Millennium
banque privée

Automatic Exchange of Information

Summarized Explanation

Geneva, November 2016

Agenda

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Introduction

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Background

- Globalisation brought opportunities to tax payers to make, hold and manage investments through financial institutions outside their country of residence. The vast amount of money/financial assets being outside the country of residence of the tax payer might lead to tax evasion practices.
- In 2009, to counteract tax evasion, **the Organization for Economic Co-operation and Development** ("OECD") together with the **Global Forum on Transparency and Exchange of Information for Tax purposes**, the **European Union**, the **G20 Finance Ministers** and the **Central Bank Governors** endorsed a project to create an automatic exchange of information system to set a common standard for information exchange.
- As a consequence, in February 2014, the G20 Finance Ministers and Central Bank Governors approved the **Common Reporting Standard** ("CRS") for **Automatic Exchange of tax Information** ("AEI") and encouraged all countries to sign the Multilateral Convention on Mutual Administrative Assistance in Tax matters.

Overview

- The **AEI** requires financial institutions in participating countries to automatically exchange non-resident financial account information with tax authorities of other participating jurisdictions, of which account holders may be resident, based on bilateral or multilateral AEI agreements in place.
- The information to be transmitted includes account and tax identification numbers as well as the **names, addresses and dates of birth of taxpayers** abroad with an account in a country other than the country of origin, all types of income and sales proceeds, as well as account balances.
- The standard covers both individual persons and legal entities.

Automatic Exchange of Information

Reportable Jurisdiction

TAX AUTHORITIES COUNTRY OF RESIDENCE

Tax return

Reportable Person
(Individuals and Entities)

REPORTING

Information to be reported by Financial Institutions on reportable accounts:

- Account number
- Name, Address, TIN, date of birth
- End of year account balance
- Interest, dividends
- Proceeds from sale of financial assets.

Financial Institution Jurisdiction

Tax Authorities

Bank
(Financial Institutions)

Reported information

The Bank is required to **report the following account information** to Reporting jurisdiction:

- Account number
- Name, Address, TIN, date of birth
- Account Balance at end of fiscal year, or closing date, if earlier
- Interest, dividends
- Gross proceeds from sale of financial assets.

Residence / Place of Incorporation Indicia

Bank is required to **determine residence** in a reportable jurisdictions based on the following Indicia:

- Tax residence
- Current residence or mailing address
- Telephone number
- Standing instructions
- Power of attorney
- Hold Mail instruction or «in care of» address as sole address.

Change of Circumstances Monitoring

Bank required to **monitor any change of circumstance** that indicates a change of status (e.g. change of address).

What does AEI involve for Financial Institutions

- **Financial Institutions ("FI(s)")** are required to identify and classify clients in terms of residence in a reportable or non reportable jurisdiction (identification based on documentation provided by account holders).

- In addition, FIs are required to **report annually** the financial information of **Account Holders** (AH) and **Beneficial Owners** (BO) to the respective jurisdictions of residence, i.e. reportable jurisdictions.

- When client classification is not possible due to lack of information or to contradictory indicia, **FIs are obliged to request Clients for additional information, or to provide a self-certification form**.

- Entities will be subject to a classification scrutiny that will allow the Bank to classify them as FI, Active or Passive NFEs (check next slide for definitions). All Passive NFEs will be required to provide a self certification form and to identify all controlling persons, to enable identification of the respective residence country and determine whether or not clients are resident in a reportable or non reportable jurisdiction.

- **First report to be exchanged between Switzerland and a certain number of countries signatories of the OECD convention that have also signed bilateral agreements with Switzerland will be due on 30 June 2018 with respect to the financial year of 2017.**

Overview

Account classifications

To be applicable to accounts held by individual and entity:

- New accounts: via self certifications (i.e. clients with accounts opened after January 1st 2017).
- Pre-existing accounts: classification by the Bank based on available identification documents.
  Self certification to be required to clients with residence indicia in more than one jurisdiction or insufficiently documented.

Entities will be classified as follows:

Financial Institutions (FI(s)):

- Entities conducting investment or portfolio management business on behalf of customers (e.g. Investment Advisors and Investment Management Companies).
- Investment vehicles (such as Funds) established to invest in financial assets.
- Investment entities that are professionally managed by other FIs.

Non Financial Entities ("NFE(s)"):

- Passive NFE – more than 50% of its gross income for the calendar year is passive income (dividends, interest, rents and royalties - other than those derived in the active conduct of a trade or business -, annuities, or other passive income) and more than 50% of its assets are assets that produce or are held for the production of passive income.
- Active NFE - more than 50% of its gross income for the calendar year is commercial income (those derived in the active conduct of a trade or business) and more than 50% of its assets are assets that produce or are held for the production of commercial income.
- FIs domiciled in non AEI countries *(countries not commette to the CRS standards)* will be considered as NFEs.
- Excluded Accounts – Certain types of NFEs such as International Organizations, Publicly trade corporations, foreign central banks, Governments and others.

