

# Notification Regarding the System for Automatic Exchange of Information Based on the Common Reporting Standard (CRS)

In principle, customers holding securities trading accounts will be required to self-certify their jurisdiction of residence, etc., and securities companies will be required to identify their customers' jurisdiction of residence.

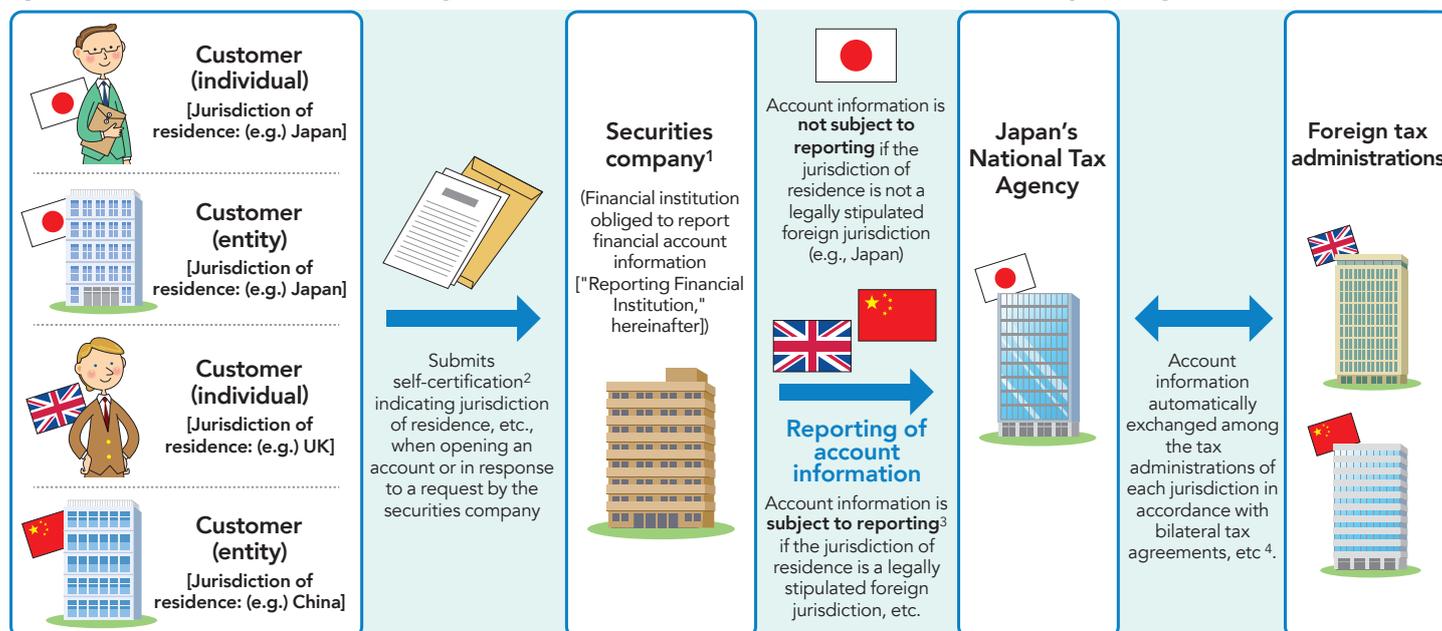
- On January 1, 2017, Japan will launch a new system for automatically exchanging information on financial accounts of non-residents with foreign tax administrations. Aimed at preventing cross-border tax evasion using offshore financial institutions, the system will require information to be exchanged according to the Common Reporting Standard (CRS) in accordance with bilateral tax agreements, etc.
- With regard to customers holding securities trading accounts (whether individuals or entities; the same applies hereinafter), when the new system starts, securities companies will be obligated by law<sup>1</sup> to identify the jurisdiction of residence, or the jurisdiction country in which the customer has an address or location of head office or main business establishment (both referred to as "jurisdiction of residence," hereinafter). In addition, customers will be obligated by the same law<sup>1</sup> to self-certify their jurisdiction of residence, etc.<sup>2</sup> to the securities company
- According to their account opening date as indicated below, customers will be required to submit to the securities company a self-certification which indicates their jurisdiction of residence, etc. They must do so when they open the account or if requested to do so by the securities company. Customers are asked for their understanding and cooperation in this regard.

Note 1: The Act on Special Provisions of the Income Tax Act, the Corporation Tax Act and the Local Tax Act Incidental to Enforcement of Tax Treaties ("Act on Special Provisions," hereinafter)

Note 2: In addition to jurisdiction of residence, this includes other legally specified information including the name, address or location of head office or main business establishment, and date of birth (refer to Q1 on the reverse of this leaflet). The same applies hereinafter.

Account Opening Date	Customer Action Required
On or after January 1, 2017	<b>Submit a self-certification for new accounts</b> [indicating jurisdiction of residence, etc.] <b>when opening the account</b>
On or before December 31, 2016	<b>Self-certification of jurisdiction of residence, etc. is in principle not required</b> However, there may be cases in which submission of a self-certification for preexisting accounts [indicating jurisdiction of residence, etc.] is required to confirm the jurisdiction of residence.

