person or a person with authority to sign for the Account Holder or the Controlling Person, it is dated at the latest at the date of receipt, and it contains each Controlling Person's:

- a) name;
- b) address;
- c) jurisdiction(s) of residence for tax purposes;
- d) TIN with respect to each Reportable Jurisdiction (see paragraph 8 of the Commentary on Section IV); and
- e) date of birth (see paragraph 8 of the Commentary on Section IV).

The self-certification may be pre-populated by the Reporting Financial Institution to include the Controlling Person's information, except for the jurisdiction(s) of residence for tax purposes, to the extent already available in its records.

23. The requirements for the validity of self-certifications with respect to New Individual Accounts are applicable for the validity of self-certifications for determining whether a Controlling Person of a Passive NFE is a Reportable Person (see paragraphs 7-16 of the Commentary on Section IV). The same is applicable with respect to curing self-certification errors, the requirement to obtain self-certifications on an account-by-account basis, and documentation collected by other persons (see paragraphs 17-21 of the Commentary on Section IV).

24. If a self-certification is required to be collected and is not obtained with respect to a Controlling Person of a Passive NFE, the Reporting Financial Institution must rely on the indicia described in subparagraph B(2) of Section III that it has in its records for such Controlling Person in order to determine whether it is a Reportable Person. If the Reporting Financial Institution has none of such indicia in its records, then no further action would be required until there is a change in circumstances that results in one or more indicia with respect to the Controlling Person being associated with the account.

Paragraph E – Timing of review and additional procedures

25. Subparagraphs E(1) and (2) contain the rules governing the timing of the review procedures for identifying Reportable Accounts among Preexisting Entity Accounts. Such rules require that the review must be completed:

- a) for accounts with an account balance or value that exceeds USD 250 000 as of 31 December [xxxx], by 31 December [xxxx]; and
for accounts with an account balance or value that does not exceed USD 250 000 as of 31 December [xxxx], but exceeds USD 250 000 as of 31 December of a subsequent year, within the calendar year following the year in which the account balance or value exceeds USD 250 000.

26. While the selection of the years referred to in subparagraphs E(1) and (2) is a decision of the jurisdiction implementing the Common Reporting Standard, it is expected that the years elected for that purpose are the same year as the year selected for the term "Preexisting Account". In the case of the second year referred to in subparagraph E(1), however, it is expected that the year selected for that purpose is, at the earliest, the second calendar year following the year selected for the term "Preexisting Account".

27. Subparagraph E(3) contains an additional procedure applicable to Preexisting Entity Accounts: if there is a change of circumstances with respect to a Preexisting Entity Account that causes the Reporting Financial Institution to know, or have reason to know, that the self-certification or other documentation associated with an account is incorrect or unreliable, the Reporting Financial Institution must re-determine the status of the account in accordance with the procedures set forth in paragraph D. The standards of knowledge applicable to Documentary Evidence also apply to any other documentation relied upon pursuant to the procedures set forth in paragraph D (see paragraphs 14 of the Commentary on Section IV and 2-3 of the Commentary on Section VII). In such case, a Reporting Financial Institution must apply the following procedures by the later of the last day of the relevant calendar year or other appropriate reporting period, or 90 calendar days following the notice or discovery of the change in circumstances:

- with respect to the determination whether the Account Holder is a Reportable Person: a Reporting Financial Institution must obtain either (i) a self-certification, or (ii) a reasonable explanation and documentation (as appropriate) supporting the reasonableness of the original self-certification or documentation (and retain a copy or a notation of such explanation and documentation). If the Reporting Financial Institution fails to either obtain a self-certification or confirm the reasonableness of the original self-certification or documentation, it must treat the Account Holder as a Reportable Person with respect to both jurisdictions.
- with respect to the determination whether the Account Holder is a Financial Institution, Active NFE or Passive NFE: a Reporting Financial Institution must obtain additional documentation or a self-certification (as appropriate) to establish the status of the Account Holder as an Active NFE or Financial Institution. If the Reporting Financial Institution fails to do so, it must treat the Account Holder as a Passive NFE.
- with respect to the determination whether the Controlling Person of a Passive NFE is a Reportable Person: a Reporting Financial Institution must obtain either (i) a self-certification, or (ii) a reasonable explanation and documentation (as appropriate) supporting the reasonableness of a previously collected self-certification or documentation (and retain a copy or a notation of such explanation and documentation). If the Reporting Financial Institution fails to either obtain a self-certification or confirm the reasonableness of the previously collected self-certification or documentation, it must rely on the indicia described in subparagraph B(2) of Section III it has in its records for such Controlling Person to determine whether it is a Reportable Person.

Commentary on Section VI concerning Due Diligence for New Entity Accounts

1. This Section describes the due diligence procedures for New Entity Accounts. The procedures are broadly the same as those for Preexisting Entity Accounts. However, the USD 250 000 threshold does not apply as it should be easier to collect self-certifications for New Entity Accounts.
2. Paragraph A contains the review procedures to identify Reportable Accounts among New Entity Accounts. Such procedures require Reporting Financial Institutions to determine:
 - a) whether a New Entity Account is held by one or more Entities that are Reportable Persons; and
 - b) whether a New Entity Account is held by one or more Entities that are Passive NFEs with one or more Controlling Persons who are Reportable Persons.

Subparagraph A(1) – Review procedure for Account Holders

3. Subparagraph A(1) contains the review procedure to determine whether a New Entity Account is held by one or more Entities that are Reportable Persons. If any of the Entities is a Reportable Person, then the account must be treated as a Reportable Account.
4. In order to determine whether an Entity is a Reportable Person, subparagraph A(1)(a) requires that, upon account opening, the Reporting Financial Institution:
 - obtains a self-certification that allows the Reporting Financial Institution to determine the Account Holder’s residence(s) for tax purposes; and
 - confirms the reasonableness of such self-certification based on the information obtained by the Reporting Financial Institution in connection with the opening of the account, including any documentation collected pursuant to AML/KYC Procedures.

5. If the self-certification indicates that the Account Holder is resident in a Reportable Jurisdiction, then, as provided in subparagraph A(1)(b), the Reporting Financial Institution must treat the account as a Reportable Account unless it reasonably determines based on information in its possession or that is publicly available (see paragraph 12 of the Commentary on Section V), that the Account Holder is not a Reportable Person with respect to such Reportable Jurisdiction (e.g. a corporation that is publicly traded or a Governmental Entity).

6. In determining whether a New Entity Account is held by one or more Entities that are Reportable Persons, the Reporting Financial Institution may follow the guidance on subparagraphs A(1)(a) and (b) in the order most appropriate under the circumstances. That would allow a Reporting Financial Institution, for example, to determine under subparagraph A(1)(b) that a New Entity Account is held by an Entity that is not a Reportable Person (e.g. a corporation that is publicly traded) and, thus, the account is not a Reportable Account.

7. The self-certification must allow determining the Account Holder's residence(s) for tax purposes. It may be rare in practice for an Entity to be subject to tax as a resident in more than one jurisdiction, but it is, of course, possible. The domestic laws of the various jurisdictions lay down the conditions under which an Entity is to be treated as fiscally "resident". They cover various forms of attachment to a jurisdiction which, in the domestic taxation laws, form the basis of a comprehensive taxation (full tax liability). To solve cases of double residence, tax conventions contain special rules which give the attachment to one jurisdiction a preference over the attachment of the other jurisdiction for purposes of those conventions. Generally, an Entity will be resident for tax purposes in a jurisdiction if, under the laws of that jurisdiction (including tax conventions), it pays or should be paying tax therein by reason of his domicile, residence, place of management or incorporation, or any other criterion of a similar nature, and not only from sources in that jurisdiction. Dual resident Entities may rely on the tiebreaker rules contained in tax conventions (if applicable) to solve cases of double residence for determining their residence for tax purposes (see paragraph 13 below).

8. The following examples illustrate how an Entity's residence for tax purposes may be determined:

- Example 1: A company is incorporated in Jurisdiction A and has its place of effective management in Jurisdiction B. Under the laws of Jurisdiction A, residence for tax purposes is determined by reference to place of incorporation. The same applies under the laws of Jurisdiction B. Thus, the company is resident only in Jurisdiction A.

- Example 2: Same facts as Example 1, except that, under the laws of Jurisdiction B, residence for tax purposes is determined by reference to place of effective management. Thus, the company is resident in both Jurisdictions A and B.
- Example 3: Same facts as Example 1, except that, under the laws of Jurisdictions A and B, residence for tax purposes is determined by reference to place of effective management. Thus, the company is resident only in Jurisdiction B.
- Example 4: Same facts as Example 1, except that, under the laws of Jurisdiction A, residence for tax purposes is determined by reference to place of effective management and, under the laws of Jurisdiction B, residence for tax purposes is determined by reference to place of incorporation. Thus, the company is not resident in either Jurisdiction A or B.

9. Participating Jurisdictions are expected to help taxpayers determine, and provide them with information with respect to, their residence(s) for tax purposes. That may be done, for example, through the various service channels used for providing information or guidance to taxpayers on the application of tax laws (e.g. phone, walk-in offices, internet). The OECD will endeavour to facilitate the dissemination of such information.

10. As the definition of the term “Reportable Jurisdiction Person” makes clear, an Entity such as a partnership, limited liability partnership or similar legal arrangement that has no residence for tax purposes shall be treated as resident in the jurisdiction in which its place of effective management is situated (see paragraph 109 of the Commentary on Section VIII). When that is the case and such an Entity certifies that it has no residence for tax purposes, subparagraph A(1)(b) allows Reporting Financial Institutions to rely on the address of its principal office as a proxy for determining its residence (see paragraph 153 of the Commentary on Section VIII). Examples of Entities that have no residence for tax purposes include those treated as fiscally transparent, and those with the same fact pattern as Example 4 of paragraph 8 above.

Validity of self-certifications

11. As mentioned in paragraph 7 of the Commentary on Section IV, a “self-certification” is a certification by the Account Holder that provides the Account Holder’s status and any other information that may be reasonably requested by the Reporting Financial Institution to fulfil its reporting and due diligence obligations, such as whether the Account Holder is resident for tax purposes in a Reportable Jurisdiction or whether the Account Holder

is a Passive NFE. With respect to New Entity Accounts, a self-certification

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is valid only if it complies with the requirements for the validity of self-certifications for Preexisting Entity Accounts (see paragraphs 14 -18 of the Commentary on Section V). The same is applicable with respect to curing self-certification errors, the requirement to obtain self-certifications on an account-by-account basis, and documentation collected by other persons.

Reasonableness of self-certifications

12. As mentioned in paragraph 4 above, upon account opening, once the Reporting Financial Institution has obtained a self-certification that allows it to determine the Account Holder's residence(s) for tax purposes, the Reporting Financial Institution must confirm the reasonableness of such self-certification based on the information obtained in connection with the opening of the account, including any documentation collected pursuant to AML/KYC Procedures (i.e. the "reasonableness" test).

13. A Reporting Financial Institution is considered to have confirmed the "reasonableness" of a self-certification if, in the course of account opening procedures and upon review of the information obtained in connection with the opening of the account (including any documentation collected pursuant to AML/KYC Procedures), it does not know or have reason to know that the self-certification is incorrect or unreliable (see paragraphs 2-3 of the Commentary on Section VII). Reporting Financial Institutions are not expected to carry out an independent legal analysis of relevant tax laws to confirm the reasonableness of a self-certification.

14. The following examples illustrate the application of the "reasonableness" test:

- Example 1: A Reporting Financial Institution obtains a self-certification from the Account Holder upon account opening. The address contained in the self-certification conflicts with that contained in the documentation collected pursuant to AML/ KYC Procedures. Because of the conflicting information, the self-certification is incorrect or unreliable and, as a consequence, it fails the reasonableness test.
- Example 2: A Reporting Financial Institution obtains a self-certification from the Account Holder upon account opening. The documentation collected pursuant to AML/KYC Procedures only indicates the Account Holder's place of incorporation. In the self-certification, the Account Holder claims to be resident for tax purposes in a jurisdiction that is different from its jurisdiction of incorporation. The Account Holder explains to the Reporting Financial Institution that under relevant tax laws its residence for tax

purposes is determined by reference to place of effective

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management, and that the jurisdiction where its effective management is situated differs from the jurisdiction in which it was incorporated. Thus, because there is a reasonable explanation of the conflicting information, the self-certification is not incorrect or unreliable and, as a consequence, passes the reasonableness test.

15. In the case a self-certification that fails the reasonableness test, it is expected that the Reporting Financial Institution would obtain a valid self-certification in the course of the account opening procedures.

Subparagraph A(2) – Review procedure for Controlling Persons

16. Subparagraph A(2) contains a review procedure to determine whether a New Entity Account is held by one or more Entities that are Passive NFEs with one or more Controlling Persons that are Reportable Persons. If any of the Controlling Persons of a Passive NFE is a Reportable Person, then the account must be treated as a Reportable Account (even if the Controlling Person is resident in the same jurisdiction as the Passive NFE).

17. In making these determinations, the Reporting Financial Institution must follow the guidance in subparagraphs A(2)(a) through (c) in the order most appropriate under the circumstances. Those subparagraphs are aimed at determining:

- a) whether the Account Holder is a Passive NFE;
- b) the Controlling Persons of such Passive NFE; and
- c) whether any of such Controlling Persons is a Reportable Person.

18. For purposes of determining whether the Account Holder is a Passive NFE, according to subparagraph A(2)(a), the Reporting Financial Institution must rely on a self-certification from the Account Holder to establish its status, unless it has information in its possession or that is publicly available (see paragraph 12 of the Commentary on Section V), based on which it can reasonably determine that the Account Holder is an Active NFE or a Financial Institution other than non-participating professionally managed investment entity (i.e. an Investment Entity described in subparagraph A(6)(b) of Section VIII that is not a Participating Jurisdiction Financial Institution). Such self-certification must comply with the requirements for the validity of self-certification with respect to Preexisting Entity Accounts (see paragraph 11 above). As mentioned in paragraph 18 of the Commentary on Section IV, a Reporting Financial Institution may rely upon the self-certification furnished by a customer for another account if both accounts are treated as a single account for purposes of satisfying the standards of knowledge requirements set forth in paragraph A of Section VII. A Reporting Financial Institution that cannot

determine the status of the Account Holder as an Active NFE or

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a Financial Institution other than non-participating professionally managed investment entity must presume that it is a Passive NFE.

19. For the purposes of determining the Controlling Persons of an Account Holder, according to subparagraph A(2)(b), a Reporting Financial Institution may rely on information collected and maintained pursuant to AML/KYC Procedures.

20. For the purposes of determining whether a Controlling Person of a Passive NFE is a Reportable Person, a Reporting Financial Institution may only rely on a self-certification from either the Account Holder or the Controlling Person (see paragraphs 22-23 of the Commentary on Section V).

21. If there is a change in circumstances (see paragraph 17 of the Commentary on Section III) with respect to a New Entity Account that causes the Reporting Financial Institution to know, or have reason to know, that the self-certification or other documentation associated with an account is incorrect or unreliable, the Reporting Financial Institution must re-determine the status of the account in accordance with the procedures set forth in paragraph 27 of the Commentary on Section V.

Commentary on Section VII

concerning Special Due Diligence Requirements

1. This Section contains special due diligence rules that Reporting Financial Institutions are required to apply in addition to the general due diligence requirements set forth in Section II and to any specific due diligence procedures applicable to the accounts maintained by them. Such rules are the standards of knowledge applicable to a self-certification and Documentary Evidence, an alternative due diligence procedure for Cash Value Insurance Contracts and Annuity Contracts held by individual beneficiaries, and the account aggregation and currency translation rules.

Paragraph A – Reliance on Self-Certification and Documentary Evidence

2. Paragraph A contains the standards of knowledge applicable to a self-certification or Documentary Evidence. It provides that a Reporting Financial Institution may not rely on a self-certification or Documentary Evidence if the Reporting Financial Institution knows (i.e. has actual knowledge) or has reason to know that the self-certification or Documentary Evidence is incorrect or unreliable.

3. A Reporting Financial Institution has reason to know that a self-certification or Documentary Evidence is unreliable or incorrect if its knowledge of relevant facts or statements contained in the self-certification or other documentation, including the knowledge of the relevant relationship managers, if any (see paragraphs 38-42 and 50 of the Commentary on Section III), is such that a reasonably prudent person in the position of the Reporting Financial Institution would question the claim being made. A Reporting Financial Institution also has reason to know that a self-certification or Documentary Evidence is unreliable or incorrect if there is information in the documentation or in the Reporting Financial Institution's account files that conflicts with the person's claim regarding its status.

Standards of knowledge applicable to self-certifications

4. A Reporting Financial Institution has reason to know that a self-certification provided by a person is unreliable or incorrect if the self-certification is incomplete with respect to any item on the self-certification that is relevant to the claims made by the person, the self-certification contains any information that is inconsistent with the person's claim, or the Reporting Financial Institution has other account information that is inconsistent with the person's claim. A Reporting Financial Institution that relies on a service provider to review and maintain a self-certification is considered to know or have reason to know the facts within the knowledge of the service provider.

Standards of knowledge applicable to Documentary Evidence

5. A Reporting Financial Institution may not rely on Documentary Evidence provided by a person if the Documentary Evidence does not reasonably establish the identity of the person presenting the Documentary Evidence. For example, Documentary Evidence is not reliable if it is provided in person by an individual and the photograph or signature on the Documentary Evidence does not match the appearance or signature of the person presenting the document. A Reporting Financial Institution may not rely on Documentary Evidence if the Documentary Evidence contains information that is inconsistent with the person's claim as to its status, the Reporting Financial Institution has other account information that is inconsistent with the person's status, or the Documentary Evidence lacks information necessary to establish the person's status.

