



Centralization of certifications under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) at KYC Registration Agencies (KRAs)

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Background

SEBI circulars **CIR/MIRSD/2/2015** dated **August 26, 2015**, and **CIR/MIRSD/3/2015** dated **September 10, 2015**, and guidance note on FATCA and CRS norms issued by the Department of Revenue, Ministry of Finance state that the reporting financial institution (RFI) [as defined under rule 114F(7) of Income Tax Rules,1962] shall obtain a self-certification from the client, as part of the account opening documentation, to determine the client's residence for tax purpose.

Brief

1. Rule 114G(11)(a) of the Income Tax Rules, 1962, mandates regulators to issue guidelines for reporting financial institutions which aim to outline the procedure and manner in which RFIs should maintain information.
2. Based on feedback received from stakeholders in securities market, and for ease of doing business and compliance reporting, it is decided that the intermediaries, who are RFI, shall upload the FATCA and CRS certifications obtained from the clients onto the system of KRAs with effect from **July 01, 2024**.
3. The existing certifications obtained from clients prior to **July 01, 2024**, shall be uploaded by the intermediaries onto the systems of KRAs within a period of **90 days of implementation** of this circular as **mentioned above in Point 2**.
4. The responsibility of obtaining and reporting the **FATCA and CRS certification** and related compliances shall lie with the respective intermediaries.
5. The intermediary shall confirm the reasonableness of such certification based on the information obtained in respect of account opening, including any documentation obtained in accordance with Prevention of Money Laundering (Maintenance of Records) Rules, 2005 and shall update the self-certification, as and when, there is a change reported by the client.

Note- Reporting Financial Institution (RFI) Includes depository institutions; custodial institutions; investment entities and specified insurance companies

Impact

- The impact of these directives on the industry is substantial, as they introduce a more streamlined and standardized approach to compliance and reporting for reporting financial institutions (RFIs) and intermediaries. By mandating the upload of **FATCA and CRS certifications onto KYC Registration Agency (KRA) systems, starting July 01, 2024**, and requiring the retroactive upload of existing certifications within **90 days**, the industry is pushed towards greater efficiency in handling client information.
- The shift of responsibility to intermediaries for obtaining, validating, and updating certifications emphasizes a heightened commitment to accurate client information, aligned with regulatory requirements. This not only enhances the integrity of financial reporting but also ensures compliance with international tax regulations.
- Overall, these measures contribute towards a more transparent, compliant, and accountable financial industry, reflecting a commitment to international standards and the continued development of robust regulatory frameworks.



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