



# Automatic Exchange of Information

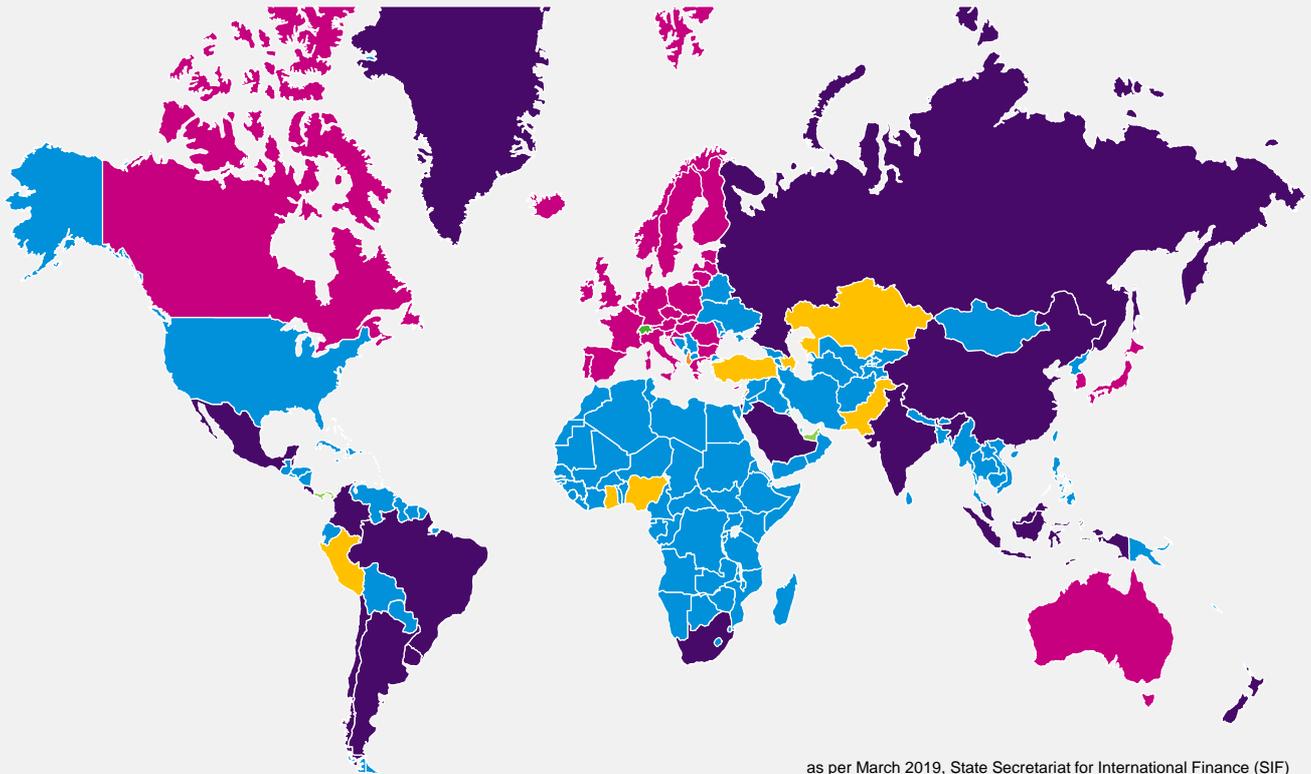
**Current challenges for Swiss banks**

April 2019

# Overview of the AEOI requirements

In order to fight tax evasion on a global level, on 21 July 2014 the Organization for Economic Co-operation and Development (the “OECD”), together with the G20, released a regulatory framework for the Automatic Exchange of Financial Account Information in Tax Matters (“AEOI”) based on the Common Reporting Standard (“CRS”). Over 100 jurisdictions have committed to implementing the CRS, including Switzerland and all other major financial centers. So-called “early adopter” jurisdictions implemented CRS at the beginning of 2016. Most other jurisdictions, including Switzerland, followed in 2017.

