BOLSA DE VALORES
MONTEVIDEO - URUGUAY

Montevideo, 5 de Octubre de 2016

Señor Presidente de la
Comisión de Hacienda,
Sr. Gustavo Penadés

En virtud de nuestra visita a la Comisión de Hacienda el pasado miércoles 28 de Setiembre del corriente donde trasmitiéramos nuestra opinión en representación de la Bolsa de Valores de Montevideo S.A acerca del proyecto de ley caratulado "Transparencia fiscal internacional y de prevención de lavado de activos y financiamiento del Terrorismo", nos fue solicitada la presentación de documentación que mencionáramos en nuestra exposición.

Al respecto les manifestamos que en referencia a la documentación solicitada, relacionada a las Bolsas de Valores, nos encontramos a la espera de las respuestas que nos enviará la FIAB "Federación Iberoamericana de Bolsas" como consecuencia de las consultas que la misma se encuentra realizando a sus miembros asociados; las que una vez recibidas, les serán remitidas para el análisis de la Comisión.

Acompañamos a la presente, el documento de OCDE "Standard for Automatic Exchange Official Account Information"- Common Reporting Standard, en su versión original en inglés, e informe respecto del monto mínimo a partir del cual la Organización para la Cooperación y el Desarrollo Económicos (OCDE), recomienda que las instituciones financieras efectúen los reportes de saldos y rentas de las denominadas "cuentas preexistentes" a la Administración Tributaria, en el marco de la firma por parte de nuestro país de la Convención Multilateral de Asistencia en Materia Fiscal, mediante la cual se establece el intercambio automático de información tributaria con los países ratificantes del citado acuerdo.

Saludamos al Señor Presidente muy atentamente,

p. Bolsa de Valores de Montevideo
Víctor Marcelo Oten
Gerente General

p. Bolsa de Valores de Montevideo
Gastón Bengochea y Cía. C.B. S.A.
Fabricio Pascuali
Secretario

Misiones 1400 - C.P. 11.000
Montevideo - Uruguay
Tel.: +598 2916 5051
Fax.: +598 2916 1900
Mail: secretaria@bvm.com.uy
www.bvm.com.uy

BRUM & COSTA
ABOGADOS / LEGAL·TAX·COMPLIANCE

Dr. Alejandro Schroeder 6537. C.P.: 11500 // Montevideo, Uruguay
Teléfono (+598) 26017777 // Fax: (+598) 26017777 #102
www.brumcosta.com

Montevideo, 04 de octubre de 2016

Sr.

Marcelo Oten

Presente.

De nuestra mayor consideración:

Hacemos referencia a la consulta respecto del monto mínimo a partir del cual la Organización para la Cooperación y el Desarrollo Económicos (OCDE), recomienda que las instituciones financieras efectúen los reportes de saldos y rentas de las denominadas "cuentas preexistentes" a la Administración Tributaria, en el marco de la firma por parte de nuestro país de la Convención Multilateral de Asistencia en Materia Fiscal, mediante la cual se establece el intercambio automático de información tributaria con los países ratificantes del citado acuerdo.

En este sentido, cumplimos en informarle que la OCDE ha elaborado una serie de estándares internacionales en materia de intercambio automático de información financiera, denominado "*Common Reporting Standard*" (en adelante "CRS"), a efectos de que los países uniformicen sus respectivos regímenes jurídicos internos a la hora de implantar los sistemas de intercambio de información de referencia. Adjunto a la presente encontrará el mencionado documento en su versión original.

El CRS en primer lugar divide genéricamente los estándares en aquellos dirigidos a las cuentas abiertas con anterioridad a la entrada en vigencia del sistema de intercambio automático de información (independientemente de la fecha exacta que cada país fije a tales efectos), de aquellos dirigidos a las cuentas cuya apertura fue con posterioridad al mismo, denominando al primer grupo mencionado como "cuentas preexistentes".

Asimismo el CRS distingue las cuentas pertenecientes a personas físicas de las pertenecientes a "entidades", estableciendo distintos estándares según se trate de uno u otro tipo de cuentas.

Para las cuentas preexistentes abiertas por entidades, el CRS fija un mínimo de USD 250.000 (o su equivalente en moneda nacional) para que la cuenta sea calificada

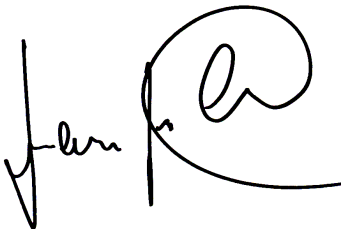
como "cuenta reportable", afirmando que aquellas por debajo de dicho umbral "no están sujetas a revisión".

En igual sentido, ya en el apartado específico titulado "Debida Diligencia para Cuentas Preexistentes de Entidades", el CRS es más categórico al establecer que las cuentas con un valor que no exceda los USD 250.000 "no están sujetas a revisión, identificación o reporte como "Cuenta Reportable", al menos hasta que dicha cuenta no supere el umbral referido al último día del año calendario siguiente a la fecha del reporte por parte de la institución financiera obligada.

Finalmente cabe destacar que el CRS reafirma el umbral antes mencionado a lo largo de todo su desarrollo, aclarando que los estándares a los que hace mención -para el caso de cuentas preexistentes abiertas por entidades- son aplicables a partir de USD 250.000.

Quedamos a las órdenes por cualquier aclaración o ampliación que estimen conveniente.

Atentamente,



Dr. Leonardo Costa

Socio

Standard for Automatic Exchange of Financial Account Information



COMMON
REPORTING
STANDARD

OECD
BETTER POLICIES FOR BETTER LIVES

Standard for Automatic Exchange of Financial Account Information

COMMON REPORTING STANDARD



Preface

This document was approved and de-classified by the Committee on Fiscal Affairs ("CFA") on 17 January and contains the global standard for automatic exchange of financial account information. It has been developed by the OECD, working with G20 countries, and in close co-operation with the EU. Part I contains the introduction[1] to the standard and Part II contains the text of the Model Competent Authority Agreement (CAA) and the Common Reporting and Due Diligence Standard (CRS).

Under the standard, jurisdictions obtain financial information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. The standard consists of two components: a) the CRS, which contains the reporting and due diligence rules and b) the Model CAA, which contains the detailed rules on the exchange of information. To prevent circumventing the CRS it is designed with a broad scope across three dimensions:

- The financial information to be reported with respect to reportable accounts includes all types of **investment income** (including 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 are required to report under the CRS do not only include **banks** and **custodians** but also other financial institutions such as **brokers, certain collective investment vehicles and certain insurance companies**.
- Reportable accounts include accounts held by **individuals** and **entities (which includes trusts and foundations),** and the standard includes a requirement to look through passive entities to report on the individuals that ultimately control these entities.

The CRS also describes **the due diligence procedures that must be followed by financial institutions to identify reportable accounts**.

The CRS will need to be translated into domestic law, whereas the CAA can be executed within existing legal frameworks such as Article 6 of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the equivalent of Article 26 in a bilateral tax treaty. Before entering into a reciprocal agreement to exchange information automatically with another country, it is essential that the receiving country has the legal framework and administrative capacity and processes in place to ensure the confidentiality of the information received and that such information is only used for the purposes specified in the instrument.

Consistent with previous OECD work in the area of automatic exchange, the common standard is intended to be used by those jurisdictions wishing to automatically exchange financial account information. Its aim is to avoid a proliferation of different standards which would increase costs for both governments and financial institutions.

This document does not yet contain: (1) a detailed commentary to help ensure the consistent application of the standard; or (2) information and guidance on the necessary technical solutions, including compatible transmission systems and a standard format for reporting and exchange. Work on these more technical modalities is ongoing. It is expected that both the commentary and the technical solutions will be completed by mid-2014. Subsequent changes to the standard or its commentary may of course become necessary as jurisdictions gain more experience with its implementation.

[1] Because of the OECD process on approval and de-restriction, the introduction may not fully reflect the latest developments. In particular it does not include all countries that recently committed to early adoption of the standard.

TABLE OF CONTENTS

PART I. INTRODUCTION AND OVERVIEW 5

I. Background and Context 5
II. Key features of a global model of automatic exchange of financial account information 7
III. Status and overview of work and next steps 9

PART II: TEXT OF MODEL COMPETENT AUTHORITY AGREEMENT AND COMMON REPORTING STANDARD 12

MODEL AGREEMENT BETWEEN THE COMPETENT AUTHORITIES OF [JURISDICTION A] AND [JURISDICTION B] ON THE AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION TO IMPROVE INTERNATIONAL TAX COMPLIANCE 12

COMMON STANDARD ON REPORTING AND DUE DILIGENCE FOR FINANCIAL ACCOUNT INFORMATION ("COMMON REPORTING STANDARD") 18

STANDARD FOR AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION

PART I. INTRODUCTION AND OVERVIEW

I. Background and Context

1. As the world becomes increasingly globalised it is becoming easier for all taxpayers to make, hold and manage investments through financial institutions outside of their country of residence. Vast amounts of money are kept offshore and go untaxed to the extent that taxpayers fail to comply with tax obligations in their home jurisdiction. Offshore tax evasion is a serious problem for jurisdictions all over the world, OECD and non-OECD, small and large, developing and developed. Countries have a shared interest in maintaining the integrity of their tax systems. Cooperation between tax administrations is critical in the fight against tax evasion and in protecting the integrity of tax systems. A key aspect of that cooperation is exchange of information.

