

CHAPTER
6

Due diligence
(Pre-existing Individual Accounts)

6. Due diligence (Pre-existing Individual Accounts)

Highlights

A Pre-existing Individual Account is an account maintained by a Reporting Qatari FI as of **30th June 2014**

Following is a summary of the due diligence requirements of Pre-existing Individual Accounts based on the balance or value:

Category	Accounts not to be reviewed	Lower Value Accounts	High Value Accounts
Depository/ Custodial Account/Equity & Debt Interest*	\$50,000** or less • Exempted	\$50,000 to \$1,000,000 • Electronic search for US indicia	> \$1,000,000 • Electronic search for US indicia • Manual search as required • Relationship Manager Inquiry
Cash Value Contract or Annuity Contract***	\$250,000** or less • Exempted	\$250,000 to \$1,000,000 Electronic search for US indicia	> \$1,000,000 • Electronic search for US indicia • Manual search as required • Relationship Manager Inquiry

* For aggregation purposes, all Financial Accounts (other than Cash Value Insurance and Annuity Contracts) are aggregated before applying the US \$50,000 de-minimis limit.

** Balance as per 30 June 2014.


*** For aggregation purposes, all Cash Value Insurance and Annuity Contracts are aggregated before applying the \$250,000 De-Minimis limit.

ICON KEY

 Practical Guidance

 Example

 Timing

 Key facts

 Reporting

6.1 Reportable Accounts

Pre-existing Individual Accounts will be reportable (subject to the thresholds as noted in Section 6.2) in the following cases:

- If they are not exempt from being Financial Accounts (see Section 15.B.5); or
- If the Reporting Qatari Financial Institution has identified relevant indicia, and those indicia have not been cured or repaired (see Section 6.4 and Section 6.5).



An account still needs to be reviewed where a Pre-existing Lower Value or High Value Individual Account closes prior to the Financial Institution carrying out its due diligence procedures (other than where the account was closed prior to 30 June 2014 as in that case it is not a Pre-existing Account). Where, following the due diligence procedures the account is found to be reportable, the Financial Institution must report the information for the closed account as required as of the day the account was closed (see Section 15.D.4.2).



Example 1: should an account be closed on or after 1 July 2014 and the Reporting Qatari Financial Institution does not have a continuing contractual relationship with the account holder and is therefore unable to remediate any indicia identified or is unlikely to receive a response to a query made to the account holder, the account should be treated as reportable in that reporting year.

Once an account is identified as a Reportable Account, the account will remain reportable for all subsequent years unless the account holder ceases to be a Specified US Person (including death), unless it is a Depository Account. A Depository Account is a Reportable Account if the balance or value of the account is above the reporting threshold of \$50,000 and provided an election to disregard the thresholds has not been made. The reporting requirements of a Depository Account can vary annually where the account holder remains a Specified US Person.



Example 2: Mr. A is a US person and holds a Depository Account with XYZ Bank in Qatar with a balance of \$75,000 as of 30 June 2014. XYZ Bank has not made an election to disregard the threshold exemptions. As the balance of the account is above the \$50,000 threshold, the account should be reported. The following year, there is a large withdrawal from the account bringing the balance down to \$25,000 as at 31 December 2015. As the balance is now below the threshold exemption limit of \$50,000, the account does not need to be reported.

6.2 Exemptions

6.2.1 Threshold Exemptions that apply to Pre-existing Individual Accounts

The Agreement allows for Reporting Qatari Financial Institutions to apply the threshold exemptions (unless the Reporting Qatari Financial Institution elects otherwise) when reviewing and identifying the Pre-existing Individual Accounts.

The election can apply to all Financial Accounts or to a clearly identified group of accounts such as accounts held by a line of business.

If the Reporting Qatari Financial Institution makes an election under the Agreement to disregard the threshold exemptions, it will need to review and identify all Pre-existing Individual Accounts.