## System for Automatic Exchange of Information Based on the Common Reporting Standard (CRS)



<sup>1</sup> Securities companies are "reporting financial institutions" as defined in the Act on Special Provisions.

<sup>2</sup> The act of opening an account with a securities company and concluding a contract to deposit securities or funds, etc., requires submission of self-certification, etc.

<sup>3</sup> The securities company reports the customer's account information at the end of each year to the National Tax Agency (district director).

<sup>4</sup> The National Tax Agency automatically exchanges the account information with the tax administrations of each jurisdiction in accordance with the provisions relating to exchange of information set forth in bilateral tax agreements, etc.

For further details see the reverse of this leaflet.



Japan Securities Dealers Association

JSDA

## Submission of self-certification to securities companies by customers

### Q 1 What sort of information should be indicated in the self-certification?

**Customers (individuals):** Name, address, date of birth, jurisdiction of residence (e.g., Japan), etc.

※ If the jurisdiction of residence is a foreign jurisdiction, the customer's taxpayer identification number in that jurisdiction must be indicated.

**Customers (entities):** Name, location of head office or main business establishment, jurisdiction of residence (e.g., Japan), etc.

※ If the customer is a corporation which corresponds to requirements stipulated by the Act on Special Provisions (e.g., certain unlisted companies, etc.), the same information as for individual customers above must be indicated for its controlling person(s).

※ If the customer is a corporation which corresponds to requirements stipulated by the Act on Special Provisions (e.g., certain unlisted companies, etc.) owning a head office or main business establishment in Japan, and the jurisdiction of residence of its controlling person(s) is a foreign jurisdiction, the customer's corporate number must be indicated (and documentary evidence to confirm the corporate number provided). (This does not apply if the customer has no corporate number).

### Q 2 What is "jurisdiction of residence"?

"Jurisdiction of residence" refers to the relevant countries below in which the customer has an address, etc. for taxation purposes.

· Individuals or entities deemed under the laws and regulations of a foreign jurisdiction to be liable for taxes corresponding to income taxes or corporation taxes as a result of having an address or location of head office or main business establishment in that foreign jurisdiction, or of being a national of that jurisdiction, etc. : The foreign jurisdiction in question

· Residents of Japan or domestic entities : Japan

※ Residents of Japan and domestic entities must also submit self-certification indicating "Japan" as their jurisdiction of residence.

### Q 3 What are controlling person(s)?

Controlling person(s) are natural persons specified in the Act on Prevention of Transfer of Criminal Proceeds as persons in a relationship that may allow them to have substantial control of the business of the entity (this excludes the state and the entity's subsidiaries).

※ For example, in the case of a joint-stock corporation, controlling person(s) could be individuals holding more than one-fourth of the total voting rights, etc.

### Q 4 What should be done if there is a change in the jurisdiction of residence indicated in the self-certification when opening the account?

If the jurisdiction of residence changes, self-certification of the change is required before the relevant date below (the same applies if there are subsequent changes in the jurisdiction of residence after self-certifying a change).

Individual: Within three months of the change

Entity: Either December 31 of the year in which the change occurred, or within three months of the change, whichever is later.

※ If the jurisdiction of residence changes for controlling person(s) of a corporation which corresponds to requirements stipulated by the Act on Special Provisions (e.g., certain unlisted companies, etc.) : Either December 31 of the year in which the entity became aware of the change, or within three months of the entity becoming aware of the change, whichever is later.

### Q 5 What happens if a customer does not submit any self-certification?

If, when opening a new account, a customer does not submit any self-certification or submits false self-certification, etc., a penalty will be imposed (up to six months imprisonment or a fine of up to ¥500,000).

※ This applies only to customers whose jurisdiction of residence is outside Japan.

## Reporting of account information by securities companies to the National Tax Agency (district director)

### Q 6 In what cases does account information become subject to reporting to the National Tax Agency (district director)?

**Customers (individuals)**

· If the customer's jurisdiction of residence is a legally stipulated foreign jurisdiction.

**Customers (entities)**

· If the customer's jurisdiction of residence is a legally stipulated foreign jurisdiction.

(However, account information is not subject to reporting for entities that are publicly traded, foreign governments, or foreign reporting financial institutions [with some exceptions].)

· If the customer is a corporation which corresponds to requirements stipulated by the Act on Special Provisions (e.g., certain unlisted companies, etc.) and the jurisdiction of residence of its controlling person(s) is a legally stipulated foreign jurisdiction.

### Q 7 If a customer's account information becomes subject to reporting, what type of account information will be reported to the National Tax Agency (district director)?

In addition to the information indicated on the self-certification as detailed in the answer to Q1, the following will be reported: the customer's account number; the balance or value at the end of each year (at current market value); the total annual gross amount of interest and dividends received, etc.; and proceeds from sale of securities, etc.

This leaflet reflects laws and regulations as of August 2016.



Japan Securities Dealers Association

JSDA