



FINANCIAL SERVICES FEDERATION

lmcmorran@fsf.org.nz

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The Global AEOI Team
Inland Revenue Department

By email: Global AEOI global.aeoi@ird.govt.nz

Automatic Exchange of Information

Thank you for the opportunity to submit on the implications for financial institutions of implementing the OECD's Automatic Exchange of Information ("AEOI") Common Reporting Standard ("CRS") here in New Zealand.

By way of background, the Financial Services Federation Inc. ("FSF") is the industry body for the responsible and ethical finance and leasing providers of New Zealand. The FSF has over forty members and associates providing first-class financing, leasing, investment, banking and insurance products and services to over 1 million New Zealand consumers and businesses. The FSF's affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A.

As such the FSF would appreciate being involved in any proposed Industry Group the Inland Revenue Department might form to keep industry informed throughout the process of implementing AEOI in New Zealand.

The FSF has not at this stage engaged any professional advisory service to assist its members in understanding the requirements of AEOI and its implications for them. The following comments are therefore based on the FSF's own understanding of the information on this issue provided by IRD and from discussions with some of its members who may be the most affected by its adoption.

On this basis the FSF believes that the requirements of the CRS for AEOI are similar to that of the FATCA regime but on a global scale. The scope of application and the mechanisms proposed for the exchange of information appear to be precisely the same as that of FATCA. The FSF therefore notes that in terms of enabling legislation to cover issues such as that of privacy etc, this has already been passed in New Zealand to deal with FATCA requirements but that it was sufficiently forward thinking to potentially encompass AEOI obligations.

The FSF therefore believes that it is important to ensure (to the greatest possible extent) that the scope and definitions applicable to AEOI are as similar as possible – and certainly no broader – than those of the FATCA regime. The FSF submits that preservation of the Annex II exemptions contained in the Inter-Government Agreement between New Zealand and the United States of America with regard to FATCA are key to our industry. It is important to avoid imposing any extra burden on business and to maintain consistency as far as possible.

With regard to the specific issues raised in the note to the Industry Group requesting submissions on this matter, the FSF would say the following:

Implementation Timing:

The FSF would support New Zealand adopting a similar implementation timeframe to that of Australia. Certainly for consistency, particularly for those entities with trans-Tasman operations, the FSF would suggest that New Zealand should not attempt to implement AEOI any earlier than Australia does.

The FSF would also submit that this is a big project with a considerable number of implications for business in New Zealand and it is important to allow sufficient time for them to consider these implications and how they might best manage them.

Compliance Costs:

The FSF would envisage the cost to comply as being significant for those businesses affected by the requirements of the CRS. It is difficult to quantify what these costs would be but certainly changes to systems and processes would be required and these types of projects always carry significant cost which directly affect the business's profitability (not in a good way) and which are not able to be recovered.

The FSF would disagree with the suggestion that a longer implementation timeline would impose less compliance costs on the Industry – rather these costs are just spread over a longer period of time. Effectively the cost would remain the same.

The FSF is also interested in the comment that introducing FATCA-style thresholds does not seem to be an option and would question why this is so. As already stated, the FSF is firmly of the opinion that the more the requirements of this latest compliance burden replicate those of the FATCA regime already under way, the lower the compliance costs will be. This appears to the FSF to be the only way in which to reduce the overall cost of compliance in any meaningful way whilst also meeting the AEOI obligations.

Enforcement:

The FSF is relieved that it is not envisaged that a similar compliance regime to that of the United States' FATCA compliance regime for AEOI as this could be seen to be very draconian. Presumably that will require New Zealand legislation to allow domestic enforcement rules to be put in place. The FSF has no suggestion to make as to what this might look like at this stage but would be happy to comment on any proposals put forward in the future on this matter.

The FSF would be grateful to be kept informed and to be included in the Industry Group distribution list in order to be able to keep members updated as to their responsibilities under AEOI.

Thank you again for the opportunity to submit on this matter. Please do not hesitate to contact me if you require any further information.

Yours sincerely



Lyn McMorran
EXECUTIVE DIRECTOR

A National Federation of Financial Institutions

Financial Services Federation Inc.
6th Floor, Wakefield House, 90 The Terrace, PO Box 10-053
Telephone (04) 472 1731, Fax (04) 472 1732, Wellington 6143
www.fsf.org.nz

Debt Issuers - (NBDT) Non-Bank Deposit Takers	Vehicle Lenders	Finance Company Diversified Lenders	Credit Reporting	Insurance	Affiliate Members
<p><u>Rated</u></p> <ul style="list-style-type: none"> Asset Finance (B) Avanti Finance (BB) Fisher & Paykel Finance (BB+) Medical Securities (A-) <p><u>Non-Rated</u></p> <ul style="list-style-type: none"> Mutual Credit Finance Prometheus Finance 	<ul style="list-style-type: none"> BMW Financial Services Branded Financial Services Community Financial Services Limited European Financial Services Fleet Partners NZ Ltd Mercedes-Benz Financial Services Motor Trade Finances Nissan Financial Services NZ Pty Ltd ORIX NZ SG Fleet Toyota Finance NZ Yamaha Motor Finance 	<ul style="list-style-type: none"> Advaro Ltd Centracorp Finance 2000 Dorchester Finance Finance Now Future Finance GE Capital Home Direct Instant Finance John Deere Financial Oxford Finance Ltd DTR Thorn Rentals South Pacific Loans TW Financial Services 	<ul style="list-style-type: none"> VEDA Advantage <p><u>Debt Collection Agency</u></p> <ul style="list-style-type: none"> Baycorp (NZ) 	<ul style="list-style-type: none"> Autosure Protecta Insurance Provident Insurance Corporation Ltd <p><u>Associate Members</u></p> <ul style="list-style-type: none"> Southsure Assurance 	<ul style="list-style-type: none"> American Express International (NZ) Ltd Buddle Findlay Chapman Tripp Deloitte Ernst & Young Finzsoft KPMG PriceWaterhouseCoopers SimpsonWestern