6. A Reporting Financial Institution is not obliged to rely upon an audited financial statement to establish that an account holder meets a certain asset threshold. However, if a Reporting Financial Institution elects to do so, it has reason to know that the status claimed is unreliable or incorrect only if the total assets shown on the audited financial statement for the account holder are not within the permissible thresholds, or the notes or footnotes to the financial statement indicate that the account holder is not eligible for the status claimed. If a Reporting Financial Institution elects to rely upon an audited financial statement to establish that the account holder is an Active NFE, it will be required to review the balance sheet and income statement to determine whether the account holder meets the income and asset thresholds set forth in subparagraph D(9)(a) of Section VIII and the notes or footnotes of the financial statement for an indication that the account holder is a financial institution. If a Reporting Financial Institution elects to rely upon an audited financial statement to establish a status for an account holder that does not require the account holder to meet an asset or income threshold, it will be required to review only

the notes or footnotes to the financial statement

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to determine whether the financial statement supports the claim of status. If a Reporting Financial Institution does not elect to rely upon an audited financial statement to establish the status of the account holder (for example, because it has other documentation that establishes the account holder's status), the Reporting Financial Institution is not required to independently evaluate the financial statement solely because it also has collected the audited financial statement in the course of its account opening or other procedures.

7. A Reporting Financial Institution is not obliged to rely upon organisational documents to establish that an Entity has a particular status. However, if a Reporting Financial Institution elects to do so, it will only be required to review the document to the extent needed to establish that the requirements applicable to the particular status are met, and that the document was executed, but will not be required to review the remainder of the document.

Limits on reason to know

8. For purposes of determining whether a Reporting Financial Institution that maintains a Preexisting Entity Account has reason to know that the status applied to the Entity is unreliable or incorrect, the Reporting Financial Institution is only required to review information contradicting the status claimed if such information is contained in the current customer master file, the most recent self-certification and Documentary Evidence for the person, the most recent account opening contract, and the most recent documentation obtained by the Reporting Financial Institution for purposes of AML/KYC Procedures or for other regulatory purposes.

9. A Reporting Financial Institution that maintains multiple accounts for a single person will have reason to know that a status for the person is inaccurate based on account information for another account held by the person only to the extent that the accounts are either required to be aggregated under the rules set forth in paragraph C of Section VII for account aggregation or otherwise treated as a single account for purposes of satisfying the standards of knowledge requirements set forth in paragraph A of Section VII.

10. A Reporting Financial Institution does not know or have reason to know that a self-certification or Documentary Evidence is unreliable or incorrect solely because of a change of address in the same jurisdiction as that of the previous address. In addition, a Reporting Financial Institution does not know or have reason to know that a self-certification or Documentary Evidence is unreliable or incorrect solely because it discovers any of the indicia listed in subparagraph B(2)(c) through (e) of Section III and such

indicia conflicts with the self-certification or Documentary Evidence. The following examples illustrate the application of the limits on the standards of knowledge:

- Example 1: A, a bank that is a Reporting Financial Institution, maintains a Depository Account for P, an individual Account Holder. The Depository Account is a Preexisting Account and A has relied on the address in its records for P, as supported by his passport and a utility bill collected upon opening of the account, to determine that P is resident for tax purposes in jurisdiction X (application of the residence address test). Five years later, P provides a power of attorney to his sister, who lives in jurisdiction Y, to operate his account. The fact that P has provided such power of attorney is not sufficient to give A reason to know that the Documentary Evidence relied upon to treat P as a resident of jurisdiction X is unreliable or incorrect.
- Example 2: B, an insurance company that is a Reporting Financial Institution, has entered into a Cash Value Insurance Contract with Q. Since the contract is a New Individual Account, B has obtained a self-certification from Q and confirmed its reasonableness on the basis of the AML/KYC documentation collected from Q. The self-certification confirms that Q is resident for tax purposes in jurisdiction V. Two years after B entered into the contract with Q, Q provides a telephone number in jurisdiction W to B. Although B did not previously have any telephone number in its records for Q, the sole receipt of a telephone number in jurisdiction W, does not constitute a reason to know that the original self-certification is unreliable or incorrect.

Paragraph B – Alternative Procedures for Cash Value Insurance and Annuity Contracts

11. Paragraph B contains an alternative procedure for Cash Value Insurance Contracts and Annuity Contracts held by individual beneficiaries that simplifies the due diligence procedures otherwise applicable. A Reporting Financial Institution may presume that an individual beneficiary (other than the owner) of a Cash Value Insurance Contract or an Annuity Contract receiving a death benefit is not a Reportable Person and may treat such Financial Account as other than a Reportable Account unless the Reporting Financial Institution has actual knowledge, or reason to know, that the beneficiary is a Reportable Person.

12. A Reporting Financial Institution has reason to know that a beneficiary of a Cash Value Insurance Contract or an Annuity Contract is a Reportable Person if the information collected by the Reporting Financial Institution and

associated with the beneficiary contains indicia as described in paragraph B of Section III. If a Reporting Financial Institution has actual knowledge, or reason to know, that the beneficiary is a Reportable Person, the Reporting Financial Institution must follow the procedures in paragraph B of Section III.

13. An alternative procedure similar to that discussed may be necessary for certain employer-sponsored group insurance contracts or annuity contracts. When a group insurance contract or group annuity contract is issued to an employer and individual employees are the insured/beneficiaries, the insurance company does not have a direct relationship with the employee/certificate holders at inception of the contract. Jurisdictions wishing to provide such a procedure may include the following provision:

A Reporting Financial Institution may treat a Financial Account that is a member's interest in a Group Cash Value Insurance Contract or Group Annuity Contract as a Financial Account that is not a Reportable Account until the date on which an amount is payable to the employee/certificate holder or beneficiary, if the Financial Account that is a member's interest in a Group Cash Value Insurance Contract or Group Annuity Contract meets the following requirements:

a) the Group Cash Value Insurance Contract or Group Annuity Contract is issued to an employer and covers twenty-five or more employee/certificate holders;

b) the employee/certificate holders are entitled to receive any contract value related to their interests and to name beneficiaries for the benefit payable upon the employee's death; and

c) the aggregate amount payable to any employee/certificate holder or beneficiary does not exceed USD 1 000 000.

The term "Group Cash Value Insurance Contract" means a Cash Value Insurance Contract that (i) provides coverage on individuals who are affiliated through an employer, trade association, labour union, or other association or group; and (ii) charges a premium for each member of the group (or member of a class within the group) that is determined without regard to the individual health characteristics other than age, gender, and smoking habits of the member (or class of members) of the group. The term "Group Annuity Contract" means an Annuity Contract under which the obligees are individuals who are affiliated through an employer, trade association, labour union, or other association or group.

Paragraph C – Account Aggregation and Currency Translation Rules***Subparagraphs C(1) through (3) – Account aggregation rules***

14. Subparagraphs C(1) through (3) contain the account aggregation rules that Reporting Financial Institutions must follow for purposes of determining the aggregate balance or value of Financial Accounts.

15. The first and second account aggregation rules are identical, except that the first rule is applicable to Financial Accounts held by an individual and the second rule to those held by an Entity. The rules provide that:

- a Reporting Financial Institution is required to aggregate (or take into account) all Financial Accounts maintained by the Reporting Financial Institution, or by a Related Entity, but only to the extent that the Reporting Financial Institution's computerised systems link the Financial Accounts by reference to a data element such as client number or TIN, and allow account balances or values to be aggregated.
- each holder of a jointly held Financial Account shall be attributed the entire balance or value of the jointly held Financial Account for purposes of applying the aggregation requirements.

16. The third account aggregation rule is a special rule applicable to determine whether a Financial Account is a High Value Account. By virtue of this rule, a Reporting Financial Institution is required, in addition to the other account aggregation rules, to aggregate all Financial Accounts that a relationship manager knows, or has reason to know, are directly or indirectly owned, controlled, or established (other than in a fiduciary capacity) by the same person (see paragraphs 3 above and 38-42 of the Commentary on Section III). This requirement includes aggregating all accounts that the relationship manager has associated with one another through a name, relationship code, customer identification number, TIN, or similar indicator, or that the relationship manager would typically associate with each other under the procedures of the financial institution (or the department, division, or unit with which the relationship manager is associated).

17. In some jurisdictions, domestic law does not allow the application of the account aggregation rules as envisaged under subparagraphs C(1) through (3). For example, a Reporting Financial Institution's computerised systems may be able to link all the Financial Accounts that are maintained by the Reporting Financial Institution and its Related Entities, but domestic law may limit one or more of such Related Entities from sharing the account holder's personal data with the Reporting Financial Institution. When that is the case, the Reporting Financial Institution is required to apply the account aggregation rules as set forth in subparagraphs C(1) through (3), but only to

the extent permitted by domestic law.

18. The following examples illustrate the application of the account aggregation rules:

- **Example 1 (Reporting Financial Institution not required to aggregate accounts):** An Entity, U, holds a depository account with AP, a commercial bank that is a Reporting Financial Institution. The balance in U's account at the end of Year 1 is USD 160 000. U also holds another depository account with AP, with a USD 165 000 balance at the end of Year 1. AP's retail banking businesses share computerised information management systems, but U's accounts are not associated with one another in the shared computerised information system. Because the accounts are not associated in AP's system, AP is not required to aggregate the accounts under subparagraphs C(2) and (3) and both accounts are eligible for the exception described in paragraph A of Section V as neither account exceeds the USD 250 000 threshold.
- **Example 2 (Reporting Financial Institution required to aggregate accounts):** Same facts as Example 1, except that both of U's depository accounts are associated with U and with one another by reference to AP's internal identification number. The system shows the account balances for both accounts, and such balances may be electronically aggregated, though the system does not show a combined balance for the accounts. In determining whether such accounts meet the exception described in paragraph A of Section V for accounts with an aggregate balance or value of USD 250 000 or less, AP is required to aggregate the account balances of all depository accounts under the account aggregation rules. Under those rules, U is treated as holding depository accounts with AP with an aggregate balance of USD 325 000. Accordingly, neither account is eligible for the exception, because the accounts, when aggregated, exceed the USD 250 000 threshold.
- **Example 3 (Aggregation rules for joint accounts maintained by a Reporting Financial Institution):** In Year 1, an individual, U, holds a custodial account that is a preexisting account at custodial institution SH, a Reporting Financial Institution. The balance in U's SH custodial account at the end of Year 1 is USD 700 000. U also holds a joint custodial account that is a preexisting account with her sister, A, with another custodial institution, SH2. The balance in the joint account at the end of Year 1 is also USD 700 000. SH and SH2 are Related Entities and share computerised information management systems. Both U's custodial account at SH and U and A's custodial account at SH2 are associated with U and with one another by reference to SH's internal identification number and the

system allows the balances to be aggregated. In determining whether such accounts meet the definition of “High Value Account”, SH is required to aggregate the account balances of accounts held in whole or in part by the same account holder under the account aggregation rules. Under those rules, U is treated as having financial accounts with SH and SH2, each with an aggregate balance of USD 1 400 000. Accordingly, both of U’s accounts are High Value Accounts. A is only treated as having a financial account with SH2 with a balance of USD 700 000 since she is not an Account Holder of U’s custodial account at SH. Accordingly, A’s account is a Lower Value Account.

19. The following additional examples illustrate the application of the special aggregation rule applicable to relationship managers:

- Example 1 (Accounts held by a Passive NFE and by one of its Controlling Person): A Passive NFE, T, holds a depository account with A, a commercial bank that is a Reporting Financial Institution. One of T’s Controlling Persons, N, also holds a depository account with A. Both accounts are associated with N and with one another by reference to A’s internal identification number. In addition, A has assigned a relationship manager to N. Because the accounts are associated in A’s system and by a relationship manager, A is required to aggregate the accounts under subparagraphs C(1) through (3).
- Example 2 (Accounts held by different Passive NFEs with a common Controlling Person): Same facts as Example 1. In addition, another Passive NFE, I, holds a depository account with A. N is also one of I’s Controlling Persons. I’s account is not associated with N nor with T’s and N’s accounts by reference to A’s internal identification number. Because the accounts are associated by a relationship manager, A is required to aggregate the accounts under subparagraphs C(1) through (3).

Subparagraph C(4) – Currency translation rule

20. Subparagraph C(4) contains the currency translation rule, according to which all dollar amounts are in US dollars and shall be read to include equivalent amounts in other currencies, as determined by domestic law. When implementing the Common Reporting Standard, jurisdictions are expected to use the amounts that are equivalent in their currency to the US dollar threshold amounts described in the Standard. However, they are not required to use the exact equivalent amounts to the US dollar threshold amounts; approximate equivalent amounts are sufficient.

21. When implementing the Common Reporting Standard, jurisdictions

may permit Reporting Financial Institutions to apply the US dollar threshold

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amounts described in the Standard along with the equivalent amounts in other currencies. This would allow financial institutions that operate in several jurisdictions to apply the threshold amounts in the same currency in all the jurisdictions in which they operate.

Commentary on Section VIII concerning Defined Terms

1. Section VIII contains the defined terms, grouped around 5 themes: A) Reporting Financial Institution; B) Non-Reporting Financial Institution, C) Financial Account, D) Reportable Account and E) Miscellaneous.

Paragraph A – Reporting Financial Institution

Subparagraphs A(1) and (2) – Reporting Financial Institution

Reporting Financial Institution

2. Subparagraph A(1) defines the term “Reporting Financial Institution” as any Participating Jurisdiction Financial Institution that is not a Non-Reporting Financial Institution. Therefore, for a Financial Institution to be a Reporting Financial Institution, it needs, first, to be a Participating Jurisdiction Financial Institution and, then, not to be a Non-Reporting Financial Institution. Paragraph B sets forth the meaning of the term “Non-Reporting Financial Institution” through several definitions.

Participating Jurisdiction Financial Institution

3. The term “Participating Jurisdiction Financial Institution” is defined in subparagraph A(2) to mean:

- 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 itself 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

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Participating Jurisdiction and it is, thus, a Participating Jurisdiction Financial Institution. In the case of a trust that is a Financial Institution (irrespective of whether it is resident for tax purposes in a Participating Jurisdiction), the trust is considered to be subject to the jurisdiction of a Participating Jurisdiction if one or more of its trustees are resident in such Participating Jurisdiction except if the trust reports all the information required to be reported pursuant to the CRS with respect to Reportable Accounts maintained by the trust to another Participating Jurisdiction because it is resident for tax purposes in such other Participating Jurisdiction. However, where a Financial Institution (other than a trust) does not have a residence for tax purposes (e.g. because it is treated as fiscally transparent, or it is located in a jurisdiction that does not have an income tax), it is considered to be subject to the jurisdiction of a Participating Jurisdiction and it is, thus, a Participating Jurisdiction Financial Institution if:

- a) it is incorporated under the laws of the Participating Jurisdiction;
- b) it has its place of management (including effective management) in the Participating Jurisdiction; or
- c) it is subject to financial supervision in the Participating Jurisdiction.

In this context, the term “Participating Jurisdiction” refers to a jurisdiction that has implemented the Common Reporting Standard.

5. Where a Financial Institution (other than a trust) is resident in two or more Participating Jurisdictions, such Financial Institution will be subject to the reporting and due diligence obligations of the Participating Jurisdiction in which it maintains the Financial Account(s).

6. A “branch” is a unit, business, or office of a Financial Institution that is treated as a branch under the regulatory regime of a jurisdiction or that is otherwise regulated under the laws of a jurisdiction as separate from other offices, units, or branches of the Financial Institution. A branch includes a unit, business, or office of a Financial Institution located in a jurisdiction in which the Financial Institution is resident, and a unit, business, or office of a Financial Institution located in the jurisdiction in which the Financial Institution is created or organised. All units, businesses, or offices of a Reporting Financial Institution in a single jurisdiction shall be treated as a single branch.

Subparagraphs A(3) through (8) – Financial Institution

7. The term “Financial Institution” means a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company, as defined in subparagraph A(3).

8. Whether an Entity is subject to the financial laws and regulations of a Participating Jurisdiction, or is subject to supervision and examination by agencies having regulatory oversight of financial institutions, is relevant to, but not necessarily determinative of, whether that Entity qualifies as a Financial Institution under subparagraph A(3).

Custodial Institution

9. Subparagraph A(4) defines the term “Custodial Institution” as any Entity that holds, as a substantial portion of its business, Financial Assets for the account of others.

10. It further establishes the “substantial portion” test. An Entity holds Financial Assets for the account of others as a substantial portion of its business if the Entity’s gross income attributable to the holding of Financial Assets and related financial services equals or exceeds 20% of the Entity’s gross income during the shorter of:

- the three-year period that ends on 31 December (or the final day of a non-calendar year accounting period) prior to the year in which the determination is being made; or
- the period during which the Entity has been in existence.

“Income attributable to holding Financial Assets and related financial services” means custody, account maintenance, and transfer fees; commissions and fees earned from executing and pricing securities transactions with respect to Financial Assets held in custody; income earned from extending credit to customers with respect to Financial Assets held in custody (or acquired through such extension of credit); income earned on the bid-ask spread of Financial Assets held in custody; and fees for providing financial advice with respect to Financial Assets held in (or potentially to be held in) custody by the entity; and for clearance and settlement services.

11. Entities that safe keep Financial Assets for the account of others, such as custodian banks, brokers and central securities depositories, would generally be considered Custodial Institutions. Entities that do not hold Financial Assets for the account of others, such as insurance brokers, will not be Custodial Institutions.

