



Mailing list Forum „Finance“

Brussels, 01 September 2014

Global standard on the automatic exchange of information regarding financial accounts

Dear Madam or Sir,

The OECD (Organization for Economic Cooperation and Development) has published on 21 July 2014 by order of the G20 countries a standard for Automatic Exchange of Financial Account information in Tax Matters.

It aims at strengthening the cooperation between tax authorities in order to fight against tax avoidance and tax evasion. At the same time the coexistence of different standards whose implementation would entail for the relevant authorities and financial institutions higher costs shall be avoided. The tax authorities shall thus exchange automatically on annual basis financial account information which has been reported by financial institutions. The global standard also comprises the Common Reporting Standard for automatic exchange of tax information (CRS) which was published by OECD on 23 February 2014. It defines the requirements of the automatic exchange of information and determines the relevant customer due diligence obligations for the customer identification.

According to the standard, the financial information which needs to be reported shall comprehend all categories of investment income (inter alia interest, dividends, income from certain insurance contracts and other similar types of income) but also account balances and sales proceeds from financial assets.

The financial institutions that shall report the financial account information under the CRS shall be inter alia custodial institutions and depository institutions. Brokers, certain collective investment vehicles and certain insurance companies shall be requested to report, too. Furthermore, the standard applies to the accounts of individuals and entities (which includes trusts and foundations).

The customer due diligence obligations comprise provisions for the assessment of accounts, their identification and reporting.

In addition, the global Standard includes a model competent authority agreement. It shall determine the content of bilateral agreements regarding the further cooperation between authorities for the exchange of information (Model CAA). Besides, the global standard contains a comment of the CRS and of the Model CAA.

On 6 May 2014, 34 OECD member states (including the European Commission) have declared together with numerous non OECD countries to implement the standard. About 40 countries ("Group of early adopters") have committed to a particularly prompt application. In this context it is differentiated between the identification of so-called pre-existing accounts which have been opened before 31 December 2015 and new accounts which were only opened after this date. Furthermore, financial accounts shall be treated as high-value when their balance or value exceed \$1,000,000 as of 31 December.

According to this commitment the identification of high-value pre-existing accounts of individuals shall be terminated by 31 December 2016. For pre-existing accounts of individuals with low-value or accounts of entities it shall be completed by 31 December 2017. The first exchange of information between authorities regarding pre-existing accounts with high-value of individuals as well as on new accounts shall be conducted until end of September 2017. For all other accounts, information shall be either transmitted between authorities at this same date or – if not sufficiently available yet – at the end of September 2018.

In the European Union the global standard shall be implemented by the adjustment of EU law. However, in order to restrict the costs and the associated burden for tax authorities and the relevant financial institutions, a single reporting standard within the EU and also for the exchange with third countries shall apply. Therefore, the EU member states have invited the Council on 21 March 2014 to implement the OECD-standard into EU law until the end of 2014 by adapting the proposal for a Council Directive amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation. Yet, if this is feasible is still doubtful. The Italian Presidency is planning to bring about an agreement of the member states at the meeting of the finance ministers of the EU on 14 October 2014. A formal adoption shall be on 9 December 2014. However, it would also be necessary to review the Council Directive 2014/48/EU of 24 March 2014 amending Directive 2003/48/EC on taxation of savings income in the form of interest payments especially with view to covering dividends, sales proceeds from financial assets, other financial incomes and account balances as suggested by the OECD-Standard. Yet, how to proceed has not been publicly established.

Please find enclosed the common reporting standard CRS as well as the Declaration of 6 May 2014 and the joint statement of the Early Adopters Group. The complete global standard on the automatic exchange of information on financial accounts can unfortunately be only viewed without charge online. The following link will connect you with the members' area of the EFBS website. Under the rubric "Circular letters/ 2014" will be a link which connects with the relevant Website of the OECD.

<http://www.efbs.org/index.php?id=29>

If you have further questions, please contact us at any time.

Yours sincerely,



Andreas J. Zehnder
Managing Director

European Federation of Building Societies

Annex:

- Common Reporting Standard for Standard for Automatic Exchange of Financial Account Information
- Declaration on Automatic exchange of information in tax matters
- Joint statement by the Early Adopters Group