

CAYMAN ISLANDS



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**THE TAX INFORMATION AUTHORITY LAW
(2013 REVISION)**

**THE TAX INFORMATION AUTHORITY (INTERNATIONAL TAX
COMPLIANCE) (UNITED KINGDOM) REGULATIONS, 2014**

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2014**

ARRANGEMENT OF REGULATIONS

1. Citation
2. Definitions
3. Scope of a reporting account
4. Identification obligation
5. Modification of due diligence requirements
6. Reporting Obligation
7. Modifications for calendar years 2014 to 2016
8. Accounts with a negative value
9. Anti-avoidance
10. Notification to the Competent Authority
11. Inspection and Compliance
12. Offences
13. Appointment of Third Parties
14. Issue of Guidance
15. Obligations of Reporting Financial Institutions to obtain certain information
16. Obligations of Reporting Financial Institutions under Annex III

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The Cabinet, in exercise of the powers conferred by section 25 of the Tax Information Authority Law (2013 Revision), makes the following Regulations -

1. These Regulations may be cited as the Tax Information Authority (International Tax Compliance) (United Kingdom) Regulations, 2014. Citation

2. (1) In these regulations - Definitions

“Active NFFE” means any NFFE that meets any of the following criteria:

- (a) less than fifty percent of the NFFE’s gross income for the preceding calendar year or other appropriate reporting period is passive income and less than fifty percent of the assets held by the NFFE during the preceding calendar year or other appropriate reporting period are assets that produce or are held for the production of passive income;
- (b) the stock of the NFFE is regularly traded on an established securities market or the NFFE is a related Entity of an Entity the stock of which is traded on an established securities market;
- (c) the NFFE is a government, a political subdivision of the government or a public body performing a function of that government or a political subdivision thereof, or an Entity wholly owned by one or more of the foregoing;
- (d) substantially all of the activities of the NFFE consist of holding, in whole or in part, the outstanding stock of, or providing financing and services to, one or more subsidiaries that engage in trades or businesses other than the business of a Financial Institution, except that an NFFE shall not qualify for this status if the NFFE functions, or holds itself out, as an investment fund, such as a private equity fund, venture capital fund, leveraged buyout fund or any investment vehicle whose purpose is to

- acquire or fund companies and then hold interests in those companies as capital assets for investment purposes;
- (e) the NFFE is not yet operating a business and has no prior operating history, but is investing capital into assets with the intent to operate a business other than that of a Financial Institution; provided, that the NFFE shall not qualify for this exception after the date that is twenty-four months after the date of the initial organisation of the NFFE;
 - (f) the NFFE was not a Financial Institution in the past five years, and is in the process of liquidating its assets or is reorganising with the intent to continue or recommence operations in a business other than that of a Financial Institution; or
 - (g) the NFFE primarily engages in financing and hedging transactions with or for related Entities that are not Financial Institutions, and does not provide financing or hedging services to any Entity that is not a Related Entity, provided that the group of related Entities is primarily engaged in a business other than that of a Financial Institution;

“Agreement” means the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Islands to Improve International Tax Compliance, signed on 5th November, 2013;

“Annex” means an Annex to the Agreement;

“Competent Authority” means the Tax Information Authority designated under section 4 of the Tax Information Authority Law, or a person designated by the Authority to act on behalf of the Authority;

“Controlling Person” means the natural person who exercises control over an Entity, which in the case of a trust, means the settlor, the trustee, the protector, the beneficiary or class of beneficiary, and any other natural person exercising ultimate effective control over the trust, and in the case of a legal arrangement other than a trust, the term means a person in an equivalent or similar position and this term shall be interpreted in a manner consistent with the recommendations of the Financial Action Task Force;

“Entity” means a legal person or a legal arrangement such as a trust, partnership or limited liability partnership;

“Financial Institution” means a person who carries on business in the Islands as -

- (a) a custodial institution;
- (b) a depository institution;

- (c) an investment Entity; or
- (d) a specified insurance company;

“Global Intermediary Identification Number” means a number allocated to a Financial Institution by the Internal Revenue Service of the United States of America for FATCA purposes;

“NFFE” means any Non-United Kingdom resident Entity that is not a Financial Institution;

“Non-Reporting Financial Institution” means any Financial Institution in the Islands, or other Entity resident in the Islands, that is described in Annex II as a Non-Reporting Financial Institution, or that otherwise qualifies as a deemed compliant foreign Financial Institution or an exempt beneficial owner under relevant United States Treasury Regulations in effect on the date of signature of the Agreement;

