



# Questions and answers on the automatic exchange of financial account information (AEOI)

March 2017

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## ***What is the AEOI standard?***

The AEOI standard is an international standard that was created by the Organisation for Economic Co-operation and Development (OECD) to combat tax evasion. It sets out how the tax authorities in participating countries are to exchange information on financial accounts. Over 100 countries have undertaken to introduce the AEOI.

## ***Which information will be exchanged in accordance with the OECD's AEOI standard?***

The information to be transmitted includes account and tax identification numbers, as well as the names, addresses and dates of birth of taxpayers abroad with an account in a country other than the country of domicile, all types of capital income, total proceeds from the sale or redemption of assets, and account balances. The standard concerns both natural persons and legal entities. The actual beneficial owners of the account in accordance with the international provisions on combating money laundering (FATF) must be identified in application of the OECD standard and the FATF recommendations.

## ***Will real estate data be exchanged too?***

The automatic exchange of information concerns only financial accounts. No data on real estate located abroad will be exchanged. However, the possibility of a tax authority discovering a property located abroad within the framework of the exchange of financial data and any associated investigations cannot be ruled out. Real estate located abroad and revenue earned on it is not taxed in Switzerland. However, its value and revenue affect the tax rate applied.

## ***How is the automatic exchange of information conducted?***

Banks, as well as certain collective investment vehicles and insurance companies, collect financial information on clients who are resident abroad for tax purposes. Once per year, these financial institutions send the information to their national tax authority, which automatically transmits the information received to the tax authority in the relevant partner country.

## ***How is the AEOI implemented from a legal viewpoint?***

Implementation can be based on one of two models. Firstly, it is possible to agree to AEOI implementation in bilateral treaties. Secondly, the AEOI can be implemented on the basis of the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA). The MCAA is based on the OECD/Council of Europe Convention on Mutual Administrative Assistance in Tax Matters (administrative assistance convention), which governs administrative assistance between states.

***What happens to the data that Switzerland transmits abroad?***

Client data may be used solely for tax purposes (principle of speciality). Data protection has to be ensured.

***How will Switzerland use data on Swiss taxpayers with accounts abroad that it receives within the scope of the reciprocal exchange of information?***

The domestic use of data received from abroad is up to the individual countries. In Switzerland, the cantonal and/or communal tax administrations are responsible for tax assessments. The Federal Tax Administration (FTA) will forward the financial information received from abroad to the competent assessment authorities so that they can apply and enforce Swiss tax law.

***To what extent are Swiss citizens abroad affected by the AEOI?***

Anyone whose tax residence is in a state that automatically exchanges information with Switzerland and who has an account in Switzerland is affected. If such a person has undeclared assets, he or she has to ask the tax authorities in the state of residence about the existing regularisation procedures to ensure a smooth transition to the AEOI system.

***In certain states where the risks of corruption are high, do Swiss citizens abroad run the risk of being pressured or abducted because of the AEOI?***

Switzerland's partner states for the AEOI are obliged to ensure the confidentiality and security of the data received. The data may be used solely for tax purposes and is highly protected.

The rigorous verification mechanism established by the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) makes it possible to check whether the AEOI is carried out under proper conditions in terms of data security and confidentiality. In particular, the Global Forum examines the information management processes, administrative processes and technical systems put in place by the states concerned.

Moreover, the FDF discusses these data security and confidentiality issues in detail with the partner states with which it implements the AEOI. The Global Forum's reviews are nearly finished. Another analysis of the practical implementation of data security and confidentiality will be carried out during the complete peer review in 2019.

***With which states has Switzerland already agreed to the AEOI?***

The State Secretariat for International Financial Matters keeps an updated [list of the states and territories with which Switzerland has agreed to the AEOI](#). The Swiss Parliament has to give its opinion on each partner state.

***With which other states and territories is Switzerland seeking to achieve the AEOI?***

Switzerland intends to agree to the AEOI with other states and territories that meet the necessary requirements with respect to data protection and confidentiality. It is a matter of concern to the Federal Council that a level playing field be created, including in particular all major financial centres. All agreements on the introduction of the AEOI with a partner state are submitted to Parliament for approval.

***How does Switzerland ensure data security and confidentiality are respected when choosing the partner states with which it intends to exchange information automatically?***

Data security and confidentiality are key elements of the AEOI standard, and it is mandatory for the states and territories to respect them.

The Global Forum has been charged with supervising AEOI implementation. It carries out rigorous preliminary checks to verify states' compliance with the data security and confidentiality conditions. It has established for that purpose an independent panel of experts comprised of representatives from the member states, including Switzerland. This panel evaluates all of the states which have undertaken to introduce the AEOI standard. Those whose legal, administrative and technical framework is deemed to be non-compliant by the Global Forum have to transmit information to partner states, but they cannot receive any until their framework has been reassessed and deemed to be satisfactory. Switzerland practises the AEOI on a reciprocal basis only with states deemed to be compliant.

