

## **CHAPTER 9**

### **DUE DILIGENCE: PRE-EXISTING INDIVIDUAL ACCOUNTS**

Pre-existing accounts are those in existence as at 31 December 2016. Pre-existing individual accounts are accounts held by individuals. These are split between high value accounts and low value accounts and there are different due diligence procedures for each type. High value pre-existing individual accounts are accounts with an aggregate balance or value that exceeds an amount equivalent to \$7.8 million as at the date that the pre-existing accounts first need to be reviewed or at any 31 December following the initial review date. Low value pre-existing individual accounts are those with an account balance or value that does not exceed an amount equivalent to \$7.8 million. For reporting in 2018, the accounts in scope are those reportable accounts in existence as at 31 December 2016.

2. As well as differences in the amount of due diligence required for the two types of pre-existing individual accounts, reporting financial institutions have longer period to carry out their due diligence on low value accounts compared to high value accounts. However, to the extent that low value accounts are identified as reportable accounts in a calendar year they are reportable for that calendar year. For example, if financial institutions have until 31 December 2018 to carry out due diligence on low value accounts in existence at 31 December 2016 thus all such accounts must be reported no later than 2019 but if any reportable accounts are identified on or before 31 December 2017 they must be reported in 2018. The due diligence requirements in Schedule 17D to identify reportable accounts also apply to those pre-existing accounts that are closed prior to the reporting financial institutions carrying out their due diligence procedures.

3. It is expected that more jurisdictions will become reportable jurisdictions over time. Under the wider approach, reporting financial institutions will have identified the territory of tax residence of all pre-existing account holders as at 31 December 2016 and will be capturing information for all new accounts opened from 1 January 2017. Any changes of tax residence as a result of a change of circumstances thereafter will be captured when the change is recognised by the reporting financial institution. Where new reportable jurisdictions are added to the list reporting financial institutions will already have identified tax residents of those jurisdictions. Reporting financial institutions will therefore be able to contact relevant account holders to acquire any further information they may need for reporting purposes, for example TIN or date of birth.

### **Accounts not required to be reviewed, identified or reported**

4. A pre-existing individual account that is a cash value insurance contract or an annuity contract is not required to be reviewed, identified or reported, if the reporting financial institution is effectively prevented by law from selling the contract to residents for tax purposes of a reportable jurisdiction.

5. A reporting financial institution is “effectively prevented by law” from selling cash value insurance contracts or annuity contracts to residents for tax purposes of a reportable jurisdiction if:

- (a) the laws of Hong Kong prohibits or otherwise effectively prevents the sale of such contracts to residents in another jurisdiction; or
- (b) the law of a reportable jurisdiction prohibit or otherwise effectively prevents the reporting financial institution from selling such contracts to residents of such reportable jurisdiction.

6. Where the applicable law does not prohibit reporting financial institutions from selling insurance or annuity contracts outright, but requires them to fulfil certain conditions prior to being able to sell such contracts to residents of the reportable jurisdiction (such as obtaining a license and registering the contracts), a reporting financial institution that has not fulfilled the required conditions under the applicable law will be considered to be “effectively prevented by law” from selling such contracts to residents of such reportable jurisdiction.

### **Low value accounts**

7. In determining whether an account holder of a low value account is a reportable person reporting financial institutions have two options for making such a determination. They can apply either:

- (a) a residence address test , or
- (b) an electronic record search.

8. In the event that the reporting financial institution applies the residence address test and this does not determine the residence of the individual account holder then it must also apply the electronic record search.



9. Reporting financial institutions can apply the residence address test to all low value accounts or, separately, to any clearly identified group of such accounts. A group of accounts may, for example, be those maintained by a particular line of business or those maintained in a particular location.

10. Reporting financial institutions may also opt to go straight to an electronic record search for indicia of tax residence without first applying the residence address test.

### ***Residence address test***

11. The due diligence procedures are for the purpose of identifying whether or not an account holder is a reportable person. If an account holder is identified as a reportable person the reporting financial institution will then have to collate reportable information for the purpose of reporting to the IRD.