2. The OECD has a long history of working on all forms of exchange of information – on request, spontaneous, and automatic – and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters and Article 26 of the OECD Model Tax Convention provide a basis for all forms of information exchange. Over the past few years much progress has been made by the OECD, EU and the Global Forum on Transparency and Exchange of Information for Tax Purposes in improving transparency and exchange of information on request.

3. More recently, political interest has also focused on the opportunities provided by automatic exchange of information. On 19 April 2013 the G20 Finance Ministers and Central Bank Governors endorsed automatic exchange as the expected new standard. The G20 decision followed earlier announcements by a number of European countries of their intention to develop and pilot multilateral tax information exchange based on the Model Intergovernmental Agreement to Improve International Tax Compliance and to Implement FATCA, developed between these countries and the United States (the "Model 1 IGA"). On 9 April 2013, the Ministers of Finance of France, Germany, Italy, Spain and the UK announced their intention to exchange FATCA-type information amongst themselves in addition to exchanging information with the United States. On 13 April, Belgium, the Czech Republic, the Netherlands, Poland, and Romania also expressed interest in this approach, which by May 14 had already been endorsed by 17 countries, with Mexico and Norway joining the initiative in early June and Australia in July. Further the United Kingdom agreed to automatically exchange information, on the basis of the intergovernmental approaches developed with the United States, with its Crown Dependencies and many of its Overseas Territories which also joined the pilot project.

4. On 22 May 2013 the EU Council unanimously agreed to give priority to efforts to extend automatic exchange at the EU and global level and welcomed the on-going efforts made in the G8, G20 and OECD to develop a global standard. Shortly thereafter the OECD Ministerial called on "…all jurisdictions to move towards automatic exchange of information and to improve the availability, the quality and the accuracy of information on beneficial ownership, in order to effectively act against tax fraud and evasion." On 12 June the European Commission adopted a legislative proposal to extend the scope of automatic exchange of information in its directive on administrative co-operation to new items, including dividends, capital gains and account balances.

5. Automatic exchange of information was also a key item on the G8 agenda. On 19 June the G8 leaders welcomed the OECD Secretary General report "A step change in tax transparency" which set out the concrete steps that need to be undertaken to put a global model of automatic exchange into practice. [2] G8 leaders agreed to work together with the OECD and in the G20 to implement its recommendations urgently.

6. On 20 July the G20 Finance Ministers and Central Bank Governors endorsed the OECD proposals for a global model of automatic exchange in the multilateral context.[3] On 6 September the G20 leaders reinforced this message, and said: "Calling on all other jurisdictions to join us by the earliest possible date, we are committed to automatic exchange of information as the new global standard, which must ensure confidentiality and the proper use of information exchanged, and we fully support the OECD work with G20 countries aimed at presenting such a single global standard for automatic exchange by February 2014 and to finalizing technical modalities of effective automatic exchange by mid-2014."[4] They also asked the Global Forum to establish a mechanism to monitor and review the implementation of the new global standard on automatic exchange of information and stressed the importance of developing countries being able to benefit from a more transparent international tax system.

7. The global model of automatic exchange is drafted with respect to financial account information. Many jurisdictions – OECD and non-OECD – already exchange information automatically with their exchange partners and also regionally (e.g. within the EU) on various categories of income and also transmit other types of information such as changes of residence, the purchase or disposition of immovable property, value added tax refunds, tax withheld at source, etc. The new global standard does not, nor is it intended to, restrict the other types or categories of automatic exchange of information. It sets out a minimum standard for the information to be exchanged. Jurisdictions may choose to exchange information beyond the minimum standard set out in this document.

8. The Common Reporting Standard ("CRS"), with a view to maximizing efficiency and reducing cost for financial institutions, draws extensively on the intergovernmental approach to implementing FATCA. While the intergovernmental approach to FATCA reporting does deviate in certain aspects from the CRS, the differences are driven by the multilateral nature of the CRS system and other US specific

---

2 http://www.oecd.org/ctp/exchange-of-tax-information/taxtransparency_G8report.pdf

3 "We commend the progress recently achieved in the area of tax transparency and we fully endorse the OECD proposal for a truly global model for multilateral and bilateral automatic exchange of information. We are committed to automatic exchange of information as the new, global standard and we fully support the OECD work with G20 countries aimed at setting such a new single global standard for automatic exchange of information. We ask the OECD to prepare a progress report by our next meeting, including a timeline for completing this work in 2014. We call on all jurisdictions to commit to implement this standard. We are committed to making automatic exchange of information attainable by all countries, including low-income countries, and will seek to provide capacity building support for them. We call on all countries to join the Multilateral Convention on Mutual Administrative Assistance in Tax Matters without further delay. We look forward to the practical and full implementation of the new standard on a global scale".

4 "We commend the progress recently achieved in the area of tax transparency and we fully endorse the OECD proposal for a truly global model for multilateral and bilateral automatic exchange of information. Calling on all other jurisdictions to join us by the earliest possible date, we are committed to automatic exchange of information as the new global standard, which must ensure confidentiality and the proper use of information exchanged, and we fully support the OECD work with G20 countries aimed at presenting such a new single global standard for automatic exchange of information by February 2014 and to finalizing technical modalities of effective automatic exchange by mid-2014. In parallel, we expect to begin to exchange information automatically on tax matters among G20 members by the end of 2015. We call on all countries to join the Multilateral Convention on Mutual Administrative Assistance in Tax Matters without further delay. We look forward to the practical and full implementation of the new standard on a global scale."

aspects, in particular the concept of taxation on the basis of citizenship and the presence of a significant and comprehensive FATCA withholding tax. Given these features, that the intergovernmental approach to FATCA is a pre-existing system with close similarities to the CRS, and the anticipated progress towards widespread participation in the CRS, it is compatible and consistent with the CRS for the US to not require the look through treatment for investment entities in Non-Participating Jurisdictions.

II. Key features of a global model of automatic exchange of financial account information

9. For a model of automatic exchange of financial account information to be effective it must be specifically designed with residence jurisdictions' tax compliance in mind rather than be a by-product of domestic reporting. Further, it needs to be standardised so as to benefit the maximum number of residence jurisdictions and financial institutions while recognising that certain issues remain to be decided by local implementation. The advantage of standardisation is process simplification, higher effectiveness and lower costs for all stakeholders concerned. A proliferation of different and inconsistent models would potentially impose significant costs on both government and business to collect the necessary information and operate the different models. It could lead to a fragmentation of standards, which may introduce conflicting requirements, further increasing the costs of compliance and reducing effectiveness. Finally, because tax evasion is a global issue, the model needs to have a global reach so that it addresses the issue of offshore tax evasion and does not merely relocate the problem rather than solving it. Mechanisms to encourage compliance may be also required to achieve this aim.

10. In 2012 the OECD delivered to the G20 the report "Automatic Exchange of Information: What it is, How it works, Benefits, What remains to be done",[5] which summarizes the key features of an effective model for automatic exchange. The main success factors for effective automatic exchange of financial information are: (1) a common standard on information reporting, due diligence and exchange of information, (2) a legal and operational basis for the exchange of information; and (3) common or compatible technical solutions.

1. Common standard on reporting, due diligence and exchange of information

11. An effective model for automatic exchange of information requires a common standard on the information to be reported by financial institutions and exchanged with residence jurisdictions. This will ensure that the reporting by financial institutions is aligned with the interests of the residence country. It will also increase the quality and predictability of the information that is being exchanged. The result will be significant opportunities for the residence country to enhance compliance and make optimal use of the information (e.g. through automatic matching with domestic compliance information and data analysis).

12. In order to limit the opportunities for taxpayers to circumvent the model by shifting assets to institutions or investing in products that are not covered by the model a reporting regime requires a broad scope across three dimensions:

- **The scope of financial information reported**: A comprehensive reporting regime covers different types of investment income including interest, dividends and similar types of income, and also address situations where a taxpayer seeks to hide capital that itself represents income or assets on which tax has been evaded (e.g. by requiring information on account balances).

- **The scope of accountholders subject to reporting**: A comprehensive reporting regime requires reporting not only with respect to individuals, but should also limit the opportunities for taxpayers to circumvent reporting by using interposed legal entities or arrangements. This means

[5] http://www.oecd.org/ctp/exchange-of-tax-information/automaticexchangeofinformationreport.htm

requiring financial institutions to look through shell companies, trusts or similar arrangements, including taxable entities to cover situations where a taxpayer seeks to hide the principal but is willing to pay tax on the income.

- **The scope of financial institutions required to report**: A comprehensive reporting regime covers not only banks but also other financial institutions such as brokers, certain collective investment vehicles and certain insurance companies.