## Switzerland’s AEOI partner jurisdictions



**First exchange in 2018 regarding 2017**  
Australia, Canada, EU Member States, Guernsey, Isle of Man, Iceland, Japan, Jersey, Norway, South Korea

**First exchange in 2019 regarding 2018**  
Andorra, Argentina, Barbados, Belize, Bermuda\*, Brazil, BVI\*, Cayman Islands\*, Chile, China, Colombia, Cook Islands, Costa Rica, Curaçao, Faroe Islands, Greenland, Hong Kong, India, Indonesia, Liechtenstein, Malaysia, Mauritius, Mexico, Monaco, Montserrat, New Zealand, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, San Marino, Saudi-Arabia, Seychelles, Singapore, South Africa, Turks and Caicos Islands\*, Uruguay

**First exchange in 2020 regarding 2019**  
Anguilla\*, Antigua and Barbuda, Aruba, Bahamas\*, Bahrain\*, Bonaire, Grenada, Israel, Kuwait\*, Marshall Islands\*, Nauru\*, Panama, Qatar\*, Saba, Saint Eustatius, United Arab Emirates\*

**First (expected) exchange in 2021 regarding 2020**  
Albania, Azerbaijan, Brunei Darussalam, Dominica, Ghana, Kazakhstan, Lebanon, Macao, Maldives, Nigeria, Niue, Pakistan, Peru, Samoa, Sint Maarten, Trinidad and Tobago, Turkey, Vanuatu

**No exchange**  
Most notably the US and most African countries

\* Permanently non-reciprocal jurisdictions

# Overview of the AEOI requirements (2)

AEol requires financial institutions (“FIs”) – such as banks, brokers, insurance companies and asset managers – in participating jurisdictions to implement certain due diligence procedures to identify financial accounts and collect and maintain certain information about the tax residence status of account holders.

Based on the information collected as part of these due diligence procedures, the FI also needs to report, on an annual basis, certain identification and financial information about its clients to the domestic tax authorities, for onward exchange with the relevant foreign tax authorities of reportable jurisdictions.

FIs are further expected to establish an AEol compliance program, including written policies and procedures, training and ongoing monitoring of compliance with the AEol provisions.

## Entity classification

An entity needs to be classified as either an FI or non-financial entity for CRS purposes.



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## Due diligence

Each FI is required to identify all its financial accounts and collect certain information regarding the status and tax residence of those account holders. AEol provides for specific due diligence requirements for pre-existing (as of 31 December 2016) and new (opened on or after 1 January 2017) individual and entity accounts.



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## Reporting

Swiss FIs are required to report all reportable accounts by 30 June each year. Switzerland also requires nil-reporting in case an FI does not maintain any reportable accounts. Swiss FIs are required to notify account holders before they are reported for the first time.



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## Ongoing monitoring

Continuous monitoring includes monitoring account balance thresholds where available exemptions for certain pre-existing account holders have been applied, changes in circumstances, annual reviews of undocumented account holders, and monitoring of account closures.



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## Compliance & governance

All FIs are expected to implement an AEol compliance program, including written policies and procedures, effective systems and processes, and regular employee training.

# Current AEoI challenges and solutions for Swiss banks

## Training

FIs need to organize regular training sessions for their employees. Training sessions should in particular cover the following topics:

- Due diligence
- Reporting
- Ongoing monitoring
- Compliance and governance
- Example cases and other specific elements

### The value to your organization

- Training sessions cover the most important aspects of AEoI
- Content is customized to be of most relevance to your organization and to the specific audience (e.g. separate sessions for front and back office)
- Helps you meet the AEoI requirements and keep up with new developments
- Ensures your organization meets the requirement for regular AEoI training

## Written policies and procedures

Swiss FIs must maintain a set of written policies and procedures as part of their AEoI compliance program. The policy document should include the general AEoI requirements and address the specific circumstances of the organization. Most notably, a policy document should cover the following elements:

- Due diligence and validation of entity classifications
- Reporting
- Compliance and governance

