

Canadian Insights on the Upcoming Common Reporting Standard

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With the upcoming implementation of the Organisation for Economic Co-operation and Development (OECD) Common Reporting Standard (CRS) by the Canadian Department of Finance, there are several considerations and key deadlines that may be relevant to your organization. Please note that the following does not constitute tax, legal, or compliance advice, and clients are encouraged to consult with their legal, compliance and tax advisors for specific guidance.

In follow-up to our June 2016 paper, "[Upcoming Regulatory Changes – 871\(m\) and the Common Reporting Standard](#)," this communication provides updated information on the CRS. By way of background, the CRS is intended to be a global standard for the exchange of financial account information, including disclosure of income earned by non-resident individuals and organizations. The purpose of the CRS is to address tax evasion, improve international tax compliance, encourage international tax cooperation, and help governments protect the integrity of their tax systems.

The Government of Canada intends to implement the CRS beginning on July 1, 2017 with the first inter-jurisdictional exchange of information with other tax jurisdictions taking place in 2018. Canada's Department of Finance notes that as of July 1, 2017, Canadian financial institutions (FIs) will be required to have new account opening procedures in place to identify accounts held by non-residents and will be required to report certain information to the Canada Revenue Agency (CRA).

UPDATE TO THE LEGISLATIVE LANDSCAPE

The CRA has posted its final guidance on the CRS, as well as self-certification forms [on its website](#). With respect to the final guidance on the CRS, some relevant areas for Canadian financial institutions to pay particular attention to include: Retirement Compensation Arrangements (RCAs), new accounts and closed accounts, Business Number (BN) vs Global Intermediary Identification Number (GIIN), sponsoring entity versus agent, the filing due date, and Foreign Tax Identification Number (TIN).

The CRA made modifications to the information on its website pertaining to new guidance for Part XIX of the Common Reporting Standard (CRS) in March 2017. The CRA indicated that the information – aimed at Canadian financial institutions and their account holders – is intended to provide an understanding of the administrative aspects of the CRS.

CIBC MELLON'S CRS STATUS

As a Canadian financial institution, CIBC Mellon will be required to take action to implement the provisions of the CRS which are applicable to it, as set out by the CRA. CIBC Mellon will be complying with CRS standards and relevant regulatory requirements. It is the responsibility of CIBC Mellon, as a Canadian FI, to complete diligence requirements on each of its account holders for whom it provides custody services, and to identify any reportable accounts to the CRA on an annual basis.

Upon account opening of an entity account starting July 1, 2017, CIBC Mellon acting as your custodian, is required to determine whether or not the account meets the reporting criteria as outlined in the CRS guidance.

CIBC Mellon does not have a regulatory responsibility to comply with CRS regulations with respect to unitholders of financial institutions for whom CIBC Mellon provides recordkeeping services, in its role as an agent. CIBC Mellon, however, will offer a recordkeeping reporting service offering, similar to its current offering for Foreign Account Tax Compliance Act (FATCA) related purposes, including the collection of new account opening information, and annual reporting to the CRA.

**CIBC MELLON'S DETERMINATION OF ACCOUNT HOLDERS' REPORTABLE STATUS:
NEW ACCOUNTS TO BE OPENED FOR NEW ENTITY ACCOUNT HOLDERS**

Upon account opening of an entity account starting July 1, 2017, CIBC Mellon acting as your custodian, is required to determine whether or not the account meets the reporting criteria as outlined in the CRS guidance. When CIBC Mellon can reasonably determine that the account does not meet the criteria, based on a review of public information or information in its possession, CIBC Mellon will be considered to have determined that the account is not reportable.

In all other cases, CIBC Mellon will request the account holder to provide a self-certification and confirm the reasonableness of such self-certification based on the information obtained by CIBC Mellon in connection with the opening of the account.

If CIBC Mellon determines that the entity account is reportable as a result of this process, it will report the account to the CRA.

PRE-EXISTING ENTITY ACCOUNTS SET UP PRIOR TO JULY 1, 2017

For pre-existing entity accounts, CIBC Mellon is required to follow similar procedures as described under new accounts to be opened to determine whether the accounts are reportable.

CIBC Mellon is required to complete the determination for all pre-existing entity accounts by December 31, 2019.

CRS SELF-CERTIFICATION FORMS

The CRS regulations require CIBC Mellon to obtain information on its account holders not previously collected by the company, such as on tax residency and information on controlling persons for the purposes of CRS as defined in the CRA guidance.

CIBC Mellon will be using CRS self-certification Form RC520, "Declaration of Tax Residence for individuals" (Part XIX of the Income Tax Act), or Form RC521, "Declaration of Tax Residence for Entities" (Part XIX of the Income Tax Act).

CIBC Mellon will request account holders to provide the company with a self-certification form in cases when the account holder does not have on file the information required to determine whether or not the account is reportable.

TIMELINES FOR DILIGENCE

2017

2019



JULY 1, 2017

As a custodian, CIBC Mellon is required by the CRA to have procedures put in place to determine whether or not a new account is reportable for CRS purposes when the new account is opened or as soon as possible thereafter.

DECEMBER 31, 2019

CIBC Mellon will require the completion of the review of all pre-existing entity accounts for CRS purposes.