Depository Institution

12. Subparagraph A(5) defines the term “Depository Institution” as any Entity that accepts deposits in the ordinary course of a banking or similar business.

13. An Entity is considered to be engaged in a “banking or similar business” if, in the ordinary course of its business with customers, the Entity accepts deposits or other similar investments of funds and regularly engages in one or more of the following activities:

- a) makes personal, mortgage, industrial, or other loans or provides other extensions of credit;
- b) purchases, sells, discounts, or negotiates accounts receivable, instalment obligations, notes, drafts, checks, bills of exchange, acceptances, or other evidences of indebtedness;
- c) issues letters of credit and negotiates drafts drawn thereunder;
- d) provides trust or fiduciary services;
- e) finances foreign exchange transactions; or
- f) enters into, purchases, or disposes of finance leases or leased assets.

An Entity is not considered to be engaged in a banking or similar business if the Entity solely accepts deposits from persons as a collateral or security pursuant to a sale or lease of property or pursuant to a similar financing arrangement between such Entity and the person holding the deposit with the Entity.

14. Savings banks, commercial banks, savings and loan associations, and credit unions would generally be considered Depository Institutions. However, whether an Entity conducts a banking or similar business is determined based upon the character of the actual activities of such Entity.

Investment Entity

15. The term “Investment Entity” includes two types of Entities: Entities that primarily conduct as a business investment activities or operations on behalf of other persons, and Entities that are managed by those Entities or other Financial Institutions.

16. Subparagraph A(6)(a) defines the first type of “Investment Entity” as any Entity that primarily conducts as a business one or more of the following activities or operations for or on behalf of a customer:

- a) trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.); foreign exchange; exchange, interest rate and index instruments; transferable securities; or commodity futures trading;
- b) individual and collective portfolio management; or
- c) otherwise investing, administering, or managing Financial Assets or

money on behalf of other persons.

Such activities or operations do not include rendering non-binding investment advice to a customer.

17. Subparagraph A(6)(b) defines the second type of “Investment Entity” as any Entity the gross income of which is primarily attributable to investing, reinvesting, or trading in Financial Assets, if the Entity is managed by another Entity that is a Depository Institution, a Custodial Institution, a Specified Insurance Company, or an Investment Entity described in subparagraph A(6)(a). An Entity is “managed by” another Entity if the managing Entity performs, either directly or through another service provider, any of the activities or operations described in subparagraph A(6)(a) on behalf of the managed Entity. However, an Entity does not manage another Entity if it does not have discretionary authority to manage the Entity’s assets (in whole or part). Where an Entity is managed by a mix of Financial Institutions, NFEs or individuals, the Entity is considered to be managed by another Entity that is a Depository Institution, a Custodial Institution, a Specified Insurance Company, or an Investment Entity described in subparagraph A(6)(a), if any of the managing Entities is such another Entity.

18. An Entity is treated as primarily conducting as a business one or more of the activities described in subparagraph A(6)(a), or an Entity’s gross income is primarily attributable to investing, reinvesting, or trading in Financial Assets for purposes of subparagraph A(6)(b), if the Entity’s gross income attributable to the relevant activities equals or exceeds 50% of the Entity’s gross income during the shorter of:

- the three-year period ending on 31 December of the year preceding the year in which the determination is made; or
- the period during which the Entity has been in existence.

19. The term “Investment Entity”, as defined in subparagraph A(6), does not include an Entity that is an Active NFE because it meets any of the criteria in subparagraphs D(9)(d) through (g) (i.e. holding NFEs and treasury centres that are members of a nonfinancial group; start-up NFEs; and NFEs that are liquidating or emerging from bankruptcy).

20. An Entity would generally be considered an Investment Entity if it functions or holds itself out as a collective investment vehicle, mutual fund, exchange traded fund, private equity fund, hedge fund, venture capEIOIU1 fund, leveraged buy-out fund or any similar investment vehicle established with an investment strategy of investing, reinvesting, or trading in Financial Assets. An Entity that primarily conducts as a business investing, administering, or managing non-debt, direct interests in real property on behalf of other persons, such as a type of real estate investment trust, will not be an Investment Entity.

21. Subparagraph A(6) also states that the definition of the term “Investment Entity” shall be interpreted in a manner consistent with similar language set forth in the definition of “financial institution” in the Financial Action Task Force Recommendations.⁹

22. The following examples illustrate the application of subparagraph A(6):

- Example 1 (Investment advisor): Fund manager is an Investment Entity within the meaning of subparagraph A(6)(a). Fund manager, among its various business operations, organises and manages a variety of funds, including Fund A, a fund that invests primarily in equities. Fund manager hires Investment advisor, an Entity, to provide advice and discretionary management of a portion of the Financial Assets held by Fund A. Investment advisor earned more than 50% of its gross income for the last three years from providing similar services. Because Investment advisor primarily conducts a business of managing Financial Assets on behalf of clients, Investment advisor is an Investment Entity under subparagraph A(6)(a). It is recognised, however, that only the Investment Entity maintaining the Financial Accounts will be responsible for the reporting and due diligence obligations with respect to such Financial Accounts (see paragraphs 57-65 of the Commentary on Section VIII).
- Example 2 (Entity that is managed by a Financial Institution): The facts are the same as in Example 1. In addition, in every year since it was organised, Fund A has earned more than 50% of its gross income from investing in Financial Assets. Accordingly, Fund A is an Investment Entity under subparagraph A(6)(b) because it is managed by Fund manager and Investment advisor and its gross income is primarily attributable to investing, reinvesting, or trading in Financial Assets.
- Example 3 (Investment manager): Investment manager, a Jurisdiction B Entity, is an Investment Entity within the meaning of subparagraph A(6)(a). Investment manager organises and registers Fund A in Jurisdiction A. Investment manager is authorised to facilitate purchases and sales of Financial Assets held by Fund A in accordance with Fund A’s investment strategy. In every year since it was organised, Fund A has earned more than 50% of its gross income from investing, reinvesting, or trading in Financial Assets. Accordingly, Fund A is an Investment Entity under subparagraph A(6)(b).

9. FATF/OECD (2013), *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation*, The FATF Recommendations February 2012, FATF/OECD, Paris, available on www.fatf-gafi.org/media/fatf/

- Example 4 (Real estate investment fund that is managed by a Financial Institution): The facts are the same as in Example 3, except that Fund A’s assets consist solely of non-debt, direct interests in real property located within and outside of Jurisdiction B. Fund A is not an Investment Entity under subparagraph A(6)(b), even though it is managed by Investment manager, because less than 50% of its gross income is attributable to investing, reinvesting, or trading in Financial Assets.
- Example 5 (Trust managed by an individual): X, an individual, establishes Trust A, an irrevocable trust for the benefit of X’s children, Y and Z. X appoints Trustee A, an individual, to act as the trustee of Trust A. Trust A’s assets consist solely of Financial Assets, and its income consists solely of income from those Financial Assets. Pursuant to the terms of the trust instrument, Trustee A manages and administers the assets of the trust. Trustee A does not hire any Entity as a service provider to perform any of the activities described in subparagraph A(6)(a). Trust A is not an Investment Entity under subparagraph A(6)(b) because it is managed solely by Trustee A, an individual.
- Example 6 (Individual broker): B, an individual broker, primarily conducts a business of providing advice to clients, has discretionary authority to manage clients’ assets, and uses the services of an entity to conduct and execute trades on behalf of clients. B provides services as an investment advisor and manager to E, a corporation. E has earned 50% or more of its gross income for the past three years from investing, reinvesting, or trading in Financial Assets. Because B is an individual, notwithstanding that B primarily conducts certain investment-related activities, B is not an Investment Entity under subparagraph A(6)(a). Further, E is not an Investment Entity under subparagraph A(6)(b) because E is managed by B, an individual.

Financial Asset

23. The term “Financial Asset” is used in the definition of the terms “Custodial Institution”, “Investment Entity”, “Custodial Account” and “Excluded Account”. While it does not refer to assets of every kind, it intends to encompass any assets that may be held in an account maintained by a Financial Institution with the exception of a non-debt, direct interest in real property.

24. Within that context, subparagraph A(7) provides that the term “Financial Asset” includes a security (for example, a share of stock in a corporation; partnership or beneficial ownership interest in a widely held

or publicly traded partnership or trust; note, bond, debenture, or other evidence of indebtedness), partnership interest, commodity, swap (for example, interest rate swaps, currency swaps, basis swaps, interest rate caps, interest rate floors, commodity swaps, equity swaps, equity index swaps, and similar agreements), Insurance Contract or Annuity Contract, or any interest (including a futures or forward contract or option) in a security, partnership interest, commodity, swap, Insurance Contract, or Annuity Contract. However, the term “Financial Asset” does not include a non-debt, direct interest in real property; or a commodity that is a physical good, such as wheat.

25. Negotiable debt instruments that are traded on a regulated market or over-the-counter market and distributed and held through Financial Institutions, and shares or units in a real estate investment trust, would generally be considered Financial Assets.

Specified Insurance Company

26. Subparagraph A(8) defines the term “Specified Insurance Company” as any Entity that is an insurance company (or the holding company of an insurance company) that issues, or is obligated to make payments with respect to, a Cash Value Insurance Contract or an Annuity Contract.

27. An “insurance company” is an Entity (i) that is regulated as an insurance business under the laws, regulations, or practices of any jurisdiction in which the Entity does business; (ii) the gross income of which (for example, gross premiums and gross investment income) arising from insurance, reinsurance, and Annuity Contracts for the immediately preceding calendar year exceeds 50% of total gross income for such year; or (iii) the aggregate value of the assets of which associated with insurance, reinsurance, and Annuity Contracts at any time during the immediately preceding calendar year exceeds 50% of total assets at any time during such year.

28. Most life insurance companies would generally be considered Specified Insurance Companies. Entities that do not issue Cash Value Insurance Contracts or Annuity Contracts nor are obligated to make payments with respect to them, such as most non-life insurance companies, most holding companies of insurance companies, and insurance brokers, will not be Specified Insurance Companies.

29. The reserving activities of an insurance company will not cause the company to be a Custodial Institution, a Depository Institution, or an Investment Entity.

Paragraph B – Non-Reporting Financial Institution

Subparagraph B(1) – In general

30. Subparagraph B(1) sets out the various categories of Non-Reporting Financial Institutions (i.e. Financial Institutions that are excluded from reporting). “Non-Reporting Financial Institution” means any Financial Institution that is:

- a) a Governmental Entity, International Organisation or Central Bank, other than with respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in by a Specified Insurance Company, Custodial Institution, or Depository Institution;
- b) a Broad Participation Retirement Fund; a Narrow Participation Retirement Fund; a Pension Fund of a Governmental Entity, International Organisation or Central Bank; or a Qualified Credit Card Issuer;
- c) any other Entity that presents a low risk of being used to evade tax, has substantially similar characteristics to any of the Entities described in subparagraphs B(1)(a) and (b), and is defined in domestic law as a Non-Reporting Financial Institution, provided that the status of such Entity as a Non-Reporting Financial Institution does not frustrate the purposes of the Common Reporting Standard;
- d) an Exempt Collective Investment Vehicle; or
- e) a trust to the extent that the trustee of the trust is a Reporting Financial Institution and reports all information required to be reported pursuant to Section I with respect to all Reportable Accounts of the trust.

Subparagraphs B(2) through (4) – Governmental Entity, International Organisation and Central Bank

31. A Financial Institution that is a Governmental Entity, International Organisation or Central Bank is a Non-Reporting Financial Institution, according to subparagraph B(1)(a), other than with respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in by a Specified Insurance Company, Custodial Institution, or Depository Institution. Thus, for example, a Central Bank that conducts a commercial financial activity, such as acting as an intermediary on behalf of persons other than in the bank’s capacity as a Central Bank, is not a Non-Reporting Financial Institution under subparagraph B(1)(a) with respect to payments received in connection with an account held in

connection with such activity.

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Governmental Entity

32. Subparagraph B(2) defines the term “Governmental Entity” as the government of a jurisdiction, any political subdivision of a jurisdiction (which, for the avoidance of doubt, includes a state, province, county, municipality, or local authority), or any wholly owned agency or instrumentality of a jurisdiction or of any one or more of the foregoing. It also includes the integral parts, controlled entities, and political subdivisions of a jurisdiction. An “integral part” and a “controlled entity” are defined in subparagraphs B(2)(a) and (b), which require that no portion of their income inure to the benefit of private persons. While subparagraph B(2)(c) clarifies when that is the case, income may also be considered to inure to the benefit of private persons if such income benefits private persons through the use of a Governmental Entity as a conduit for personal investment, or private persons who divert such income from its intended use by exerting influence or control through means explicitly or implicitly approved of by the jurisdiction.

33. In order to promote international trade and development, many jurisdictions have established export or development financing programmes or agencies which may either provide loans directly or insure or guarantee loans granted by commercial lenders. Those agencies would generally be considered Governmental Entities and, thus, Non-Reporting Financial Institutions (see paragraph 31 above).

International Organisation

34. The term “International Organisation”, as defined in subparagraph B(3), means any international organisation or wholly owned agency or instrumentality thereof. It includes any intergovernmental organisation (including a supranational organisation) (1) that is comprised primarily of governments; (2) that has in effect a headquarters or substantially similar agreement with the jurisdiction; and (3) the income of which does not inure to the benefit of private persons (under the principles of subparagraph B(2)(c)). Arrangements substantially similar to headquarters arrangements include, for example, arrangements that entitle the organisation’s offices or establishments in the jurisdiction (e.g. a subdivision, or a local or regional office) to privileges and immunities.

Central Bank

35. According to subparagraph B(4), the term “Central Bank” means an institution that is by law or government sanction the principal authority, other than the government of the jurisdiction itself, issuing instruments intended to circulate as currency. Such an institution is generally the custodian of the

banking reserves of the jurisdiction under whose law it is organised. This

term may include an instrumentality that is separate from the government of the jurisdiction, whether or not owned in whole or in part by the jurisdiction.

Subparagraphs B(5) through (7) – Funds

Broad Participation Retirement Fund

36. Subparagraph B(5) defines the term “Broad Participation Retirement Fund” as a fund established to provide retirement, disability, or death benefits, or any combination thereof, to beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, provided that the fund:

- a) does not have a single beneficiary with a right to more than five per cent of the fund’s assets;
- b) is subject to regulation and provides information reporting to the tax authorities; and
- c) satisfies at least one of the four requirements listed in subparagraph B(5)(c) (i.e. the fund is tax-favoured; most contributions are received from sponsoring employers; distributions or withdrawals are only allowed upon the occurrence of specified events; and contributions by employees are limited by amount).

37. Information reporting required in subparagraph B(5)(b) may vary among jurisdictions. While one jurisdiction could require that the fund provides annual information about its beneficiaries, another jurisdiction could require that the fund provides monthly information about contributions and associated tax relief, and annual information about its beneficiaries and total contributions from sponsoring employers. However, whether a fund provides information reporting to the relevant tax authorities in the jurisdiction in which the fund is established or operates is determinative of whether a fund satisfies the requirement under that subparagraph.

Narrow Participation Retirement Fund

38. The term “Narrow Participation Retirement Fund”, as defined in subparagraph B(6), means a fund established to provide retirement, disability, or death benefits to beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, provided that all requirements listed in that subparagraph are satisfied.

39. Subparagraph B(6)(c) requires that the employee and employer contributions to the fund are limited by reference to earned income and

compensation of the employee, respectively. While that subparagraph excludes certain transfers of assets from the threshold (i.e. those from retirement and pension accounts described in subparagraph C(17)(a)), other transfers of assets could also be excluded, such as those from other plans described in subparagraphs B(5) through (7).

40. Information reporting required in subparagraph B(6)(e) may vary among jurisdictions. As mentioned in paragraph 37 above, whether a fund provides information reporting to the relevant tax authorities in the jurisdiction in which the fund is established or operates is determinative of whether a fund satisfies the requirement under that subparagraph.

Pension Fund of a Governmental Entity, International Organisation or Central Bank

41. According to subparagraph B(7), the term “Pension Fund of a Governmental Entity, International Organisation or Central Bank” means a fund established by a Governmental Entity, International Organisation or Central Bank to provide retirement, disability, or death benefits to beneficiaries or participants that are current or former employees (or persons designated by such employees), or that are not current or former employees, if the benefits provided to such beneficiaries or participants are in consideration of personal services performed for the Governmental Entity, International Organisation or Central Bank.

Subparagraph B(8) – Qualified Credit Card Issuer

42. Subparagraph B(8) defines the term “Qualified Credit Card Issuer” as a Financial Institution satisfying the following requirements:

- a) the Financial Institution is a Financial Institution solely because it is an issuer of credit cards that accepts deposits only when a customer makes a payment in excess of a balance due with respect to the card and the overpayment is not immediately returned to the customer; and
- b) beginning on or before [xx/xx/xxxx], the Financial Institution implements policies and procedures either to prevent a customer from making an overpayment in excess of USD 50 000, or to ensure that any customer overpayment in excess of USD 50 000 (and of the balance due with respect to the card) is refunded to the customer within 60 calendar days, in each case applying the rules set forth in paragraph C of Section VII for account aggregation and currency translation. For this purpose, a customer overpayment does not refer to credit balances to the extent of disputed charges but does include credit balances resulting from merchandise returns.

43. While the selection of the date referred to in subparagraph B(8)(b) is a decision of the jurisdiction implementing the Common Reporting Standard, it is expected that the date selected for that purpose is the same date as the one selected for the term “New Account”. For this purpose, a Financial Institution that is formed or organised after the selected date must satisfy the requirement described in subparagraph B(8)(b) within six months after the date such Financial Institution was formed or organised.