### The value to your organization

- A comprehensive document explaining the core AEoI requirements and how they are implemented in your organization, serving as a policy document and a source of internal reference
- A fundamental pillar of your organization's AEoI framework, ensuring compliance with mandatory requirements/best practice
- Helpful in employee onboarding and handovers

## Entity classification flowcharts and validation checklists

Entity classification under the AEoI can be complex. Although the rules are mostly in line with those under FATCA, there are circumstances where an entity's classification under AEoI can differ from its FATCA classification. This can make the requirement for banks to validate self-certifications they receive, in particular from entities, a burdensome process. Tools can help lighten the load, for example:

- Entity classification flowcharts
- Entity classification validation checklists

### The value to your organization

- A flowchart showing the detailed entity classification process under AEoI is an essential tool in a wealth management and trust context, and useful for your organization's compliance/back office teams
- A checklist to assess the reasonableness of any self-certifications received – a useful instrument in particular for relationship managers/client-facing teams.

# Current AEoI challenges and solutions for Swiss banks (2)

## AEoI risk control matrix

FIs are required to monitor and track the different tasks, deadlines and responsibilities under AEoI on a regular basis. One approach to this is an AEoI risk control matrix covering the following elements:

- Due diligence: separately for pre-existing and new individual and entity accounts (incl. applicable thresholds, documentation, codification in IT system, and identification of reportable accounts)
- Ongoing monitoring: changes in circumstances, annual monitoring of accounts
- Reporting and compliance: AEoI compliance program, policies and procedures, registration, pre-notification to clients, reporting, training

### The value to your organization

- The risk control matrix provides a comprehensive overview of all relevant AEoI tasks
- Constitutes a simple and effective way to monitor completion of each task
- Highlights potential weaknesses and areas of improvement for specific aspects of AEoI compliance
- Serves as an audit trail of compliance in future external AEoI audits
- Helpful for employee onboarding and handovers

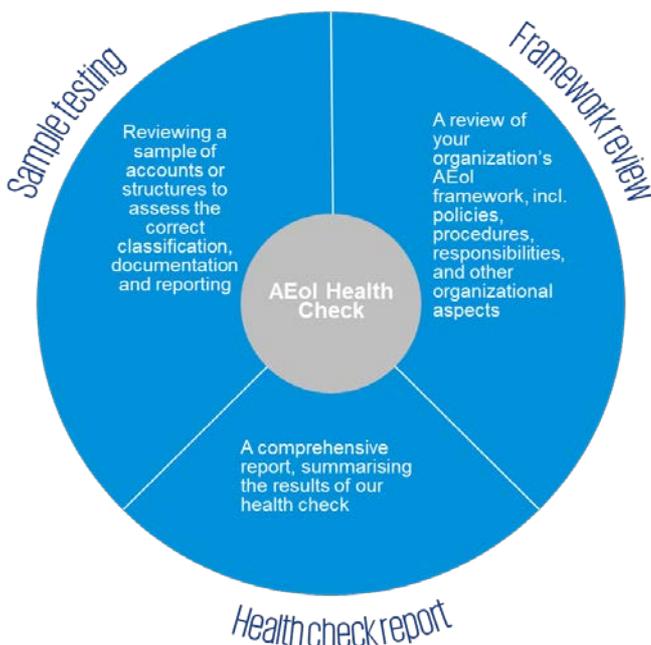
## AEoI health check

A health check can be an essential mechanism to assess an organization's compliance with AEoI and identify areas for improvement. Further, and especially in light of the AEoI audits expected to be performed by the Swiss Federal Tax Administration starting in the course of 2019, a health check report can serve as an audit trail demonstrating AEoI compliance.

### The value to your organization

- Regular health checks can help your organization meet the AEoI requirements, and also flag any potential areas of improvement
- Tailored approach focuses on those aspects of AEoI compliance that pose the biggest challenges to your organization
- Serves as an audit trail of compliance in future external AEoI audits

### Example AEoI health check methodology





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