12. In determining whether an account holder of a low value account is a reportable person reporting financial institutions may apply the residence address test.

13. Where the reporting financial institution has policies and procedures in place to verify the residence address of an account holder based on documentary evidence, a person will be regarded as resident for tax purposes in the jurisdiction in which an address is located if:

- (a) the reporting financial institution has in its records a residence address for the account holder ;
- (b) the residence address held is current; and
- (c) the residence address is based on documentary evidence.

### ***Residence address definition***

14. The residence address held by a reporting financial institution must be sufficiently detailed to identify where the account holder resides and will generally be in a form that identifies the street and the town, city or area where the individual lives in sufficient detail for the reporting financial institution to determine the jurisdiction in which the residence is located.

15. In general, an “in-care-of” address or a post office box is not a residence address. However, a post office box can be part of a residence address where the address also contains a street, an apartment or suite number, or a rural route and thus clearly identifies the actual residence of the account holder.

16. An “in-care-of” address is unlikely to provide sufficient detail to identify the residence of the account holder as the address is that of the person receiving mail on behalf of the account holder. Exceptionally, an “in-care-of” address may be relied on where it is clear that the account holder is military personnel and the “in-care-of” address is a standard address of the type used for individuals residing on military bases. Additionally, an “in-care-of” address may be relied on where the address that clearly identifies a residence address relates to a care or residential home, provided that the reliance on this type of address does not frustrate the purpose of the CRS.

#### *Current residence address*

17. The residence address held by a reporting financial institution must be current. A residence address is considered to be current where it is the most recent address that the reporting financial institution has recorded for the account holder. Such an address will not be regarded as current if it has been used for mailing purposes and mail has been returned undeliverable-as-addressed other than due to an error.

18. If mail has been returned and the account (other than an annuity contract) is dormant then the residence address may continue to be regarded as current in certain circumstances.

#### *Dormant accounts*

19. A residence address associated with an account (other than an annuity contract) may be considered current even though mail has been returned undeliverable-as-addressed and the account is dormant.

20. An account (other than an annuity contract) is considered to be dormant if:

- (a) the account holder has not initiated a transaction in the past 3 years on that account or any other account he or she holds with the financial institution; and
- (b) the account holder has not communicated in the past 6 years with the financial institution that maintains the account regarding that account or any other account he or she holds with the financial institution; or



- (c) the account is considered to be dormant under the normal operating procedures of the financial institution that are applied for all accounts maintained by it provided these procedures are substantially similar to the requirements in (a) and (b) above.

There is an additional requirement for cash value insurance contracts to be regarded as dormant. As well as the tests above, the financial institution has not communicated with the account holder in the past 6 years regarding the account or any other account he or she holds with the financial institution.

21. An account ceases to be dormant on the earliest of any of the following events occurring:

- (a) the account holder initiates a transaction on the dormant account or any other account he or she holds with the financial institution;
- (b) the account holder communicates with the financial institution about the dormant account or any other account he or she holds with it; or
- (c) the account ceases to be a dormant account under the normal operating procedures of the financial institution.

#### *Address based on documentary evidence*

21A. The requirement in paragraph 13(c) is that the current residence address in the reporting financial institution's records is based on documentary evidence. This requirement is satisfied if the reporting financial institution's policies and procedures ensure that the current residence address in its records is the same address, or in the same jurisdiction, as that on the documentary evidence (e.g. identity card, driving license, voting card, or certificate of residence). The requirement is also met if the reporting financial institution's policies and procedures ensure that where it has government-issued documentary evidence but such documentary evidence does not contain a recent residence address or does not contain an address at all (e.g. certain passports), the current residence address in the reporting financial institution's records is the same address, or in the same jurisdiction, as that on recent documentation issued by an authorised government body or a utility company, or on a declaration of the individual account holder under penalty of perjury. Acceptable documentation issued by an authorised government body includes, for example, formal notifications or assessments by a tax administration. Acceptable documentation issued by utility companies relates to supplies linked to a particular

property and includes a bill for water, electricity, telephone (landline only), gas, or oil. A declaration of the individual account holder under penalty of perjury is acceptable only if a) the reporting financial institution has been required to collect it under the laws of Hong Kong for a number of years; (b) it contains the account holder's residence address; and (c) it is dated and signed by the individual account holder under penalty of perjury. In such circumstances, the standards of knowledge applicable to documentary evidence would also apply to the documentation relied upon by the reporting financial institution (see Chapter 14 of this Guidance). Alternatively, a reporting financial institution can meet the requirement in paragraph 13(c) if its policies and procedures ensure that the jurisdiction in the residence address corresponds to the jurisdiction of issuance of government-issued documentary evidence.

