

# Tax transparency, tax compliance and exchange of information

## The emergence of a new operating business model for banks



**Adapt to the latest legislative evolutions**  
Comply with international standards governing tax transparency, tax compliance and exchange of information

### **A challenging business environment**

Governments around the world are now taking steps to fix fiscal shortfalls and operational tax measures are being implemented in rapid succession (i.e. FATCA, OECD compliant double tax treaties, OECD common reporting standards, EU tax directives and Rubik agreements).

The Luxembourg government actively participated in turning the international political intentions into reality for more transparency and tax compliance. Luxembourg is now fully compliant with the new OECD standards, which have set up rules for a well-balanced equilibrium between transparency, compliance and clients' needs for a high level of privacy protection.

The emergence of new business models, service offerings and procedures (e.g. for client onboarding) is crucial in this context but banks need a clear view on their current client base, they need to be able to assess the potential business impact of this paradigm shift.

Three major events occurred in that particular context. On 4 October 2012, the Private Banking Group of Luxembourg (PBGL) and the Luxembourg Bankers' Association (ABBL) signed the International Capital Market Association (ICMA) Charter of Quality introducing high standards of integrity, transparency and professionalism. On 10 April 2013 the Luxembourg government announced that Luxembourg will adopt the automatic exchange of information foreseen under the EU savings directive as of 1 January 2015. And, last but not least, Luxembourg's Prime Minister has, during the Ecofin meeting on 11 March 2014, agreed on the extension of the existing EU Savings Directive, which has been under discussion since 2008.

### **Your challenges as a bank**

- Be informed about the latest updates and applicable legislation impacting the banking industry.
- Be prepared for a client typology diagnosis.
- Be ready to set up new standards for client acceptance.
- Be able to assist your clients in the process of potential regularisation of wealth and income.
- Be ready to deal with the heavy operational reporting requirements and the trend towards an increase of bank responsibilities and duties.
- Know your clients and their needs in Luxembourg in a post banking secrecy world and be ready to adapt your current service offering.

## How we can help

To help you adapt to this new environment, we've developed a range of services which aim at providing the key elements for sustaining the development of your private banking business.

We can ensure that your onboarding and control processes are at a level that fully complies with the requirements of a transparent and compliant environment.

With our modular service offering, we can assist you in setting-up a client typology diagnosis (client segmentation), assessing the impacts on your private banking business, and advising on the most appropriate operational means of mitigating them:

### Business support

- Identification of critical client clusters and potential issues to be considered.
- Development of a client segmentation approach.
- Business impact assessment (clients assets and revenues at risk).
- Operational and organisational adjustments and compliance support (procedures, policies, operating model, etc.).
- Definition of an onshore strategy.

### Regularisation assistance

- Description of the regularisation process based on the country of residence of your client and assessment of potential penalties and taxes due.
- Definition of a strategic approach towards existing and prospective clients.
- Advice regarding responsibilities / duties of the Bank.
- Meetings with your clients to provide recommendation and advice.

### Wealth Structuring & Planning assistance

- Review of the Clients' tax position in his country of residence.
- Assessment of the investment vehicle depending on the tax constraints in the country of residency of the client and within a cross-border context.

### Tax reporting assistance

- Definition of the right strategy: internal developments vs. outsourcing.
- Assistance in the implementation of an automatic data processing.
- Assistance in the manual production of a tax certificate for countries with few clients and/or complex taxation.
- Outsourcing of your tax reporting.

## Why PwC Luxembourg?

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