44. A Reporting Financial Institution that does not satisfy the requirements to be a Qualified Credit Card Issuer, but accepts deposits when a customer makes a payment in excess of a balance due with respect to a credit card or other revolving credit facility, may still not report a Depository Account if it qualifies as an Excluded Account under subparagraph C(17)(f).

Subparagraph B(1)(c) – Low-risk Non-Reporting Financial Institutions

45. A Financial Institution can also be a Non-Reporting Financial Institution, according to subparagraph B(1)(c), provided that:

- a) the Financial Institution presents a low risk of being used to evade tax;
- b) the Financial Institution has substantially similar characteristics to any of the Financial Institutions described in subparagraphs B(1)(a) and (b);
- c) the Financial Institution is defined in domestic law as a Non-Reporting Financial Institution; and
- d) the status of the Financial Institution as a Non-Reporting Financial Institution does not frustrate the purposes of the Common Reporting Standard.

46. This “open” category of Non-Reporting Financial Institution is intended to accommodate jurisdiction-specific types of financial institutions that satisfy the requirements listed in subparagraph B(1)(c), and avoids the need to negotiate classes of Non-Reporting Financial Institutions when concluding an agreement on the automatic exchange of financial account information.

47. The first requirement described in subparagraph B(1)(c) is that the Financial Institution presents a low risk of being used to evade tax. Factors that may be considered to determine such a risk include:

- a) low-risk factors:
 - (1) the Financial Institution is subject to regulation.
 - (2) information reporting by the Financial Institution to the tax authorities is required.

b) high-risk factors:

- (1) the type of Financial Institution is not subject to AML/KYC Procedures.
- (2) the type of Financial Institution is allowed to issue shares in bearer form and is not subject to effective measures implementing the FATF Recommendations with respect to transparency and beneficial ownership of legal persons.¹⁰
- (3) the type of Financial Institution is promoted as a tax minimisation vehicle.

48. The second requirement described in subparagraph B(1)(c) is that the Financial Institution has substantially similar characteristics to any of the Financial Institutions described in subparagraphs B(1)(a) and (b). This requirement cannot be used solely to eliminate a specific element of a description. Each jurisdiction may evaluate the application of this requirement to a type of Financial Institution that does not satisfy all the requirements of a particular description listed in subparagraphs B(1)(a) or (b). As part of such evaluation, a jurisdiction must identify which requirements are satisfied and which are not satisfied, and with respect to the requirements that are not satisfied, must identify the existence of a substitute requirement that provides equivalent assurance that the relevant type of Financial Institution presents a low-risk of tax evasion.

49. The third requirement described in subparagraph B(1)(c) is that the Financial Institution is defined in domestic law as a Non-Reporting Financial Institution. This requirement is satisfied where a jurisdiction defines a specific type of Financial Institution as a Non-Reporting Financial Institution, and that definition is contained in domestic law. For such purpose, a jurisdiction would typically be consistent with the types of Financial Institutions treated as “exempt beneficial owners” or “deemed-compliant FFIs” in the intergovernmental agreement concluded between such jurisdiction and the United States to improve international tax compliance including with respect to FATCA, provided that such types of Financial Institution satisfy all the requirements listed in subparagraph B(1)(c). It is expected that each jurisdiction would have only one single list of domestically-defined Non-Reporting Financial Institutions (as opposed to different lists for different Participating Jurisdictions) and that it would make such a list publicly available.

10. FATF/OECD (2013), *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation*, The FATF Recommendations February 2012, FATF/OECD, Paris, available on www.fatf-gafi.org/media/fatf/

50. The fourth requirement described in subparagraph B(1)(c) is that the status of the Financial Institution as a Non-Reporting Financial Institution does not frustrate the purposes of the Common Reporting Standard. It is expected that this requirement will be monitored, *inter alia*, through the following:

- a) the administrative procedures that a jurisdiction must have in place to ensure that the Financial Institutions defined in domestic law as Non-Reporting Financial Institutions continue to have a low risk of being used to evade tax (see subparagraph A(4) of Section IX);
- b) the potential suspension of a Competent Authority Agreement where the other Competent Authority has defined the status of Financial Institutions as Non-Reporting Financial Institutions in a manner that frustrates the purposes of the Common Reporting Standard (see paragraph 2 of Section 7 of the Model Competent Authority Agreement); and
- c) the mechanism to review the implementation of the Common Reporting Standard mandated to the Global Forum on Transparency and Exchange of Information for Tax Purposes by the G20 (see paragraph 51 of the G20 Leaders' Declaration, Saint Petersburg Summit, 5-6 September 2013).¹¹

51. The following examples illustrate the application of subparagraph B(1)(c):

- Example 1 (Non-profit organisation): A type of non-profit organisation that is a Financial Institution does not satisfy all the requirements of any particular description listed in subparagraphs B(1)(a) or (b). This type of Non-Reporting Financial Institution cannot be defined in domestic law as a Non-Reporting Financial Institution solely because it is a non-profit organisation.
- Example 2 (Retirement fund also for self-employed individuals): A type of retirement fund that is a Financial Institution satisfies all the requirements listed in subparagraph B(5). However, under the laws of the jurisdiction in which the fund is established or operates, it is required to also provide benefits to beneficiaries that are self-employed individuals. Because there is an overall, substitute requirement that provides equivalent assurance that the fund presents a low-risk of tax evasion, this type of Financial Institution could be defined in domestic law as a Non-Reporting Financial Institution.
- Example 3 (Unlimited retirement fund): A type of retirement fund that is a Financial Institution satisfies all the requirements listed in

11. Available on <https://www.g20.org/>.

subparagraph B(6), apart from the one contained in subparagraph B(6)(c) (i.e. employee and employer contributions are not limited). However, the tax relief associated to the employee and employer contributions is limited by reference to earned income and compensation of the employee, respectively. Because there is a substitute requirement that provides equivalent assurance that the fund presents a low-risk of tax evasion, this type of Financial Institution could be defined in domestic law as a Non-Reporting Financial Institution.

- Example 4 (Investment vehicle exclusively for retirement funds): A type of investment vehicle that is Financial Institution is established exclusively to earn income for the benefit of one or more retirement or pension funds described in subparagraphs B(5) through (7), or retirement or pension accounts described in subparagraphs C(17)(a). Because all the income of the vehicle inures to the benefit of Non-Reporting Financial Institutions or Excluded Accounts, and there is an overall, substitute requirement that provides equivalent assurance that the vehicle presents a low-risk of tax evasion, this type of Financial Institution could be defined in domestic law as a Non-Reporting Financial Institution.

Subparagraph B(9) – Exempt Collective Investment Vehicle

52. The term “Exempt Collective Investment Vehicle”, as defined in subparagraph B(9), means an Investment Entity that is regulated as a collective investment vehicle, provided that all of the interests in the collective investment vehicle are held by or through individuals or Entities that are not Reportable Persons (e.g. because they are Financial Institutions), except a Passive NFE with Controlling Persons who are Reportable Persons.

53. As a practical matter, an Investment Entity all the interests in which are held by or through non-Reportable Persons would generally not have any reporting obligations, irrespective of whether it qualifies as an Exempt Collective Investment Vehicle under subparagraph B(9). However, such qualification may be relevant to other obligations imposed on the Investment Entity, such as filing a nil return in the absence of Reportable Accounts (if provided under domestic law).

54. A rule to be used where a jurisdiction has previously allowed collective investment vehicles to issue bearer shares, is further provided by subparagraph B(9). An Investment Entity that is regulated as a collective investment vehicle does not fail to qualify as an Exempt Collective Investment Vehicle, solely because the collective investment vehicle has issued physical shares in bearer form, provided that:

- a) the collective investment vehicle has not issued, and does not issue, any physical shares in bearer form after [xx/xx/xxxx];
- b) the collective investment vehicle retires all such shares upon surrender;
- c) the collective investment vehicle performs the due diligence procedures set forth in Sections II through VII and reports any information required to be reported with respect to any such shares when such shares are presented for redemption or other payment; and
- d) the collective investment vehicle has in place policies and procedures to ensure that such shares are redeemed or immobilised as soon as possible and in any event prior to [xx/xx/xxxx].

Subparagraph B(1)(e) – Trustee-Documented Trust

55. A trust that is a Financial Institution (e.g. because it is an Investment Entity) is a Non-Reporting Financial Institution, according to subparagraph B(1)(e), to the extent that the trustee of the trust is a Reporting Financial Institution and reports all information required to be reported pursuant to Section I with respect to all Reportable Accounts of the trust.

56. This category of Non-Reporting Financial Institution reaches a similar result as that under paragraph D of Section II, according to which Reporting Financial Institutions may be allowed to rely on service providers to fulfil their reporting and due diligence obligations. The only difference between that paragraph and this category is that the reporting and due diligence obligations fulfilled by service providers remain the responsibility of the Reporting Financial Institution, while the responsibility of those fulfilled by the trustee of a Trustee-Documented Trust is transferred by the trust to its trustee. This category does not modify, however, the time and manner of the reporting and due diligence obligations which remain the same as if they still were the responsibility of the trust. For example, the trustee must not report the information with respect to a Reportable Account of the Trustee-Documented Trust as if it were a Reportable Account of the trustee. The trustee must report such information as the Trustee-Documented Trust would have reported (e.g. to the same jurisdiction) and identify the Trustee-Documented Trust with respect to which it fulfils the reporting and due diligence obligations. This category of Non-Reporting Financial Institution may also apply to a legal arrangement that is equivalent or similar to a trust, such as a *fideicomiso*.

Paragraph C – Financial Account

Subparagraph C(1) – In general

57. Subparagraph C(1) defines the term “Financial Account” as an account maintained by a Financial Institution and further clarifies that this term includes:

- Depository Accounts;
- Custodial Accounts;
- Equity and debt interest in certain Investment Entities;
- Cash Value Insurance Contracts; and
- Annuity Contracts.

58. The term “Financial Account”, however, does not include any account that is an Excluded Account and is, thus, not subject to the due diligence procedures that apply for purposes of identifying Reportable Accounts among Financial Accounts (such as obtaining a self-certification). In addition, the term “Financial Account” does not include certain Annuity Contracts described in subparagraph C(1)(c): a noninvestment-linked, non-transferable, immediate life annuity that is issued to an individual and monetises a pension or disability benefit provided under an account that is an Excluded Account. Pension or disability benefits include retirement or death benefits, respectively.

59. A “noninvestment-linked, non-transferable, immediate life annuity” is a non-transferable Annuity Contract that (i) is not an investment-linked annuity contract; (ii) is an immediate annuity; and (iii) is a life annuity contract. The term “investment-linked annuity contract” means an Annuity Contract under which benefits or premiums are adjusted to reflect the investment return or market value of assets associated with the contract. The term “immediate annuity” means an Annuity Contract that (i) is purchased with a single premium or annuity consideration; and (ii) no later than one year from the purchase date of the contract commences to pay annually or more frequently substantially equal periodic payments. The term “life annuity contract” means an Annuity Contract that provides for payments over the life or lives of one or more individuals.

60. According to subparagraph C(1)(a), any equity or debt interest in an Investment Entity is considered a Financial Account. However, equity or debt interests in an Entity that is an Investment Entity solely because it is an investment advisor, or an investment manager, are not Financial Accounts. Thus, equity or debt interests that would generally be considered Financial Accounts include equity or debt interests in an Investment Entity (i) that is a professionally managed investment entity, or (ii) that functions or holds itself

out as a collective investment vehicle, mutual fund, exchange traded fund, private equity fund, hedge fund, venture capEOIUI fund, leveraged buyout fund, or any similar investment vehicle established with an investment strategy of investing, reinvesting, or trading in Financial Assets.

61. According to subparagraph C(1)(b), an equity or debt interest in a Financial Institution other than those described in subparagraph C(1)(a) is considered a Financial Account only if the class of interests was established with a purpose of avoiding reporting in accordance with Section I. Thus, equity or debt interests in a Custodial Institution, Depository Institution, Investment Entity other than an investment advisor or an investment manager described in subparagraph C(1)(a), or Specified Insurance Company, that were established with a purpose of avoiding reporting will be Financial Accounts.

62. In general, an account would be considered to be maintained by a Financial Institution as follows:

- in the case of a Custodial Account, by the Financial Institution that holds custody over the assets in the account (including a Financial Institution that holds assets in street name for an Account Holder in such institution).
- in case of a Depository Account, by the Financial Institution that is obligated to make payments with respect to the account (excluding an agent of a Financial Institution regardless of whether such agent is a Financial Institution).
- in the case of any equity or debt interest in a Financial Institution that constitutes a Financial Account, by such Financial Institution.
- in the case of a Cash Value Insurance Contract or an Annuity Contract, by the Financial Institution that is obligated to make payments with respect to the contract.

63. However, jurisdictions have diverse legal, administrative and operational frameworks and different financial systems, and the meaning of “maintaining an account” may vary among jurisdictions depending on how a particular financial industry is structured. In some cases, a Reporting Financial Institution may not possess all the information to be reported with respect to an account and domestic guidance may be needed in such regard. In adopting such guidance, care should be taken to address any inconsistencies that may arise in a cross-border context, in particular with respect to jurisdictions that are not Participating Jurisdictions or to Financial Institutions that are not Participating Jurisdiction Financial Institutions, so that the guidance does not frustrate the purposes of the Common Reporting Standard (see paragraph 5 of the Commentary on Section IX).

64. For example, in some Participating Jurisdictions securities may be held in owner-registered accounts that are maintained by a central securities depository and operated by other Financial Institutions. In principle, the central securities depository would be treated as the Reporting Financial Institution with respect to the accounts and, thus, responsible for fulfilling all due diligence and reporting obligations. However, since the client relationships are managed and the due diligence procedures are applied by the other Financial Institutions in their capacity of account operators, the central securities depository may not be in a position to comply with such obligations. Participating Jurisdictions may address such a case, for example, by treating the relevant Custodial Accounts as held by such other Financial Institutions, and such other Financial Institutions as responsible for any reporting required with respect to such Custodial Accounts. However, where the relevant Custodial Accounts are treated as held by such other Financial Institutions, in accordance with paragraph D of Section II, a central securities depository may report on behalf of such other Financial Institutions.

65. A similar case may occur in some Participating Jurisdictions where trades of equity interests in an exchange traded fund are effected, and the due diligence procedures are applied, by brokers, but the end investors are directly registered in the fund's interest register. In principle, the fund would be treated as the Reporting Financial Institution with respect to the equity interests; however, it would not have the information to comply with its reporting obligations. Participating Jurisdictions may address such a case, for example, by requiring the brokers to provide all the necessary information to the fund, so that it may fulfil its reporting obligations.

Subparagraph C(2) – Depository Account

66. The term “Depository Account”, as defined in subparagraph C(2), includes any commercial, checking, savings, time, or thrift account, or an account that is evidenced by a certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar instrument maintained by a Financial Institution in the ordinary course of a banking or similar business. A Depository Account also includes an amount held by an insurance company pursuant to a guaranteed investment contract or similar agreement to pay or credit interest thereon.

67. An account that is evidenced by a passbook would generally be considered a Depository Account. As mentioned in paragraph 25 above, negotiable debt instruments that are traded on a regulated market or over-the-counter market and distributed and held through Financial Institutions would not generally be considered Depository Accounts, but Financial Assets.

Subparagraph C(3) – Custodial Account

68. Subparagraph C(3) defines the term “Custodial Account” as an account (other than an Insurance Contract or Annuity Contract) for the benefit of another person that holds one or more Financial Assets.

Subparagraph C(4) – Equity Interest

69. The definition of the term “Equity Interest” specifically addresses interests in partnerships and trusts. In the case of a partnership that is a Financial Institution, the term “Equity Interest” means a capEIOIU or profits interest in the partnership. In the case of a trust that is a Financial Institution, an “Equity Interest” is considered to be held by any person treated as a settlor or beneficiary of all or a portion of the trust, or any other natural person exercising ultimate effective control over the trust. The same as for a trust that is a Financial Institution is applicable for a legal arrangement that is equivalent or similar to a trust, or foundation that is a Financial Institution.

70. Under subparagraph C(4), a Reportable Person will be treated as being a beneficiary of a trust if such Reportable Person has the right to receive, directly or indirectly (for example, through a nominee), a mandatory distribution or may receive, directly or indirectly, a discretionary distribution from the trust. For these purposes, a beneficiary who may receive a discretionary distribution from the trust only will be treated as a beneficiary of a trust if such person receives a distribution in the calendar year or other appropriate reporting period (i.e. either the distribution has been paid or made payable). The same is applicable with respect to the treatment of a Reportable Person as a beneficiary of a legal arrangement that is equivalent or similar to a trust, or foundation.

71. Where Equity Interests are held through a Custodial Institution, the Custodial Institution is responsible for reporting, not the Investment Entity. The following example illustrates how such reporting must be done: Reportable Person A holds shares in investment fund L. A holds the shares in custody with custodian Y. Investment fund L is an Investment Entity and, from its perspective, its shares are Financial Accounts (i.e. Equity Interests in an Investment Entity). L must treat custodian Y as its Account Holder. As Y is a Financial Institution (i.e. a Custodial Institution) and Financial Institutions are not Reportable Persons, such shares are not object of reporting by investment fund L. For custodian Y, the shares held for A are Financial Assets held in a Custodial Account. As a Custodial Institution, Y is responsible for reporting the shares it is holding on behalf of A.

Subparagraphs C(5) through (8) – Insurance and Annuity Contracts

72. Subparagraphs C(5) through (8) contain the various definitions related to insurance products: “Insurance Contract”, “Annuity Contract”, “Cash Value Insurance Contract” and “Cash Value”. While the terms “Insurance Contract” and “Cash Value” are needed to define the scope of the term “Cash Value Insurance Contract”, only a contract that is a Cash Value Insurance Contract or an Annuity Contract can be a Financial Account.