22. Financial institutions are generally required to carry out due diligence checks, often referred to as AML/KYC procedures, on their customers in respect of anti-money laundering regulations. These checks, which are based on FATF recommendations, can be found in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (for Authorized Institutions) which in turn require the financial institution to verify the customer's identity based on documents, data or information obtained from a reliable and independent source.

23. Where a reporting financial institution has identified the residence address of an account holder based on the documents which fulfill the conditions set out in paragraph 21A, including those obtained through AML/KYC procedures, the reporting financial institution may rely on that address when applying the residence address test.

24. After adoption of the current FATF recommendations, account holders have been subject to AML/KYC processes and their accounts, with supporting documents fulfilling the conditions set out in paragraph 21A, are in scope for this treatment.

25. For accounts opened prior to adoption of FATF Recommendations, the policies and procedures that the reporting financial institution has in place must ensure that the current residence address they hold is in the same jurisdiction:

- (a) as that of the address on the most recent documentation collected by the reporting financial institution, for example, a utility bill, a real property lease or a declaration by the account holder made under penalty of perjury (the requirements to rely on a declaration under penalty of perjury mentioned in paragraph 21A also apply); and



- (b) as that reported by the reporting financial institution with respect to the account holder under any other applicable tax reporting requirements (if any).

26. Alternatively, in the case of a cash value insurance contract the reporting financial institution may rely on the current residence address in its records until:

- (a) there is a change in circumstances that causes the reporting financial institution to know or have reason to know that the address held is incorrect or unreliable, or
- (b) the time of pay-out, whether full or partial, or maturity of the contract. The pay-out or maturity of the contract will trigger a change of circumstances requiring the reporting financial institution to update its records.

27. If there is a change of address and the new address is in the same jurisdiction as the previous address, no further due diligence procedure is required by the reporting financial institution. The reporting financial institution may rely on the new address for residence address test.

*Residence address test: Change in circumstances*

28. If a reporting financial institution has relied on the residence address test and there is a change in circumstances that causes the reporting financial institution to know or have reason to know that the original documentary evidence or other documentation is incorrect or unreliable, the reporting financial institution must, by the later of the last day of the relevant calendar year or other appropriate reporting period, or 90 days following the notice or discovery of such change in circumstances, obtain a self-certification and new documentary evidence to establish the residence(s) for tax purposes of the account holder. If the reporting financial institution cannot obtain the self-certification and new documentary evidence by such date, the reporting financial institution must apply the electronic record search procedure described in paragraphs 30 to 51 below. The following examples illustrate the procedures to be followed in case of a change in circumstances:

- (a) **Example 1:** Bank-HK has relied on the residence address test to treat an individual account holder, A, as a resident of reportable jurisdiction X. Five years later, A communicates to Bank-HK that he has moved to jurisdiction Y, which is also a reportable jurisdiction, and provides his



new address. Bank-HK obtains from A a self-certification and new documentary evidence confirming that he is resident for tax purposes in jurisdiction Y. Bank-HK must treat A as a resident of reportable jurisdiction Y.

- (b) **Example 2:** The facts are the same as in Example 1, except that Bank-HK does not obtain a self-certification from A. Bank-HK must apply the electronic record search procedure described in paragraphs 30 to 51 below and, as a result, treat A as a resident of, at least, jurisdiction Y (based on the new address provided by A).

### **Electronic record search**

29. Where a reporting financial institution fails to establish the residence of an individual with a low value account from the residence test, or is unable, or chooses not to apply the residence address test, it must review its electronically searchable data for indicia of the individual's residence.