Reported Overview

AEI splits the world in three categories:

- Countries with bilateral AEI agreements in place
- Committed Countries with the OECD
- the Rest of the World.

AEI also classifies the clients as reportable or non reportable within the regime:

Countries with bilateral agreement (Reportable)	Committed Countries (Non Reportable)	Rest of the World (Non Reportable)
Individual Resident Account Holder / Beneficiary	**Individual** Resident Account Holder / Beneficiary	**Individual** Resident Account Holder / Beneficiary
Financial Institutions (FI)	Financial Institutions (FI)	**FIs considered as Passive NFE** Obligation to identify Controlling Persons and report, if domiciled in AEI countries.
Passive Non-Financial entity (PNFE) Obligation to identify Controlling Persons and report if domiciled in AEI countries	**Passive Non-Financial entity (PNFE)** Obligation to identify Controlling Persons and report if domiciled in AEI countries	**Passive Non-Financial entity (PNFE)** Obligation to identify Controlling Persons and report if domiciled in AEI countries
Active NFE	Active NFE	Active NFE

Reportable | Controlling Persons Reportable | Non Reportable

Countries committed with the AEI and implementation time frame

JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2017 (54)

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

JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2018 (47)

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

Switzerland AEI Agreements
In force - Status at 25 November 2016

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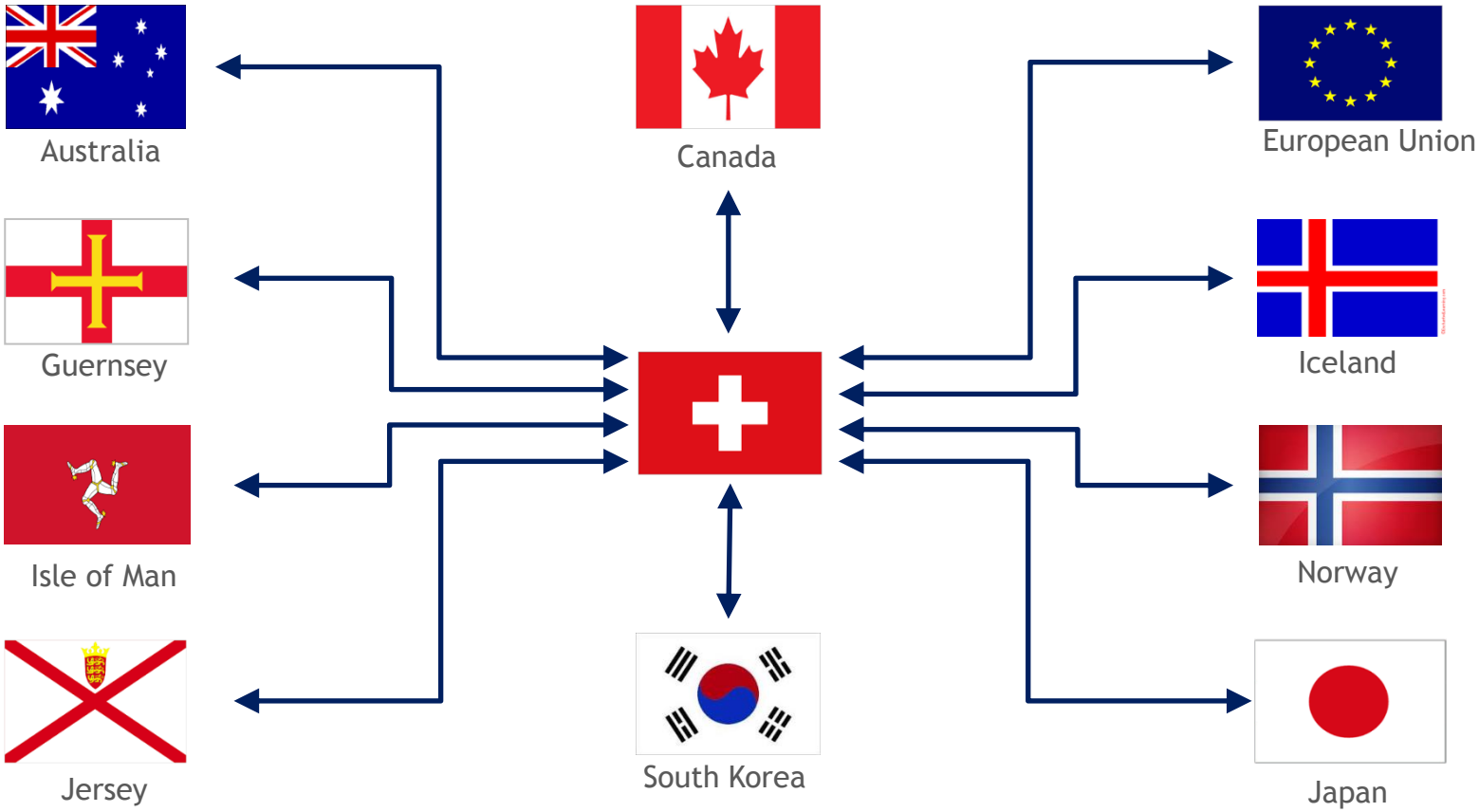
Bilateral and Multilateral AEI agreements concluded by Switzerland
First exchange of Information relates to fiscal year of 2017 (to be reported in 2018)