73. The term “Annuity Contract”, as defined in subparagraph C(6), means a contract under which the issuer agrees to make payments for a period of time determined in whole or in part by reference to the life expectancy of one or more individuals. The term also includes a contract that is considered to be an Annuity Contract in accordance with the law, regulation, or practice of the jurisdiction in which the contract was issued, and under which the issuer agrees to make payments for a term of years.

74. According to subparagraph C(5), the term “Insurance Contract” means a contract (other than an Annuity Contract) under which the issuer agrees to pay an amount upon the occurrence of a specified contingency involving mortality, morbidity, accident, liability, or property risk. The term “Cash Value Insurance Contract”, as further defined in subparagraph C(7), means an Insurance Contract (other than an indemnity reinsurance contract between two insurance companies) that has a Cash Value.

75. Subparagraph C(8) defines the term “Cash Value” as the greater of (i) the amount that the policyholder is entitled to receive upon surrender or termination of the contract (determined without reduction for any surrender charge or policy loan), and (ii) the amount the policyholder can borrow under or with regard to (for example, pledging as collateral) the contract. However, the term “Cash Value” does not include an amount payable under an Insurance Contract:

- a) solely by reason of the death of an individual insured under a life insurance contract;
- b) as a personal injury or sickness benefit or other benefit providing indemnification of an economic loss incurred upon the occurrence of the event insured against;
- c) as a refund of a previously paid premium (less cost of insurance charges whether or not actually imposed) under an Insurance Contract (other than an investment-linked life insurance or annuity contract) due to cancellation or termination of the contract, decrease in risk exposure during the effective period of the contract, or arising from the correction of a posting or similar error with regard to the premium for the contract;

- d) as a policyholder dividend (other than a termination dividend) provided that the dividend relates to an Insurance Contract under which the only benefits payable are described in subparagraph C(8)(b); or
- e) as a return of an advance premium or premium deposit for an Insurance Contract for which the premium is payable at least annually if the amount of the advance premium or premium deposit does not exceed the next annual premium that will be payable under the contract.

76. Subparagraph C(8)(b) excludes from the term “Cash Value” an amount payable under an Insurance Contract as a personal injury or sickness benefit or other benefit providing indemnification of an economic loss incurred upon the occurrence of the event insured against. Such “other benefit” does not include any benefit payable under an investment-linked insurance contract. An “investment-linked insurance contract” means an insurance contract under which benefits, premiums, or the period of coverage, are adjusted to reflect the investment return or market value of assets associated with the contract.

77. The exclusions described in subparagraphs C(8)(a) and (c) are amounts payable in connection with an investment-linked life insurance contract and, in subparagraph C(8)(c), also an investment-linked life annuity contract. An “investment-linked life insurance contract” is an Insurance Contract that (i) is an investment-linked insurance contract (see paragraph 76 above); and (ii) is a life insurance contract (see paragraph 78 below). An “investment-linked life annuity contract” is an Annuity Contract that (i) is an investment-linked annuity contract; and (ii) is a life annuity contract (see paragraph 59 above).

78. A “life insurance contract” is an Insurance Contract under which the issuer, in exchange for consideration, agrees to pay an amount upon the death of one or more individuals. That a contract provides one or more payments (for example, for endowment benefits or disability benefits) in addition to a death benefit does not cause the contract to be other than a life insurance contract.

79. A policyholder dividend that satisfies all the requirements described in subparagraph C(8)(d) is excluded from the term “Cash Value”. A “policyholder dividend” is any dividend or similar distribution to policyholders in their capacity as such, including:

- a) an amount paid or credited (including as an increase in benefits) if the amount is not fixed in the contract but rather depends on the experience of the insurance company or the discretion of management;
- b) a reduction in the premium that, but for the reduction, would have been required to be paid; and
- c) an experience rated refund or credit based solely upon the claims

experience of the contract or group involved.

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A policyholder dividend cannot exceed the premiums previously paid for the contract, less the sum of the cost of insurance and expense changes (whether or not actually imposed) during the contract’s existence and the aggregate amount of any prior dividends paid or credited with regard to the contract.

A policyholder dividend does not include any amount that is in the nature of interest that is paid or credited to a contract holder to the extent that such amount exceeds the minimum rate of interest required to be credited with respect to contract values under local law.

80. Micro insurance contracts that do not have a Cash Value (including a Cash Value equal to zero) will not be considered Cash Value Insurance Contracts. Insurance wrapper products, such as private placement life insurance contracts, would generally be considered Cash Value Insurance Contracts. An “insurance wrapper product” includes an insurance contract the assets of which are (i) held in an account maintained by a financial institution, and (ii) managed in accordance with a personalised investment strategy or under the control or influence of the policyholder, owner or beneficiary of the contract.

Subparagraphs C(9) through (16) – Preexisting and New, Individual and Entity Accounts

81. Subparagraphs C(9) through (16) contain the various categories of Financial Accounts classified by reference to date of opening, Account Holder and balance or value: “Preexisting Account”, “New Account”, “Preexisting Individual Account”, “New Individual Account”, “Preexisting Entity Account”, “Lower Value Account”, “High Value Account” and “New Entity Account”.

82. First, a Financial Account is classified depending on the date of opening. Thus, a Financial Account can be either a “Preexisting Account” or a “New Account”. Subparagraphs C(9) and (10) define those terms as a Financial Account maintained by a Reporting Financial Institution as of [xx/xx/xxxx], and opened on or after [xx/xx/xxxx], respectively. However, when implementing the Common Reporting Standard, jurisdictions are free to modify subparagraph C(9) in order to also include certain new accounts of preexisting customers. In such a case, subparagraph C(9) should be replaced by the following:

9. The term “Preexisting Account” means:

a) a Financial Account maintained by a Reporting Financial Institution as of [xx/xx/xxxx].

b) any Financial Account of an Account Holder, regardless of the date such Financial Account was opened, if:

i) the Account Holder also holds with the Reporting Financial Institution (or with a Related Entity within the same jurisdiction as the Reporting Financial Institution) a Financial Account that is a Preexisting Account under subparagraph C(9)(a);

ii) the Reporting Financial Institution (and, as applicable, the Related Entity within the same jurisdiction as the Reporting Financial Institution) treats both of the aforementioned Financial Accounts, and any other Financial Accounts of the Account Holder that are treated as Preexisting Accounts under this subparagraph C(9)(b), as a single Financial Account for purposes of satisfying the standards of knowledge requirements set forth in paragraph A of Section VII, and for purposes of determining the balance or value of any of the Financial Accounts when applying any of the account thresholds;

iii) with respect to a Financial Account that is subject to AML/KYC Procedures, the Reporting Financial Institution is permitted to satisfy such AML/KYC Procedures for the Financial Account by relying upon the AML/KYC Procedures performed for the Preexisting Account described in subparagraph C(9)(a); and

iv) the opening of the Financial Account does not require the provision of new, additional or amended customer information by the Account Holder other than for purposes of the Common Reporting Standard.

Examples where new, additional or amended customer information is likely to be required would be where an Account Holder that currently holds only a Depository Account opens a Custodial Account (as the Account Holder would often be required to provide information with respect to its risk profile), or an Account Holder concludes a new Insurance Contract. The sole acceptance of terms and conditions, or the sole authorisation of a credit rating, with respect to a Financial Account will not constitute customer information.

With respect to subparagraph C(9)(b)(ii), for example, if a Reporting Financial Institution has reason to know that the status assigned to the Account Holder of one of the Financial Accounts is inaccurate, then it has reason to know that the status assigned for all other Financial Accounts of the Account Holder is inaccurate. Similarly, to the extent that an account balance or value is relevant for purposes of applying any account threshold to one or more of the Financial Accounts, the Reporting Financial Institution must aggregate the balance or value of all such Financial Accounts.

A fund will probably not qualify as a Related Entity of another fund under subparagraph E(4) and, as a consequence, the alternative definition of the term “Preexisting Account” would not be applicable to new equity or debt interests held by end investors that are directly registered in the fund’s interest register. Jurisdictions wishing to address with such situation must also replace subparagraph E(4) by the following:

4. An Entity is a “Related Entity” of another Entity if (a) either Entity controls the other Entity; (b) the two Entities are under common control; or (c) the two Entities are Investment Entities described in subparagraph A(6)(b), are under common management, and such management fulfils the due diligence obligations of such Investment Entities. For this purpose control includes direct or indirect ownership of more than 50% of the vote and value in an Entity.

83. A Preexisting Account and a New Account are classified by reference to the type of Account Holder. Thus, a Preexisting Account can be either a “Preexisting Individual Account” or a “Preexisting Entity Account”, and a New Account can be either a “New Individual Account” or a “New Entity Account”. Subparagraphs C(11) through (13) and (16) define those terms accordingly.

84. Finally, a Preexisting Individual Account is classified on the basis of its balance or value exceeding USD 1 000 000. Thus, a Preexisting Individual Account can be either a “Lower Value Account” or a “High Value Account”. Subparagraphs C(14) and (15) define those terms as follows:

- the term “Lower Value Account” means a Preexisting Individual Account with a balance or value as of 31 December [xxxx] that does not exceed USD 1 000 000.
- the term “High Value Account” means a Preexisting Individual Account with a balance or value that exceeds USD 1 000 000 as of 31 December [xxxx] or 31 December of any subsequent year.

Once an account becomes a High Value Account, it maintains such status until the date of closure and, therefore, can no longer be considered a Lower Value Account.

85. While the selection of the dates to classify a Financial Account as either a “Preexisting Account” or a “New Account” is a decision of the jurisdiction implementing the Common Reporting Standard, it is expected that the date for the term “New Account” is the day following the date selected for the term “Preexisting Account” (see Annex 5 – Wider Approach to the Common Reporting Standard). With respect to the selection of the year to classify a Financial Account as either a “Lower Value Account” or a “High Value Account”, it is expected that the same year is selected for both terms.

Subparagraph C(17) – Excluded Account

86. Subparagraph C(17) contains the various categories of Excluded Accounts (i.e. accounts that are not Financial Accounts and are therefore excluded from reporting), which are:

- a) retirement and pension accounts;
- b) non-retirement tax-favoured accounts;
- c) term life insurance contracts;
- d) estate accounts;
- e) escrow accounts;
- f) Depository Accounts due to not-returned overpayments; and
- g) low-risk excluded accounts.

These categories would typically be consistent with the types of accounts excluded from the definition of “Financial Accounts” in the intergovernmental agreement concluded between such jurisdiction and the United States to improve international tax compliance including with respect to FATCA, provided that such types of accounts satisfy all the relevant requirements listed in subparagraph C(17).

87. For purposes of determining whether an account satisfies all the requirements of a particular category of Excluded Account, a Reporting Financial Institution may rely on information in its possession (including information collected pursuant to AML/KYC Procedures) or that is publicly available, based on which it can reasonably determine that the account is an Excluded Account (see paragraph 12 of the Commentary on Section V). As a practical matter, a Reporting Financial Institution that only maintains accounts that are Excluded Accounts does not have any reporting obligations. However, it may have other obligations imposed on the Reporting Financial Institution, such as filing a nil return in the absence of Reportable Accounts (if provided under domestic law).

Retirement and pension accounts

88. A retirement or pension account can be an Excluded Account, provided that it satisfies all the requirements listed in subparagraph C(17)(a). Those requirements must be satisfied under the laws of the jurisdiction where the account is maintained. In summary, it is required that:

- a) the account is subject to regulation;
- b) the account is tax-favoured;

- c) information reporting is required to the tax authorities with respect to the account;
- d) withdrawals are conditioned on reaching a specified retirement age, disability, or death, or penalties apply to withdrawals made before such specified events; and
- e) either (i) annual contributions are limited to USD 50 000 or less, or (ii) there is a maximum lifetime contribution limit to the account of USD 1 000 000 or less, excluding rollovers.

89. Information reporting required in subparagraph C(17)(a)(iii) may vary among jurisdictions. While one jurisdiction could require annual information with respect to the account, another jurisdiction could require monthly information with respect to contributions to the account and associated tax relief, and annual information with respect to Account Holders and total contributions to the account. Thus, provided there is information reporting required to the relevant tax authorities in the jurisdiction where the account is maintained, the time and manner of such reporting is not determinative of whether the account satisfies the requirement under subparagraph C(17)(a)(iii).

Non-retirement tax-favoured accounts

90. A non-retirement account can be an Excluded Account, provided that it satisfies all the requirements listed in subparagraph C(17)(b). Those requirements must be satisfied under the laws of the jurisdiction where the account is maintained. In summary, it is required that:

- a) the account is subject to regulation, and in the case of an investment vehicle is regularly traded on an established securities market (see paragraph 112 below);
- b) the account is tax-favoured;
- c) withdrawals are conditioned on meeting specified criteria, or penalties apply to withdrawals made before such criteria are met; and
- d) annual contributions are limited to USD 50 000 or less, excluding rollovers.

Term life insurance contracts

91. A life insurance contract with a coverage period that will end before the insured individual attains age 90, can be an Excluded Account, provided that the contract satisfies all the requirements listed in subparagraph C(17)(c). As mentioned in paragraph 77 above, a “life insurance contract” is an Insurance Contract under which the issuer, in exchange for consideration, agrees to pay an amount upon the death of one or more individuals.

Estate accounts

92. According to subparagraph C(17)(d), an account that is held solely by an estate can be an Excluded Account if the documentation for such account includes a copy of the deceased's will or death certificate. For this purpose, the Reporting Financial Institution must treat the account as having the same status that it had prior to the death of the Account Holder until the date it obtains such copy. In determining what is meant by "estate", reference must be made to each jurisdiction's particular rules on the transfer or inheritance of rights and obligations in the event of death (e.g. the rules on universal succession).

Escrow accounts

93. Subparagraph C(17)(e) generally refers to accounts where money is held by a third party on behalf of transacting parties (i.e. escrow accounts). These accounts can be Excluded Accounts where they are established in connection with any of the following:

- a)* a court order or judgment.
- b)* a sale, exchange, or lease of real or personal property, provided that the account satisfies all the requirements listed in subparagraph C(17)(e)(ii).
- c)* an obligation of a Financial Institution servicing a loan secured by real property to set aside a portion of a payment solely to facilitate the payment of taxes or insurance related to the real property at a later time.
- d)* an obligation of a Financial Institution solely to facilitate the payment of taxes at a later time.

94. An Excluded Account, as described in subparagraph C(17)(e)(ii), must be established in connection with a sale, exchange, or lease of real or personal property. Defining the concept of real or personal property by reference to the laws of the jurisdiction where the account is maintained will help to avoid difficulties of interpretation over the question whether an asset or a right is to be regarded as real property (i.e. immovable property), personal property or neither of them.

Depository Accounts due to not-returned overpayments

95. As mentioned in paragraph 44 above, a Reporting Financial Institution that does not satisfy the requirements to be a Qualified Credit Card Issuer, but accepts deposits when a customer makes a payment in excess of a balance due with respect to a credit card or other revolving credit facility,

may still not report a Depository Account that qualifies as an Excluded Account under subparagraph C(17)(f). This subparagraph requires that:

- a) the account exists solely because a customer makes a payment in excess of a balance due with respect to a credit card or other revolving credit facility and the overpayment is not immediately returned to the customer; and
- b) beginning on or before [xx/xx/xxxx], the Financial Institution implements policies and procedures either to prevent a customer from making an overpayment in excess of USD 50 000, or to ensure that any customer overpayment in excess of USD 50 000 (and of the balance due with respect to the card or facility) is refunded to the customer within 60 calendar days, in each case applying the rules set forth in paragraph C of Section VII for currency translation. For this purpose, a customer overpayment does not refer to credit balances to the extent of disputed charges but does include credit balances resulting from merchandise returns.

96. While the selection of the date referred to in subparagraph C(17)(f)(ii) is a decision of the jurisdiction implementing the Common Reporting Standard, it is expected that the date elected for that purpose is the same date as the date selected for the term “New Account”. For this purpose, a Financial Institution that is formed or organised after the selected date must satisfy the requirement described in subparagraph C(17)(f)(ii) within six months after the date such Financial Institution was formed or organised.

Low-risk Excluded Accounts

97. An account can also be an Excluded Account, according to subparagraph C(17)(g), provided that:

- a) the account presents a low risk of being used to evade tax;
- b) the account has substantially similar characteristics to any of the accounts described in subparagraphs C(17)(a) through (f);
- c) the account is defined in domestic law as an Excluded Account; and
- d) the status of the account as an Excluded Account does not frustrate the purposes of the Common Reporting Standard.

98. This “open” category of Excluded Accounts is intended to accommodate jurisdiction-specific types of accounts satisfy the requirements listed in subparagraph C(17)(g), and avoids the need to negotiate classes of Excluded Accounts when concluding an agreement on the automatic exchange of financial account information.

99. The first requirement described in subparagraph C(17)(g) is that the account presents a low risk of being used to evade tax. Factors that may be considered to determine such a risk include:

a) low-risk factors:

- (1) the account is subject to regulation.*
- (2) the account is tax-favoured.*
- (3) information reporting to the tax authorities is required with respect to the account.*
- (4) contributions or the associated tax relief are limited.*
- (5) the type of account provides appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes.*

b) high-risk factors:

- (1) the type of account is not subject to AML/KYC Procedures.*
- (2) the type of account is promoted as a tax minimisation vehicle.*

100. The second requirement described in subparagraph C(17)(g) is that the account has substantially similar characteristics to any of the accounts described in subparagraphs C(17)(a) through (f). This requirement cannot be used solely to eliminate a specific element of a description. Each jurisdiction may evaluate the application of this requirement to a type of account that does not satisfy all the requirements of a particular description listed in subparagraphs C(17)(a) through (f). As part of such evaluation, a jurisdiction must identify which requirements are satisfied and which are not satisfied, and with respect to the requirements that are not satisfied, must identify the existence of a substitute requirement that provides equivalent assurance that the relevant type of account presents a low-risk of tax evasion.

