UNITED ARAB EMIRATES
MINISTRY OF FINANCE

Common Reporting Standard ("CRS")

How should the Undocumented Accounts be

Background to the CRS

The Common Reporting Standard ("CRS") for Automatic Exchange of Information has been developed by the Organisation for Economic Co-operation and Development ("OECD") with an intention to tackle tax evasion through use of accounts maintained with financial institutions in low or no tax jurisdictions. The United Arab Emirates ("UAE") has signed the Convention on Mutual Administrative Assistance in Tax Matters ("MAC"), the Declaration of Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information ("MCAA") and the Unilateral Declaration in April 2017. Under the agreement, Reporting Financial Institutions ("RFIs") that maintain financial accounts are required to collect and report information on an annual basis related to CRS reportable accounts which is then exchanged with CRS exchange partner jurisdictions. The collection of account information aims to identify the jurisdictions(s) of tax residence for account holders and certain financial account information and to report this information to CRS exchange partner jurisdictions on an annual basis.

Impact of the CRS

Under the CRS, UAE RFIs are required to apply due diligence procedures and collect documentation to identify whether a financial account maintained by the UAE RFI is a CRS Reportable Account.

An undocumented account arises where a RFI maintains a pre-existing individual account for which only a "hold-mail" or "in-care-of" address in a reportable jurisdiction is captured and no other CRS indicia is captured as part of the electronic indicia search and/or paper record search and the RFI is unable to obtain a self-certification form or documentary evidence from the account holder to establish the account holder's residence for tax.

Low value pre-existing account
The RFI must report the account as an Undocumented Account until the account ceases to be an Undocumented Account.

High value pre-existing account
The RFI must continue to follow the Undocumented Account procedures for high value pre-existing individual accounts until the account ceases to be an Undocumented Account. These procedures include completing a paper record search on an annual basis to and continuing efforts to obtain documentary evidence or a valid CRS self-certification form from the Account Holder and/or Controlling Person to establish the Account Holder/Controlling Person's residence for tax purposes.

In addition to the electronic and paper record searches described, the RFI must perform relationship manager inquiries annually (where applicable) to gather actual knowledge from the relationship manager whether the account is held by a resident for tax purposes in a Reportable Jurisdiction.

RFIs must ensure that all Undocumented Accounts are identified and reported on an annual basis.

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Reporting

Where an Undocumented Account is identified by an RFI, it should be reported as part of the relevant annual reporting cycle. When reporting Undocumented Accounts, the following instructions must be followed as per the CRS reporting template available on the portal to flag an Undocumented Account:

1. TRUE = Undocumented account
2. FALSE = Not an Undocumented Account

An account is only accepted as an Undocumented Account where the account opening date is before 1 January 2017. An Undocumented Account can only belong to an individual and not to an entity.

Data review

Undocumented Accounts submitted by the RFIs will be subjected to data review to identify any accounts that lack sufficient documentation. All RFIs are expected to have in place a follow up procedure and to be actively following up on any Undocumented Accounts.

The RFIs should address these Undocumented Accounts. This outreach aims to ensure that RFIs take the necessary steps to obtain the required documentation from account holders.

Remediation Plan

A remediation plan for Undocumented Accounts ensures compliance with CRS regulations by systematically addressing Undocumented Accounts. The RFIs should conduct an enhanced due diligence (EDD) by verifying KYC records and CRS indicia, collecting or updating missing documentation such as self-certifications or alternative proof of residency. After successfully remediating the Undocumented Accounts, RFIs must resubmit their corrected filings on the UAE MoF FATCA/CRS System.

RFIs that submit Undocumented Accounts are subject to the compliance program, which involves audit(s) conducted. During these audits, RFIs are expected to provide all relevant documents and evidence to demonstrate that they have made efforts to obtain the necessary documentation for the Undocumented Accounts.

Throughout the process, all actions, including communication attempts and due diligence steps, must be documented to maintain an audit trail. This structured approach helps RFIs to minimize non-compliance risks and avoid regulatory penalties.

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