

WHITEPAPER



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creating value through innovation



# Best Fit for Optimum CRS Stride Compliance

## Outsource, Build or Buy?





## Foreword

Over the decades, offshore banking deemed to be the safest way of local tax evasion. However, globalisation and seamless connectivity have made the offshore banking to be more transparent for the AEOI Regimes to establish control over their taxable finances in the offshore banks.

One such globalisation initiative is Common Reporting Standard (CRS), a global standard for Automatic Exchange of Information (AEOI) on financial accounts between the reporting jurisdictions to combat offshore tax evasion. This AEOI reporting takes place annually between the reporting jurisdictions to retain the integrity of their taxation systems.

The banks and other financial institutions are mandated to share the details on financial accounts of their non-resident customers with the tax authorities of their countries of operation. Thereby facilitating the local tax authorities to engage in AEOI with the tax authorities of the other reporting jurisdictions.

Macro Global with its CRS Stride Reporting Solution enables the banks and other financial institutions to efficiently handle this regulatory mandate by bringing in all its expertise acquired over the years on regulatory reporting services. Macro Global also empowers the banks by working alongside in enhancing and optimising their existing reporting mechanism to fully comply with the CRS Reporting Standards set by the local tax authorities.

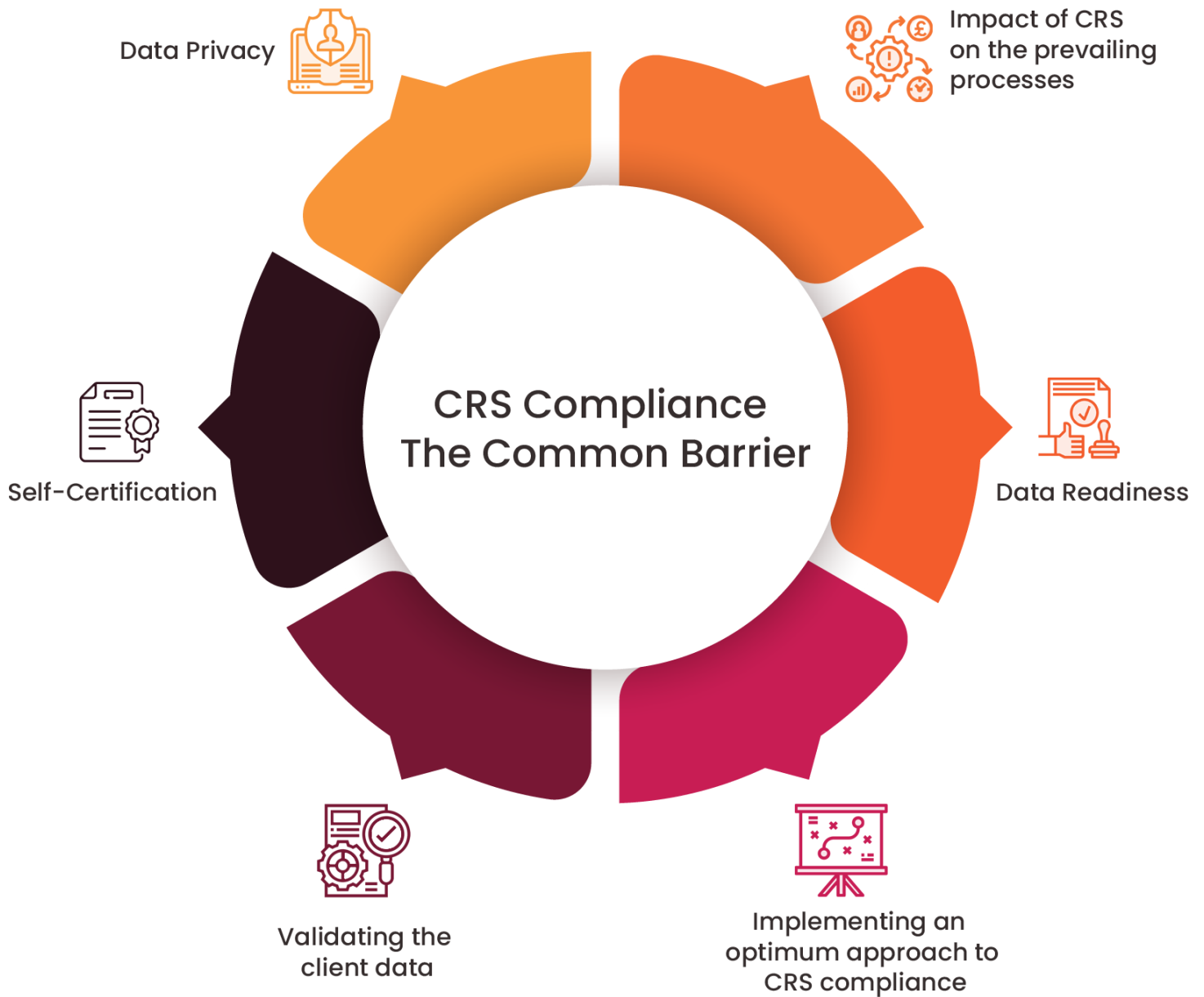
In this whitepaper, we will deep dive into the most common barriers faced by the financial institutions in achieving CRS compliance standards and how MG's CRS Stride 'quenched their quest' by offering a 'fit for the purpose' solution to seamlessly achieve the expected standards. Furthermore, we will handhold the financial institutions to arrive at a more informed strategic decision on "Whether to Outsource, Build or Buy their CRS reporting solution?".