101. The third requirement described in subparagraph C(17)(g) is that the account is defined in domestic law as an Excluded Account. This requirement is satisfied where a jurisdiction defines a specific type of account as an Excluded Account, and that definition is contained in domestic law. For such purpose, a jurisdiction would typically be consistent with the types of accounts excluded from the definition of “Financial Accounts” in the intergovernmental agreement concluded between such jurisdiction and the United States to improve international tax compliance including with respect to FATCA (e.g. savings accounts that are not already Excluded Accounts), provided that such types of accounts satisfy all the requirements listed in subparagraph C(17)(g). It is expected that each jurisdiction would have only one single list of domestically-defined Excluded Accounts (as opposed to

different lists for different Participating Jurisdictions) and that it would make such a list publicly available.

102. The fourth requirement described in subparagraph C(17)(g) is that the status of the account as an Excluded Account does not frustrate the purposes of the Common Reporting Standard. It is expected that this requirement will be monitored, *inter alia*, through the following:

- a) the administrative procedures that a jurisdiction must have in place to ensure that the accounts defined in domestic law as Excluded Accounts continue to have a low risk of being used to evade tax (see subparagraph A(4) of Section IX);
- b) the potential suspension of a Competent Authority Agreement where the other Competent Authority has defined the status of accounts as Excluded Accounts in a manner that frustrates the purposes of the Common Reporting Standard (see paragraph 2 of Section 7 of the Model Competent Authority Agreement); and
- c) the mechanism to review the implementation of the Common Reporting Standard mandated to the Global Forum on Transparency and Exchange of Information for Tax Purposes by the G20 (see paragraph 51 of the G20 Leaders' Declaration, Saint Petersburg Summit, 5-6 September 2013).¹²

103. The following examples illustrate the application of subparagraph C(17)(g):

- Example 1 (Unlimited Annuity Contract): A type of Annuity Contract satisfies all the requirements listed in subparagraph C(17)(a), apart from the one contained in subparagraph C(17)(a)(v) (i.e. contributions are not limited). However, the applicable penalties apply to all withdrawals made before reaching a specified retirement age and include taxing the contributions that were previously tax-favoured with a high flat-rate surtax (e.g. 60%). Because there is a substitute requirement that provides equivalent assurance that the account presents a low-risk of tax evasion, this type of account could be defined in domestic law as an Excluded Account.
- Example 2 (Unlimited savings account): A type of savings account satisfies all the requirements listed in subparagraph C(17)(b), apart from the one contained in subparagraph C(17)(b)(iv) (i.e. contributions are not limited). However, the tax relief associated to the contributions is limited by reference to an indexed amount. Because there is a substitute requirement that provides equivalent assurance that the account presents a low-risk of tax evasion, this type of account could be defined in domestic law as an Excluded Account.

12. Available on <https://www.g20.org/>.

- Example 3 (Micro Cash Value Insurance Contract): A type of Cash Value Insurance Contract only satisfies the requirement described in subparagraph C(17)(b)(i) (i.e. it is regulated as a savings vehicle for purposes other than for retirement). However, under the micro insurance regulations of the Participating Jurisdiction, (i) it is targeted to individuals (or groups of individuals) that are below the poverty line (e.g. living on less than USD 1.25 per person per day in 2005 US dollars), and (ii) the total gross amount payable under the contract cannot exceed USD 7 000. Because there is an overall, substitute requirement that provides equivalent assurance that the account presents a low-risk of tax evasion, this type of account could be defined in domestic law as an Excluded Account.
- Example 4 (Social welfare account): A type of savings account only satisfies the requirement described in subparagraph C(17)(b)(i) (i.e. it is regulated as a savings vehicle for purposes other than for retirement). However, under the social welfare regulations of the Participating Jurisdiction, it can solely be held by an individual that (i) is below the poverty line (e.g. living on less than USD 1.25 per person per day in 2005 US dollars) or otherwise low-income, and (ii) is participating in a social welfare programme. Because there is an overall, substitute requirement that provides equivalent assurance that the account presents a low-risk of tax evasion, this type of account could be defined in domestic law as an Excluded Account.
- Example 5 (Financial inclusion account): A type of Depository Account only satisfies the requirements described in subparagraphs C(17)(b)(i) and (iv) (i.e. it is regulated as a savings vehicle for purposes other than for retirement, and annual contributions are limited). However, under the financial regulations of the Participating Jurisdiction, (i) it provides defined and limited services to individuals, so as to increase access for financial inclusion purposes; (ii) monthly deposits cannot exceed USD 1 250 (excluding deposits by an authorised government body under a social welfare programme); and (iii) financial institutions have been allowed to apply simplified AML/KYC Procedures with respect to this type of account, since it has been regarded as having a lower money laundering and terrorist financing risk in accordance with the FATF Recommendations. Because there are overall, substitute requirements that provide equivalent assurance that the account presents a low-risk of tax evasion, this type of account could be defined in domestic law as an Excluded Account.
- Example 6 (Dormant account): A type of Depository Account (i) with an annual balance that does not exceed USD 1 000, (ii) that is a dormant account (see paragraph 9 of the Commentary on Section III).

Because there are overall, substitute requirements that provide equivalent assurance that the account presents a low-risk of tax evasion, this type of account could be defined in domestic law as an Excluded Account during the dormancy period.

Paragraph D – Reportable Account

104. Paragraph D contains the definition of the term “Reportable Account” and all the other defined terms that are relevant for determining whether an account is a Reportable Account.

Subparagraph D(1) – Reportable Account

105. As defined in subparagraph D(1), the term “Reportable Account” means an account held by one or more Reportable Persons or by a Passive NFE with one or more Controlling Persons that is a Reportable Person, provided it has been identified as such pursuant to the due diligence procedures described in Sections II through VII.

Subparagraphs D(2) and (3) – Reportable Person and Reportable Jurisdiction Person

Reportable Jurisdiction Person

106. As a general rule, an individual or Entity is a “Reportable Jurisdiction Person” if it is resident in a Reportable Jurisdiction under the tax laws of such jurisdiction. As an exception to this rule, an Entity that has no residence for tax purposes (e.g. because it is treated as fiscally transparent) is considered to be resident in the jurisdiction in which its place of effective management is situated.

107. Domestic laws differ in the treatment of partnerships (including limited liability partnerships). Some jurisdictions treat partnerships as taxable units (sometimes even as companies) whereas other jurisdictions adopt what may be referred to as the fiscally transparent approach, under which the partnership is disregarded for tax purposes. Where a partnership is treated as a company or taxed in the same way, it would generally be considered to be a resident of the Reportable Jurisdiction that taxes the partnership. Where, however, a partnership is treated as fiscally transparent in a Reportable Jurisdiction, the partnership is not “liable to tax” in that jurisdiction, and so cannot be a resident thereof.

108. An Entity such as a partnership, limited liability partnership or similar legal arrangement that has no residence for tax purposes, according to

subparagraph D(3), shall be treated as resident in the jurisdiction in which its place of effective management is situated. For these purposes, a legal person or a legal arrangement is considered “similar” to a partnership and a limited liability partnership where it is not treated as a taxable unit in a Reportable Jurisdiction under the tax laws of such jurisdiction. However, in order to avoid duplicate reporting (given the wide scope of the term “Controlling Persons” in the case of trusts), a trust that is a Passive NFE may not be considered a similar legal arrangement.

109. The “place of effective management” is the place where key management and commercial decisions that are necessary for the conduct of the Entity’s business as a whole are in substance made. All relevant facts and circumstances must be examined to determine the place of effective management. An Entity may have more than one place of management, but it can have only one place of effective management at any one time.

110. The term “Reportable Jurisdiction Person” also includes an estate of a decedent that was a resident of a Reportable Jurisdiction. As mentioned in paragraph 92 above, in determining what is meant by “estate”, reference must be made to each jurisdiction’s particular rules on the transfer or inheritance of rights and obligations in the event of death (e.g. the rules on universal succession).

Reportable Person

111. Subparagraph D(2) defines the term “Reportable Person” as a Reportable Jurisdiction Person other than:

- a) a corporation the stock of which is regularly traded on one or more established securities markets;
- b) any corporation that is a Related Entity of a corporation described previously;
- c) a Governmental Entity;
- d) an International Organisation;
- e) a Central Bank; or
- f) a Financial Institution.

112. Whether a corporation that is Reportable Jurisdiction Person is a Reportable Person, as described in subparagraph D(2)(i), can depend on the stock of that corporation being regularly traded on one or more established securities markets. Stock is “regularly traded” if there is a meaningful volume of trading with respect to the stock on an on-going basis, and an “established securities market” means an exchange that is officially recognised and

supervised by a governmental authority in which the market is located and that has a meaningful annual value of shares traded on the exchange.

113. With respect to each class of stock of the corporation, there is a “meaningful volume of trading on an on-going basis” if (i) trades in each such class are effected, other than in de minimis quantities, on one or more established securities markets on at least 60 business days during the prior calendar year; and (ii) the aggregate number of shares in each such class that are traded on such market or markets during the prior year are at least 10% of the average number of shares outstanding in that class during the prior calendar year.

114. A class of stock would generally be treated as meeting the “regularly traded” requirement for a calendar year if the stock is traded during such year on an established securities market and is regularly quoted by dealers making a market in the stock. A dealer makes a market in a stock only if the dealer regularly and actively offers to, and in fact does, purchase the stock from, and sell the stock to, customers who are not related persons with respect to the dealer in the ordinary course of a business.

115. An exchange has a “meaningful annual value of shares traded on the exchange” if it has an annual value of shares traded on the exchange (or a predecessor exchange) exceeding USD 1 000 000 000 during each of the three calendar years immediately preceding the calendar year in which the determination is being made. If an exchange has more than one tier of market level on which stock may be separately listed or traded, each such tier must be treated as a separate exchange.

116. Pursuant to subparagraph D(2)(vi), Financial Institutions are excluded from the term “Reportable Person” as they will do their own reporting or are otherwise considered to present a low risk of being used to evade tax. They are thus excluded from reporting, except for Investment Entities described in subparagraph A(6)(b) that are not Participating Jurisdiction Financial Institutions, which are treated as Passive NFEs and thus reported.

Subparagraphs D(4) and (5) – Reportable and Participating Jurisdictions

117. Subparagraphs D(4) and (5) define the terms “Reportable Jurisdiction” and “Participating Jurisdiction” as follows:

- the term “Reportable Jurisdiction” means a jurisdiction (i) with which an agreement is in place pursuant to which there is an obligation in place to provide the information specified in Section I, and (ii) which is identified in a published list.

- the term “Participating Jurisdiction” means a jurisdiction (i) with which an agreement is in place pursuant to which it will provide the information specified in Section I, and (ii) which is identified in a published list.

118. Those terms are relevant for the scope of financial institutions required to report and account holders subject to reporting, as well as for the requirement to look-through non-participating professionally managed investment entities. Whilst both terms seem similar, there is a significant difference: the term “Participating Jurisdiction” qualifies a jurisdiction with which an agreement on the automatic exchange of financial account information (i.e. the information specified in Section I) is in place, whilst the term “Reportable Jurisdiction” qualifies a Participating Jurisdiction with which an obligation to provide financial account information is in place.

119. Subparagraphs D(4) and (5) require that the jurisdiction is identified in a published list as a Reportable Jurisdiction and a Participating Jurisdiction, respectively. Each jurisdiction must make such a list publicly available, and update it as appropriate (e.g. every time the jurisdiction signs an agreement on the automatic exchange of financial account information, or such an agreement enters into force).

120. The following examples illustrate the application of subparagraphs D(4) and (5):

- Example 1 (Reciprocal exchange): Jurisdiction A and Jurisdiction B have a reciprocal agreement on the automatic exchange of financial account information in place. Pursuant to that agreement, both Jurisdictions are obliged to exchange the information specified in Section I. Because Jurisdiction A has an agreement with Jurisdiction B pursuant to which there is an obligation in place to provide the information specified in Section I, from the perspective of Jurisdiction A, Jurisdiction B is both a Participating Jurisdiction and a Reportable Jurisdiction. The same applies from the perspective of Jurisdiction B with respect to Jurisdiction A.
- Example 2 (Nonreciprocal exchange): Jurisdiction X, which does not have an income tax, and Jurisdiction Y have a nonreciprocal agreement on the automatic exchange of financial account information in place. Pursuant to that agreement, only Jurisdiction X is obliged to exchange the information specified in Section I. Because Jurisdiction X has an agreement with Jurisdiction Y pursuant to which there is an obligation in place to provide the information specified in Section I, from the perspective of Jurisdiction X, Jurisdiction Y is both a Participating Jurisdiction and a Reportable Jurisdiction. However, because Jurisdiction Y has an agreement

with Jurisdiction X, but it does not have an obligation in place to provide the information specified in Section I pursuant to that agreement, from the perspective of Jurisdiction Y, Jurisdiction X is a Participating Jurisdiction, but not a Reportable Jurisdiction.

Subparagraphs D(6) through (9) – NFE and Controlling Persons

NFE, Passive NFE and Active NFE

121. Subparagraphs D(6) through (9) define the terms “NFE”, “Passive NFE”, “Active NFE” and “Controlling Persons”, which are relevant for purposes of determining whether an Entity is a Passive NFE with one or more Controlling Persons who are Reportable Persons. When that is the case, as described in subparagraphs D(2) of Section V and A(2) of Section VI, then the account must be treated as a Reportable Account.

122. The term “NFE” is an acronym for Non-Financial Entity and it means, according to subparagraph D(7), any Entity that is not a Financial Institution. An NFE can be either a Passive NFE or an Active NFE. Subparagraphs D(8) and (9) set forth the meaning of the terms “Passive NFE” and “Active NFE”, respectively.

123. In principle, a “Passive NFE” means an NFE that is not an Active NFE. However, subparagraph D(8) also includes an Investment Entity described in subparagraph A(6)(b) that is not a Participating Jurisdiction Financial Institution. As a result, Reporting Financial Institutions are required to look-through that type of Investment Entity, as illustrated by the following example: Jurisdiction A has a reciprocal agreement on the automatic exchange of financial account information in place with Jurisdiction B, but has no agreement in place with Jurisdiction C. W, a Jurisdiction A Reporting Financial Institution, maintains Financial Accounts for Entities X and Y, both of which are Investment Entities as described in subparagraph A(6)(b). Entity X is resident in Jurisdiction B and Entity Y is resident in Jurisdiction C. From the perspective of W, Entity X is a Participating Jurisdiction Financial Institution and Entity Y is not a Participating Jurisdiction Financial Institution. As a result, W must treat Entity Y as a Passive NFE pursuant to subparagraph D(8).

124. Any NFE can be an Active NFE, provided that it meets any of the criteria listed in subparagraph D(9). In summary, those criteria refer to:

- a) active NFEs by reason of income and assets;
- b) publicly traded NFEs;
- c) Governmental Entities, International Organisations, Central Banks, or their wholly owned Entities;

- d)* holding NFEs that are members of a nonfinancial group;
- e)* start-up NFEs;
- f)* NFEs that are liquidating or emerging from bankruptcy;
- g)* treasury centres that are members of a nonfinancial group; or
- h)* non-profit NFEs.

125. Subparagraph D(9)(a) describes the criterion to qualify for the Active NFE status for “active NFEs by reason of income and assets” as follows: less than 50% of the NFE’s gross income for the preceding calendar year or other appropriate reporting period is passive income and less than 50% of the assets held by the NFE during the preceding calendar year or other appropriate reporting period are assets that produce or are held for the production of passive income.

126. In determining what is meant by “passive income”, reference must be made to each jurisdiction’s particular rules. Passive income would generally be considered to include the portion of gross income that consists of:

- a)* dividends;
- b)* interest;
- c)* income equivalent to interest;
- d)* rents and royalties, other than rents and royalties derived in the active conduct of a business conducted, at least in part, by employees of the NFE;
- e)* annuities;
- f)* the excess of gains over losses from the sale or exchange of Financial Assets that gives rise to the passive income described previously;
- g)* the excess of gains over losses from transactions (including futures, forwards, options, and similar transactions) in any Financial Assets;
- h)* the excess of foreign currency gains over foreign currency losses;
- i)* net income from swaps; or
- j)* amounts received under Cash Value Insurance Contracts.

Notwithstanding the foregoing, passive income will not include, in the case of a NFE that regularly acts as a dealer in Financial Assets, any income from any transaction entered into in the ordinary course of such dealer’s business as such a dealer.

127. The value of a NFE’s assets is determined based on the fair market value or book value of the assets that is reflected on the NFE’s balance sheet.

128. Subparagraph D(9)(b) describes the criterion to qualify for the Active NFE status for “publicly traded NFEs” as follows: the stock of the NFE is regularly traded on an established securities market or the NFE is a Related Entity of an Entity the stock of which is regularly traded on an established securities market. As mentioned in paragraph 112 above, stock is “regularly traded” if there is a meaningful volume of trading with respect to the stock on an on-going basis, and an “established securities market” means an exchange that is officially recognised and supervised by a governmental authority in which the market is located and that has a meaningful annual value of shares traded on the exchange.