13. In addition to a common standard on the scope of the information to be collected and exchanged, an effective model of automatic exchange of financial information also requires a common standard on a robust set of due diligence procedures to be followed by financial institutions to identify reportable accounts and obtain the accountholder identifying information that is required to be reported for such accounts. The due diligence procedures are critical as they help to ensure the quality of the information that is reported and exchanged. Finally feedback by the receiving jurisdiction to the sending jurisdiction regarding any errors in the information received can also be an important aspect of an effective automatic exchange model. Such feedback may take place in the form of spontaneous exchange of information, another important aspect of cooperation between tax authorities in itself.

2. Legal and operational basis for exchange of information

14. Different legal basis for automatic exchange of information already exist. Whilst bilateral treaties such as those based on Article 26 of the OECD Model Tax Convention permit such exchanges, it may be more efficient to establish automatic exchange relationships on the basis of a multilateral exchange instrument. The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (the "Convention"),[6] as amended in 2011, is such an instrument. It provides for all forms of administrative co-operation, contains strict rules on confidentiality and proper use of information, and permits automatic exchange of information. One of its main advantages is its global reach.[7] Automatic exchange under the Convention requires a separate agreement between the competent authorities of the parties, which can be entered into by two or more parties thus allowing for a single agreement with either two or more parties (with actual automatic exchange always taking place on a bilateral basis). Such a competent authority agreement then activates and "operationalizes" automatic exchange between the participants. Where jurisdictions rely on other information exchange instruments, such as bilateral treaties, a competent authority agreement can serve the same function.

15. All treaties and exchange of information instruments contain strict provisions that require information exchanged to be kept confidential and limit the persons to whom the information can be disclosed and the purposes for which the information may be used. The OECD released a Guide on Confidentiality, "Keeping it Safe"[8] which sets out best practices related to confidentiality and provides practical guidance on how to ensure an adequate level of protection. Before entering into an agreement to exchange information automatically with another jurisdiction, it is essential that the receiving jurisdiction has the legal framework and administrative capacity and processes in place to ensure the confidentiality of

---

[6] The Multilateral Convention was developed jointly by the Council of Europe and the OECD and opened for signature by the member states of both organisations on 25 January 1988. The Convention was amended to respond to the call of the G20 at its April 2009 London Summit to align it to the international standard on exchange and to open it to all countries, in particular to ensure that developing countries could benefit from the new more transparent environment. It was opened for signature on 1st June 2011.

[7] For information on jurisdictions covered by the Convention, signatories and ratifications see http://www.oecd.org/tax/exchange-of-tax-information/Status_of_convention.pdf

[8] http://www.oecd.org/ctp/exchange-of-tax-information/keepingitsafe.htm

the information received and that such information is used only for the purposes specified in the instrument.

3. Common or compatible technical solutions

16. Common or compatible technical solutions for reporting and exchanging information are a critical element in a standardised automatic exchange system - especially one that will be used by a large number of jurisdictions and financial institutions. Standardisation will reduce costs for all parties concerned.

17. The technical reporting format must be standardised so that information can be captured, exchanged and processed quickly and efficiently in a cost effective manner and secure and compatible methods of transmission and encryption of data must be in place.

III. Status and overview of work and next steps

18. Part II of this report contains (1) a model competent authority agreement/arrangement ("Model CAA") and (2) the common standard on reporting and due diligence for financial account information ("Common Reporting Standard"- "CRS"). Together they constitute the common standard on reporting, due diligence and exchange of information on financial account information. Under this standard jurisdictions obtain from reporting financial institutions and automatically exchange with exchange partners, as appropriate, on an annual basis financial information with respect to all reportable accounts, identified by financial institutions on the basis of common reporting and due diligence procedures. The term "financial information" means interest, dividends, account balance, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. The term "reportable account" means accounts held by individuals and entities (which includes trusts and foundations), and the standard includes a requirement to look through passive entities to report on the relevant controlling persons.

19. Implementation of the standard will require translating the CRS into domestic law. Signing a competent authority agreement based on the model then allows putting in place the information exchange based on existing legal instruments, such as the Convention or bilateral income tax conventions. The exchange of information could also be implemented on the basis of a multilateral competent authority agreement/arrangement, or jurisdictions could enter into a multilateral intergovernmental agreement or multiple intergovernmental agreements that would be international treaties in their own right covering both the reporting obligations and due diligence procedures coupled with a more limited competent authority agreement. The legal basis could also be EU legislation that would cover the elements of the CRS.

20. This report does not yet contain the more detailed commentary that is being developed to help in the consistent application of the standard. Given that implementation will be based on domestic law, it is important to ensure consistency in application across jurisdictions to avoid creating unnecessary costs and complexity for financial institutions in particular those with operations in more than one jurisdiction.

21. Finally, this report does not yet contain information on the necessary technical solutions. It is expected that both the commentary and the technical solutions would be completed by mid-2014, noting of course that subsequent changes to the commentary may become necessary as jurisdictions gain more experience with the implementation of the standard.

1. Summary of the competent authority agreement

22. The Model CAA links the CRS and the legal basis for the exchange (such as the Convention or a bilateral tax treaty) allowing the financial account information to be exchanged. The Model CAA consists of a number of whereas clauses and seven sections and provides for the modalities of the exchange to ensure the appropriate flows of information. The whereas clauses contain representations on domestic reporting and due diligence rules that underpin the exchange of information pursuant to the competent authority agreement. They also contain representations on confidentiality, safeguards and the existence of the necessary infrastructure for an effective exchange relationship. See also section 4 on collaboration on compliance and enforcement.

23. The Model CAA contains a section dealing with definitions (Section 1), covers the type of information to be exchanged (Section 2), the time and manner of exchange (Section 3) and the confidentiality and data safeguards that must be respected (Section 5). Consultations between the competent authorities, amendments to the agreement and the term of the agreement, including suspension and termination, are dealt with in Sections 6 and 7.

24. The Model CAA is drafted as a reciprocal agreement based on the principle that automatic exchange is reciprocal. There may also be instances where jurisdictions wish to enter into a non-reciprocal competent authority agreement (*e.g.* where one jurisdiction does not have an income tax). The Model CAA can easily be adapted for such non-reciprocal exchanges and further details on this will be included in the Commentary.

25. The Model CAA contained in Part II refers to an "Annex" but once the CRS has been approved by the CFA the Model CAA would no longer require an Annex. References to the Annex could be replaced by a reference to the CRS developed by OECD and G20 countries (including a reference to the CRS as adopted on a fixed date) and available on the OECD website, and a corresponding definition would then be added to Section 1 of the Model CAA.

2. Summary of the Common Reporting Standard ("CRS")

26. The CRS contains the reporting and due diligence standard that underpins the automatic exchange of financial account information. A jurisdiction implementing the CRS 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 Section II through VII. Capitalized terms used in the CRS are defined in Section VIII.

27. The financial institutions (FI's) covered by the standard include custodial institutions, depository institutions, investment entities and specified insurance companies, unless they present a low risk of being used for evading tax and are excluded from reporting. The financial information to be reported with respect to reportable accounts includes interest, dividends, account balance, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations), and the standard includes a requirement to look through passive entities to report on the relevant controlling persons.

28. The due diligence procedures to be performed by reporting financial institutions for the identification of reportable accounts are described in sections II through VII. They distinguish between individual accounts and entity accounts. They also make a distinction between pre-existing and new accounts, recognizing that it is more difficult and costly for financial institutions to obtain information from existing accountholders rather than requesting such information upon account opening.

- For **Pre-existing Individual Accounts** FI's are required to review accounts without application of any de minimis threshold. The rules distinguish between Higher and Lower Value Accounts. For Lower Value Accounts they provide for a permanent residence address test based on documentary evidence or the FI would need to determine the residence on the basis of an indicia search. A self-certification (and/or documentary evidence) would be needed in case of conflicting indicia, in the absence of which reporting would be done to all reportable jurisdictions for which indicia have been found. For Higher Value Accounts enhanced due diligence procedures apply, including a paper record search and an actual knowledge test by the relationship manager.

- For **New Individual Accounts** the CRS contemplates self-certification (and the confirmation of its reasonableness) without de minimis threshold.

- For **Pre-existing Entity Accounts**, FIs are required to determine: a) whether the entity itself is a Reportable Person, which can generally be done on the basis of available information (AML/KYC procedures) and if not, a self-certification would be needed; and b) whether the entity is a passive NFE and, if so, the residency of controlling persons. For a number of account holders the active/passive assessment is rather straight forward and can be made on the basis of available information, for others this may require self-certification. Pre-existing Entity Accounts below 250,000 USD (or local currency equivalent) are not subject to review.

- For **New Entity Accounts**, the same assessments need to be made as for Pre-existing Accounts. However, as it is easier to obtain self-certifications for new accounts, the 250,000 USD (or local currency equivalent) threshold does not apply.

29. While the CRS contemplates due diligence procedures generally designed to identify reportable accounts, there are good reasons why jurisdictions may wish to go wider and, for instance, extend due diligence procedures for pre-existing accounts to cover all non-residents or cover residents of countries with which they have an exchange of information instrument in place. Such an approach could significantly reduce costs for financial institutions compared to an approach where due diligence has to be performed each time a new jurisdiction joins. Such wider rules or procedures are fully consistent with the narrower reporting and due diligence rules described in the CRS. The Commentary to the CRS will contain a version of the due diligence and reporting requirements that follows such a wider approach.