CRS REPORTING

CIBC Mellon will complete its first reporting on CRS reportable accounts as of December 31, 2017 in May 2018. The CRA would then share relevant client information on these accounts with the jurisdictions in which they have entered into Competent Authority Agreements (CAAs). CRS reporting will continue on an annual basis, and any pre-existing entities not classified as non-reportable as of December 31, 2019 would first be reported in May 2020.

CIBC MELLON AS TRUSTEE

When acting as Trustee, CIBC Mellon will follow the procedures as outlined in this communication for new accounts and pre-existing entity accounts when it is requested to complete a copy of Form RC521, "Declaration of Tax Residence for Entities" (Part XIX of the Income Tax Act) on behalf of the trust.

As Trustee, CIBC Mellon is often asked to complete self-certification documents on behalf of the trust for third parties. For this type of request, CIBC Mellon would require additional information in order to complete CRS self-certification forms on the trust client's behalf, such as tax residency and information relating to controlling persons for CRS purposes as defined by the CRA guidance. To facilitate the collection of this information, CIBC Mellon will deliver a copy of Form RC521 to each trust account holder. CIBC Mellon asks that the form be completed, signed and returned to CIBC Mellon, which will be kept on file in order to satisfy future requests for documentation. Given that other jurisdictions could have different requirements, CIBC Mellon may need additional information and direction from the client upon receipt of a third party request for a self-certification document.

RECORDKEEPING CLIENTS

In our role as recordkeeper, CIBC Mellon acts as an agent on behalf of its clients. Similar to FATCA regulations, an agent does not hold regulatory responsibility for CRS due diligence and reporting requirements laid out by the CRA. As is the case for FATCA, CIBC Mellon will provide the reporting service described below to its recordkeeping clients should they request assistance.

CIBC Mellon will accept and house information related to CRS reporting in its recordkeeping platform. CIBC Mellon does not take responsibility for the accuracy of the information provided for CRS purposes, nor for seeking the information. Provision of the information is the choice of the recordkeeping client. Prior to the CRA filing deadline, CIBC Mellon will provide each client with a listing of its likely underlying reportable unitholders, based on the information provided, along with other pertinent CRS-related information in its possession. It is then the responsibility of the client to confirm to CIBC Mellon each unitholder's CRS reporting status. Upon receipt of the client confirmation, CIBC Mellon will produce the required XML file and submit it to the CRA on their behalf.

To clarify, CIBC Mellon as recordkeeper is not assuming any due diligence responsibility on behalf of the recordkeeping client.

Fundserv has confirmed that, similar to FATCA, it will house a listing [on its website](#) for members who have provided the necessary sign-off on FATCA and CRS agreements. CIBC Mellon will assist clients in identifying agreements from its dealer network that appear not to be in good order; however, CIBC Mellon will not be signing any related agreements on the client's behalf.

FATCA AND CRS SERVICE FEES

As a result of increased tax and regulatory reporting requirements, CIBC Mellon has materially invested in implementing development enhancements to its custody and recordkeeping platforms, creating internal processes, and establishing wide-ranging support and reporting processes applicable to both FATCA and CRS reporting services. Fees for CIBC Mellon's recordkeeping FATCA and CRS reporting services will be levied on client invoices effective the November 2017 billing cycle. The fees will be reflected as separate line items. In order to continue to provide adequate support and timely reporting information, FATCA and CRS reporting service fees will include a one-time set up fee in addition to ongoing annual support and maintenance charges. Potential custody-related FATCA and CRS fees are under consideration at this time. Further details will be communicated to clients as information becomes available.

As Trustee, CIBC Mellon is often asked to complete self-certification documents on behalf of the trust for third parties. For this type of request, CIBC Mellon would require additional information in order to complete CRS self-certification forms on the trust client's behalf, such as tax residency and information relating to controlling persons for CRS purposes as defined by the CRA guidance.

It is the responsibility of CIBC Mellon, as a Canadian FI, to complete diligence requirements on each of its account holders for whom it provides custody services, and to identify any reportable accounts to the CRA on an annual basis.

For More Information

Consult with your tax advisor for further information pertaining to your situation. If you have any questions as they relate to the services CIBC Mellon provides to your organization, please contact your Account Manager or Service Director.

About CIBC Mellon

CIBC Mellon is a Canadian company exclusively focused on the investment servicing needs of Canadian institutional investors and international institutional investors into Canada. Founded in 1996, CIBC Mellon is 50-50 jointly owned by The Bank of New York Mellon (BNY Mellon) and Canadian Imperial Bank of Commerce (CIBC). CIBC Mellon's investment servicing solutions for institutions and corporations are provided in close collaboration with our parent companies, and include custody, multicurrency accounting, fund administration, recordkeeping, pension services, exchange-traded fund services, securities lending services, foreign exchange processing and settlement, and treasury services. As at March 31, 2017, CIBC Mellon had more than C\$1.7 trillion of assets under administration on behalf of banks, pension funds, investment funds, corporations, governments, insurance companies, foreign insurance trusts, foundations and global financial institutions whose clients invest in Canada. CIBC Mellon is part of the BNY Mellon network, which as at March 31, 2017 had US\$30.6 trillion in assets under custody and/or administration. CIBC Mellon is a licensed user of the CIBC trade-mark and certain BNY Mellon trade-marks, is the corporate brand of CIBC Mellon Global Securities Services Company and CIBC Mellon Trust Company, and may be used as a generic term to refer to either or both companies.

For more information visit www.cibcmellon.com.

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