129. Subparagraph D(9)(d) describes the criterion to qualify for the Active NFE status for “holding NFEs that are members of a nonfinancial group” as follows: substantially all of the activities of the NFE consist of holding (in whole or in part) the outstanding stock of, or providing financing and services to, one or more subsidiaries that engage in trades or businesses other than the business of a Financial Institution, except that an Entity does not qualify for this status if the Entity functions (or holds itself out) as an investment fund, such as a private equity fund, venture capEIOIUI fund, leveraged buyout fund, or any investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as capEIOIUI assets for investment purposes.

130. With respect to the activities mentioned in subparagraph D(9)(d), “substantially all” means 80% or more. If, however, the NFE’s holding or group finance activities constitute less than 80% of its activities but the NFE receives also active income (i.e. income that is not passive income) otherwise, it qualifies for the Active NFE status, provided that the total sum of activities meets the “substantially all test”. For purposes of determining whether the activities other than holding and group finance activities of the NFE qualify it as an Active NFE, the test of subparagraph D(9)(a) can be applied to such other activities. For example, if a holding company has holding or finance and service activities to one or more subsidiaries for 60% and also functions for 40% as a distribution centre for the goods produced by the group it belongs to and the income of its distribution centre activities is active according to subparagraph D(9)(a), it is an Active NFE, irrespective of the fact that less than 80% of its activities consist of holding the outstanding stock of, or providing finance and services to, one or more subsidiaries. The term “substantially all” covers also a combination of holding stock of and providing finance and services to one or more subsidiaries. The term “subsidiary” means any entity whose outstanding stock is either directly or indirectly held (in whole or in part) by the NFE.

131. One of the requirements listed in subparagraph D(9)(h) for “non-profit NFE” to qualify for the Active NFE status is that the applicable laws of the NFE’s jurisdiction of residence or the NFE’s formation documents do not permit any income or assets of the NFE to be distributed to, or applied for the benefit of, a private person or non-charEOIUble Entity other than pursuant to the conduct of the NFE’s charEOIUble activities, or as payment of reasonable compensation for services rendered, or as payment representing the fair market value of property which the NFE has purchased. In addition, the income or assets of the NFE could be distributed to, or applied for the benefit of, a private person or non-charEOIUble Entity as payment of reasonable compensation for the use of property.

Controlling Persons

132. Subparagraph D(6) sets forth the definition of the term “Controlling Persons”. This term corresponds to the term “beneficial owner” as described in Recommendation 10 and the Interpretative Note on Recommendation 10 of the Financial Action Task Force Recommendations (as adopted in February 2012),¹³ and must be interpreted in a manner consistent with such Recommendations, with the aim of protecting the international financial system from misuse including with respect to tax crimes.

133. For an Entity that is a legal person, the term “Controlling Persons” means the natural person(s) who exercises control over the Entity. “Control” over an Entity is generally exercised by the natural person(s) who ultimately has a controlling ownership interest in the Entity. A “control ownership interest” depends on the ownership structure of the legal person and is usually identified on the basis of a threshold applying a risk-based approach (e.g. any person(s) owning more than a certain percentage of the legal person, such as 25%). Where no natural person(s) exercises control through ownership interests, the Controlling Person(s) of the Entity will be the natural person(s) who exercises control of the Entity through other means. Where no natural person(s) is identified as exercising control of the Entity, the Controlling Person(s) of the Entity will be the natural person(s) who holds the position of senior managing official.

134. In the case of a trust, the term “Controlling Persons” means the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or class(es) of beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust. The settlor(s), the trustee(s), the protector(s) (if any), and the beneficiary(ies) or class(es) of beneficiaries, must always be treated

13. FATF/OECD (2013), *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation*, The FATF Recommendations February 2012, FATF/OECD, Paris, available on www.fatf-gafi.org/media/fatf/

as Controlling Persons of a trust, regardless of whether or not any of them exercises control over the trust. It is for this reason that the second sentence of subparagraph D(6) supplements the first sentence of such subparagraph. In addition, any other natural person(s) exercising ultimate effective control over the trust (including through a chain of control or ownership) must also be treated as a Controlling Person of the trust. With a view to establishing the source of funds in the account(s) held by the trust, where the settlor(s) of a trust is an Entity, Reporting Financial Institutions must also identify the Controlling Person(s) of the settlor(s) and report them as Controlling Person(s) of the trust. For beneficiary(ies) of trusts that are designated by characteristics or by class, Reporting Financial Institutions should obtain sufficient information concerning the beneficiary(ies) to satisfy the Reporting Financial Institution that it will be able to establish the identity of the beneficiary(ies) at the time of the pay-out or when the beneficiary(ies) intends to exercise vested rights. Therefore, that occasion will constitute a change in circumstances and will trigger the relevant procedures. When implementing the Common Reporting Standard, a jurisdiction may allow Reporting Financial Institutions to align the scope of the beneficiary(ies) of a trust treated as Controlling Person(s) of the trust with the scope of the beneficiary(ies) of a trust treated as Reportable Persons of a trust that is a Financial Institution (see paragraphs 69-70 above).

135. In the case of a legal arrangement other than a trust, the term “Controlling Persons” means persons in equivalent or similar positions as those that are Controlling Persons of a trust. Thus, taking into account the different forms and structures of legal arrangements, Reporting Financial Institutions should identify and report persons in equivalent or similar positions, as those required to be identified and reported for trusts.

136. In relation to legal persons that are functionally similar to trusts (e.g. foundations), Reporting Financial Institutions should identify Controlling Persons through similar customer due diligence procedures as those required for trusts, with a view to achieving appropriate levels of reporting.

137. Where a Reporting Financial Institution relies on information collected and maintained pursuant to AML/KYC Procedures for purposes of determining the Controlling Persons of an Account Holder of a New Entity Account (see subparagraph A(2)(b) of Section VI), such AML/KYC Procedures must be consistent with Recommendations 10 and 25 of the FATF Recommendations (as adopted in February 2012), including always treating the settlor(s) of a trust as a Controlling Person of the trust and the founder(s) of a foundation as a Controlling Person of the foundation. For purposes of determining the Controlling Persons of an Account Holder of a Preexisting Entity Account (see subparagraph D(2)(b) of Section V), a Reporting Financial Institution may rely on information collected and maintained pursuant to the Reporting Financial Institution’s AML/KYC Procedures.

Paragraph E – Miscellaneous

Subparagraph E(1) – Account Holder

138. Subparagraph E(1) defines the term “Account Holder” as the person listed or identified as the holder of a Financial Account by the Financial Institution that maintains the account. This is regardless of whether such person is a flow-through Entity. Thus, for example, if a trust or an estate is listed as the holder or owner of a Financial Account, the trust or estate is the Account Holder, rather than its owners or beneficiaries. Similarly, if a partnership is listed as the holder or owner of a Financial Account, the partnership is the Account Holder, rather than the partners in the partnership.

139. A person, other than a Financial Institution, holding a Financial Account for the benefit or account of another person as agent, custodian, nominee, signatory, investment advisor, intermediary, or legal guardian, is not treated as holding the account according to subparagraph E(1). Instead, such other person is treated as holding the account. For these purposes, a Reporting Financial Institution may rely on information in its possession (including information collected pursuant to AML/KYC Procedures), based on which it can reasonably determine whether a person is acting for the benefit or account of another person.

140. With respect to a jointly held account, each joint holder is treated as an Account Holder for purposes of determining whether the account is a Reportable Account. Thus, an account is a Reportable Account if any of the Account Holders is a Reportable Person or a Passive NFE with one or more Controlling Persons who are Reportable Persons. When more than one Reportable Person is a joint holder, each Reportable Person is treated as an Account Holder and is attributed the entire balance of the jointly held account, including for purposes of applying the aggregation rules set forth in subparagraphs C(1) through (3) of Section VII.

141. In the case of a Cash Value Insurance Contract or an Annuity Contract, the Account Holder is any person entitled to access the Cash Value or change the beneficiary of the contract. If no person can access the Cash Value or change the beneficiary, the Account Holder is any person named as the owner in the contract and any person with a vested entitlement to payment under the terms of the contract. Upon the maturity of a Cash Value Insurance Contract or an Annuity Contract (i.e. when obligation to pay an amount under the contract becomes fixed), each person entitled to receive a payment under the contract is treated as an Account Holder.

142. The following examples illustrate the application of subparagraph E(1):

- Example 1 (Account held by agent): F holds a power of attorney from

U, a Reportable Person, that authorises F to open, hold, and make

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deposits and withdrawals with respect to a Depository Account on behalf of U. The balance of the account for the calendar year is USD 100 000. F is listed as the holder of the Depository Account at a Reporting Financial Institution, but because F holds the account as an agent for the benefit of U, F is not ultimately entitled to the funds in the account. Because the Depository Account is treated as held by U, a Reportable Person, the account is a Reportable Account.

- Example 2 (Jointly held accounts): U, a Reportable Person, holds a Depository Account in a Reporting Financial Institution. The balance of the account for the calendar year is USD 100 000. The account is jointly held with A, an individual who is not a Reportable Person. Because one of the joint holders is a Reportable Person, the account is a Reportable Account.
- Example 3 (Jointly held accounts): U and Q, both Reportable Persons, hold a Depository Account in a Reporting Financial Institution. The balance of the account for the calendar year is USD 100 000. The account is a Reportable Account and both U and Q are treated as Account Holders of the account.

Subparagraph E(2) – AML/KYC Procedures

143. The term “AML/KYC Procedures”, as defined in subparagraph E(2), means the customer due diligence procedures of a Reporting Financial Institution pursuant to the anti-money laundering or similar requirements to which such Reporting Financial Institution is subject (e.g. know your customer provisions). These procedures include identifying and verifying the identity of the customer (including the beneficial owners of the customer), understanding the nature and purpose of the account, and on-going monitoring.

Subparagraphs E(3) and (4) – Entity and Related Entity

144. Subparagraph E(3) defines the term “Entity” as a legal person or a legal arrangement. This term is intended to cover any person other than an individual (i.e. a natural person), in addition to any legal arrangement. Thus, e.g. a corporation, partnership, trust, *fideicomiso*, foundation (*fondation*, *Stiftung*), company, co-operative, association, or *asociación en participación*, falls within the meaning of the term “Entity”.

145. An Entity is a “Related Entity” of another Entity, as defined in subparagraph E(4), if either Entity controls the other Entity, or the two Entities are under common control. For this purpose control includes direct or indirect ownership of more than 50% of the vote and value in an Entity. Whether an Entity is a Related Entity of another Entity is relevant for the account balance

aggregation rules set forth in paragraph C of Section VII, the scope of the term “Reportable Person” described in subparagraph D(2)(ii), and the criterion described in subparagraph D(9)(b) that an NFE can meet to be an Active NFE.

Subparagraph E(5) – TIN

146. According to subparagraph E(5), the term “TIN” means Taxpayer Identification Number (or functional equivalent in the absence of a Taxpayer Identification Number). A Taxpayer Identification Number is a unique combination of letters or numbers, however described, assigned by a jurisdiction to an individual or an Entity and used to identify the individual or Entity for purposes of administering the tax laws of such jurisdiction.

147. TINs are also useful for identifying taxpayers who invest in other jurisdictions. TIN specifications (i.e. structure, syntax, etc.) are set by each jurisdiction’s tax administrations. Some jurisdictions even have a different TIN structure for different taxes or different categories of taxpayers (e.g. residents and non-residents).

148. While many jurisdictions utilise a TIN for personal or corporate taxation purposes, some jurisdictions do not issue a TIN. However, these jurisdictions often utilise some other high integrity number with an equivalent level of identification (a “functional equivalent”). Examples of that type of number include, for individuals, a social security/insurance number, citizen/personal identification/service code/number, and resident registration number; and for Entities, a business/company registration code/number.

149. Participating Jurisdictions are expected to provide Reporting Financial Institutions with information with respect to the issuance, collection and, to the extent possible and practical, the structure and other specifications of taxpayer identification numbers. The OECD will endeavour to facilitate its dissemination. Such information will facilitate the collection of accurate TINs by Reporting Financial Institutions.

Subparagraph E(6) – Documentary Evidence

150. Subparagraph E(6) describes what is considered to be “Documentary Evidence” for purposes of the due diligence procedures described in Sections II through VII. It includes any of the following:

- a) a certificate of residence issued by an authorised government body (for example, a government or agency thereof, or a municipality) of the jurisdiction in which the payee claims to be a resident.
- b) with respect to an individual, any valid identification issued by an authorised government body (for example, a government or agency

thereof, or a municipality), that includes the individual's name and is typically used for identification purposes.

- c) with respect to an Entity, any official documentation issued by an authorised government body (for example, a government or agency thereof, or a municipality) that includes the name of the Entity and either the address of its principal office in the jurisdiction in which it claims to be a resident or the jurisdiction in which the Entity was incorporated or organised.
- d) any audited financial statement, third-party credit report, bankruptcy filing, or securities regulator's report.

151. While a Reporting Financial Institution may rely on Documentary Evidence unless it knows or has reason to know that it is incorrect or unreliable (see paragraphs 2-3 of the Commentary on Section VII), it is expected to give preference to a piece of Documentary Evidence that is more recent, or more specific, than another piece of Documentary Evidence.

152. Subparagraph E(6)(a) refers to a certificate of residence issued by an authorised government body of the jurisdiction in which the payee claims to be a resident. Examples of such a certificate include a certificate of residence for tax purposes (that indicates, e.g. that the account holder has filed its most recent income tax return as a resident of that jurisdiction); residence information published by an authorised government body of a jurisdiction, such as a list published by a tax administration that contains the names and residences of taxpayers; and residence information in a publicly accessible register maintained or authorised by an authorised government body of a jurisdiction, such as a public register maintained by a tax administration.

153. One of the requirements described in subparagraph E(6)(c) is that the official documentation includes either the address of the Entity's principal office in the jurisdiction in which it claims to be a resident or the jurisdiction in which the Entity was incorporated or organised. The address of the Entity's principal office is generally the place in which its place of effective management is situated (see paragraph 109 above). The address of a Financial Institution with which the Entity maintains an account, a post office box, or an address used solely for mailing purposes is not the address of the Entity's principal office unless such address is the only address used by the Entity and appears as the Entity's registered address in the Entity's organisational documents. Further, an address that is provided subject to instructions to hold all mail to that address is not the address of the Entity's principal office.

154. In order to build on existing practices, with respect to a Preexisting Entity Account, each jurisdiction may allow Reporting Financial Institutions to use as Documentary Evidence any classification in the Reporting Financial

Institution's records with respect to the Account Holder that was determined

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based on a standardised industry coding system, that was recorded by the Reporting Financial Institution consistent with its normal business practices for purposes of AML/KYC Procedures or another regulatory purposes (other than for tax purposes) and that was implemented by the Reporting Financial Institution prior to the date used to classify the Financial Account as a Preexisting Account, provided that the Reporting Financial Institution does not know or has reason to know that such classification is incorrect or unreliable. The term “standardised industry coding system” means a coding system used to classify establishments by business type for purposes other than tax purposes. Examples of a standardised industry coding system include the International Standard Industrial Classification (ISIC) from the United Nations, the Statistical classification of economic activities in the European Community (NACE), and the North American Industry Classification System (NAICS).

Requirements for validity of Documentary Evidence

155. Documentary Evidence that contains an expiration date may be treated as valid on the later of that expiration date, or the last day of the fifth calendar year following the year in which the Documentary Evidence is provided to the Reporting Financial Institution. However, the following Documentary Evidence is considered to remain valid indefinitely:

- Documentary Evidence furnished by an authorised government body (such as a passport);
- Documentary Evidence that is not generally renewed or amended (such as a certificate of incorporation); or
- Documentary Evidence provided by a Non-Reporting Financial Institution or a Reportable Jurisdiction Person that is not a Reportable Person.

All other Documentary Evidence is valid until the last day of the fifth calendar year following the year in which the Documentary Evidence is provided to the Reporting Financial Institution.

156. Notwithstanding the validity periods, a Reporting Financial Institution may not rely on Documentary Evidence, according to paragraph A of Section VII, if it knows or has reason to know that the Documentary Evidence is incorrect or unreliable (e.g. because of a change in circumstances that makes the information on the documentation incorrect). Therefore, a Reporting Financial Institution is expected to institute procedures to ensure that any change to the customer master files that constitutes a change in circumstances is identified by the Reporting Financial Institution (see paragraphs 26 of the Commentary on Section I and 17 of the Commentary on Section III). In

addition, a Reporting Financial Institution is expected to notify any person providing documentation of the person's obligation to notify the Reporting Financial Institution of a change in circumstances.

157. A Reporting Financial Institution may retain an original, certified copy, or photocopy (including a microfiche, electronic scan, or similar means of electronic storage) of the Documentary Evidence or, at least, a notation of the type of documentation reviewed, the date the documentation was reviewed, and the document's identification number (if any) (for example, a passport number). Any documentation that is stored electronically must be made available in hard copy form upon request.

158. A Reporting Financial Institution may accept a copy of Documentary Evidence electronically if the electronic system ensures that the information received is the information sent, and documents all occasions of user access that result in the submission, renewal, or modification of the Documentary Evidence. In addition, the design and operation of the electronic system, including access procedures, must ensure that the person accessing the system and furnishing the Documentary Evidence is the person named on such Documentary Evidence.

159. In general, a Reporting Financial Institution with which a customer may open an account must obtain Documentary Evidence on an account-by-account basis. However, a Reporting Financial Institution may rely upon the Documentary Evidence furnished by a customer for another account if both accounts are treated as a single account for purposes of satisfying the standards of knowledge requirements set forth in paragraph A of Section VII.