## CRS Compliance – The Common Barrier



One of the main hindrances before the banks in their journey of achieving compliance to CRS Reporting Standards is staying updated with the ever-changing regulatory reporting requirements imposed by the local tax regulatory authorities. To withstand these regulatory evolutions and to make them compatible with the same, the banks are emphasised to invest more of their productive hours in monitoring and implementing the mandated requirements. This adds up to the below list of extended challenges that prevail in the process of implementing CRS.

## CRS Compliance – The Common Barrier



## Impact of CRS on the prevailing processes



CRS implementation due to its broader scope and the huge volume of reportable accounts will have a significant impact on the operational effectiveness of a bank or financial institution. It will also certainly affect the prevailing policies and procedures while collecting a wider range of information from the account holders to identify the reportable accounts. For an instance, if the existing customer onboarding process does not capture the customer's foreign tax residency details such as TIN, then this existing mechanism is to be updated for capturing these CRS specific parameters to seamlessly implement the CRS standards.

### Data Readiness

The institutions reporting under CRS are expected to periodically assess their data readiness to achieve the expected standards, as the regulatory bodies mandates to identify and categorise the reportable accounts at a regular interval. This involves huge efforts on the reference data remediation process which involves gathering, analysing, consolidating, validating, and cleansing the customer data. For the financial institutions to easily identify and categorise the CRS reportable accounts, the existing KYC/AML processes are to be re-visited and the relevant CRS classification rules are to be applied for the existing and newly opened accounts. Similarly, a proper due diligence process has to be carried out internally to verify and confirm the financial information of the reportable accounts.



### Implementing an optimum approach to CRS compliance



The Financial institutions with a global presence are desperate in implementing a centralised CRS compliance approach to track, monitor and comply effectively with the regulatory requirements of all the participating jurisdictions. But they have a very minimal time for planning their global CRS compliance activities and are at a greater risk of compliance failures. It is obvious that there is no such all in one international framework to comply with all the tax and regulatory standards of different jurisdictions. The internal stakeholders from the compliance teams are already under severe stress to withstand this shift across the regulatory standards and their problems are multidimensional – Constant turn over of people, keeping pace with the regulatory change, managing CRS obligation in a wider context within the timeline.

### Validating the client data

The biggest operational challenge in implementing CRS is consolidating data from multiple data sources that are not properly integrated. Moreover, without proper data management systems, these consolidated data are prone to have a greater number of duplicate records and other human errors. Such inconsistent data needs extensive validation for it to be cleansed or enriched. The financial institutions aim at automating this data validation process to enhance the data quality, but the cost and complexity associated with this process make it even harder to be achieved.



### Self-Certification



Self-certification is the process by which the financial institutions mandate their reportable account holders to certify or confirm their tax residency details. As it applies only to the accounts that are reportable under CRS, the banks have to cleverly device their onboarding to avoid a strenuous application process where customers will drop out halfway through the onboarding process. If the reportable accounts are huge in numbers, then it is tough to manually get all the existing accounts self-certified.

## Data Privacy

Protecting customer data and other sensitive information is the first step to achieve a high level of data privacy. The customer's trust and credibility in the financial institutions rely upon various factors but data privacy contributes to a crucial metric among other factors. Banks are nowadays more conscious in ensuring that their customer data is used only for the intended purposes and are not misused. Introducing more stringent data policies restricts the banks from sharing their customer data with an outsourcing vendor to handle all their regulatory reporting requirements.



Having all these barriers ahead, the financial institutions were left in a dilemma whether to Outsource, Build or Buy their CRS reporting solution. In the subsequent sections of this whitepaper, we will assist the financial institutions to discover the best fit for their organisation to seamlessly achieve the expected CRS reporting standards.

## Outsourcing CRS Compliance Activities

Outsourcing has become a solid business strategy as it helps the financial institutions to cut off considerable operational expenses. Though outsourcing is viewed as a cost-cutting and time-saving strategy, attaining effectiveness in terms of communication and co-operation between the financial institutions and their outsourcing vendors remains to be a nightmare.

Delegating some of the compliance processes to an external service provider sounds like a good idea considering the complications in achieving the regulatory reporting standards. However, the main constraining factor to consider is handling the sensitive client data with utmost security.

Compliance activities outsourced to a vendor lacks flexibility as all the requirements are finalised, documented, and agreed upon mutually by both the parties before the kickstart of the program. If there any changes to the regulations, it will always be an overhead for the financial institutions.

The financial institutions struggle to have proper control over an outsourced project as the vendors do not exhibit any transparency on the progress of the compliance activity. This makes them be in an uncertain state with the worry of meeting the regulatory reporting deadlines and failing to do so, the impact it is about to create on their business environment.





