Proposed changes to compliance obligations under CRS

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On Aug. 15, 2025, the Department of Finance released for consultation draft legislative proposals that would implement a number of previously announced and other tax measures. These proposals included amendments to Part XIX (CRS) of the *Income Tax Act (Tax Act)*, which implements the Organisation for Economic Co-operation and Development's *Common Reporting Standard* in Canada.

The proposed amendments to CRS introduce various changes to the obligations of a reporting financial institution (FI), as explained further below. FIs include members of the asset management industry (including investment funds, securities dealers, investment advisors and custodians), credit unions, banks, insurers and trust companies.

If enacted in their current form, the amendments to CRS would be effective in approximately four months – beginning with the 2026 calendar year.

Proposed changes to CRS

Updated reporting schema

The proposed amendments add the following new fields to the annual CRS return for each reportable account:

a. For passive non-financial entities with one or more reportable controlling persons, the FI must provide (i) the role(s) by virtue of which each reportable person is a controlling person of the account holder and (ii) whether a valid self-certification has been provided for each reportable person;
b. In the case of any equity interest held in an investment entity that is a legal arrangement, the role(s) by virtue of which the reportable person is an equity interest holder;
c. Whether the account holder has provided a valid self-certification;
d. The type of account;
e. Whether the account is a pre-existing account or a new account; and
f. Whether the account is a joint account (and if so, the number of joint account holders).

The proposed amendments provide FIs with limited transitional relief for financial accounts that are maintained by them as of Jan. 1, 2026 (each referred to as an Existing Account). In particular, FIs are exempted from reporting the information solely in (a) or (b) above for an Existing Account if such information is not available in the FI's electronically searchable data. The transitional relief will only apply for the 2026 and 2027 reporting periods.

FATF recommendations

The Financial Action Task Force Recommendations – International Standards on *Combating Money Laundering and the Financing of Terrorism and Proliferation*, adopted in February 2012 and as amended from time to time (FATF Recommendations) are the "international standard" for the measures that countries should adopt domestically in order to combat money laundering and the financing of terrorism and weapons of mass destruction.

Countries are not required to enact measures exactly as set out in the FATF Recommendations. As a result, the anti-money laundering and know your customer (AML/KYC) procedures imposed on FIs under Canada's *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) are not entirely consistent with the FATF Recommendations.

For the purposes of determining the controlling persons of an account holder under the current rules, FIs may rely on information collected and maintained pursuant to the FI's AML/KYC procedures. The proposed amendments will limit an FI's ability to use such information to situations where the information was obtained through AML/KYC procedures that are substantively consistent with the FATF Recommendations (even if any inconsistencies are permitted by the *PCMLTFA*). Given that an FI's AML/KYC procedures for determining "beneficial owners" under the *PCMLTFA* may be inconsistent with the determination of "controlling persons" under the FATF Recommendations, FIs may no longer be able to rely on information collected and maintained pursuant to their AML/KYC procedures for purposes of their due diligence obligations under CRS.

Publicly-traded entities (and their related parties) as non-reportable persons

Non-reportable persons are not reportable for purposes of CRS (regardless of their foreign tax residency status). The current list of non-reportable persons include (i) a **corporation** the stock of which is regularly traded on one or more established securities markets and (ii) any **corporation** that is a related entity of a corporation the stock of which is regularly traded on one or more established securities markets.

The proposed amendments expand the list of non-reportable persons by reason of being traded on an established securities markets from **solely corporations** to **all types of entities** , including trusts and partnerships. This amendment will generally reduce the number of reportable accounts for an FI by expanding the list of non-reportable persons.

New excluded account applicable to incorporations and contributions of capital

The proposed amendments exclude FIs from their CRS obligations for an account established in connection with a contribution of capital to, or incorporation of, a corporation. In order to meet this new exclusion, the account must meet the following conditions:

- It must be used exclusively to deposit amounts that are to be used for the purpose of the incorporation of, or the making of a capital contribution to, a corporation in accordance with applicable law;
- Any amounts held in the account must be blocked until the FI obtains an independent confirmation regarding the incorporation or contribution of capital;
- The account must be closed or transformed into another account in the name of the corporation after the incorporation or contribution of capital;
- Any repayments resulting from the failed incorporation or contribution of capital (net of service provider and similar fees) must be made solely to the persons who contributed the amounts; and
- The account cannot have been established more than 12 months ago.

Pre-existing accounts – reasonable efforts for missing dates of birth and missing TINs

A pre-existing account for purposes of CRS is generally one that was already opened on June 30, 2017.

Currently, FIs do not need to report the date of birth and taxpayer identification number (TIN) for pre-existing accounts, if such information is neither (i) in the FI's records nor (ii) otherwise required to be collected by the FI under the *Tax Act*.

Notwithstanding the foregoing, an FI is required to use reasonable efforts to obtain the TIN or date of birth (as applicable) with respect to such an account by the end of the second calendar year following the year in which the account is identified as being reportable. The proposed amendments will extend an FI's obligation to make reasonable efforts for obtaining the missing information to situations where the FI is required to update the account information pursuant to the FI's AML/KYC procedures.

