ARIFA Reminder

Common Reporting Standard (CRS) in the British Virgin Islands

This notice is to remind all our clients with BVI entities that are Financial Institutions (FI) under CRS (very similar to Foreign Financial Institutions (FFIs) under FATCA), that they are required to enroll with the BVI Financial Account Reporting (BVIFARS) by the end of this month (**June 30th**).

Additionally, if the FI has identified Reportable Accounts (in the case of Investment Entity FIs, these would include the equity interests of shareholders or trust beneficiaries that have their tax residence within a jurisdiction participating in the CRS initiative), then the collection and reporting of the pertinent information concerning such accounts should be filed through the BVIFARS by **July 31st** of this year.

Does this affect me?

The information covered in this notice will only affect you if you have a BVI resident entity or legal arrangement (corporation, trust, partnership), and the entity or arrangement classifies as an FI under CRS.

How do I know if I'm an FI under CRS?

There are four kinds of FIs: Depository Institutions[1], Custodial Institutions[2], Specified Insurance Companies,[3] and Investment Entities[4]. To fall into one of the first three categories the entity would need to be engaging with clients either by accepting deposits, holding Financial Assets on their account or issuing insurance or annuity contracts (or acting as a holding company for such an insurance company).

However, some entities, without carrying out an active business, can be classified as Investment Entities due to their gross income being primarily attributable to investing, reinvesting, or trading

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[1] Depository Institutions are entities that accept deposits in the ordinary course of a banking or similar business.

[2] Custodial Institutions are entities that hold as a substantial portion of its business (accounting for 20% of its income), Financial Assets for the account of others.

[3] Specified Insurance Companies include any entities that is an insurance company (or the holding company of an insurance company) that issues, or is obligated to make payments with respect to, a Cash Value Insurance Contract or an Annuity Contract.

[4] Investment Entities fall into two categories. (1) An entity that primarily conducts as a business one or more of the following activities or operations for or on behalf of a customer: i) trading in money market instruments; foreign exchange; exchange, interest rate and index instruments; transferable securities; or commodity futures trading; ii) individual and collective portfolio management; or iii) otherwise investing, administering, or managing Financial Assets or money on behalf of other persons. (2) An entity whose gross income is primarily attributable to investing, reinvesting, or trading in Financial Assets and all or a portion of its assets are managed by (under the discretion of) another entity that is a Depository Institution, a Custodial Institution, a Specified Insurance Company, or an Investment Entity described (1).

in Financial Assets (many times through a service provider) and all or a portion of their assets being managed by (under the discretionary authority of) another entity that is a Depository Institution, a Custodial Institution, a Specified Insurance Company, or an Investment Entity, that is such because it provides trading, portfolio management or other kind of Financial Asset administration on behalf of customers[5].

If you have been classified under FATCA as an FFI (including Sponsored FFI, Owner Documented FFI or Certified deemed-compliant sponsored, closely held investment vehicle), then you will most likely be an FI under CRS. Though your FATCA classification acts as an indication you should approach a professional with knowledge and experience in this field to help you confirm your CRS classification. A service we provide within ARIFA.

Enrollment

If you are an FI under CRS, regardless of whether you have a Reportable Account or not, enrollment is required. To access the BVIFARS and enroll, you can use the following link and press the blue “Enrol” button towards the lower half of the page: http://www.bvi.gov.vg/fatca

Once in the portal, you will be clearly guided on how to input information in the required fields.

To help you in your organization as you prepare to enroll your FFI/FI classified BVI entities, below please find a list of the elements required to enroll each company:

i. Company name
ii. Classification
iii. Registered Address
iv. Address of business operations
v. Information concerning the Primary User – the person authorized to use BVIFARS and report information on behalf of the Company
    1. Name
    2. E-mail
    3. Phone
    4. Position
    5. Scan of their passport
    6. Scan of a letter from the director(s) of the Company specifying the Primary User as the authorized person to engage with the BVIFARS on behalf of the Company

[5] Complete description: An entity that primarily conducts as a business one or more of the following activities or operations for or on behalf of a customer: i) trading in money market instruments; foreign exchange; exchange, interest rate and index instruments; transferable securities; or commodity futures trading; ii) individual and collective portfolio management; or iii) otherwise investing, administering, or managing Financial Assets or money on behalf of other persons.

Reporting

Under CRS, an FI must carry-out the applicable due diligence procedures/standards described within Sections II through VII of CRS on any Financial Accounts[6] it maintains, as to identify any Reportable Accounts among the same.

If there are not any Reportable Accounts, then the FI is not required to file a return through BVIFARS. However, if the FI does maintain any Reportable Accounts, then a return containing the information required for each Reportable Account under Section I of CRS must be filed through the BVIFARS by the 31st of July, 2017.

CRS and the CRS Commentary –which further clarifies the procedures and definitions of the same—are published by the Organization for Economic Cooperation and Development (OECD) and can be found on the OECD's website (http://www.oecd.org/tax/automatic-exchange/common-reporting-standard/).

Questions?

If you are an FI, and have had issues with enrollment and/or require further guidance on identifying Reportable Accounts, please feel free to send a message with your enquiry to our CRS Team's point of contact, Ms. María José Durling at mdurling@arifa.com

[6] As noted previously, in the case of Investment Entities this will usually be any equity or debt interest in the entity.