“Passive NFFE” means any NFFE that is not an Active NFFE;

“Registered Deemed-Compliant Financial Institution” mean a Non-reporting Financial Institution to which a Global Intermediary Identification Number has been properly allocated;

“Reportable Account”, in relation to a Reporting Financial Institution, means a United Kingdom reportable account maintained by that institution in the Islands for the purposes of its business as -

- (a) a custodial institution;
- (b) a depository institution;
- (c) an investment Entity; or
- (d) a specified insurance company;

“Reporting Financial Institution” means a person who carries on business in the Islands as a Financial Institution which is not a Non-Reporting Financial Institution;

“Specified Person” means a person or Entity who is resident in the United Kingdom for tax purposes, and includes a person or Entity who is resident in both the United Kingdom and the Islands, under the respective domestic law of each party, other than -

- (i) a corporation the stock of which is regularly traded on one or more established securities markets;
- (ii) a corporation that is a member of the same affiliated group, as defined in Section 1471(e)(2) of the United States

- Internal Revenue Code, as a corporation described in (i) above;
- (iii) a Depository Institution;
- (iv) a broker or dealer in securities, commodities, or derivative financial instruments, including notional principle contracts, futures, forwards, and options, that is registered under the laws of the United Kingdom; or
- (v) a Non-Reportable United Kingdom Entity as defined in Annex II paragraph V; and

“United States Treasury Regulations” means the regulations made under chapter 4 of Subtitle A, sections 1471 to 1474, of the Internal Revenue Code of 1986 of the United States of America regarding information reporting by foreign Financial Institutions with respect to United States accounts and withholding on certain payments by foreign Financial Institutions to other persons, which are commonly referred to as -

- (a) the Foreign Account Tax Compliance Act; or
- (b) FATCA.

(2) In these regulations, a word or expression which is defined in the Agreement has the meaning in that Agreement except to the extent that a Reporting Financial Institution may use as an alternative a definition in -

- (a) the United States Treasury Regulations; or
- (b) the Common Reporting Standard for the Automatic Exchange of Financial Account Information issued by the Organisation for Economic Co-operation and Development,

in so far as the use of the definition would not frustrate the purposes of the Agreement.

(3) In determining whether or not use of a definition referred to in paragraph (2) would frustrate the purposes of the Agreement, a Reporting Financial Institution shall take account of any guidance issued or approved by the Competent Authority.

(4) These regulations shall be applied having regard to Annexes II and III.

Scope of a reportable account

3. (1) A United Kingdom reportable account is not a Reportable Account if -
- (a) the account holder is deceased or is a personal representative of a deceased;
 - (b) the account is held to comply with an order or judgment made or given in legal proceedings; or

- (c) the funds held in the account are held solely as security for the performance of a party's obligation under a contract for the disposal of an estate or interest in land or of tangible moveable property.

(2) The following accounts are not Reportable Accounts for a calendar year unless there is an election by the Reporting Financial Institution in force for that year to treat the accounts as being Reportable Accounts for that year -

- (a) pre-existing individual accounts meeting the description at paragraph II.A of Annex I of the Agreement;
- (b) new individual accounts meeting the description at paragraph III.A of Annex I of the Agreement, including an insurance contract that would be a cash value insurance contract for the purposes of these regulations but for the fact that its value is less than or equal to fifty thousand United States dollars; and
- (c) pre-existing Entity accounts meeting the description at paragraph IV.A of Annex I of the Agreement.

(3) In determining whether or not a financial account maintained by an institution meets any of the descriptions in paragraph (2), the institution must apply the account balance aggregation and currency translation rules at paragraph VI.C of Annex I of the Agreement.

(4) An election under paragraph (2) -

- (a) is to be made by being given to the Competent Authority;
- (b) shall be in a form determined by the Competent Authority; and
- (c) shall be made on or before the reporting date under regulation 6 for the calendar year in question.

(5) For the purposes of these regulations -

- (a) any reference to a pre-existing account is to a financial account maintained on 30th June, 2014;
- (b) any reference to an Entity account is to a financial account which is not an account the account holder of which, or, if more than one, each account holder of which, is an individual holding the account otherwise than as a partner of a partnership;
- (c) any reference to an individual account is to a financial account held in the name of an individual, whether solely or jointly with another, but not as a partner of a partnership; and
- (d) any reference to a new account is to a financial account opened after 30th June, 2014.