30. The account holder will be regarded as a resident of a reportable jurisdiction if any of the indicia below apply:

- (a) the account holder is identified as resident of a reportable jurisdiction.
- (b) the current mailing or residence address (including a post office box) of the account holder is in a reportable jurisdiction.
- (c) there are one or more current telephone numbers in a reportable jurisdiction and, no telephone number in Hong Kong.
- (d) standing instructions (other than with respect to a depository account) to transfer funds to an account maintained in a reportable jurisdiction.
- (e) a current effective power of attorney or signatory authority granted to a person with an address in a reportable jurisdiction.
- (f) a "hold mail" instruction or an "in-care-of" address in a reportable jurisdiction if the reporting financial institution does not have any other address on file for the account holder.





31. If none of the above indicia are discovered through an electronic search, no further action is required in respect of low value accounts unless and until there is a subsequent change of circumstance that results in one or more of the above indicia being associated with the account or the account holder, or the account becomes a high value account. Where such indicia arise the account becomes a reportable account unless the reporting financial institution takes steps to cure or repair the indicia. Only where the indicia remain in place after the cure or repair is completed will the account become a reportable account.

32. In addition, where a number of the above indicia are present but provide contradictory evidence the reporting financial institution may take steps to cure or repair the indicia. For example, if the indicia, with the exception of a current telephone number in France, all point to the individual being resident in Hong Kong, the reporting financial institution can seek a self-certification with documentary evidence from the individual to confirm where he or she is resident for tax purposes before treating the account as belonging to a French reportable person.

33. A reporting financial institution will not be treated as having reason to know that an account holder's status is incorrect because it retains information or documentation that may conflict with its review of the account holder's status if it was not necessary to review that information or those documents under the procedures for the electronic record search.

34. Where the indicia found during the electronic search indicates that the account holder is resident for tax purposes in a reportable jurisdiction, the account will be a reportable account subject to applying the curing procedure for this indicator of a reportable jurisdiction.

### ***Mailing or residence address***

35. Where the indicia found during the electronic search indicates a current mailing or residence address (including a post office box) in a reportable jurisdiction the account will be a reportable account subject to applying the curing procedure for this indicium.

36. A mailing or residence address is considered to be current for this purpose where it is the most recent address recorded by the reporting financial institution with respect to the account holder. Where the account is a dormant account the mailing or residence address attached to the account can be considered as "current" during the period of dormancy.

37. Where the reporting financial institution has recorded two or more mailing or residence addresses in different reportable jurisdictions, the account holder and details of the account are potentially reportable to multiple jurisdictions. However, where one or more of those addresses is for a service provider of the account holder, for example, an asset manager, investment advisor or lawyer, the reporting financial institution is not required to treat the service provider's address as an indication of residence.

### ***Telephone number in reportable jurisdiction***

38. The telephone number(s) in a reportable jurisdiction is only required to be treated as an indicium of residence where that number is current, that is, it is the most recent telephone number(s) held by the reporting financial institution for that account holder.

39. If two or more telephone numbers are held, any that relate to a service provider of the account holder such as a lawyer, accountant or financial adviser, etc., is not an indicium of residence of the account holder.

40. 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 indicium of residence. 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 indicium of residence if it is a reportable jurisdiction number.

### ***Standing instructions***

41. Where at the time of review there are current standing instructions to transfer funds to an account maintained in a reportable jurisdiction, the account (other than a depository account) must be reported unless the reporting financial institution obtains or currently maintains a record of:

- (a) a self-certification that the account holder is not tax resident in the reportable jurisdiction; and
- (b) a form of acceptable documentary evidence which establishes the account holder's non-reportable status.



42. There will be a standing instruction if the account holder has mandated the reporting 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 a reportable jurisdiction.

43. Instructions to make an isolated payment will not be a standing instruction even when given significantly in advance of the payment being made.