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

PART II: TEXT OF MODEL COMPETENT AUTHORITY AGREEMENT AND COMMON REPORTING STANDARD

MODEL AGREEMENT BETWEEN THE COMPETENT AUTHORITIES OF [JURISDICTION A] AND [JURISDICTION B] ON THE AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION TO IMPROVE INTERNATIONAL TAX COMPLIANCE

Whereas, the Government of [Jurisdiction A] and the Government of [Jurisdiction B] have a longstanding and close relationship with respect to mutual assistance in tax matters and desire to improve international tax compliance by further building on that relationship;

Whereas, the laws of their respective jurisdictions [are expected to require]/[require]/[require or are expected to require] financial institutions to report information regarding certain accounts and follow related due diligence procedures, consistent with the scope of exchange contemplated by Section 2 of this Agreement and the reporting and due diligence procedures contained in the Annex;

Whereas, [Article […] of the Income Tax Convention between [Jurisdiction A] and [Jurisdiction B]/[Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters] (the "Convention")]/[other applicable legal instrument (the "Instrument")], authorises the exchange of information for tax purposes, including the exchange of information on an automatic basis, and allows the competent authorities of [Jurisdiction A] and [Jurisdiction B] (the "Competent Authorities") to agree the scope and modalities of such automatic exchanges;

Whereas, [Jurisdiction A] and [Jurisdiction B] have in place (i) appropriate safeguards to ensure that the information received pursuant to this Agreement remains confidential and is used solely for the purposes set out in the [Convention]/[Instrument], and (ii) the infrastructure for an effective exchange relationship (including established processes for ensuring timely, accurate, and confidential information exchanges, effective and reliable communications, and capabilities to promptly resolve questions and concerns about exchanges or requests for exchanges and to administer the provisions of Section 4 of this Agreement);

Whereas, the Competent Authorities desire to conclude an agreement to improve international tax compliance based on reciprocal automatic exchange pursuant to the [Convention]/[Instrument], and subject to the confidentiality and other protections provided for therein, including the provisions limiting the use of the information exchanged under the [Convention]/[Instrument];

Now, therefore, the Competent Authorities have agreed as follows:

SECTION 1

Definitions

1. For the purposes of this agreement ("Agreement"), the following terms have the following meanings:

a) The term **"[Jurisdiction A]"** means […].

b) The term **"[Jurisdiction B]"** means […].

c) The term **"Competent Authority"** means:

(1) in the case of [Jurisdiction A], […]; and

(2) in the case of [Jurisdiction B], […].

d) The term **"[Jurisdiction A] Financial Institution"** means (i) any Financial Institution that is resident in [Jurisdiction A], but excludes any branch of that Financial Institution that is located outside [Jurisdiction A], and (ii) any branch of a Financial Institution that is not resident in [Jurisdiction A], if that branch is located in [Jurisdiction A].

e) The term **"[Jurisdiction B] Financial Institution"** means (i) any Financial Institution that is resident in [Jurisdiction B], but excludes any branch of that Financial Institution that is located outside [Jurisdiction B], and (ii) any branch of a Financial Institution that is not resident in [Jurisdiction B], if that branch is located in [Jurisdiction B].

f) The term **"Reporting Financial Institution"** means any [Jurisdiction A] Financial Institution or [Jurisdiction B] Financial Institution, as the context requires, that is not a Non-Reporting Financial Institution.

g) The term **"Reportable Account"** means a [Jurisdiction A] Reportable Account or a [Jurisdiction B] Reportable Account, as the context requires, provided it has been identified as such pursuant to due diligence procedures, consistent with the Annex, in place in [Jurisdiction A] or [Jurisdiction B].

h) The term **"[Jurisdiction A] Reportable Account"** means a Financial Account that is maintained by a [Jurisdiction B] Reporting Financial Institution and held by one or more [Jurisdiction A] persons that are Reportable Persons or by a Passive NFE with one or more Controlling Persons that is a [Jurisdiction A] Reportable Person.

i) The term **"[Jurisdiction B] Reportable Account"** means a Financial Account that is maintained by a [Jurisdiction A] Reporting Financial Institution and held by one or more [Jurisdiction B] persons that are Reportable Persons or by a Passive NFE with one or more Controlling Persons that is a [Jurisdiction B] Reportable Person.

j) The term **"[Jurisdiction A] Person"** means an individual or Entity that is identified by a [Jurisdiction B] Reporting Financial Institution as resident in [Jurisdiction A] pursuant to due diligence procedures consistent with the Annex, or an estate of a decedent that was a resident of [Jurisdiction A].

k) The term **"[Jurisdiction B] Person"** means an individual or Entity that is identified by a [Jurisdiction A] Reporting Financial Institution as resident in [Jurisdiction B] pursuant to due diligence procedures consistent with the Annex, or an estate of a decedent that was a resident of [Jurisdiction B].

l) The term **"TIN"** means a [Jurisdiction A] TIN or a [Jurisdiction B] TIN, as the context requires.

m) The term **"[Jurisdiction A] TIN"** means a […].

n) The term **"[Jurisdiction B] TIN"** means a […].

2. Any capitalised term not otherwise defined in this Agreement will have the meaning that it has at that time under the law of the jurisdiction applying the Agreement, such meaning being consistent with the meaning set forth in the Annex. Any term not otherwise defined in this Agreement or in the Annex will, unless the context otherwise requires or the Competent Authorities agree to a common meaning (as permitted by domestic law), have the meaning that it has at that time under the law of the jurisdiction applying this Agreement, any meaning under the applicable tax laws of that jurisdiction prevailing over a meaning given to the term under other laws of that jurisdiction.

SECTION 2

Exchange of Information with Respect to Reportable Accounts

1. Pursuant to the provisions of Article […] of the [Convention]/[Instrument] and subject to the applicable reporting and due diligence rules consistent with the Annex, each Competent Authority will annually exchange with the other Competent Authority on an automatic basis the information obtained pursuant to such rules and specified in paragraph 2.

2. The information to be exchanged is, in the case of [Jurisdiction A] with respect to each [Jurisdiction B] Reportable Account, and in the case of [Jurisdiction B] with respect to each [Jurisdiction A] Reportable Account:

a) the name, address, TIN and date and place of birth (in the case of an individual) of each Reportable Person that is an Account Holder of the account and, in the case of any Entity that is an Account Holder and that, after application of due diligence procedures consistent with the Annex, is identified as having one or more Controlling Persons that is a Reportable Person, the name, address, and TIN of the Entity and the name, address, TIN and date and place of birth of each Reportable Person;

b) the account number (or functional equivalent in the absence of an account number);

c) the name and identifying number (if any) of the Reporting Financial Institution;

d) 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;

e) in the case of any Custodial Account:

(1) the total gross amount of interest, the total gross amount of dividends, and the total gross amount of other income generated with respect to the assets held in the account, in each case paid or credited to the account (or with respect to the account) during the calendar year or other appropriate reporting period; and

(2) the total gross proceeds from the sale or redemption of property 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;

f) 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; and

g) in the case of any account not described in subparagraph 2(e) or (f), 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.

SECTION 3

Time and Manner of Exchange of Information

1. For the purposes of the exchange of information in Section 2, the amount and characterization of payments made with respect to a Reportable Account may be determined in accordance with the principles of the tax laws of the jurisdiction exchanging the information.

2. For the purposes of the exchange of information in Section 2, the information exchanged will identify the currency in which each relevant amount is denominated.

3. With respect to paragraph 2 of Section 2, information is to be exchanged with respect to [xxxx] and all subsequent years and will be exchanged within nine months after the end of the calendar year to which the information relates. Notwithstanding the foregoing sentence information is only required to be exchanged with respect to a calendar year if both jurisdictions have in effect legislation that requires reporting with respect to such calendar year that is consistent with the scope of exchange provided for in Section 2 and the reporting and due diligence procedures contained in the Annex.

4. Notwithstanding paragraph 3, the information to be exchanged with respect to [xxxx] is the information described in paragraph 2 of Section 2, except for gross proceeds described in subparagraph 2(e)(2) of Section 2.

5. The Competent Authorities will automatically exchange the information described in Section 2 in a common reporting standard schema in Extensible Markup Language.

6. The Competent Authorities will agree on one or more methods for data transmission including encryption standards.

SECTION 4

Collaboration on Compliance and Enforcement

A Competent Authority will notify the other Competent Authority when the first-mentioned Competent Authority has reason to believe that an error may have led to incorrect or incomplete information reporting or there is non-compliance by a Reporting Financial Institution with the applicable reporting requirements and due diligence procedures consistent with the Annex. The notified Competent Authority will take all appropriate measures available under its domestic law to address the errors or non-compliance described in the notice.

SECTION 5

Confidentiality and Data Safeguards

1. All information exchanged is subject to the confidentiality rules and other safeguards provided for in the [Convention]/[Instrument], including the provisions limiting the use of the information exchanged and, to the extent needed to ensure the necessary level of protection of personal data, in accordance with the safeguards which may be specified by the supplying Competent Authority as required under its domestic law.