(6) In a case where a financial account is held jointly by two or more persons but not where the account is held solely by a partnership, these regulations are to be applied separately in relation to each account holder and as if the holder were entitled to the whole of the balance or value of the account.

Identification obligation

4. (1) In relation to all financial accounts maintained by a Reporting Financial Institution, the institution shall establish and maintain -

- (a) arrangements that are designed to identify reportable accounts; and
- (b) arrangements that are designed to establish the jurisdictions of residence of an account holder.

(2) The institution is taken to comply with the obligation to establish and maintain arrangements within paragraph (1)(a) only if -

- (a) the arrangements meet the due diligence requirements as set out in this regulation; and
- (b) the arrangements secure that the evidence used in accordance with this regulation or regulation 5, or a record of the steps taken in accordance with this regulation or regulation 5, is kept for a period of six years beginning with the end of the year in which the arrangements applied to the financial accounts.

(3) The due diligence requirements for a calendar year for which an election under regulation 3(2) is in force are -

- (a) in the case of pre-existing individual accounts that are lower value accounts within paragraph II.B of Annex I of the Agreement or are pre-existing individual accounts that are Reportable Accounts meeting the description at paragraph II.A of that Annex, the procedures described at paragraph II.B and II.C of that Annex;
- (b) in the case of pre-existing individual accounts with a balance or value that exceeds one million United States dollars as of 30th June 2014, or 31st December, 2015 or 31st December in any subsequent year, the procedures described at paragraphs II.D and II.E of that Annex;
- (c) in the case of new individual accounts, the procedures described at paragraphs III.B to III.D of that Annex;
- (d) in the case of pre-existing Entity accounts, the procedures described at paragraphs IV.D and IV.E (1) of that Annex; and
- (e) in the case of new Entity accounts, the procedures described at paragraphs V.A to V.D of that Annex.

- (4) The due diligence requirements for a calendar year for which an election under regulation 3(2) is not in force are -
- (a) in the case of pre-existing individual accounts that are lower value accounts within paragraph II.B of Annex I of the Agreement, the procedures described at paragraph II.B and II.C of that Annex;
 - (b) in the case of pre-existing individual accounts that are lower value accounts within paragraph II.B of that Annex with a balance or value that exceeds one million United States dollars as of 31st December, 2015 or 31st December in any subsequent year, the procedures described at paragraphs II.D and II.E of that Annex;
 - (c) in the case of pre-existing individual accounts within paragraph II.A of that Annex with a balance or value that exceeds one million United States dollars as of 31st December, 2015 or 31st December in any subsequent year, the procedures described at paragraphs II.D and II.E of that Annex;
 - (d) in the case of a pre-existing individual accounts within paragraph II.D of that Annex, the procedures described at paragraphs II.D and II.E of that Annex;
 - (e) in the case of new individual accounts that are not within paragraph III.A of that Annex, the procedures described at paragraphs III.B to III.D of that Annex;
 - (f) in the case of pre-existing Entity accounts within paragraphs IV.B and IV.C of that Annex, the procedures described at paragraphs IV.D and IV.E (1) of that Annex;
 - (g) in the case of pre-existing Entity accounts with a balance or value that does not exceed two hundred and fifty thousand United States dollars as of 30th June, 2014, but with a balance or value that exceeds one million United States dollars as of 31st December, 2015 or 31st December in any subsequent year, the procedures at paragraphs IV.D and IV.E (2) of that Annex; and
 - (h) in the case of new Entity accounts, the procedures described at paragraphs V.A to V.D of that Annex.
- (5) If, in the case of an account within either paragraph (3)(a) or (4)(a) -
- (a) an institution has established the account holder's United Kingdom tax status from documentary evidence mentioned in paragraph VI.D of Annex I of the Agreement; and
 - (b) it has done so in order to meet its obligations under a qualifying intermediary agreement as mentioned in that paragraph,

the due diligence requirements in the case of that account do not include the requirement to carry out the electronic search described in paragraph II.B (1) of that Annex of the Agreement.

(6) If, in the case of an account within any of paragraph (3)(b) or (4)(a) to (c) -

- (a) an institution has established the account holder's United Kingdom tax status from documentary evidence mentioned in paragraph VI.D of Annex I of the Agreement, and
- (b) it has done so in order to meet its obligations under a qualifying intermediary agreement as mentioned in that paragraph,

the due diligence requirements in the case of that account do not include the requirement to carry out the electronic searches described in paragraph II.B (1) or II.D (1) of Annex I of the Agreement or the requirement to carry out the paper record search described in paragraph II.D (2) of that Annex.

