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Dear Sir/Madam

Discussion Paper – Common Reporting Standard for the automatic exchange of taxation information

ANZ welcomes the opportunity to provide comment on the Discussion Paper *Common Reporting Standard for the automatic exchange of taxation information* (**Discussion Paper**) seeking feedback on how Australia might best implement the Common Reporting Standard (**CRS**).

ANZ notes the acknowledgement on page 2 of the Discussion Paper that the CRS "*imposes potentially significant compliance burdens on financial institutions in Australia*". Perhaps the most important requirement for ANZ in managing its CRS implementation costs is one of certainty. The CRS implementation requirements need to be established early, in detail and not be subsequently varied. This is one of the learnings from Australia's implementation of FATCA. Each rework due to a specification change involves significant cost.

As a general proposition, ANZ, with its global footprint, seeks a uniformity of CRS approach to minimise implementation costs.

ANZ provides feedback in relation to the following sections of the Discussion Paper.

Section 2.3 How to determine if an account holder is a non-resident

ANZ favours the "big-bang" approach for due diligence, so that it can undertake due diligence for all non-residents at the inception of the CRS, rather than a staggered approach wherein ANZ could only undertake due diligence for accounts for each jurisdiction as Australia enters into information exchange agreements with those jurisdictions. Aligned with this, ANZ would only wish to establish self-certification processes at the time of commencement of the CRS.

Under the CRS, ANZ would need to change its systems/processes so that the new customer is asked for their country of tax residency at the account opening stage. ANZ is aware that, for new account holders, some Australian financial institutions are lobbying for the customer residential address to be used as a proxy for the customer's country of tax residence rather than obtaining a self-certification (as to the account holder's tax residence). This is on the grounds that it is costly to collect this additional information. Obtaining the self-certification will add additional cost and process to ANZ. However, this cost is not considered a material one when compared to a divergence from a standardised approach across ANZ as a whole.

Accordingly, given ANZ's desire for a uniformity of CRS rules, ANZ does not agree with this proposed divergence from one of the fundamental CRS rules unless this rule is changed at the OECD level for all countries.

Section 3.1 Annual Investment Income Report

ANZ strongly opposes the use of the Annual Investment Income Report (**AIIR**) as the reporting mechanism under CRS for the following reasons:

1. An Australia specific reporting treatment would require ANZ, given its global footprint, to implement *multiple solutions* for CRS, thus increasing the cost of compliance implementation for ongoing tax information reporting.

2. Reporting obligations under CRS are more *closely aligned to FATCA* reporting requirements (which is what the standard has been based on) and, as a result, FATCA reporting solutions are the most natural choice to be enhanced to deliver CRS.

3. The AIIR currently provides account based reporting only and is focussed on interest income. In contrast, CRS reporting will be focussed on account holder determination, beneficial owner/controlling person reporting, principal, interest and certain transaction reporting. As the report requirements are very different, both FATCA and CRS require considerably more data collection than the AIIR.

   In addition, as the AIIR is produced on a system by system basis, the ongoing cost of CRS development across these multiple systems would be significant. Production of *CRS via FATCA reporting solutions*, rather than via the AIIR would significantly reduce the cost of the reporting burden.

4. The Due Diligence requirements, for both FATCA and CRS, have more complex rules than the AIIR to determine *who* should be reported. These rules have been developed in FATCA solutions specifically, rather than in core systems used for the AIIR. To produce the CRS via the AIIR would require duplicate development of all of these rules in all affected source systems.

ANZ estimates that cost of using the AIIR rather than the existing FATCA solution would be significant viz. approximately 50% higher.

Section 3.3 Alignment to FATCA

ANZ is strongly of the view that the CRS rules should be aligned with the FATCA rules to reduce banks' compliance costs. The most important of these would be to adopt the US$50k account balance review threshold. Further, ANZ requests alignment of CRS naming conventions and definitions to FATCA naming conventions and definitions. Even a slight divergence can cause implementation complexity and confusion.

Section 4.6 Australia's implementation of the CRS

ANZ would be ready to implement CRS from the 2017 calendar year. This is preferred rather than a deferral to 2018, so that ANZ can leverage its FATCA program infrastructure to implement CRS.

ANZ is aware that other Australian financial institutions are recommending a band of implementation dates. If this recommendation is accepted, it is really important that those who choose to implement early are not disadvantaged against those who implement later. In this respect, the 'late implementers' should still be required to apply new account opening procedures and due diligence procedures from the same date as 'early implementers', even if those procedures are retrospectively applied. The first reporting by the late implementers should cover the periods already reported by the early implementers.

If you require any clarification, please do not hesitate to contact me on (03) 8655 0530.

Yours faithfully

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