2. Each Competent Authority will notify the other Competent Authority immediately regarding any breach of confidentiality or failure of safeguards and any sanctions and remedial actions consequently imposed.

SECTION 6

Consultations and Amendments

1. If any difficulties in the implementation or interpretation of this Agreement arise, either Competent Authority may request consultations to develop appropriate measures to ensure that this Agreement is fulfilled.

2. This Agreement may be amended by written agreement of the Competent Authorities. Unless otherwise agreed upon, such an amendment is effective on the first day of the month following the expiration of a period of one month after the date of the later of the signatures of such written agreement or the date of the later of the notifications exchanged for purposes of such written agreement.

SECTION 7

Term of Agreement

1. This Agreement will come into effect […]/[on the date of the later of the notifications provided by each Competent Authority that its jurisdiction has the necessary laws in place to implement the Agreement].

2. A Competent Authority may suspend the exchange of information under this Agreement by giving notice in writing to the other Competent Authority that it has determined that there is or has been significant non-compliance by the other Competent Authority with this Agreement. Such suspension will

have immediate effect. For the purposes of this paragraph, significant non-compliance includes, but is not limited to, non-compliance with the confidentiality and data safeguard provisions of this Agreement and the [Convention]/[Instrument], a failure by the Competent Authority to provide timely or adequate information as required under this Agreement or defining the status of Entities or accounts as Non-Reporting Financial Institutions and Excluded Accounts in a manner that frustrates the purposes of the Common Reporting Standard.

3. Either Competent Authority may terminate this Agreement by giving notice of termination in writing to the other Competent Authority. Such termination will become effective on the first day of the month following the expiration of a period of 12 months after the date of the notice of termination. In the event of termination, all information previously received under this Agreement will remain confidential and subject to the terms of the [Convention/Instrument].

Signed in duplicate in […] on […].

COMPETENT AUTHORITY FOR [Jurisdiction A]:	COMPETENT AUTHORITY FOR [Jurisdiction B]:

(ANNEX)

COMMON STANDARD ON REPORTING AND DUE DILIGENCE FOR FINANCIAL ACCOUNT INFORMATION ("COMMON REPORTING STANDARD")

Section I: General Reporting Requirements

A. Subject to paragraphs C through F, each Reporting Financial Institution must report the following information with respect to each Reportable Account of such Reporting Financial Institution:

1. the name, address, jurisdiction(s) of residence, TIN and date and place of birth (in the case of an individual) of each Reportable Person that is an Account Holder of the account and, in the case of any Entity that is an Account Holder and that, after application of the due diligence procedures consistent with Sections V, VI and VII, is identified as having one or more Controlling Persons that is a Reportable Person, the name, address, jurisdiction(s) of residence and TIN of the Entity and the name, address, jurisdiction(s) of residence, TIN and date and place of birth of each Reportable Person;

2. the account number (or functional equivalent in the absence of an account number);

3. the name and identifying number (if any) of the Reporting Financial Institution;

4. 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;

5. in the case of any Custodial Account:

   a) the total gross amount of interest, the total gross amount of dividends, and the total gross amount of other income generated with respect to the assets held in the account, in each case paid or credited to the account (or with respect to the account) during the calendar year or other appropriate reporting period; and

   b) the total gross proceeds from the sale or redemption of property 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;

6. 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; and

7. in the case of any account not described in subparagraph A(5) or (6), 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.

B. The information reported must identify the currency in which each amount is denominated.

C. Notwithstanding subparagraph A(1), with respect to each Reportable Account that is a Preexisting Account, the TIN or date of birth is not required to be reported if such TIN or date of birth is not in the records of the Reporting Financial Institution and is not otherwise required to be collected by such Reporting Financial Institution under domestic law. However, a 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.

D. Notwithstanding subparagraph A(1), the TIN is not required to be reported if (i) a TIN is not issued by the relevant Reportable Jurisdiction or (ii) the domestic law of the relevant Reportable Jurisdiction does not require the collection of the TIN issued by such Reportable Jurisdiction.

E. Notwithstanding subparagraph A(1), 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.

F. Notwithstanding paragraph A, the information to be reported with respect to [xxxx] is the information described in such paragraph, except for gross proceeds described in subparagraph A(5)(b).

Section II: General Due Diligence Requirements

A. An account is treated as a Reportable Account beginning as of the date it is identified as such pursuant to the due diligence procedures in Sections II through VII and, 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.

B. The balance or value of an account is determined as of the last day of the calendar year or other appropriate reporting period.

C. Where a balance or value threshold is to be determined as of the last day of a calendar year, 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.

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, as contemplated in domestic law, but these obligations shall remain the responsibility of the Reporting Financial Institutions.

E. Each Jurisdiction may allow Reporting Financial Institutions to apply the due diligence procedures for New Accounts to Preexisting Accounts, and the due diligence procedures for High Value Accounts to Lower Value Accounts. 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.

Section III: Due Diligence for Preexisting Individual Accounts

The following procedures apply for purposes of identifying Reportable Accounts among Preexisting Individual Accounts.

A. **Accounts Not Required to be Reviewed, Identified, or Reported.** A Preexisting Individual Account that is a Cash Value Insurance Contract or an Annuity Contract is not required to be reviewed, identified or reported, provided the Reporting Financial Institution is effectively prevented by law from selling such Contract to residents of a Reportable Jurisdiction.

B. **Lower Value Accounts.** The following procedures apply with respect to Lower Value Accounts.

1. **Residence Address.** If the Reporting Financial Institution has in its records a current residence address for the individual Account Holder based on Documentary Evidence, the Reporting Financial Institution may treat the individual Account Holder as being a resident for tax purposes of the jurisdiction in which the address is located for purposes of determining whether such individual Account Holder is a Reportable Person.

2. **Electronic Record Search.** If the Reporting Financial Institution does not rely on a current residence address for the individual Account Holder based on Documentary Evidence as set forth in subparagraph B(1), the Reporting Financial Institution must review electronically searchable data maintained by the Reporting Financial Institution for any of the following indicia 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.

3. If none of the indicia listed in subparagraph B(2) are discovered in the electronic search, then 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.

4. 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 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 subparagraph B(6) and one of the exceptions in such subparagraph applies with respect to that account.

5. If a "hold mail" instruction or "in-care-of" address is discovered in the electronic search and no other address and none of the other indicia listed in subparagraph B(2)(a) through (e) are identified for the Account Holder, 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.

6. Notwithstanding 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.

C. **Enhanced Review Procedures for High Value Accounts.** The following enhanced review procedures apply with respect to High Value Accounts.

1. **Electronic Record Search.** With respect to High Value Accounts, 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).

2. **Paper Record Search.** 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. If the electronic databases do not capture all of this information, then with respect to a High Value Account, the Reporting Financial Institution must also review the current customer master file and, to the extent not contained in the current customer master file, the following documents 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):

a) The most recent Documentary Evidence collected with respect to the account;

b) The most recent account opening contract or documentation;

c) The most recent documentation obtained by the Reporting Financial Institution pursuant to AML/KYC Procedures or for other regulatory purposes;

d) Any power of attorney or signature authority forms currently in effect; and

e) Any standing instructions (other than with respect to a Depository Account) to transfer funds currently in effect.

3. **Exception To The Extent Databases Contain Sufficient Information.** 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 following:

a) The Account Holder's residence status;

b) The Account Holder's residence address and mailing address currently on file with the Reporting Financial Institution;

c) The Account Holder's telephone number(s) currently on file, if any, with the Reporting Financial Institution;

d) In the case of Financial Accounts other than Depository Accounts, whether there are standing instructions to transfer funds in the account to another account (including an account at another branch of the Reporting Financial Institution or another Financial Institution);

e) Whether there is a current "in-care-of" address or "hold mail" instruction for the Account Holder; and

f) Whether there is any power of attorney or signatory authority for the account.

4. **Relationship Manager Inquiry for Actual Knowledge.** In addition to the electronic and paper record searches described above, 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.

5. **Effect of Finding Indicia.**

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

b) If any of the indicia listed in subparagraph B(2)(a) through (e) are discovered in the enhanced review of High Value Accounts described above, or if there is a subsequent change in circumstances that results in one or more indicia 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) of this Section and one of the exceptions in such subparagraph applies with respect to that account.

c) If a "hold mail" instruction or "in-care-of" address is discovered in the electronic search and no other address and none of the other indicia listed in subparagraph B(2)(a) through (e) are identified for the Account Holder, 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.

6. If a Preexisting Individual Account is not a High Value Account as of 31 December [xxxx], 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 procedures described in paragraph C with respect to such account within the calendar year following the year in which the account becomes a High Value Account. If based on this 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.

7. Once a Reporting Financial Institution applies the enhanced review procedures described in paragraph C to a High Value Account, the Reporting Financial Institution is not required to re-apply such procedures, other than the relationship manager inquiry described in subparagraph C(4), to the same High Value Account in any subsequent year unless the account is undocumented where the Reporting Financial Institution should re-apply them annually until such account ceases to be undocumented.

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.

9. A Reporting Financial Institution must implement procedures to ensure that a relationship manager identifies any change in circumstances of an account. 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.