(7) If, as a result of this regulation, a person is required to certify their United Kingdom tax status, a Reporting Financial Institution may require the person to supply to the institution the documentary evidence mentioned in paragraph VI.D of Annex I of the Agreement as the institution considers appropriate in support of the certification.

(8) The due diligence requirements in this regulation shall be applied by reference to the special rules and definitions at paragraph I.B (1) to (3) and section VI of Annex I of the Agreement.

(9) For the purposes of this regulation references to the documentary evidence set out in paragraph VI.D of Annex I of the Agreement are to be treated as if the words "other than a Form W-8 or W-9" were omitted.

(10) Nothing in paragraph (1)(b) applies to accounts maintained before the day on which these regulations come into force.

Modification of due diligence requirements

5. (1) This regulation modifies the due diligence requirements set out in regulation 4 in the case of a Reporting Financial Institution, but only if it makes an election applying those modifications.

(2) If the institution obtains, or is in the process of obtaining, evidence of a person's United Kingdom tax status in relation to any pre-existing account, it is entitled to rely on the evidence in relation to any new account unless it has reasonable cause to believe that the person's United Kingdom tax status has subsequently changed.

(3) Paragraph (2) has effect in the case of pre-existing individual accounts maintained by the institution for an account holder only if, for the purpose of establishing which of the procedures referred to in regulation 4(3)(a) and (b) or regulation 4(4)(a) to (c) are applicable to those accounts, the institution treats all those accounts as a single pre-existing individual account.

(4) If the institution or a related Entity obtains, or is in the process of obtaining, evidence of a person's United Kingdom tax status in relation to a financial account, the institution is entitled to rely on the evidence in relation to all financial accounts maintained by the institution for the account holder unless the institution has reasonable cause to believe that the person's United Kingdom tax status has subsequently changed.

(5) The due diligence requirements set out in regulation 4 do not need to be met in relation to a financial account if -

- (a) the institution maintains the account as a result of a merger with, or acquisition of, a qualifying financial institution which had established the United Kingdom tax status of the account holder and any controlling person; and
- (b) the institution has no reasonable cause to believe that the United Kingdom tax status of the account holder or any controlling person has changed.

(6) For the purpose of paragraph (5) a "qualifying financial institution", in relation to a Financial Institution, means another Financial Institution -

- (a) which has not previously been a related Entity of the institution; and
- (b) which immediately before the merger or acquisition was either a Financial Institution a Reporting Financial Institution.

(7) An election under this regulation -

- (a) is to be made by being given to the Competent Authority;
- (b) shall be in a form determined by the Competent Authority; and
- (c) has effect in relation to all times on or after the day on which the election is made, unless subsequently withdrawn.

6. (1) A Reporting Financial Institution shall, in respect of 2014 and every following calendar year, prepare a return setting out - Reporting Obligation

- (a) the required information in relation to every Reportable Account that is maintained by the institution at any time during the calendar year in question; and

- (b) the institution's Global Intermediary Identification Number or if it has not been allocated such a number, a relevant local reference number.

(2) If during the calendar year in question the Reporting Financial Institution maintains no Reportable Accounts the return shall state that fact.

(3) The Reporting Financial Institution shall send a return under this regulation to the Competent Authority on or before 31st May of the year following the calendar year to which the return relates referred to as "the reporting date", in the form required by the Competent Authority, whether electronically or otherwise.

(4) The information required to be in the return is -

- (a) the name and address of the account holder;
- (b) the account holder's United Kingdom national insurance number;
- (c) if an account is identifiable by an account number, that number or, if not, its functional equivalent;
- (d) the balance or value of the account, including, in the case of a cash value insurance contract or annuity contract, the cash value or surrender value, as of the end of the calendar year or, if the account was closed during the year, the balance or value on the date that the Reporting Financial Institution closes the account;
- (e) the relevant total gross credits, or if there are none, a statement of that fact;
- (f) if the account holder is an individual that person's date of birth, and
- (g) if the account holder is a passive NFFE that has a Controlling Person who is a Specified Person, the name and address of that Specified Person, and, if that person is an individual, that person's national insurance number and date of birth.

