Hong Kong, March 22th, 2017

Re: Common Reporting Standard (the ''**CRS**'')

The Common Reporting Standard (the ''**CRS**''), developed in response to the G20 request and approved by the OECD Council on 15 July 2014**,** 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 required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions. In addition to translating the CRS into domestic law, a key element of its successful implementation is the putting in place of an international framework that allows the automatic exchange of CRS information between jurisdictions.

Above **100 jurisdictions** currently participate in the Convention, including 15 jurisdictions covered by territorial extension[1]. This represents a wide range of countries including all G20 countries, all BRIICS, all OECD countries, major financial centres and an increasing number of developing countries. Exchange relationships between jurisdictions can be based on different agreements: the multilateral Convention on Mutual Administrative Assistance in Tax Matters (the "**Multilateral Convention**"), the CRS Multilateral Competent Authority Agreement (the "**CRS MCAA**"), EU Directive (if applicable), agreements between the EU and third countries and bilateral agreements.

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 account holders 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 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.

RULES GOVERNING TAX RESIDENCE

OECD establishes a section providing an overview of the tax residency rules applicable in jurisdictions that are committed to automatically exchanging information under the CRS; click here for the list.

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[1] See Annex A for *Jurisdictions Participating in the Convention on Mutual Administrative Assistance in Tax Matters and the Year of first exchange commitment under CRS Standard*

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PROCESS OF AUTOMATIC EXCHANGE

The basic process of automatic exchange of information can be divided into seven steps[2]:

1. Payer or paying agent collects information from the taxpayer and/or generates information itself
2. Payer or paying agent reports information to the tax authorities.
3. Tax authorities consolidate information by country of residence.
4. Information is encrypted and bundles are sent to residence country tax authorities.
5. Information is received and decrypted.
6. Residence country feeds relevant information into an automatic or manual matching process.
7. Residence country analyses the results and takes compliance action as appropriate.

TAX INDENTIFICATION NUMBER (TIN)

The TIN to be reported with respect to an account is the TIN assigned to the Account Holder by its jurisdiction of residence (i.e. not by a jurisdiction of source). In the case of a Reportable Person that is identified as having more than one jurisdiction of residence, the TIN to be reported is the Account Holder's TIN with respect to each Reportable Jurisdiction The term "TIN" includes a functional equivalent in the absence of a Taxpayer Identification Number[3]. The TIN is not required to be reported with respect to Preexisting Accounts if (i) it is not in the records of the Reporting Financial Institution, and (ii) there is not otherwise a requirement for the TIN to be collected by the Reporting Financial Institution under domestic law (subject to reasonable efforts to obtain the information).

OECD establishes a section providing an overview of domestic rules in the jurisdictions listed below governing the issuance, structure, use and validity of Tax Identification Numbers ("TIN") or their functional equivalents; click here for the list.

PRACTICAL QUESTIONS AND ANSWERS

1. What is the impact of an individual having tax residence A in a CRS member jurisdiction (e.g. Cyprus) and tax residence B in a CRS non-member jurisdiction (e.g. Vietnam)?
   Answer: Jurisdiction A will be reported, but jurisdiction B will not as it is in a non-member country.

2. What is the impact of an individual having tax residence A in a non-member jurisdiction (e.g. Vietnam), but has investments in both member jurisdictions B (e.g. France) and C (e.g. Cyprus)?
   Answer: There is no impact as jurisdictions B and C won't report to jurisdiction A as this jurisdiction is not CRS related.

3. Is there any impact foreseeable for an individual having a TIN in a non-member jurisdiction (e.g. Vietnam)?
   Answer: The only possible impact is that banks from CRS member jurisdictions could refuse to open a bank account to this individual if he is from a "high risk" jurisdiction.

4. Can a CRS non-member jurisdiction A (e.g. Vietnam) just dig in the shared reported information from CRS member jurisdictions XYZ, even if this jurisdiction A doesn't report anything?
   Answer: We don't believe so, as a non-member jurisdiction is not part of the framework. However, if two countries have double taxation avoidance agreement, then they can rely on this agreement to seek help from the tax administration authority of the other state.