## Building an in-house CRS Reporting Solution

Building an in-house CRS Reporting Solution offers a high-level of customisation and ownership. For this valid justification, almost all the financial institutions will consider developing the in-house solution that eases their CRS reporting activities and enable them to the fullest in complying with the expected reporting standards. But building any software is not just to code. Although coding is a very important phase of software development that tends to the key features of the software, it also involves many other complex phases such as analysis, planning, designing, coding, testing, release, and support.

Thus, before getting into the stage of 'Do it Yourself', the financial institutions should recognise the time, effort and cost it involves that may end up in non-adherence to the regulatory reporting deadlines. Developing an In-house CRS reporting solution involves a significant cost for having in place a dedicated infrastructure and an experts team to address the actual needs within the specified timelines. Likewise, the banks should remember that despite having an in-house CRS Reporting Solution, the CBS will continue to act as the reference for extracting and categorising the CRS specific client data. It again involves a huge effort for the banks to integrate the CBS with the newly built CRS reporting solution to analyse, gather, consolidate, and categorise the CRS specific data from the CBS. On top of all, the banks need an in-house subject matter expert who can handle both the AEOI rule changes and HMRC's changing requirements with backup. This is quite an expensive affair and costs a lot.



## Buying an Out of the Box CRS Reporting Solution

The urge for a fully automated and customisable CRS compliance solution continued to persist as neither outsourcing nor building an in-house CRS reporting solution is the best fit for the financial institutions. This is where they found a great appeal in buying a more customised and mature solution from a third-party vendor to address all their needs specific to CRS reporting. These software vendors offer an out of the box solution by automating all the processes around CRS reporting with years of knowledge and sound architecture to withstand the storm. This enables the banks to optimise their operational expenditures and supports them in streamlining their CRS compliance process. But finding the right solution from the right vendor remains to be a key success formula for the banks.



MG's CRS Stride is a 'one-stop shop' solution for the financial institutions to achieve the 'Fully compliant to CRS' status by automating the entire CRS reporting process and our unique sophisticated solution can be deployed in a minimal turnaround time.

Macro Global, with its decades of technical experience and subject matter expertise in the regulatory space, provides the financial institutions with an emphasised satisfaction and comfort that their CRS reporting activities are handled by a state-of-the-art CRS Reporting Solution. Our cloud-based platform is optimised to handle a huge volume of client data flawlessly and proven to reduce the CRS reporting burden for the banks enabling them to achieve more efficiency in internal compliance procedures and reporting. Our robust solution handholds the potential to accelerate productivity by moving from manual reporting process to more strategic and automated compliance adhering to the regulatory standards.

## Key Attributes of the CRS Stride



A cloud-based web application centrally hosted in Microsoft Azure, to leverage the maximum level of client's satisfaction with performance and data security.

Extracts the raw input data from the disparate datasets and the optimised ETL engine consolidates and categorises the source data into CRS specific standards.



Generate and email the customised self-certificates for the individuals, entities and controlling persons.

Convert the source data into CRS reportable XML file format in line with HMRC specifications.



Integrated with many external APIs to validate the input data against external data sources.

90+ CRS specific validations to identify the inconsistencies in the source data and segregate the risk items into high, medium, and low based on their severities.



'Risk-based Audit Report' to identify and mitigate the risk items in the source data that deviates from the CRS reporting mandates.

No restrictions in the frequency of output file and audit report generation. Load the source data any number of times into the solution, until a precise CRS XML file for HMRC submission is obtained.



Utilise the enriched data to refine the quality of CBS information, which acts as a reference data for other business operations.

Generate 'Void Submission XML file' for making amendments to the CRS XML file submitted to the HMRC.



Manage customer/transaction data refinements within the solution to ease the CRS XML Output file generation process with the modified data.



## Business Benefits



- 💡 Centrally hosted in the Cloud with Anywhere and Anytime access. Support on-premises installation on-demand.
- 💡 Opportunity to get rid of additional IT infrastructure and maintenance costs.
- Fully compliant with the HMRC standards on CRS requirement specifications.
- 💡 Stay up to date on the proliferating CRS regulatory reporting standards.
- 💡 Identify and mitigate the risk items in the input data based on their severity level and generate CRS XML file seamlessly.
- 💡 Scope for refining the quality of the customer data in the CBS.
- 💡 Reduce risks and costs associated with manual compliance processes.
- 💡 Secured data handling and configurable data retention/archival timelines adhering to the GDPR guidelines.
- 💡 Accurate CRS regulatory reporting and thereby improvising operational effectiveness.
- 💡 Get notified of the upcoming CRS reporting deadlines well in advance to plan the CRS specific compliance activities.
- 💡 Round the clock assistance and support around CRS reporting and compliance.
- 💡 Full-scope assistance in seamlessly submitting the "SubmissionVariation" and "SubmissionReplacement" XML files to address the exceptions in the reported CRS data.

# We are here to help you

If you want to learn more about our products or services or just have a question?

If you need advise from our expert team who understand your business better than our peers?

If you want to know how we transformed businesses using our unparalleled industry and domain expertise?

Please click on the web link below to access our sales desk telephone numbers and email and we will be in touch straight back to you.

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