CHAPTER
7

Due diligence
(New Individual Accounts)

7. Due diligence (New Individual Accounts)

Highlights

- A New Individual Account is an account opened **on or after 1st July 2014**.
- A Reporting FI may elect to apply threshold exemptions:
- To all accounts;
- To clearly identifiable group of accounts.
- **De minimis amount** = $50,000.
- Threshold exemption only applies to **Depository Accounts** and **Cash Value Insurance Contracts**.
- A Reporting FI has to **determine an account's holder status** by:
- Obtaining a self-certification to determine whether the account holder is a US tax resident; and
- Confirm reasonableness of the self-certification.
- US tax residents are treated as **US Reportable Accounts**.
- A Reporting FI has to obtain **US TIN** from a US tax resident.

ICON KEY

- Practical Guidance
- Example
- Timing
- Key facts
- Reporting

7.1 Reportable Accounts

Where it is established that the holder of a New Individual Account is a Specified US Person then the account must be treated as a US Reportable Account.

In this instance, with respect to each US Reportable Account, the Reporting Qatari Financial Institution must obtain a self-certification that includes the Account Holder's US TIN. This self-certification may be an IRS Form W-9 or other similar agreed form.

7.2 Threshold exemptions that apply to New 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 New 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 notify QCB and will need to review and identify all New Individual Accounts.

The threshold exemptions apply to the following New Individual Accounts:

- Depository account with a balance less than $50,000 (unless the account balance exceeds $50,000 at the end of a calendar year or appropriate reporting period);
- Cash Value Insurance Contracts, with a cash value less than $50,000 (unless the cash value exceeds $50,000 at the end of any calendar year or appropriate reporting period).

There is no threshold exemption for any other type of financial account.

Accounts meeting the above criteria are not required to be reviewed, identified, or reported as US Reportable Accounts.

7.3 New Accounts for holders of Pre-existing Accounts

If a New Account is opened by a Pre-existing Account Holder within the same Financial Institution, the Reporting Qatari Financial Institution is not required to re-document the Account Holder provided that:

- The applicable due diligence requirements have already been carried out, or there is reliable evidence that the applicable due diligence requirements are in the process of being carried out within the time limits set out for Pre-existing Accounts; and
- The accounts are treated as linked or as a single account/obligation for purposes of applying any of the due diligence and reporting requirements.

The standards of knowledge to be applied; the change of circumstances rules; and aggregation requirements will apply to all accounts held by the account holder.

If there is a change of circumstance with respect to a New Individual Account that causes the Reporting Qatari Financial Institution to know, or have reason to know, that the original self-certification is incorrect or unreliable, which in turn affects the status of the account holder, then this will apply to all accounts held by the account holder. Accordingly, the Reporting Qatari Financial Institution cannot rely on the original self-certification and must obtain a valid self-certification that establishes whether the Account Holder is a US citizen or resident for US tax purposes. If the Reporting Qatari Financial Institution is unable to obtain a valid self-certification, it must treat the account as a US Reportable Account until such time that the necessary information is provided to be able to correctly verify their FATCA status.

For new accounts opened by pre-existing customers, the accounts must be treated as linked for aggregation purposes before applying rules for threshold exemptions.

This can also be applied on a group basis where documentation is shared within the group (See Section 10.2 Due Diligence – Aggregation).

7.4 Identification of New Individual Accounts

For accounts that are not exempt and for accounts that were previously exempt but no longer are, as they exceed thresholds limits, the Reporting Qatari Financial Institution must undertake the following procedures to determine the Account Holder's status:

- Obtain a self-certification (see Section 5.4) as part of the account opening documentation, that allows the Reporting Qatari Financial Institution to determine where the Account Holder is tax resident; and
- Confirm the reasonableness of such self-certification based on the information obtained in connection with the opening of the account, including any documentation collected pursuant to AML/KYC procedures or other regulatory procedures.

For purposes of this Agreement, a US citizen is considered to be a resident in the United States for tax purposes, even if the Account Holder is also a tax resident of another jurisdiction.

If an account is jointly held by an individual and an entity, then both the individual and entity due diligence requirements in relation to that account need separately to be carried out.

Where no valid self-certification is provided by the account holder, the account would become reportable.

If the information provided during the account opening process contains any of the indicia described in Section 6.4, then the account will become reportable unless further action is taken by the Financial Institution to attempt to cure or repair the indicia (see Section 6.5).

The Financial Institution must complete the identification process upon account opening (or if applying the threshold limits, within 90 days after the calendar year in which the account ceases to qualify for the threshold exemption).

7.5 Self-Certification for New Individual Accounts

7.5.1 Obtaining a self-certification

Unless the Reporting Qatari Financial Account is of a type that does not need to be reviewed, identified or reported, a Financial Institution is required to obtain a self-certification to enable it to determine if the account holder is tax resident in the US and whether or not they are a US citizen. The self-certification process and documentation should allow for cases where the account holder is a tax resident of more than one country.

Citizenship is important when considering the Agreement as a US citizen is considered a US resident for tax purposes even if they are also tax resident elsewhere.

For the purposes of the Agreement, where a self-certification determines that a New Individual Account holder is a US resident for tax purposes, there is also a requirement to obtain a US Taxpayer Identification Number ("TIN") from the account holder.

7.5.2 Where a self-certification is already held

If the Reporting Qatari Financial Institution already holds a self-certification for the account holder, for instance, if one has been obtained for another Financial Account, then provided the Reporting Qatari Financial Institution is able to access this document they will be held to have 'obtained' this document. However, if there has been a change in circumstance since this self-certification was obtained, or any of the information obtained when the New account is opened indicates that the previous self-certification can no longer be relied upon, then a new self-certification must be obtained.

7.5.3 Timing of a self-certification

The self-certification must be obtained upon account opening.

The Reporting Qatari Financial Institution must obtain a self-certification within 90 days after the end of the calendar year in which the account ceases to fall under the de minimis thresholds.

7.5.4 Wording of self-certification

A Reporting Qatari Financial Institution can choose the form of wording it uses to determine the tax residence of a New Individual Account holder. However the wording must be sufficient for an account holder to confirm the country or countries where they are tax resident and if they are a US citizen.

7.5.5 Format of the self-certification

Reporting Qatari Financial Institutions typically permit individuals to open accounts and make investments or purchase financial products by completing a paper application form. They may even invest without using any of the Financial Institution's set application processes and instead send a payment with a covering letter (which is then followed up with required documentation).

Self-certifications can be obtained alongside the normal account opening procedures. The following is an example intended to illustrate how this may operate.

Example - Paper Applications

In addition to other account opening documents, an individual can fill out a self-certification form to open an account with a Financial Institution. On the self-certification the individual should be required to declare in which countries they are tax resident and including whether they are a US citizen.