[2] http://www.oecd.org/ctp/exchange-of-tax-information/automatic-exchange-of-information-report.pdf
[3] http://www.oecd-ilibrary.org/docserver/download/2314131e.pdf?expires=1489981351&id=id&accname=guest&checksum=C5C0C9382FADA3CA4D999B126494A909, p.96 and 202

SEMINAR

For your information, Global Forum, in partnership with OECD, will held two series of seminar in 2017:

- 23-27 October: Exchange of Information and Common Reporting Standard Seminar (China)
- 28-30 March: Seminar on Beneficial Ownership (Manila, Philippines)

Annex A

Jurisdictions Participating in the Convention on Mutual Administrative Assistance in Tax Matters (16 March 2017) – (in white)
&
Year of first exchange commitment under CRS or CRS MCAA (14 March 2017)

Albania – X	Czech Republic – 2017	Kazakhstan – X	Romania – 2017
Andorra – 2018	Denmark – 2017	Kenya – X	Russia – 2018
Anguilla – 2017	Dominica – 2018	Korea (South) – 2017	Saint Kitts And Nevis – 2018
Antigua y Barbuda – 2018	Dominican Republic – X	Kuwait – 2018	Saint Lucia – 2018
Argentina – 2017	El Salvador – X	Latvia – 2017	Saint Vincent and the Grenadines – 2018
Aruba – 2018	Estonia – 2017	Lebanon – 2018	Samoa – 2018
Australia – 2018	Faroe Islands – 2017	Liechtenstein – 2017	San Marino – 2017
Austria – 2018	Finland – 2017	Lithuania – 2017	Saudi Arabia – 2018
Azerbaijan – X	France – 2017	Luxembourg - 2017	Senegal – X
Bahamas – 2018	Gabon – X	Malaysia – X	Seychelles – 2017
Bahrain – 2018	Georgia – X	Malta – 2017	Singapore – 2018
Barbados – 2017	Germany – 2017	Macao – 2018	Sint Maarten – 2018
Belgium – 2017	Ghana – 2018	Marshall Islands – 2018	Slovak Republic – 2017
Belize – 2018	Gibraltar – 2017	Mauritius – 2018	Slovenia – 2017
Bermuda – 2017	Greece – 2017	Mexico – 2017	South Africa – 2017
Brazil – 2018	Greenland – 2017	Moldova – X	Spain – 2017
British Virgin Islands – 2017	Grenada – 2018	Monaco – 2018	Sweden – 2017
Brunei Darussalam – 2018	Guatemala – X	Montserrat – 2017	Switzerland – 2018
Bulgaria – 2017	Guernsey – 2017	Morocco – X	Thailand – X **
Burkina Faso – X	Hungary – 2017	Nauru – 2018	Trinidad and Tobago – 2018
Cameroon – X	Hong Kong (RPC) – 2018	Netherlands – 2017	Tunisia – X
Canada – 2018	Iceland – 2017	New Zealand – 2018	Turkey – 2018
Cayman Islands – 2017	India – 2017	Nigeria – X	Turks & Caicos Islands – 2017
Chile – 2018	Indonesia – 2018	Niue – 2017	Uganda – X
China (R.P.) – 2018	Ireland – 2017	Norway – 2017	Ukraine – X
Colombia – 2017	Isle of Man – 2017	Pakistan – X	United Arab Emirates – 2018
Cook Islands – 2018	Israel – 2018	Panama – 2018	United Kingdom – 2017
Costa Rica – 2018	Italy – 2017	Philippines – X	United States – X
Croatia – 2017	Jamaica – X	Poland – 2017	Uruguay – 2018
Curaçao – 2017	Japan – 2018	Portugal – 2017	Vanuatu – 2018
Cyprus – 2017	Jersey – 2017	Qatar – 2018	

In grey: countries where no date of entry into force of the protocol or amended *Convention on Mutual Administrative Assistance in Tax Matters* is set – OR countries that are not part of the Convention (subject to CRS under another agreement), such as Hong Kong will do its first automatic exchange of information in 2018, even if not part of said convention[4].

** The Organisation for Economic Cooperation and Development (OECD) in late January 2017 announced that Thailand has joined the Global Forum on Transparency and Exchange of Information for Tax Purposes as its 139th member. There currently is no specific requirement or enforcement in Thailand regarding the CRS, but it is expected to be in full force by 2022[5].

Table's reference:

http://www.oecd.org/tax/exchange-of-tax-information/Status_of_convention.pdf
http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/crs-by-jurisdiction/crs-by-jurisdiction-2018.htm

[4] http://www.gov.hk/en/residents/government/publication/consultation/docs/2015/AEOI.pdf, p.27
[5] https://home.kpmg.com/xx/en/home/insights/2017/03/tnf-thailand-status-of-common-reporting-standard-implementation.html