D. Review of Preexisting Individual Accounts must be completed by [xx/xx/xxxx].

E. Any Preexisting Individual Account that has been identified as a Reportable Account under this Section must be treated as a Reportable Account in all subsequent years, unless the Account Holder ceases to be a Reportable Person.

Section IV: Due Diligence for New Individual Accounts

The following procedures apply for purposes of identifying Reportable Accounts among New Individual Accounts.

A. With respect to New Individual Accounts, 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.

B. If the self-certification establishes that the Account Holder is resident for tax purposes in a Reportable Jurisdiction, the Reporting Financial Institution must treat the account as a Reportable Account and the self-certification must also include the Account Holder's TIN with respect to such Reportable Jurisdiction (subject to paragraph D of Section I) and date of birth.

C. If there is a change of circumstances with respect to a New Individual Account that causes the Reporting Financial Institution to know, or have reason to know, that the original self-certification is incorrect or unreliable, the Reporting Financial Institution cannot rely on the original self-certification and must obtain a valid self-certification that establishes the residence(s) for tax purposes of the Account Holder.

Section V: Due Diligence for Preexisting Entity Accounts

The following procedures apply for purposes of identifying Reportable Accounts among Preexisting Entity Accounts.

A. **Entity Accounts Not Required to Be Reviewed, Identified or Reported.** Unless the Reporting Financial Institution elects otherwise, either with respect to all Preexisting Entity Accounts or, separately, with respect to any clearly identified group of such accounts, a Preexisting Entity Account with an account balance or value that does not exceed $250,000 as of 31 December [xxxx], is not required to be reviewed, identified, or reported as a Reportable Account until the account balance or value exceeds $250,000 as of the last day of any subsequent calendar year.

B. **Entity Accounts Subject to Review.** A Preexisting Entity Account that has an account balance or value that exceeds $250,000 as of 31 December [xxxx], and a Preexisting Entity Account that does not exceed $250,000 as of 31 December [xxxx] but the account balance or value of which exceeds $250,000 as of the last day of any subsequent calendar year, must be reviewed in accordance with the procedures set forth in paragraph D.

C. **Entity Accounts With Respect to Which Reporting Is Required.** With respect to Preexisting Entity Accounts described in paragraph B, only accounts that are held by one or more Entities that are Reportable Persons, or by Passive NFEs with one or more Controlling Persons who are Reportable Persons, shall be treated as Reportable Accounts.

D. **Review Procedures for Identifying Entity Accounts With Respect to Which Reporting Is Required.** For Preexisting Entity Accounts described in paragraph B, a Reporting Financial Institution must apply the following review procedures to determine whether the account is held by one or more Reportable Persons, or by Passive NFEs with one or more Controlling Persons who are Reportable Persons:

1. **Determine Whether the Entity Is a Reportable Person.**

   a) 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, or an address in a Reportable Jurisdiction.

   b) If the information indicates that the Account Holder is resident in a Reportable Jurisdiction, 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.

2. **Determine Whether the Entity is a Passive NFE with One or More Controlling Persons Who Are Reportable Persons.** With respect to an Account Holder of a Preexisting Entity Account (including an Entity that is a Reportable Person), the Reporting Financial Institution must determine whether the Account Holder is a Passive NFE with one or more Controlling Persons who 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. 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.

   a) **Determining whether the Account Holder is a Passive NFE.** For purposes of determining whether the Account Holder is a Passive NFE, 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, based on which it can reasonably determine that the Account Holder is an Active NFE or a Financial Institution other than an Investment Entity described in subparagraph A(6)(b) of Section VIII that is not a Participating Jurisdiction Financial Institution.

   b) **Determining the Controlling Persons of an Account Holder.** For the purposes of determining the Controlling Persons of an Account Holder, a Reporting Financial Institution may rely on information collected and maintained pursuant to AML/KYC Procedures.

   c) **Determining whether a Controlling Person of a Passive NFE is a Reportable Person.** For the purposes of determining whether a Controlling Person of a Passive NFE is a Reportable Person, a Reporting Financial Institution may rely on:

      i. Information collected and maintained pursuant to AML/KYC Procedures in the case of a Preexisting Entity Account held by one or more NFEs with an account balance that does not exceed $1,000,000; or

ii. A self-certification from the Account Holder or such Controlling Person of the jurisdiction(s) in which the Controlling Person is resident for tax purposes.

E. **Timing of Review and Additional Procedures Applicable to Preexisting Entity Accounts.**

1. Review of Preexisting Entity Accounts with an account balance or value that exceeds $250,000 as of 31 December [xxxx] must be completed by 31 December [xxxx].

2. Review of Preexisting Entity Accounts with an account balance or value that does not exceed $250,000 as of 31 December [xxxx], but exceeds $250,000 as of 31 December of a subsequent year, must be completed within the calendar year following the year in which the account balance or value exceeds $250,000.

3. 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.

Section VI: Due Diligence for New Entity Accounts

The following procedures apply for purposes of identifying Reportable Accounts among New Entity Accounts.

A. **Review Procedures for Identifying Entity Accounts With Respect to Which Reporting Is Required.** For New Entity Accounts, a Reporting Financial Institution must apply the following review procedures to determine whether the account is held by one or more Reportable Persons, or by Passive NFEs with one or more Controlling Persons who are Reportable Persons:

1. **Determine Whether the Entity Is a Reportable Person.**

a) 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. If the Entity certifies that it has no residence for tax purposes, the Reporting Financial Institution may rely on the address of the principal office of the Entity to determine the residence of the Account Holder.

b) If the self-certification indicates that the Account Holder is resident in a Reportable Jurisdiction, 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, that the Account Holder is not a Reportable Person with respect to such Reportable Jurisdiction.

2. **Determine Whether the Entity is a Passive NFE with One or More Controlling Persons Who Are Reportable Persons.** With respect to an Account Holder of a New Entity Account (including an Entity that is a Reportable Person), the Reporting Financial Institution must determine whether the Account Holder is a Passive NFE with one or more Controlling Persons who 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. 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.

a) **Determining whether the Account Holder is a Passive NFE.** For purposes of determining whether the Account Holder is a Passive NFE, 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, based on which it can reasonably determine that the Account Holder is an Active NFE or a Financial Institution other than an Investment Entity described in subparagraph A(6)(b) of Section VIII that is not a Participating Jurisdiction Financial Institution.

b) **Determining the Controlling Persons of an Account Holder.** For purposes of determining the Controlling Persons of an Account Holder, a Reporting Financial Institution may rely on information collected and maintained pursuant to AML/KYC Procedures.

c) **Determining whether a Controlling Person of a Passive NFE is a Reportable Person.** For purposes of determining whether a Controlling Person of a Passive NFE is a Reportable Person, a Reporting Financial Institution may rely on a self-certification from the Account Holder or such Controlling Person.

Section VII: Special Due Diligence Rules

The following additional rules apply in implementing the due diligence procedures described above:

A. **Reliance on Self-Certifications and Documentary Evidence.** A Reporting Financial Institution may not rely on a self-certification or Documentary Evidence if the Reporting Financial Institution knows or has reason to know that the self-certification or Documentary Evidence is incorrect or unreliable.

B. **Alternative Procedures for Financial Accounts Held by Individual Beneficiaries of a Cash Value Insurance Contract or an Annuity Contract.** 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. 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.

C. **Account Balance Aggregation and Currency Rules.**

1. **Aggregation of Individual Accounts.** For purposes of determining the aggregate balance or value of Financial Accounts held by an individual, a Reporting Financial Institution is required to aggregate 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 computerized 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 described in this subparagraph.

2. **Aggregation of Entity Accounts.** For purposes of determining the aggregate balance or value of Financial Accounts held by an Entity, a Reporting Financial Institution is required to take into account all Financial Accounts that are maintained by the Reporting Financial Institution, or by a Related Entity, but only to the extent that the Reporting Financial Institution's computerized 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 described in this subparagraph.

3. **Special Aggregation Rule Applicable to Relationship Managers.** For purposes of determining the aggregate balance or value of Financial Accounts held by a person to determine whether a Financial Account is a High Value Account, a Reporting Financial Institution is also required, in the case of any 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, to aggregate all such accounts.

4. **Amounts Read to Include Equivalent in Other Currencies.** All dollar amounts are in U.S. dollars and shall be read to include equivalent amounts in other currencies, as determined by domestic law.

Section VIII: Defined Terms

The following terms have the meanings set forth below:

A. **Reporting Financial Institution**

1. The term **"Reporting Financial Institution"** means any Participating Jurisdiction Financial Institution that is not a Non-Reporting Financial Institution.

2. The term **"Participating Jurisdiction Financial Institution"** means (i) any Financial Institution that is resident in a Participating Jurisdiction, but excludes any branch of that Financial Institution that is located outside such Participating Jurisdiction, and (ii) any branch of a Financial Institution that is not resident in a Participating Jurisdiction, if that branch is located in such Participating Jurisdiction.

3. The term **"Financial Institution"** means a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company.

4. The term **"Custodial Institution"** means any Entity that holds, as a substantial portion of its business, Financial Assets for the account of others. 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 per cent of the Entity's gross income during the shorter of: (i) 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 (ii) the period during which the Entity has been in existence.