The threshold exemptions apply to the following for Pre-existing Individual Accounts:

- Any Depository account with a balance or value of \$50,000 or less;
- Pre-existing Individual Accounts with a balance or value not exceeding \$50,000 as of 30 June 2014, unless the account subsequently becomes a High Value Account as of 31 December 2015 or any subsequent year;
- Pre-existing Individual Accounts that qualify as Cash Value Insurance Contracts or Annuity Contracts with a balance or value of \$250,000 or less as of 30 June 2014, unless the account subsequently becomes a High Value Account as of 31 December 2015 or any subsequent year.

When applying the threshold exemptions the aggregate account balances need to be considered – see Section 10.2 for additional guidance on the aggregation rules.

6.2.2 Pre-existing Cash Value Insurance Contracts and Annuity Contracts unable to be sold to US residents

Pre-existing Cash Value Insurance Contracts or Annuity Contracts that are unable to be sold to US residents because of legal or regulatory restrictions do not need to be reviewed, identified or reported.

This exemption only applies where both of the following conditions are met:

- The Financial Institution's Cash Value Insurance Contracts and Annuity Contracts cannot be sold into the US without legal or regulatory authority; and
- Qatar law requires reporting or withholding with respect to these products.

No existing Qatar law prevents the sale of Cash Value Insurance products or Annuity

Contracts to US residents. However, the sale of contracts to US residents will be considered effectively prevented if the issuing Specified Insurance Company (not including any US branches) is not licensed to sell insurance in any state of the US and the products are not registered with the Securities and Exchange Commission or are unable to be sold to US residents by way of express prohibition language in the policy document.



Assignment of Pre-existing Insurance Contracts - When a Pre-existing Cash Value Insurance Contract or Annuity Contract is assigned to another person then this will be treated as a New Account. This is to ensure that Pre-existing Insurance Contracts assigned after 1 July 2014 to US Persons are correctly identified and reported where necessary.

Once the Financial Institution becomes aware that an assignment has been made, the Financial Institution will need to carry out the due diligence applicable for New Accounts. If the Reporting Qatari Financial Institution is unable to obtain a valid self-certification the account should be treated as reportable.

6.3 Lower Value Accounts

The following shall be considered as Lower Value Accounts:

- Pre-existing Individual Account with a balance or value that exceeds \$50,000 as at 30 June 2014 but does not exceed \$1,000,000; or
- Pre-existing Individual Account that is a Cash Value Insurance Contract or an Annuity Contract that exceeds \$250,000 as at 30 June 2014 but do not exceed \$1,000,000.

For all Lower Value accounts, the Reporting Qatari Financial Institution is required to complete an electronic record search (see Section 6.4). However, a Reporting Qatari Financial Institution that has previously obtained documentation from the Account Holder to establish the Account Holder's status as neither a US citizen nor a US resident in order to fulfil its obligations under chapter 61 of Title 26 of the United States Code, is not required to perform the electronic record search.

6.4 Electronic Record Search and Lower Value Accounts

The Reporting Qatari Financial Institution must review electronically searchable data maintained by the Reporting Qatari Financial Institution for any of the following US indicia:

- Identification of the Account Holder as a US citizen or resident;
- Unambiguous indication of a US place of birth;
- Current US mailing or residence address (including a US P.O. Box address);

- Current US telephone number;
- Standing instructions to transfer funds to an account maintained in the US;
- Currently effective power of attorney or signatory authority granted to a person with a US address; and
- An “in care of” or “hold mail” address that is the sole address the Reporting Qatari Financial Institution has on file for the Account Holder. For Lower Value Accounts, an “in-care-of” or “hold mail” address outside the United States shall not be treated as US indicia.

If none of the US indicia listed above are discovered in the electronic search, then no further action is required until there is a change in circumstances that results in one or more US indicia being associated with the account, or the account becomes a High Value Account described in Section 6.6. Where that happens, the account will become reportable unless it attempts to verify or cure the indicia (see Section 6.7).

A Reporting Qatari Financial Institution should not be treated as having a reason to know that the account holder’s status is incorrect merely because it retains information or documentation that may conflict with its review of the account holder’s status if it was not necessary under the procedures described in this section to review that information or documentation.



Example: With respect to a Lower Value Account, where only an electronic record search is required and no US indicia is identified, a Bank will not have a reason to know that the account holder was a Specified US Person even if it held a copy of a US passport for the account holder. This is only applicable where the Bank was not required to or had not previously reviewed that documentation or information.