#### ***Power of attorney***

44. Where the indicium found is a current effective power of attorney or signatory authority granted to a person with an address in a reportable jurisdiction, the account must be reported unless the reporting financial institution obtains or currently maintains a record of one of the following:

- (a) a self-certification showing that the account holder is not tax resident in the reportable jurisdiction; or
- (b) a form of acceptable documentary evidence which establishes the account holder's residence other than in a reportable jurisdiction.

#### ***Hold mail or in-care-of address only***

45. In the case that a hold mail instruction or in-care-of address is discovered in the electronic record search, and none of the other indicia described in paragraph 30 (a) through (e) and no other address (within such indicia) is identified for the account holder, the reporting financial institution must, in the order most appropriate to the circumstances:

- (a) apply the paper record search described in paragraphs 60 to 61 below, or
- (b) seek to obtain from the account holder a self-certification or documentary evidence to establish the jurisdiction of residence for the account holder.

46. If neither of these procedures successfully establishes the account holder's residence for tax purposes, the reporting financial institution must report the account as an undocumented account until the account ceases to be undocumented. The IRD may make enquiries if particular reporting financial institution appears to have a disproportionate number of undocumented accounts.

### *Curing indicia*

47. There may be occasions when the electronic record search gives indications of residence in a reportable jurisdiction that the reporting financial institution considers may be incorrect. In such circumstances the reporting financial institution may take steps to “cure” the information before treating the account holder as a reportable person.

48. Where the reporting financial institution holds information about the account holder that includes any of the following indicia:

- (a) a current mailing address or residence address in a reportable jurisdiction,
- (b) one or more telephone numbers in a reportable jurisdiction and no telephone number in Hong Kong,
- (c) standing instructions (other than with respect to a depository account) to transfer funds to an account maintained in a reportable jurisdiction, or
- (d) a currently effective power of attorney or signatory authority granted to a person with an address in a reportable jurisdiction, then

the reporting financial institution may obtain a self-certification from the account holder to “cure” the information by establishing the jurisdiction of residence. The reporting financial institution can rely on self-certifications it has previously reviewed and maintained a record of, but in either case the self-certification must be supported by documentary evidence. If the self-certification supported by documentary evidence establishes that the account holder is not a reportable person then the reporting financial institution is not required to treat the account holder as resident in a reportable jurisdiction.

49. The self-certification obtained as part of the curing procedure does not need to contain an express confirmation that an account holder is not resident in a particular jurisdiction. Provided the self-certification positively identifies the jurisdiction where the account holder is resident it can be taken that the account holder is not resident in any other jurisdiction.

50. Where a reporting financial institution has contacted an account holder for a self-certification but the account holder has not responded, the account should be treated as reportable 90 days after initiating contact. The 90 day period is to allow the account holder sufficient time to respond to the request for information.



51. The information in paragraph 48(d) above may arise in circumstances where the account holder cannot provide a self-certification. In such a case the reporting financial institution may rely on documentary evidence that establishes the account holder's non-reportable status.

### **High value accounts**

52. High value pre-existing accounts are accounts with an aggregated balance or value that exceeds \$7.8 million as at the date that the pre-existing accounts first need to be reviewed or at any 31 December following the initial review date.

53. The aggregated amount is that across all accounts held by the individual with the reporting financial institution and includes accounts held by related entities of the reporting financial institution (see Chapter 14 of this Guidance on rules of account balance aggregation and currency).

54. When an account is identified as a high value account the residence address test may not be used to establish the residence jurisdiction of the account holder.

55. The reporting financial institution must start with the electronic record search and then continue, where appropriate, with a paper record search and a relationship manager inquiry (the three-stage due diligence procedures are referred to as the "enhanced due diligence procedures").

56. The reporting financial institution may choose to apply the new account procedures and seek self-certifications from account holders rather than carry out the enhanced due diligence procedures for pre-existing high value accounts.

### ***Electronic record search***

57. For high value accounts a reporting financial institution must review its electronically searchable data for indicia of the individual's residence. The process of indicia search is the same as that of low value account.

58. The account holder will be regarded as a resident of a reportable jurisdiction if any of the indicia below apply:

- (a) the account holder is identified as resident of a reportable jurisdiction.



