

Investment Management Alert

December 14, 2015

If you read one thing...

- On January 1, 2016, the Common Reporting Standard (CRS) enters into effect in key investment fund jurisdictions, including the Cayman Islands, Bermuda and the British Virgin Islands.
- The CRS is a new global tax information exchange regime that requires certain investment funds to obtain “self-certifications” from investors to permit reporting of their identity and tax residence to local tax authorities.
- Fund managers should consider updating their subscription process to comply with CRS diligence and reporting requirements going forward.



Common Reporting Standard Enters Into Effect for Investment Funds in Early Adopter Jurisdictions

Many jurisdictions have agreed to implement the Organisation for Economic Co-operation and Development’s multilateral system of automatic exchange of information called the “Common Reporting Standard” (CRS). In furtherance of its objectives, the CRS imposes a variety of diligence and reporting requirements on “financial institutions,” which includes many master funds, offshore feeders and other investment vehicles commonly utilized by investment funds. These financial institutions will be required to annually report certain investor information to their local governments, who will then transmit the relevant information to the governments of other participating jurisdictions on an automatic basis.

Although the CRS will be phased in over the next few years, certain jurisdictions are part of an “Early Adopters Group” (including the Cayman Islands, Bermuda and the British Virgin Islands), which has agreed to apply the CRS diligence procedures to all new investors as of January 1, 2016.

Thus, on January 1, 2016, all open-ended and closed-end funds in their capital-raising phase that are located in Early Adopter Group jurisdictions must have in place updated subscription procedures requiring investors to provide certain “self-certifications” that permit due diligence and recording of tax residence and certain other information for new investors. Fund managers should note that certain local rules implementing the CRS may suggest that, if self-certifications cannot be obtained on “day one,” they should be obtained as soon as possible thereafter and, in any event, no later than 90 days after the acceptance of such investors.

Existing closed-end funds should also consider updating their subscription procedures with respect to secondary market transfers. Although the United States has not yet decided whether to participate in the CRS regime, U.S. fund managers should consider potential compliance requirements of any non-U.S. AIVs or SPVs.

CRS due diligence procedures with respect to existing investors of investment funds located in Early Adopter Group jurisdictions may, very generally, be required to be completed as early as December 31, 2016. However, a relaxed time schedule applies for completing due diligence with respect to certain specific investor categories. The first reporting deadline for the Early Adopters Group is expected to be in 2017.

Note that the CRS does not replace existing automatic exchange of information regimes, such as the regimes introduced under the U.S. Foreign Account Tax Compliance Act or the intergovernmental agreements between the United Kingdom and its Crown Dependencies and Overseas Territories.

Contact Information

If you would like to ensure that your subscription documents are up to date to permit compliance with the CRS, or if you have any questions regarding this alert, please contact your Akin Gump primary contact or

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