Reporting is limited exclusively to accounts held by account holders or beneficial owners resident (place of incorporation or effective place of management for entities) in one of the above countries. Controlling Persons of Passive NFE, resident in one of the above countries will also be subject to reporting, irrespectively of the place of incorporation of the entity. **Further countries could be included in the Exchange of information requirements and reporting upon conclusion of a bilateral agreement with Switzerland.**

Bilateral and Multilateral AEI agreements concluded by Switzerland
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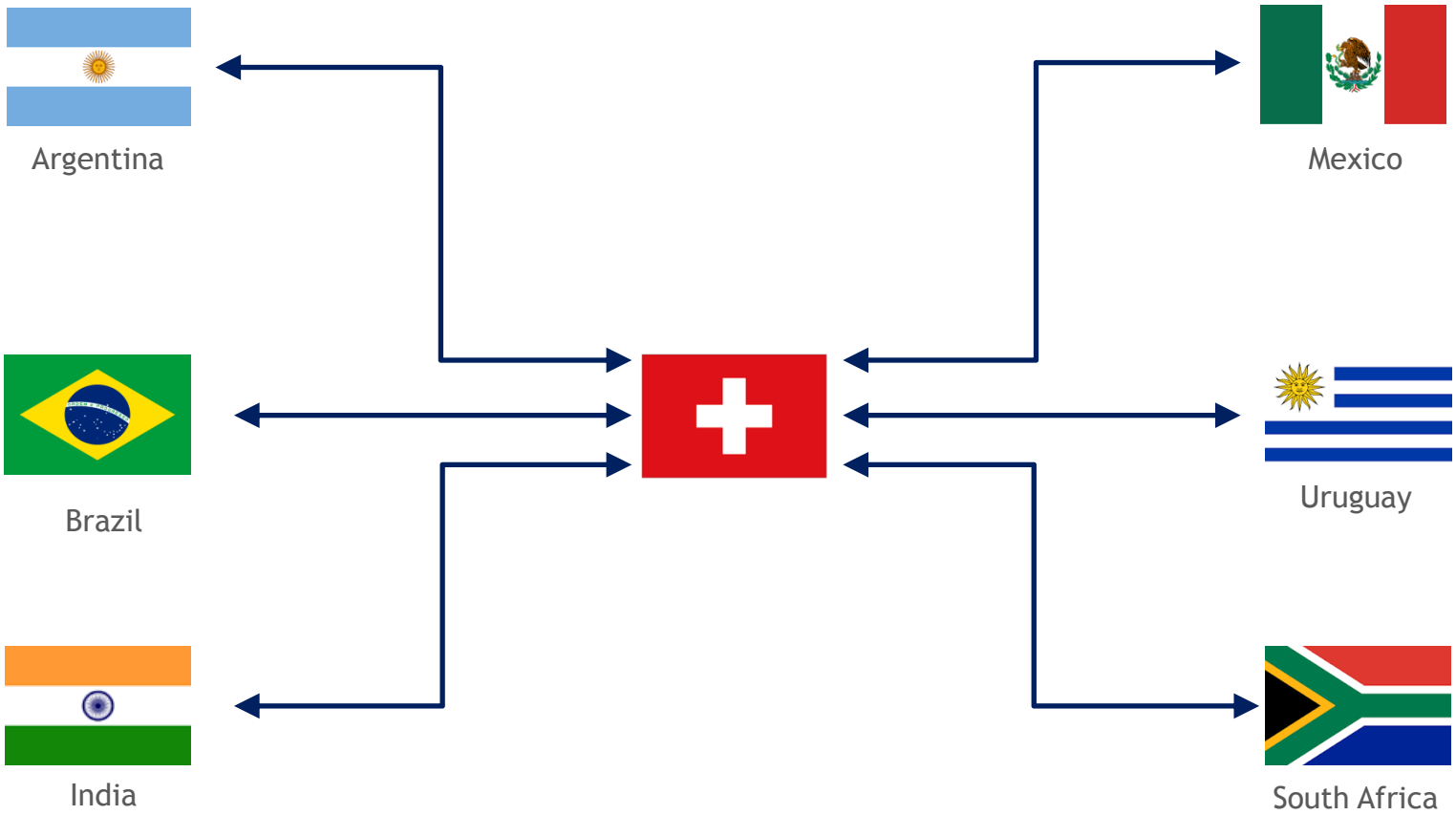