6.5 Documents required to cure US indicia

Where the electronic search indicates US indicia, the presumption is that the account is reportable. In certain circumstances however, the indicia can be cured such that evidence shows that the Account Holder is not a Specified US Person.

The Reporting Qatari Financial Institution can cure the US indicia by obtaining or previously reviewing and maintaining a record of the following documentation:

US Indicia	Curing Documentation
<p>Unambiguous US Place of Birth</p>	<ul style="list-style-type: none"> • A self-certification showing that the Account Holder is neither a US citizen nor a US resident for tax purposes (which may be on an IRS Form W-8 or similar agreed form); and • Evidence of the account holder’s citizenship or nationality in a country other than the US (e.g. passport or other government issued identification); and • A copy of the Account Holder’s Certificate of Loss of Nationality or a reasonable explanation of either (i) the reason the Account Holder does not have such a certificate despite relinquishing US citizenship or (ii) the reason the Account Holder did not obtain US citizenship at birth.
<p>Current US mailing address/residence address (including US PO Box)</p>	<ul style="list-style-type: none"> • A self-certification showing that the Account Holder is neither a US citizen nor a US resident for tax purposes (which may be on an IRS Form W-8 or similar agreed form); and • A form of acceptable documentary evidence which establishes the account holder’s non-US status (see Section 15.C).
<p>One or more US telephone numbers that are the only telephone numbers associated with the account</p> <p>(Where there is uncertainty as to whether a phone number is US [for example a mobile phone number], a Reporting Qatari Financial Institution should take reasonable steps [in accordance with the relevant due diligence requirements for the type of account] to establish whether it is a US phone number [e.g. number contains a published US area code]. In case of any uncertainty as to whether the telephone number is a US number, it is not treated as a US indicia.</p> <p>In the case of any number that is known not to relate to a telephone, for example a permanent fax number, the number should not be treated as a US indicia. However if there is any doubt over the function, or the number has a combined function at least one of which is as a phone number, the number should be treated as US indicia if it is a US number.)</p>	<ul style="list-style-type: none"> • A self-certification showing that the Account Holder is neither a US citizen nor a US resident for tax purposes (which may be on an IRS Form W-8 or similar agreed form); and • A form of acceptable documentary evidence which establishes the account holder’s non-US status (see Section 15.C).

US Indicia	Curing Documentation
<p>One or more US telephone numbers (if a non-US telephone number is associated with the account)</p>	<ul style="list-style-type: none"> • A self-certification showing that the Account Holder is neither a US citizen nor a US resident for tax purposes (which may be on an IRS Form W-8 or similar agreed form); or • A form of acceptable documentary evidence which establishes the account holder’s non-US status (see Section 15.C).
<p>Standing Instructions to transfer funds to an account maintained in the US</p> <p>(There will be a standing instruction if the account holder has mandated the financial institution to make repeat payments, without further instruction from the account holder, to another account that can be clearly identified as being an account maintained in the US. Instructions to make an isolated payment will not be a standing instruction when given well in advance of the payment being made)</p>	<ul style="list-style-type: none"> • Self-certification that the individual is not a US citizen or US resident for tax purposes (which may be on an IRS Form W-8 or similar agreed form); and • A form of acceptable documentary evidence which establishes the account holder’s non-US status (see Section 15.C).
<p>Effective Power of Attorney or Signatory Authority granted to a person with US address</p>	<ul style="list-style-type: none"> • A self-certification showing that the Account Holder is neither a US citizen nor a US resident for tax purposes (which may be on an IRS Form W-8 or similar agreed form); or • A form of acceptable documentary evidence which establishes the account holder’s non-US status (see Section 15.C).
<p>Effective Power of Attorney or Signatory Authority granted to a person with US address</p>	<ul style="list-style-type: none"> • A self-certification showing that the Account Holder is neither a US citizen nor a US resident for tax purposes (which may be on an IRS Form W-8 or similar agreed form); or • A form of acceptable documentary evidence which establishes the account holder’s non-US status (see Section 15.C).
<p>An “in care of” or “hold mail” address that is the sole address the institution holds for the Account Holder</p> <p>(An “in care of address” or “hold mail address” is not treated as US indicia for the purposes of electronic searches but would be regarded as US indicia where a review of paper records is required)</p>	<ul style="list-style-type: none"> • A self-certification showing that the Account Holder is neither a US citizen nor a US resident for tax purposes (which may be on an IRS Form W-8 or similar agreed form); or • A form of acceptable documentary evidence which establishes the account holder’s non-US status (see Section 15.C).