- (b) the current mailing or residence address (including a post office box) of the account holder is in a reportable jurisdiction.
- (c) there are one or more current telephone numbers in a reportable jurisdiction and no telephone number in Hong Kong.
- (d) standing instructions (other than with respect to a depository account) to transfer funds to an account maintained in a reportable jurisdiction.
- (e) a current effective power of attorney or signatory authority granted to a person with an address in a reportable jurisdiction.
- (f) a “hold mail” instruction or “in-care-of” address in a reportable jurisdiction if the reporting financial institution does not have any other address on file for the account holder.

59. To the extent that the reporting financial institution’s electronically searchable databases do not include fields for the above or do not otherwise capture this information a paper record search will be required. Where the electronically searchable databases include fields for the required information but are left blank a paper record search will be required unless the reporting financial institution has policies and procedures in place that mean that a field is only left blank when the information is not in the reporting financial institution’s records. For example, a blank field in respect of (e) above would indicate positively that the reporting financial institution does not hold a power of attorney or other signatory authority for the account holder.

### ***Paper record search***

60. A reporting financial institution must carry out a paper record search to the extent that the information on residence of an account holder is not captured by the electronic search. For example, where the electronically searchable databases contain all the required information except for details of standing instructions to transfer funds, the paper record search will only be required to look for that information.

61. The paper record search should include a review of the current master file and, to the extent that they are not contained in the current master file, the following documents associated with the account and obtained by the financial institution within the last 5 years:



- (a) the most recent documentary evidence collected with respect to the account;
- (b) the most recent account opening contract or documentation;
- (c) the most recent documentation obtained by the reporting financial institution for AML/KYC procedures or other regulatory purposes;
- (d) any power of attorney or signatory authority currently in effect; and
- (e) any standing instructions (other than with respect to a depository account) to transfer funds currently in effect.

62. These should be reviewed for any of the indicia of residence detailed in paragraph 30 above.

63. A reporting financial institution can rely on the review of high value accounts by third party service providers where there is a contract obliging the service provider to perform the review.

### ***Relationship manager inquiry***

64. The relationship manager enquiry is required for high value individual accounts in addition to the electronic record search and the paper record search. The reporting financial institution must consider whether any relationship manager associated with an account, which includes any accounts aggregated with such an account, has actual knowledge that would identify the account holder as a reportable person. The reporting financial institution must treat the account and any accounts aggregated with such an account, as reportable accounts if the relationship manager knows that the account holder is a reportable person.

65. A relationship manager is an employee or officer of the reporting financial institution who has been assigned responsibility for specific account holders on an ongoing basis. A relationship manager will provide advice to account holders regarding their accounts as well as recommending and arranging for the provision of financial products, services and other related assistance.

66. Relationship management must be more than ancillary or incidental to a person's job role. Thus a person with some contact with account holders, but whose functions are of a back office, administrative or clerical nature, is not considered to be a relationship manager.

67. Notwithstanding the above, a person is only a relationship manager with respect to an account that has aggregate balance or value of more than \$7.8 million, taking into account the account aggregation and currency rules. Thus, in determining whether an officer or employee of a reporting financial institution is a relationship manager, (a) the employee must satisfy the above definition of relationship manager and (b) the aggregate balance or value of the account holder's accounts must exceed \$7.8 million.

68. The relationship manager also has an important role in identifying any change of circumstance in relation to a high value individual account. A reporting financial institution must ensure that it has procedures in place to capture changes that are made known to the relationship manager in respect of the account holder's reportable status.

#### ***Relationship manager inquiry: Examples***

69. The following examples illustrate when an employee of reporting financial institution would be regarded as a relationship manager:

- (a) **Example 1.** An individual holds a custodial account with a reporting financial institution. The value of the account at the end of the appropriate reporting period is \$8.5 million. An employee of the reporting financial institution has a role that requires them to manage the account on an ongoing basis and maintain the reporting financial institution's relationship with the individual account holder. As the account has a value in excess of \$7.8 million, the employee will be a relationship manager with respect to this account.
- (b) **Example 2.** An individual holds a custodial account with a reporting financial institution with a value at the end of the appropriate reporting period of \$5.5 million. In addition, the individual also has a depository account with the reporting financial institution with a balance at the same date of \$6 million. The reporting financial institution's internal systems link the accounts to the same account holder thus the accounts must be aggregated, the aggregate balances exceed \$7.8 million so belong to a high value account holder. The relationship with the account holder is managed in a similar way to that in (a) above. The employee with that role will be a relationship manager in respect of the accounts held by this account holder.