Documentation collected by other persons

160. As provided in paragraph D of Section II, a Participating Jurisdiction may allow Reporting Financial Institutions to use service providers to fulfil their reporting and due diligence obligations. When that is the case, a Reporting Financial Institution may use the documentation collected by service providers (e.g. data providers, financial advisors, insurance agents), subject to the conditions described in domestic law. The reporting and due diligence obligations remain, however, the responsibility of the Reporting Financial Institution.

161. A Reporting Financial Institution may rely on documentation collected by an agent (including a fund advisor for mutual funds, hedge funds, or a private equity group) of the Reporting Financial Institution. The agent may retain the documentation as part of an information system maintained for a single Reporting Financial Institution or multiple Reporting Financial Institutions provided that under the system, any Reporting Financial Institution on behalf of

which the agent retains documentation may easily

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access data regarding the nature of the documentation, the information contained in the documentation (including a copy of the documentation itself) and its validity, and must allow such Reporting Financial Institution to easily transmit data, either directly into an electronic system or by providing such information to the agent, regarding any facts of which it becomes aware that may affect the reliability of the documentation. The Reporting Financial Institution must be able to establish, to the extent applicable, how and when it has transmitted data regarding any facts of which it became aware that may affect the reliability of the documentation and must be able to establish that any data it has transmitted has been processed and appropriate due diligence has been exercised regarding the validity of the documentation. The agent must have a system in effect to ensure that any information it receives regarding facts that affect the reliability of the documentation or the status assigned to the customer are provided to all Reporting Financial Institutions for which the agent retains the documentation.

162. A Reporting Financial Institution that acquires an account from a predecessor or transferor in a merger or bulk acquisition of accounts for value would generally be permitted to rely upon valid documentation (or copies of valid documentation) collected by the predecessor or transferor. In addition, a Reporting Financial Institution that acquires an account in a merger or bulk acquisition of accounts for value from another Reporting Financial Institution that has completed all the due diligence required under Sections II through VII with respect to the accounts transferred, would generally be permitted to also rely upon the predecessor's or transferor's determination of status of an Account Holder until the acquirer knows, or has reason to know, that the status is inaccurate or a change in circumstances occurs (see paragraph 17 of the Commentary on Section III).

Commentary on Section IX concerning Effective Implementation

1. The aim of this Section is to ensure that the Common Reporting Standard is effectively implemented by Participating Jurisdictions, it is complied with and it is not circumvented. This is achieved by requiring that jurisdictions have in place certain rules and administrative procedures. These rules may be in the form of primary legislation or secondary legislation (e.g. regulations) and will often be supplemented by guidance. Administrative procedures may be set out in manuals or other communications provided to auditors or other relevant authorities.

2. Under Section IX, a jurisdiction must have rules and administrative procedures in place to ensure the effective implementation of, and compliance with, the reporting and due diligence procedures set out in the Common Reporting Standard. The Standard will not be considered effectively implemented unless it is adopted in good faith with consideration to its Commentary which seeks to promote its consistent application across jurisdictions. Since the application of the CRS requires that it be translated into domestic law, there may be differences in domestic implementation. Therefore, in the cross-border context, reference needs to be made to the law of the implementing jurisdiction. For example, the question may arise whether a particular Entity that is resident in a Participating Jurisdiction and has a Financial Account in another Participating Jurisdiction, meets the definition of “Financial Institution”. The Entity may meet the “substantial portion” test to be a Custodial Institution in one Participating Jurisdiction, but different measurement techniques for gross income may mean that the Entity does not meet such test in another Participating Jurisdiction. In such a case, the classification of the Entity ought to be resolved under the law of the Participating Jurisdiction in which the Entity is resident.

3. Subparagraphs A(1) and (2) provide that a jurisdiction must have the following rules:

- to prevent any Financial Institutions, persons or intermediaries from adopting practices intended to circumvent the Common Reporting Standard;

- requiring Reporting Financial Institutions to keep records of the steps undertaken and any evidence relied upon for the performance of the due diligence procedures set out in the CRS; and
- requiring adequate measures to obtain the records described above.

4. The first rule described in subparagraph A(1) is what is generally referred to as an anti-avoidance rule. An anti-avoidance rule can take various forms. Many jurisdictions have enacted a general anti-avoidance rule in their tax legislation which may also be supplemented by specific anti-avoidance rules. In other jurisdictions, the legislation may include only specific anti-avoidance rules. How the anti-avoidance rule for the CRS is drafted will depend on the general approach adopted by jurisdictions to addressing avoidance as well as to implementing the Common Reporting Standard. For example, a general anti-avoidance rule may cover reporting and due diligence obligations. The form of the rule itself is not important as long as it is effective to prevent circumvention of the reporting requirements and the due diligence procedures.

5. The following are examples of situations where it is expected that an anti-avoidance rule would apply:

- Example 1 (Shift Maintenance of an Account): A Reporting Financial Institution advises a customer to maintain an account with a Related Entity in a non-Participating Jurisdiction that enables the Reporting Financial Institution to avoid reporting while offering to provide services and retain customer relations as if the account was maintained by the Reporting Financial Institution itself. In such a case, the Reporting Financial Institution should be considered to maintain the account and have the resulting reporting and due diligence requirements.
- Example 2 (Year-end amounts): Financial Institutions, individuals, Entities or intermediaries manipulate year-end amounts, such as account balances, to avoid reporting or being reported upon.
- Example 3 (Park Money with Qualified Credit Card Issuers): Individuals or Entities park balances from other Reportable Accounts with Qualified Credit Card Issuers for a short period at the end of the year to avoid reporting.
- Example 4 (Electronic records and computerised systems): A Reporting Financial Institution deliberately does not create any electronic records (such that an electronic record search would not yield any results) or maintains computerised systems artificially dissociated (to avoid the account aggregation rules).

6. To increase the reliability of self-certifications, jurisdictions are expected to include a specific provision in their domestic legislation imposing sanctions for

signing (or otherwise positively affirming) a false self-certification.

7. Subparagraph A(2) requires a jurisdiction to have rules in place requiring Reporting Financial Institutions to keep records of the steps undertaken and any evidence relied upon for the performance of the due diligence procedures set out in the CRS. Such records should be available for a sufficiently long period of time and in any event for a period of not less than 5 years after the end of the period within which the Reporting Financial Institution must report the information required to be reported under the Common Reporting Standard.

8. Documentary Evidence is defined in subparagraph E(6) of Section VIII and is relevant for applying, e.g. the residence address test set out in subparagraph B(1) of Section III and the curing procedure contained in subparagraph B(6) of Section III. As mentioned in paragraph 157 of the Commentary on Section VIII, the Documentary Evidence retained by a Reporting Financial Institution does not have to be the original and may be a certified copy, a photocopy or, at least, a notation of the type of documentation reviewed, the date the documentation was reviewed, and the document's identification number (if any).

9. In certain cases, for example as set out in paragraph 13 of the Commentary on Section I regarding reasonable efforts to obtain a TIN with respect to Preexisting Accounts, a procedural manual describing appropriate "reasonable efforts" can be a record describing the steps undertaken provided there is also evidence as to how those policies and procedures are followed. For example, in the case of a mail merge, this would not require a Reporting Financial Institution to keep actual copies of the letters sent, but to provide upon request the document that contains the information that is the same in each version and the data file where the unique information is stored.

10. Subparagraph A(2) also requires that a jurisdiction have adequate measures to obtain the records from the Reporting Financial Institutions. Most jurisdictions have rules in place to compel the taxpayer or a third party to provide documents that are necessary to apply their domestic tax legislation. These rules generally also apply to obtain information to respond to a request for information from an exchange partner under an exchange of information instrument. Some jurisdictions, especially those without an income tax, may have rules that specifically deal with the procedures to obtain information under an exchange of information instrument.

11. Subparagraphs A(3) and (4) require that jurisdictions have the following administrative procedures in place to:

- verify the compliance of Reporting Financial Institutions with the reporting and due diligence procedures set out in the CRS;
- follow up with a Reporting Financial Institution when

undocumented accounts are reported; and

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- ensure that the Entities and accounts defined in domestic law as Non-Reporting Financial Institutions and Excluded Accounts continue to have a low risk of being used to evade tax.

12. Jurisdictions should have procedures in place to periodically verify the compliance of Reporting Financial Institutions. This may be performed as part of a regular tax audit or as a separate inquiry or review.

13. A jurisdiction must also have procedures in place to follow up with a Reporting Financial Institution when undocumented accounts are reported. An “undocumented account” generally arises when a Reporting Financial Institution is unable to obtain information from an Account Holder in respect of a Preexisting Account (see paragraphs 28-29, 45 and 48 of the Commentary on Section III). This could either be the result of inadequate procedures being implemented by a Reporting Financial Institution to obtain the necessary information or the Account Holder is non-compliant. Either case is a cause for concern.

14. It is expected that a jurisdiction would follow up with any Reporting Financial Institution that reports an undocumented account. In the case of a small number of undocumented accounts, a simple inquiry to the Reporting Financial Institution may be sufficient. However, if such a Reporting Financial Institution reports a larger than average number of undocumented accounts in any one year or the number of undocumented accounts reported continues to increase, a full audit of the Reporting Financial Institution’s due diligence procedures may be appropriate. In such a case, where possible and where feasible, it may be appropriate for the jurisdiction to advise the AML authorities in accordance with domestic law.

15. As described above, a jurisdiction must have procedures in place to ensure that Non-Reporting Financial Institutions and Excluded Accounts defined in domestic law continue to have a low risk of being used to evade tax. This could include particular Entities or types of Entities. These procedures should include a periodic review of such status. This review may be performed as part of a regular tax audit or as a separate inquiry or review.

16. Examples of situations where a jurisdiction should re-evaluate the appropriateness of an Entity or an account being so defined includes a situation where an Entity changes its business or the Financial Account changes its nature.

17. Once a jurisdiction determines that a type of Entity or an account no longer meets the requirement of posing a low risk for evading tax, it shall take all necessary measures as soon as possible to remove such Entity or account from the list of Non-Reporting Financial Institutions or Excluded Accounts in its domestic legislation. Such jurisdiction should also advise its exchange

partners of the change in status of the Entity or account. See also paragraph 2

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of Section 7 of the Model CAA where defining the status of Entities or accounts as Non-Reporting Financial Institutions or Excluded Accounts in a manner that frustrates the purposes of the CRS would constitute significant non-compliance which could result in a suspension of the Model CAA by the exchange partner.

18. Subparagraph A(5) requires that a jurisdiction must have effective enforcement provisions to address non-compliance. In some cases, the anti-avoidance rule described in Subparagraph A(1) may be broad enough to cover enforcement. In other cases, there may be separate or more specific rules that address certain enforcement issues on a narrower basis. For example, a jurisdiction may have rules that provide for the imposition of fines or other penalties where a person does not provide information requested by the tax authority. Further, given that obtaining a self-certification for New Accounts is a critical aspect of ensuring that the CRS is effective, it is expected that jurisdictions have strong measures in place to ensure that valid self-certifications are always obtained for New Accounts. An effective way to achieve this outcome would be to introduce legislation making the opening of a New Account conditional upon the receipt of a valid self-certification in the course of account opening procedures. Other jurisdictions may choose different methods; for example, imposing significant penalties on Account Holders that fail to provide a self-certification, or on Reporting Financial Institutions that do not take appropriate measures to obtain a self-certification upon account opening.



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ANNEX 2 - CRS Transition Summary Proposal

This table ignores ARR. As noted, ARR will not apply under CRS, so any accounts for 2017 that would be excluded under ARR but are included under CRS will be “more” and will need to be reported.

| Year | | | IGA | CRS | Agreement |
|---------------------|-------------------------|--|--|-------------------|-------------------|
| 2014 Data | Pre-Existing Individual | Below Threshold Exemption ² | Some ³ | n/a | Use IGA |
| | | Lower Value | Some ⁴ | n/a | Use IGA |
| | | High Value | Some ³ | n/a | Use IGA |
| | Pre-Existing Entity | Below Threshold Exemption ⁵ | Some ² | n/a | Use IGA |
| | | All Other | Some ³ | n/a | Use IGA |
| | New Individual | Below Threshold Exemption ⁶ | Some ⁷ | n/a | Use IGA |
| | | All Other | All | n/a | Use IGA |
| | New Entity | All | All | n/a | Use IGA |
| | 2015 Data | Pre-Existing Individual | Below Threshold Exemption ¹ | Some ⁸ | n/a |
| Lower Value | | | Some ⁹ | n/a | Use IGA |
| High Value | | | All | n/a | Use IGA |
| Pre-Existing Entity | | Below Threshold Exemption ⁴ | Some ⁷ | n/a | Use IGA |
| | | All Other | Some ⁸ | n/a | Use IGA |
| New Individual | | Below Threshold Exemption ⁵ | Some ⁶ | n/a | Use IGA |
| | | All Other | All | n/a | Use IGA |
| New Entity | | All | All | n/a | Use IGA |
| 2016 Data | | Pre-Existing Individual | Below Threshold Exemption ¹ | Some ⁶ | Some ⁹ |
| | Lower Value | | All | Some ⁹ | Use IGA |
| | High Value | | All | All | Use CRS |
| | Pre-Existing Entity | Below Threshold Exemption ⁴ | Some ⁶ | Some ⁹ | Use Either |
| | | All Other | All | Some ⁹ | Use IGA |
| | New Individual | Below Threshold Exemption ⁵ | Some ⁶ | All | Use CRS |
| | | All Other | All | All | Use CRS |
| | New Entity | All | All | All | Use CRS |
| | 2017 Data | Pre-Existing Individual | Below Threshold Exemption ¹ | Some ⁶ | All |
| Lower Value | | | All | All | Use CRS |
| High Value | | | All | All | Use CRS |
| Pre-Existing Entity | | Below Threshold Exemption ⁴ | Some ⁶ | All | Use CRS |
| | | All Other | All | All | Use CRS |
| New Individual | | Below Threshold Exemption ⁵ | Some ⁶ | All | Use CRS |
| | | All Other | All | All | Use CRS |
| New Entity | | All | All | All | Use CRS |

² \$50,000 or \$250,000 Cash Value Insurance

³ Report only where election has not been applied for and due diligence completed before 31.12.2014

⁴ Report only where due diligence is completed before 31.12.2014

⁵ \$250,000

⁶ \$50,000

⁷ Report only where election has not been applied for

⁸ Report only where election has not been applied for and due diligence completed before 31.12.2015

⁹ Report only where due diligence completed before 31.12.2015

10 Report only where due diligence completed before 31.12.2016

ANNEX 3

COMMON REPORTING STANDARD LIST OF PARTICIPATING JURISDICTIONS

The Competent Authority of the Turks & Caicos Islands Government hereby notifies TCI Reporting Financial Institutions of the updated list of Participating Jurisdictions in accordance with Schedule 2 of the International Tax Compliance (Amendment) Regulations 2017.

| | | |
|------------------------|------------------|----------------------------------|
| Andorra | Gibraltar | New Zealand |
| Anguilla | Greece | Niue |
| Antigua and Barbuda | Greenland | Norway |
| Argentina | Grenada | Pakistan |
| Aruba | Guernsey | Poland |
| Australia | Hungary | Portugal |
| Austria | Iceland | Romania |
| Barbados | India | Russia |
| Belgium | Indonesia | Saint Kitts and Nevis |
| Belize | Ireland | Saint Lucia |
| Bermuda | Isle of Man | Saint Vincent and the Grenadines |
| Brazil | Israel | Samoa |
| British Virgin Islands | Italy | San Marino |
| Bulgaria | Japan | Saudi Arabia |
| Canada | Jersey | Seychelles |
| Chile | Korea | Singapore |
| China | Kuwait | Sint Maarten |
| Colombia | Latvia | Slovak Republic |
| Cook Islands | Lebanon | Slovenia |
| Costa Rica | Liechtenstein | South Africa |
| Croatia | Lithuania | Spain |
| Curaçao | Luxembourg | Sweden |
| Cyprus | Malaysia | Switzerland |
| Czech Republic | Malta | Turkey |
| Denmark | Marshall Islands | Turks and Caicos Islands |
| Estonia | Mauritius | United Arab Emirates |
| Faroe Islands | Mexico | United Kingdom |
| Finland | Monaco | Uruguay |
| France | Montserrat | |
| Germany | Nauru | |
| Ghana | Netherlands | |

ANNEX 4

COMMON REPORTING STANDARD LIST OF REPORTABLE JURISDICTIONS

The Competent Authority of the Turks & Caicos Islands Government hereby notifies TCI Reporting Financial Institutions of the updated list of Reportable Jurisdictions in accordance with Schedule 2 of the International Tax Compliance (Amendment) Regulations 2017.

JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2017 (50)

Anguilla, Argentina, Belgium, Bermuda, British Virgin Islands, Bulgaria, Cayman Islands, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Greenland, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Montserrat, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Turks and Caicos Islands, United Kingdom

JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2018 (51)

Andorra, Antigua and Barbuda, Aruba, Australia, Austria, The Bahamas, Bahrain, Barbados, Belize, Brazil, Brunei Darussalam, Canada, Chile, China, Cook Islands, Costa Rica, Curaçao, Dominica, Ghana, Grenada, Hong Kong (China), Indonesia, Israel, Japan, Kuwait, Lebanon, Marshall Islands, Macao (China), Malaysia, Mauritius, Monaco, Nauru, New Zealand, Niue, Pakistan, Panama, Qatar, Russia, Saint Kitts and Nevis, Samoa, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, Singapore, Sint Maarten, Switzerland, Trinidad and Tobago, Turkey, United Arab Emirates, Uruguay, Vanuatu