6.6 High Value Accounts and Enhanced Reviews

A High Value Account is a Pre-existing Individual Account with a balance or value that exceeds \$1,000,000 as of 30 June 2014, or 31 December 2015 or 31 December of any subsequent year. This is an aggregated amount across all accounts held by that individual as far as systems permit (See Section 10.2).

For all such High Value accounts, a Reporting Financial Institution is required to complete an:

- Electronic record search;
- Paper record search (except where electronic databases contains sufficient information - as detailed below); and
- Relationship Manager Inquiry.

However, a Reporting Qatari Financial Institution that has previously obtained documentation from the Account Holder to establish the Account Holder's status as neither a US citizen nor a US resident in order to fulfil its obligations under Chapter 61 of Title 26 of the United States Code, is not required to perform the electronic record search or paper record search.

6.6.1 Electronic Record Searches and High Value Accounts

A Reporting Qatari Financial Institution must review its electronically searchable data for any US indicia in the same manner as detailed above for Lower Value Accounts (see Section 6.4).

6.6.2 Paper Record Search and High Value Accounts

A paper record search will not be required, if the Reporting Qatari Financial Institution's electronically searchable databases include fields for, and capture all of the following information:

- The account holder's nationality or residence status;
- The account holder's residence address or mailing address currently on file;
- The account holder's telephone number(s) currently on file;
- Whether there are standing instructions to transfer funds to another account (including an account at another branch of the Reporting Qatari Financial Institution or another Financial Institution);
- Whether there is a current "in-care-of" address or "hold mail" address for the account holder; and
- Whether there is any power of attorney or signatory authority for the account.

The paper record search should include review of the current customer master file and, to the extent not contained in the current customer master file, the following documents associated with the account and obtained by the Reporting Qatari Financial Institution within the last five years:

- The most recent documentary evidence collected with respect to the account;
- The most recent account opening contract or documentation;
- The most recent documentation obtained by the Financial Institution for AML/KYC Procedures or for other regulatory purposes;
- Any power of attorney or signature authority forms currently in effect; and
- Any standing instructions to transfer funds to an account maintained in the US currently in effect.

These should be reviewed for any US indicia as set in Section 6.4. Reporting Qatari Financial Institution can rely on the review of High Value Accounts performed by third party distributors, for example financial advisers, on their behalf where there is a contract obligating the distributor to perform the review. However, the primary responsibility will still rest with the Reporting Qatari Financial Institutions.



Exceptions: A Reporting Qatari Financial Institution is not required to perform the paper record search for any Pre-existing Individual Account for which it has retained a withholding certification or acceptable documentary evidence (see Section 15.C which establishes the account holder's status non-US status).

6.6.3 Relationship Manager Inquiry

In addition to the electronic and paper record searches described above, the Reporting Qatari Financial Institution must treat as a US Reportable Account any High Value Account assigned to a Relationship Manager (including any Financial Accounts aggregated with such High Value Account) if the Relationship Manager has actual knowledge that the Account Holder is a Specified US Person.

In circumstances where the Relationship Manager has actual knowledge that the account holder is a Specified US Person, then the account must be reported unless the indicia can be cured.

For these purposes a Relationship Manager is assumed to be any person who is an officer or other employee of the Financial Institution assigned responsibility for specific account holders on an ongoing basis, and who advises the account holders regarding their accounts and arranges for the overall provision of financial products, services and other related assistance. Even if a person is not technically a Relationship

Manager, knowledge held by an employee should be taken into account.

A person is only considered a Relationship Manager for these purposes with respect to an account with an aggregate balance or value exceeding \$1,000,000.

