

Automatic Exchange of Information (AEOI) refers to the initiative developed by the OECD to increase the transparency standard for financial account information of taxpayers, as a counter to tax evasion. Although the process started in the US with the FATCA framework, it reached global scale when the OECD introduced a Common Reporting Standard (CRS) and the EU decided to embrace it within its Directive on Administrative Cooperation (DAC). 101 jurisdictions have now committed to implement the new framework.

Who is this relevant for?

Most investment management businesses (regardless of where they are established) are subject to elements of the AEOI framework:

- Managers, fund administrators, prime brokers and other service providers should be aware of the main responsibilities for funds and key deadlines that arise under [CRS](#).
- Due diligence obligations and reporting requirements under CRS must be met in respect of financial account information of taxpayers resident in participating jurisdictions. This information will be automatically exchanged on an annual basis by the tax authority to which it is reported through reciprocal competent authority agreements or a multilateral agreement (MCAA).

Since 1 January 2016 CRS has required funds to implement new account opening procedures, and due diligence processes on high value (> US\$1m) pre-existing individual accounts must be completed by 31 December 2016. From May 2017 (depending on the jurisdiction) first reports to the fund's tax authority must be made. Existing obligations to comply with US FATCA and UK FATCA remain.

What are the key issues?

The requirement to identify Controlling Persons of Passive Non-Financial Foreign Entities (PNFEE) and obtain self-certification forms from the relevant persons has presented significant practical difficulties, particularly where US funds are involved. Transparent structures (e.g. partnerships) often make it very complex to track the ultimate investor.

Other issues of particular interest to AIMA members include:

- Defining the scope of the **CRS due diligence and reporting services offered by the administrator** / other service provider that provides FATCA/CRS services for the fund
- **Review fund's constitutional documents**
- Compliance with **on-boarding procedures**
- Review the **investor self-certification forms**
- Review existing **investor side letters**
- **Notification to investors**
- Regional/local considerations (i.e. **guidance**)

Implementation

CRS will have greater impact on work streams, when compared to FATCA, and matters such as customer communications, remediation and systems transition beyond FATCA will need to be considered. Systems technology will have a crucial role in CRS compliance but the financial services industries will look to governments and tax authorities to achieve global consistency through regulations and guidance.

Where can I find more information?

Please contact AIMA's [tax team](#) for more detail on any aspect of the new rules.