5. The term **"Depository Institution"** means any Entity that accepts deposits in the ordinary course of a banking or similar business.

6. The term **"Investment Entity"** means any Entity:

   a) that primarily conducts as a business one or more of the following activities or operations for or on behalf of a customer:

      i. 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;

      ii. individual and collective portfolio management; or

      iii. otherwise investing, administering, or managing Financial Assets or money on behalf of other persons; or

   b) 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 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 per cent of the Entity's gross income during the shorter of: (i) the three-year period ending on 31 December of the year preceding the year in which the determination is made; or (ii) the period during which the Entity has been in existence. The term "Investment Entity" does not include an Entity that is an Active NFE because it meets any of the criteria in subparagraphs D(9)(d) through (g).

This paragraph 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.

7. 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. The term "Financial Asset" does not include a non-debt, direct interest in real property.

8. The term **"Specified Insurance Company"** means 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.

B. **Non-Reporting Financial Institution**

1. The term **"Non-Reporting Financial Institution"** means any Financial Institution that is:

   a) a Governmental Entity, International Organization 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 Organization 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 established under the laws of a Reportable Jurisdiction 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.

2. The term **"Governmental Entity"** means the government of a jurisdiction, any political subdivision of a jurisdiction (which, for the avoidance of doubt, includes a state, province, county, or municipality), or any wholly owned agency or instrumentality of a jurisdiction or of any one or more of the foregoing (each, a "Governmental Entity"). This category is comprised of the integral parts, controlled entities, and political subdivisions of a jurisdiction.

   a) An "integral part" of a jurisdiction means any person, organization, agency, bureau, fund, instrumentality, or other body, however designated, that constitutes a governing authority of a jurisdiction. The net earnings of the governing authority must be credited to its own account or to other accounts of the jurisdiction, with no portion inuring to the benefit of any private person. An integral part does not include any individual who is a sovereign, official, or administrator acting in a private or personal capacity.

   b) A controlled entity means an Entity that is separate in form from the jurisdiction or that otherwise constitutes a separate juridical entity, provided that:

      i. The Entity is wholly owned and controlled by one or more Governmental Entities directly or through one or more controlled entities;

      ii. The Entity's net earnings are credited to its own account or to the accounts of one or more Governmental Entities, with no portion of its income inuring to the benefit of any private person; and

      iii. The Entity's assets vest in one or more Governmental Entities upon dissolution.

c) Income does not inure to the benefit of private persons if such persons are the intended beneficiaries of a governmental program, and the program activities are performed for the general public with respect to the common welfare or relate to the administration of some phase of government. Notwithstanding the foregoing, however, income is considered to inure to the benefit of private persons if the income is derived from the use of a governmental entity to conduct a commercial business, such as a commercial banking business, that provides financial services to private persons.

3. The term **"International Organization"** means any international organization or wholly owned agency or instrumentality thereof. This category includes any intergovernmental organization (including a supranational organization) (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.

4. The term **"Central Bank"** means a bank 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 a bank 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.

5. The term **"Broad Participation Retirement Fund"** means 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 government regulation and provides information reporting to the tax authorities; and

   c) Satisfies at least one of the following requirements:

      i. The fund is generally exempt from tax on investment income, or taxation of such income is deferred or taxed at a reduced rate, due to its status as a retirement or pension plan;

      ii. The fund receives at least 50 per cent of its total contributions (other than transfers of assets from other plans described in subparagraphs B(5) through (7) or from retirement and pension accounts described in subparagraph C(17)(a)) from the sponsoring employers;

      iii. Distributions or withdrawals from the fund are allowed only upon the occurrence of specified events related to retirement, disability, or death (except rollover distributions to other retirement funds described in subparagraphs B(5) through (7) or retirement and pension accounts described in subparagraph C(17)(a)), or penalties apply to distributions or withdrawals made before such specified events; or

      iv. Contributions (other than certain permitted make-up contributions) by employees to the fund are limited by reference to earned income of the employee or may not exceed $50,000 annually, applying the rules set forth in paragraph C of Section VII for account aggregation and currency translation.

6. The term **"Narrow Participation Retirement Fund"** 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:

   a) The fund has fewer than 50 participants;

   b) The fund is sponsored by one or more employers that are not Investment Entities or Passive NFEs;

   c) The employee and employer contributions to the fund (other than transfers of assets from retirement and pension accounts described in subparagraph C(17)(a)) are limited by reference to earned income and compensation of the employee, respectively;

   d) Participants that are not residents of the jurisdiction in which the fund is established are not entitled to more than 20 per cent of the fund's assets; and

   e) The fund is subject to government regulation and provides information reporting to the tax authorities.

7. The term **"Pension Fund of a Governmental Entity, International Organization or Central Bank"** means a fund established by a Governmental Entity, International Organization 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 Organization or Central Bank.

8. The term **"Qualified Credit Card Issuer"** means 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 $50,000, or to ensure that any customer overpayment in excess of $50,000 is refunded to the customer within 60 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.

9. The term **"Exempt Collective Investment Vehicle"** 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 one or more Entities described in subparagraph B(1), or individuals or Entities that are not Reportable Persons.

   An Investment Entity that is regulated as a collective investment vehicle does not fail to qualify under subparagraph B(9) 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 immobilized as soon as possible, and in any event prior to [xx/xx/xxxx].

C. **Financial Account**

1. The term **"Financial Account"** means an account maintained by a Financial Institution, and includes a Depository Account, a Custodial Account and:

   a) in the case of an Investment Entity other than an Investment Entity that is a Financial Institution solely because it manages an Investment Entity described in subparagraph A(6)(b), any equity or debt interest in the Financial Institution;

   b) in the case of a Financial Institution not described in subparagraph C(1)(a), any equity or debt interest in the Financial Institution, if the class of interests was established with a purpose of avoiding reporting in accordance with Section I; and

   c) any Cash Value Insurance Contract and any Annuity Contract issued or maintained by a Financial Institution, other than a noninvestment-linked, non-transferable immediate life annuity that is issued to an individual and monetizes a pension or disability benefit provided under an account that is an Excluded Account.

   The term "Financial Account" does not include any account that is an Excluded Account.

2. The term **"Depository Account"** 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.

3. The term **"Custodial Account"** means an account (other than an Insurance Contract or Annuity Contract) for the benefit of another person that holds one or more Financial Assets.

4. The term **"Equity Interest"** means, in the case of a partnership that is a Financial Institution, either a capital 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. 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.

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.

6. The term **"Annuity Contract"** 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.

7. The term **"Cash Value Insurance Contract"** means an Insurance Contract (other than an indemnity reinsurance contract between two insurance companies) that has a Cash Value.

8. The term **"Cash Value"** means 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 the contract. Notwithstanding the foregoing, 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 including a refund of a previously paid premium provided such refund is a Limited Risk Refund as the term is understood in the Commentary;

    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) Subject to the application of subparagraph C(8)(a), as a refund of a previously paid premium (less cost of insurance charges whether or not actually imposed) under an Insurance Contract (other than a life insurance contract or an 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.

9. The term **"Preexisting Account"** means a Financial Account maintained by a Reporting Financial Institution as of [xx/xx/xxxx].

10. The term **"New Account"** means a Financial Account maintained by a Reporting Financial Institution opened on or after [xx/xx/xxxx].

11. The term **"Preexisting Individual Account"** means a Preexisting Account held by one or more individuals.

12. The term **"New Individual Account"** means a New Account held by one or more individuals.

13. The term **"Preexisting Entity Account"** means a Preexisting Account held by one or more Entities.

14. The term **"Lower Value Account**" means a Preexisting Individual Account with a balance or value as of 31 December [xxxx] that does not exceed $1,000,000.

15. The term **"High Value Account"** means a Preexisting Individual Account with a balance or value that exceeds $1,000,000 as of 31 December [xxxx] or 31 December of any subsequent year.

16. The term **"New Entity Account"** means a New Account held by one or more Entities.

17. The term **"Excluded Account"** means any of the following accounts:

    a) A retirement or pension account that satisfies the following requirements:

        i. The account is subject to regulation as a personal retirement account or is part of a registered or regulated retirement or pension plan for the provision of retirement or pension benefits (including disability or death benefits);

        ii. The account is tax-favoured (i.e., contributions to the account that would otherwise be subject to tax are deductible or excluded from the gross income of the account holder or taxed at a reduced rate, or taxation of investment income from the account is deferred or taxed at a reduced rate);

        iii. Information reporting is required to the tax authorities with respect to the account;

        iv. Withdrawals are conditioned on reaching a specified retirement age, disability, or death, or penalties apply to withdrawals made before such specified events; and

        v. Either (i) annual contributions are limited to $50,000 or less, or (ii) there is a maximum lifetime contribution limit to the account of $1,000,000 or less, in each case applying the rules set forth in paragraph C of Section VII for account aggregation and currency translation.