Aside from the checks carried out by the Global Forum, the US Internal Revenue Service (IRS) performs its own evaluations for reciprocal FATCA agreements. These provide an important additional indication of the level of data security and confidentiality, as the AEOI standard is based on the FATCA model. Several of Switzerland's future partner states (e.g. Mexico, Brazil and India) have been deemed to be compliant by the IRS and currently receive information from the IRS on their taxpayers who have assets in the United States.

Finally, the Federal Department of Finance (FDF) carries out an in-depth examination of the data security and confidentiality framework conditions of a partner state itself when it feels this is necessary.

If it later transpires that a state does not comply with its data security and confidentiality obligations, Switzerland can suspend the AEOI with the state concerned.

***Is Switzerland not acting like a star pupil by entering into more agreements than other states?***

The states that participate in the AEOI have undertaken to transmit information in 2017, or 2018 at the latest. By then, they have to have a sufficient network of agreements with partner states that meet the AEOI prerequisites. The Global Forum will pay particular attention to this matter during a forthcoming review cycle, which will commence in 2019 and will also include Switzerland.

Because of its internal approval procedures, Switzerland has to start the discussions with partner states well in advance to be able to conduct the necessary parliamentary procedures in time. In most other states, the decision to introduce the AEOI is generally made by the government or the competent ministry, thereby giving them more time to complete their network of partner states.

The definitive lists of partner states that have undertaken to introduce the AEOI in 2018 will be published in 2017. The OECD published an initial list of all bilateral activations in October 2016. More than a thousand activations have been reported to the OECD to date. The [network of bilateral exchange relationships of the states that have undertaken to introduce the AEOI](#) can be viewed on the OECD website.

It already seems that the network established by Switzerland for 2017/2018 will be smaller than that of many G20 and EU member states.

***Does the AEOI agreement with the European Union (EU) concern all member states?***

Yes. The AEOI agreement with the EU applies equally to all member states. Specific agreements with individual EU countries are no longer necessary. Furthermore, the agreement also applies to the Åland Islands, the Azores, the Canary Islands, French Guiana, Gibraltar, Guadeloupe, Madeira, Martinique, Mayotte, Réunion and Saint-Martin on the basis of internal EU provisions.

***How does Brexit affect the introduction of the AEOI with the United Kingdom?***

The AEOI with the United Kingdom will be introduced in accordance with the agreement with the EU; the Brexit vote changes nothing in that respect. Once the exit has actually taken effect, the AEOI with the United Kingdom will have to be regulated based on the applicable multilateral instruments.

***With regard to the AEOI standard, will the United States get preferential treatment in relation to transparency of financial constructs?***

The United States implements the AEOI based on the Foreign Account Tax Compliance Act (FATCA). It has entered into numerous contracts with states and territories, and most of them allow for reciprocity. However, the OECD standard based on the FATCA model has been further developed. The United States has undertaken to bring its standard into line with the OECD specifications in order to achieve full reciprocity. No timeframe has been defined. Moreover, the US authorities have taken regulatory measures designed to reduce the appeal of certain structures used for tax evasion.

The Global Forum has been instructed to review the correct application of the AEOI standard by members. From 2019 on, it will conduct peer reviews that will produce overall ratings. Complaints affect the overall rating. Switzerland participates actively in this work and will thoroughly check if countries, particularly competing financial centres, are implementing the standard correctly.

***What does Switzerland get in return for automatically exchanging information with countries with which it has signed an AEOI agreement?***

The AEOI agreement is reciprocal, which means that the partner states and Switzerland have the same undertakings towards one another. The Swiss tax authorities will thus receive information automatically on Swiss taxpayers with accounts in a partner state.

The introduction of a global standard may not be formally linked with counter deals. However, the Federal Council strives at the same time to initiate talks on improving matters for cross-border financial services.

In addition, Switzerland strengthens the reputation and integrity of its financial centre by implementing international standards.

***How does the global standard affect the competitiveness of Switzerland's financial centre?***

The global standard creates a level playing field for all financial centres around the world. For Switzerland, this means that tax-related banking secrecy will no longer apply for clients from abroad. Furthermore, Switzerland will be less vulnerable internationally. As a result, legal certainty will increase and the key strengths of the financial centre, such as neutrality, political and economic stability, own strong currency, high-quality services and international expertise, will be shown to greater advantage. Competitiveness is likely to be boosted on the whole.