- (c) **Example 3.** The facts are the same as in (b) above except that the employee has no direct contact with the account holder simply performing an administrative role in relation to the accounts. Here the employee is not a relationship manager.

### *Effect of finding indicia*

70. Where the enhanced due diligence procedures for high value individual accounts have been carried out and any of the indicia described in paragraph 30 are found, the account must be treated as a reportable account with respect to each reportable jurisdiction for which an indicium is identified unless it elects to apply the curing procedures described in paragraph 48 and one of the exceptions applies with respect to that account.

71. Where the information arising from the due diligence procedures contains potentially conflicting information, for example, the electronic search identifies a residential address in Italy but the relationship manager has knowledge of an address in France, the financial institution may attempt to cure the information by seeking a self-certification with documentary evidence from the account holder.

72. If no indicators of residence in a reportable jurisdiction are found in any of the enhanced due diligence procedures then no further action is required unless and until there is a change in circumstances.

### *Hold mail instruction or in-care-of address*

73. If a hold mail instruction or in-care-of address is discovered in the enhanced review of high value accounts, and no other address or indicia of residence are identified for the account holder, the reporting financial institution must request a self-certification or other documentary evidence from the account holder to establish the jurisdiction of tax residence of the account holder.

74. If the reporting financial institution cannot obtain a self-certification or documentary evidence from the account holder the financial institution is required to treat the account holder as an undocumented account.

75. Where the reporting financial institution has identified and reported an account as an undocumented account the reporting financial institution must repeat the enhanced due diligence procedures for high value individual accounts annually until the account ceases to be undocumented.



### ***Low value account becomes high value***

76. If a pre-existing individual account at the time of review is a low value account it will need to be monitored at the end of each subsequent reporting period to see if it has become a high value account.

77. If the balance or value of the account on the last day of the appropriate reporting period, after taking into account of any aggregation, exceeds an amount equivalent to \$7.8 million, the reporting financial institution must complete the enhanced due diligence procedures for high value accounts within the calendar year following the year that the account becomes a high value account.

78. If, as a result of the enhanced review, the account is identified as a reportable account following this review it is reportable with respect to the year in which it is so identified and remains reportable in all subsequent years unless and until the account holder ceases to be a reportable person.

### **Change of circumstances**

79. Once the due diligence procedures have been completed the account holder will be identified as either a reportable or non-reportable person. That status will not change until such time as a change of circumstance is identified by the reporting financial institution.

80. A change of circumstances includes any change that results in the addition of information relevant to a person's status or otherwise conflicts with such person's status. In addition, a change of circumstances includes any change or addition of information to the account holder's account (including the addition, substitution, or other change of an account holder) or any change or addition of information to any account associated with such account (applying the account aggregation rules described in Chapter 14 of this Guidance) if such change or addition of information affects the status of the account holder.

81. A change of circumstance is only relevant if the new information affects the status of the account holder for the purposes of the automatic exchange of financial account information, whether that is based on the due diligence procedures or from a self-certification. For example, a person who has been identified as reportable to the UK provides the reporting financial institution with details of a change of residential address to a property in France. That is evidence that there has been a change of

circumstance affecting the reportable status of the account holder. If, however, the new address had also been in the UK the reportable status established earlier would not be affected and no further action would be required on the part of the reporting financial institution.

82. Once a change of circumstance has been identified the reporting financial institution must request a self-certification and new documentary evidence from the account holder to establish whether the individual is a reportable person and, if so, to which jurisdiction the reportable information should be sent. If the account holder fails to respond to the request within 90 days following the notice or discovery of the change of circumstances, the reporting financial institution should treat the account holder as reportable to each jurisdiction for which it holds indicia.