        A Financial Account that otherwise satisfies the requirements of this subparagraph will not fail to satisfy such requirements solely because such Financial Account may receive assets or funds transferred from one or more Financial Accounts that meet the requirements of subparagraph C(17)(a) or (b) or from one or more retirement or pension funds that meet the requirements of any of subparagraphs B(5) through (7).

    b) An account that satisfies the following requirements:

        i. The account is subject to regulation as an investment vehicle for purposes other than for retirement and is regularly traded on an established securities market, or the

account is subject to regulation as a savings vehicle for purposes other than for retirement;

ii. The account is tax-favoured (i.e., contributions to the account that would otherwise be subject to tax are deductible or excluded from the gross income of the account holder or taxed at a reduced rate, or taxation of investment income from the account is deferred or taxed at a reduced rate);

iii. Withdrawals are conditioned on meeting specific criteria related to the purpose of the investment or savings account (for example, the provision of educational or medical benefits), or penalties apply to withdrawals made before such criteria are met; and

iv. Annual contributions are limited to $50,000 or less, applying the rules set forth in paragraph C of Section VII for account aggregation and currency translation.

A Financial Account that otherwise satisfies the requirements of this subparagraph will not fail to satisfy such requirements solely because such Financial Account may receive assets or funds transferred from one or more Financial Accounts that meet the requirements of subparagraph C(17)(a) or (b) or from one or more retirement or pension funds that meet the requirements of any of subparagraphs B(5) through (7).

c) A life insurance contract with a coverage period that will end before the insured individual attains age 90, provided that the contract satisfies the following requirements:

i. Periodic premiums, which do not decrease over time, are payable at least annually during the period the contract is in existence or until the insured attains age 90, whichever is shorter;

ii. The contract has no contract value that any person can access (by withdrawal, loan, or otherwise) without terminating the contract;

iii. The amount (other than a death benefit) payable upon cancellation or termination of the contract cannot exceed the aggregate premiums paid for the contract, less the sum of mortality, morbidity, and expense charges (whether or not actually imposed) for the period or periods of the contract's existence and any amounts paid prior to the cancellation or termination of the contract; and

iv. The contract is not held by a transferee for value.

d) An account that is held solely by an estate if the documentation for such account includes a copy of the deceased's will or death certificate.

e) An account established in connection with any of the following:

i. A court order or judgment.

ii. A sale, exchange, or lease of real or personal property, provided that the account satisfies the following requirements:

(i) The account is funded solely with a down payment, earnest money, deposit in an amount appropriate to secure an obligation directly related to the transaction, or a similar payment, or is funded with a Financial Asset that is deposited in the account in connection with the sale, exchange, or lease of the property;

(ii) The account is established and used solely to secure the obligation of the purchaser to pay the purchase price for the property, the seller to pay any contingent liability, or the lessor or lessee to pay for any damages relating to the leased property as agreed under the lease;

(iii) The assets of the account, including the income earned thereon, will be paid or otherwise distributed for the benefit of the purchaser, seller, lessor, or lessee (including to satisfy such person's obligation) when the property is sold, exchanged, or surrendered, or the lease terminates;

(iv) The account is not a margin or similar account established in connection with a sale or exchange of a Financial Asset; and

(v) The account is not associated with an account described in subparagraph C(17)(f).

iii. 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.

iv. An obligation of a Financial Institution solely to facilitate the payment of taxes at a later time.

f) A Depository Account that satisfies the following requirements:

i. 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

ii. 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 $50,000, or to ensure that any customer overpayment in excess of $50,000 is refunded to the customer within 60 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.

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

D. **Reportable Account**

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.

2. The term **"Reportable Person"** means a Reportable Jurisdiction Person other than: (i) a corporation the stock of which is regularly traded on one or more established securities markets; (ii) any corporation that is a Related Entity of a corporation described in clause (i); (iii) a Governmental Entity; (iv) an International Organization; (v) a Central Bank; or (vi) a Financial Institution.

3. The term **"Reportable Jurisdiction Person**" means an individual or Entity that is resident in a Reportable Jurisdiction under the tax laws of such jurisdiction, or an estate of a decedent that was a resident of a Reportable Jurisdiction. For this purpose, 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.

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.

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.

6. The term **"Controlling Persons"** means the natural persons who exercise control over an Entity. In the case of a trust, such term means the settlor, the trustees, the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust, and in the case of a legal arrangement other than a trust, such term means persons in equivalent or similar positions. The term "Controlling Persons" must be interpreted in a manner consistent with the Financial Action Task Force Recommendations.

7. The term **"NFE"** means any Entity that is not a Financial Institution.

8. The term **"Passive NFE"** means any: (i) NFE that is not an Active NFE; or (ii) an Investment Entity described in subparagraph A(6)(b) that is not a Participating Jurisdiction Financial Institution.

9. The term **"Active NFE"** means any NFE that meets any of the following criteria:

   a) Less than 50 per cent of the NFE's gross income for the preceding calendar year or other appropriate reporting period is passive income and less than 50 per cent 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;

   b) 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;

   c) The NFE is a Governmental Entity, an International Organization, a Central Bank , or an Entity wholly owned by one or more of the foregoing;

d) 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 NFE does not qualify for this status if the NFE functions (or holds itself out) as an investment fund, such as a private equity fund, venture capital fund, leveraged buyout fund, or any investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as capital assets for investment purposes;

e) The NFE is not yet operating a business and has no prior operating history, but is investing capital into assets with the intent to operate a business other than that of a Financial Institution, provided that the NFE does not qualify for this exception after the date that is 24 months after the date of the initial organization of the NFE;

f) The NFE was not a Financial Institution in the past five years, and is in the process of liquidating its assets or is reorganizing with the intent to continue or recommence operations in a business other than that of a Financial Institution;

g) The NFE primarily engages in financing and hedging transactions with, or for, Related Entities that are not Financial Institutions, and does not provide financing or hedging services to any Entity that is not a Related Entity, provided that the group of any such Related Entities is primarily engaged in a business other than that of a Financial Institution; or

h) The NFE meets all of the following requirements:

   i. It is established and operated in its jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, athletic, or educational purposes; or it is established and operated in its jurisdiction of residence and it is a professional organization, business league, chamber of commerce, labour organization, agricultural or horticultural organization, civic league or an organization operated exclusively for the promotion of social welfare;

   ii. It is exempt from income tax in its jurisdiction of residence;

   iii. It has no shareholders or members who have a proprietary or beneficial interest in its income or assets;

   iv. 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-charitable Entity other than pursuant to the conduct of the NFE's charitable 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; and

   v. The applicable laws of the NFE's jurisdiction of residence or the NFE's formation documents require that, upon the NFE's liquidation or dissolution, all of its assets be distributed to a Governmental Entity or other non-profit organization, or escheat to the government of the NFE's jurisdiction of residence or any political subdivision thereof.

E. **Miscellaneous**

1. The term **"Account Holder"** means the person listed or identified as the holder of a Financial Account by the Financial Institution that maintains the account. 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, or intermediary, is not treated as holding the account for purposes of this Annex, and such other person is treated as holding the account. 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, each person entitled to receive a payment under the contract is treated as an Account Holder.

2. The term **"AML/KYC Procedures"** 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.

3. The term **"Entity"** means a legal person or a legal arrangement, such as a corporation, partnership, trust, or foundation.

4. An Entity is a **"Related Entity"** of another Entity 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 per cent of the vote and value in an Entity.

5. The term **"TIN"** means Taxpayer Identification Number (or functional equivalent in the absence of a Taxpayer Identification Number).

6. The term **"Documentary Evidence"** includes any of the following:

   a) A certificate of residence issued by an authorized 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 authorized 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 authorized 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 organized.

   d) Any audited financial statement, third-party credit report, bankruptcy filing, or securities regulator's report.

Section IX: Effective Implementation

A. A jurisdiction must have rules and administrative procedures in place to ensure effective implementation of, and compliance with, the reporting and due diligence procedures set out above including:

1. rules to prevent any Financial Institutions, persons or intermediaries from adopting practices intended to circumvent the reporting and due diligence procedures;

2. rules requiring Reporting Financial Institutions to keep records of the steps undertaken and any evidence relied upon for the performance of the above procedures and adequate measures to obtain those records;

3. administrative procedures to verify Reporting Financial Institutions' compliance with the reporting and due diligence procedures; administrative procedures to follow up with a Reporting Financial Institution when undocumented accounts are reported;

4. administrative procedures to 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; and

5. effective enforcement provisions to address non-compliance.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

Standard for Automatic Exchange of Financial Account Information

G20 Leaders at their meeting in Russia in September 2013 fully endorsed the OECD proposal for a truly global model of automatic exchange and invited the OECD working with G20 countries to present such a new single standard for automatic exchange of information in time for the February 2014 meeting of the G20 Finance Ministers and Central Bank Governors.

The standard contained in this report and released in preparation for that meeting calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions that need to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions. Part I of this report gives an overview of the standard. Part II contains the text of the Model Competent Authority Agreement (CAA) and the Common Reporting and Due Diligence Standard (CRS) that together make up the standard.

The new standard draws extensively on earlier work of the OECD in the area of automatic exchange of information. It incorporates progress made within the European Union, as well as global anti-money laundering standards, with the intergovernmental implementation of the US Foreign Account Tax Compliance Act (FATCA) having acted as a catalyst for the move towards automatic exchange of information in a multilateral context.