A Reporting Qatari Financial Institution should also ensure that it has appropriate communication channels and procedures in place to capture any change of circumstance in relation to a High Value Account that is made known to the Relationship Manager in respect of the account holder's status. Relationship Manager should provide an evidence document to establish account holder status as per the bank's policies and procedures.



Example: If Mr. A notifies his Relationship Manager of his new mailing address in the United States, this would be considered to be a change in circumstance and the Reporting Qatari Financial Institution should either report the account or obtain the appropriate documentation to cure or repair that indicia.



The electronic and paper searches only need to be completed once for each High Value Account identified, the responsibilities of a Relationship Manager are constant and ongoing to ensure that any knowledge regarding the account holder's status or any aggregation of accounts is captured.



If the Relationship Manager has knowledge that their archived records for the account that are not currently treated as maintained for regulatory or customer relationship purposes, such as knowledge that there are archived records which hold alternate addresses, then this in itself is not knowledge that would identify the account holder as a Specified US Person. In order for knowledge of these records to be knowledge that would identify the account holder as a Specified US Person the Relationship Manager would have to actually know that one or more of those addresses was based in the US.

6.7 Effect of finding US indicia

Where no US indicia are discovered in the electronic search, the paper record search or by making enquiries of the Relationship Manager, no further action is required unless there is a subsequent change in circumstances that results in one or more US indicia being associated with the account.

Where one or more indicia are discovered through the enhanced review procedures and none of the cures or repairs can be applied, the Reporting Qatari Financial Institution must treat the account as a US Reportable Account for the current and

all subsequent years.

If there is a change in circumstances that results in one or more US indicia being associated with the account and none of the cures or repairs can be applied, it must be treated as a US Reportable Account for the year of change and all subsequent years. This applies for all accounts except Depository Accounts (See Section 6.1), unless the account holder ceases to be a Specified US Person.



Where a Reporting Qatari Financial Institution has started its review, indicia are found and attempts made to verify or cure those indicia by contacting the account holder, but the account holder does not respond, the account should be treated as reportable 90 days after initiating contact. The 90 day limit is to allow the account holder sufficient time to respond to requests for information.

6.8 Timing of reviews

Type of Account	Timings
Lower Value	<ul style="list-style-type: none"> The review of Pre-existing Accounts that are Lower Value Accounts at 30 June 2014 must be completed by 30 June 2016. For Pre-existing Lower Value Accounts that are identified as reportable, they are only Reportable from the year in which the account is identified as such. <p>Example: The due diligence procedures are carried out on a Lower Value Account during February 2015 and the account is determined as Reportable. The Reporting Qatari Financial Institution is only required to report on the account information for the year ending 31 December 2015 onwards.</p>
High Value	<ul style="list-style-type: none"> The review of Pre-existing Accounts that are High Value Accounts at 30 June 2014 must be completed by 30 June 2015. If based on this review such account is identified as a US Reportable Account on or before 31 December 2014, the Reporting Qatari Financial Institution must report the required information about such account with respect to 2014 in the first report on the account and on an annual basis thereafter. In the case of an account identified as a US Reportable Account after 31 December 2014 and on or before 30 June 2015, the Reporting Qatari Financial Institution is not required to report information about such account with respect to 2014, but must report information about the account on an annual basis thereafter. If a Pre-existing Individual Account is not a High Value Account as of 30 June 2014, but becomes a High Value Account as of the last day of 2015 or any subsequent calendar year, the Reporting Qatari Financial Institution must complete the enhanced review procedures with respect to such account within six months after the last day of the calendar year in which the account becomes a High Value Account. If based on this review, such account is identified as a US Reportable Account, the Reporting Qatari Financial Institution must report the required information about such account with respect to the year in which it is identified as a US Reportable Account and subsequent years on an annual basis, unless the Account Holder ceases to be a Specified US Person.

For pre-existing accounts being reviewed, the data being considered should be that which is held at the date of the review. However if the Reporting Qatari Financial Institution has archived data from the point when the account is identified as reportable then this may also be used, provided that any subsequent changes in circumstance are included in the review process.

