Will CRS really be son of FATCA?

Angelo Venardos, chief executive officer of Heritage Trust Group, explains the potential for CRS to be implemented in its current form – and how Hong Kong and Singapore are approaching this new regime.

When advisers look at the Common Reporting Standard (CRS) within the context of the regulatory changes and drive towards transparency globally, they need to bear in mind that it is an OECD-led initiative.

This is important, says Angelo Venardos of Heritage Trust Group, because unlike FATCA, where the US authorities can enforce it, the OECD doesn't have the same physical or legal ability to do so with CRS.

Venardos believes there are also some other reasons why CRS might not move forward in its current form. First, Russia is not a Competent Authority signatory due to current US sanctions. Also, while China has signed an international agreement with the US with respect to FATCA, the US authorities are not respecting the reciprocality. "Going forward, the OECD therefore might not be able to implement FATCA-type legislation with regards to CRS," he explains.

ASIAN APPROACH

When looking at the direction that some Asian jurisdictions might move in, Venardos considers Hong Kong and Singapore as two examples.

In Hong Kong, he says there is a proposal to move from an exchange of information (EOI) regime to an automatic exchange of information (AEOI) regime, with various conditions attached. It will most likely do this through its existing Double Taxation Agreements with various jurisdictions, he says, of which Hong Kong has 32 to date (in comparison with 88 in Singapore).

In Singapore, meanwhile, it already conveyed that it will commence AEOI under the CRS in 2018 on a bilateral basis with jurisdictions with which Singapore has signed Competent Authority Agreements, subject to certain conditions. In particular, there must be a level playing field among to minimise regulatory arbitrage. ■

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