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Main Milestones

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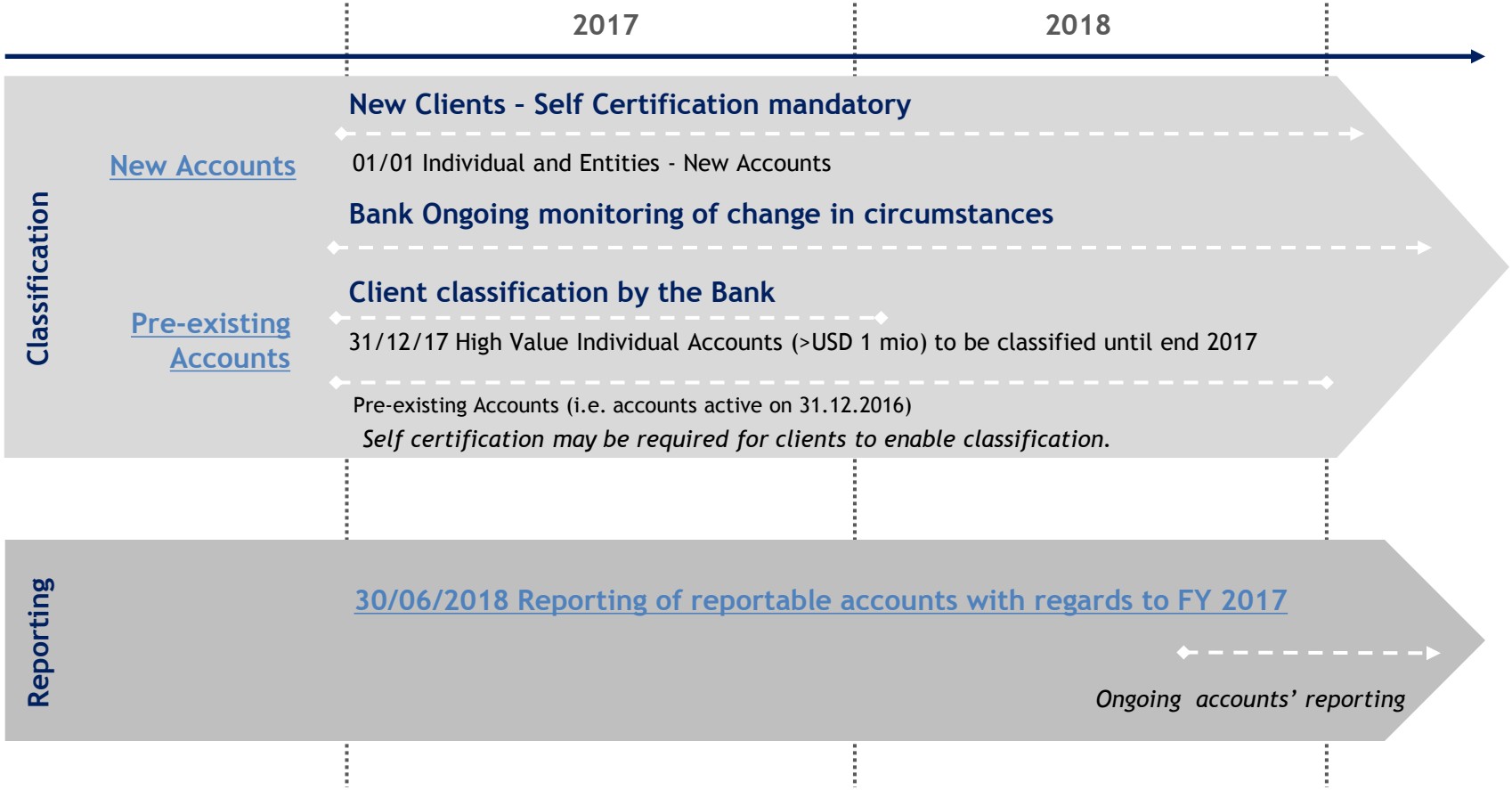
The **OECD** sets two main requirements to comply with the AEI:

- Client's classification
- Reporting of reportable accounts to the different reportable jurisdictions.

The main milestones are presented in the chart below:



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