Missing self-certifications

If a self-certification cannot be obtained by an FI for a new account in time to meet the FI's CRS obligations with respect to the reporting period during which the account was opened, the proposed amendments will require the FI to apply the due diligence procedures for pre-existing accounts until the self-certification is obtained and validated.

The Department of Finance emphasizes that missing self-certifications for new accounts should only arise "in exceptional circumstances".

Proposed new FIs relating to crypto-assets, electronic money products and digital currency

The draft legislative proposals also introduced the concepts of crypto-assets, electronic money products and digital currency (as explained in a separate BLG bulletin). As a companion to these proposals, the proposed amendments also introduce new

categories of “financial institutions” for entities in these industries under CRS. Accordingly, beginning in 2026, FIs will now have to apply the procedures applicable for ascertaining the status of their account holder as a financial institution to these new categories of financial institutions (with appropriate modification).

Labour-sponsored venture capital corporations

Under the current CRS rules, labour-sponsored venture capital corporations are considered non-reporting financial institutions. As a result of this classification, labour-sponsored venture capital corporations do not have obligations under CRS.

The draft legislative proposals will remove labour-sponsored venture capital corporations from the list of non-reporting financial institutions, thus these entities are proposed to be FIs that are subject to CRS obligations going forward. However, the proposed amendments will exempt labour-sponsored venture capital corporations from CRS obligations on a non-registered account[1] if the total value of contributions to the account made in any calendar year does not exceed US$50,000.

Anti-avoidance rule

Currently, where a **person** enters into an arrangement or engages in a practice, the primary purpose of which is to avoid an obligation under CRS, the person is subject to such obligation as if the person had not entered into the arrangement or engaged in the practice.

The proposed amendments will expand this anti-avoidance rule under CRS in two ways:

- The anti-avoidance rule will now apply to an "individual or entity" (instead of being limited to a “person”); and
- It will provide greater certainty that an individual or entity cannot circumvent the anti-avoidance rule by having an intermediary enter into an arrangement or engage in a practice the purpose of which is to avoid an obligation under CRS.

Lack of coordination with FATCA

To date, most of the due diligence and reporting obligations for FIs under CRS have generally been consistent with those existing under Part XVIII of the *Tax Act* (FATCA). Unless the Canada Revenue Agency (CRA) amends its Guidance in respect of FATCA to conform with these proposed amendments to CRS, there will be a lack of coordination going forward between the two due diligence and reporting regimes as it pertains to these proposed amendments. For example, the list of non-reportable persons and excluded accounts will be different between CRS and FATCA, and the information to be reported on the information return will also be different between the separate regimes.

How FIs can prepare for the proposed changes to CRS

- **Understand the differences between your AML/KYC procedures and the FATF Recommendations** – The proposed changes to CRS further emphasize that FIs

are required to follow the FATF Recommendations when complying with CRS, rather than their AML/KYC procedures which are established for the purposes of complying with the *PCMLTFA*. CRS compliance professionals should understand how the FATF Recommendations differ from the obligations under the *PCMLTFA*, in order to know whether information obtained for AML/KYC purposes can or cannot be used for CRS purposes.

- **Update your policies and procedures** – Your polices and procedures for CRS compliance should be updated once the proposed amendments become law.
    - Potential changes include a reference to the new excluded account, expanding the list of non-reportable persons, describing the determination of controlling persons using the FATF Recommendations (rather than the determination of beneficial owners under your firm's AML/KYC procedures), and updating your procedures relating to missing self-certifications and other CRS-related information.
    - Given the proposed changes at this time are to CRS only, it will be even more important for FIs to have separate procedures for compliance with each of CRS and FATCA. The CRA requests copies of these manuals during their audits.
- **Preparing training sessions for your compliance team** – FIs are expected to have periodic trainings on CRS compliance. FIs should begin planning training sessions in advance of the 2026 implementation date, as well as preparing the training materials for these sessions. Attendance logs and copies of all training materials should be retained in the event of an audit by the CRA.
- **Update your computer systems to reflect the new reporting schema** – For FIs that rely on computer systems to prepare their annual CRS information returns, it will be important to update the computer system to incorporate the new reporting fields required by the updated reporting schema. For example, FIs may complete due diligence by collecting a valid self-certification or by using publicly available information – it will now be important for FIs to track how the due diligence was completed in order to satisfy (a) and (c) of the new reporting schema (discussed above).
    - Computer systems will need to be updated in time so that the new reporting fields are reflected in the system for accounts opened beginning in 2026. Using the previous example, it would be beneficial for the computer system to track whether a self-certification was collected for due diligence purposes.
    - For Existing Accounts where the new information to be reported on the CRS return is not in the computer system, FIs have a limited window of time to go through the client file of Existing Accounts to manually obtain the missing information during the transitional period and input such information into the updated computer system. Using the previous example, a manual review of the file may need to be completed to determine whether a self-certification for an Existing Account was obtained for the purposes of due diligence (or whether another acceptable form of due diligence was completed instead).

If you have any questions on the proposed changes, please contact any member of our multidisciplinary team of regulatory lawyers with knowledge and expertise in AML/KYC, the FATF Recommendations, FATCA and CRS.

Footnote

[1] FIs are already exempt from CRS obligations on registered accounts.

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