(5) For the purpose of paragraph 4 the "relevant total gross credits" means -

- (a) in the case of a custodial account -
 - (i) the total gross amount of interest, the total gross amount of dividends and the total gross amount of other income generated with respect to assets held in the account which is paid into, or with respect to, the account during the calendar year; and
 - (ii) the total gross proceeds from the sale or redemption of property paid into the account during the calendar year if the

- institution acted as a custodian, broker, nominee or otherwise as an agent for the account holder;
- (b) in the case of a depository account, the total gross amount of interest paid to the account during the calendar year; and
 - (c) in the case of any other account, the total gross amount of sums paid by the institution to the account holder with respect to the account during the calendar year.
- (6) For the purposes of this regulation -
- (a) references to the balance or value of an account include a nil balance or value; and
 - (b) references to paying an amount include crediting an amount.
- (7) If a Reporting Financial Institution has an established practice for the periodic valuation of accounts of a particular description otherwise than at the end of a calendar year, the institution may report under paragraph (5)(a) or (c) by reference to a period of 12 months ending with the date or, if more than one, the latest date, in the calendar year on which the institution values accounts of that description, instead of by reference to the calendar year.
- (8) Subject to regulation 7(2), if a Reporting Financial Institution does not hold a United Kingdom national insurance number that it is required to report under paragraph (4)(b) the institution shall obtain that number from the account holder.

7. (1) In the case of custodial accounts -

- (a) there is no requirement to include in the return for the calendar year 2014 information about relevant total gross credits; and
- (b) there is no requirement to include in the return for the calendar year 2015 any information set out in regulation 6(5)(a)(ii).

Modifications for
calendar years 2014 to
2016

(2) In the case of pre-existing accounts there is no requirement to include in the return for calendar years before 2017 a United Kingdom national insurance number if the Reporting Financial Institution does not hold that number.

(3) In the case of the calendar year 2014 and 2015 the reporting date is 31st May, 2016.

8. For the purpose of applying paragraph VI. C of Annex I to the Agreement as required by these regulations, an account balance that has a negative value is treated as having a nil value.

Accounts with a negative
value

9. If -

Anti-avoidance

- (a) a person enters into any arrangements; and
- (b) the main purpose, or one of the main purposes, of the person in entering into the arrangements is to avoid or circumvent any obligation under these regulations,

these regulations are to have effect as if the arrangements had not been entered into.

Notification to
the Competent Authority

10. (1) A Financial Institution which has reporting obligations under these regulations shall notify the Competent Authority of that fact and shall provide to the Competent Authority -

- (a) the name of the Financial Institution;
- (b) the categorization of the Financial Institution as determined in accordance with the Agreement; and
- (c) where the Financial Institution has registered with the Internal Revenue Service of the United States of America, the Global Intermediary Identification Number allocated to that Financial Institution by the Internal Revenue Service of the United States of America.

(2) The notification, and the information specified in paragraph (1)(a) to (c) shall be submitted to the Competent Authority electronically in the form that the Competent Authority may require.

(3) A Financial Institution shall provide the notification and the information specified in paragraph (1)(a) to (c) to the Competent Authority no later than 31st March in the first calendar year in which it is required to comply with reporting obligations to the Competent Authority under these regulations no later than 31st May of that same year.

(4) A Financial Institution which is required to notify the Competent Authority pursuant to this regulation shall, at the time of notification, provide to the Competent Authority the full name, address, designation and contact details of the natural person identified and authorised by the Financial Institution to be the principal point of contact for the Financial Institution for all purposes of compliance with these regulations.

(5) A Financial Institution shall notify the Competent Authority immediately of any changes to the information provided to the Competent Authority under paragraph (1)(a) to (c), and of any changes to the details of the principal point of contact specified in paragraph (4).

(6) Where a Financial Institution ceases to be registered with the Internal Revenue Service of the United States of America for whatever reason, it shall notify the Competent Authority.

11. (1) For the purposes of determining whether any information submitted by a Reporting Financial Institution in furtherance of the requirements of these regulations, was correct and complete, the Competent Authority may require a Reporting Financial Institution -

Inspection and
Compliance

- (a) to provide to the Competent Authority, within a time specified by the Competent Authority, the information, including copies of any relevant books, documents or other records, or any electronically stored information, that the Competent Authority may reasonably require; or
- (b) to make available to the Competent Authority for inspection, at the time specified by the Competent Authority, all copies of books, documents or other records, or any electronically stored information, in the Reporting Financial Institution's possession or under its control.

(2) Where any information which is required to be provided to, or inspected by, the Competent Authority is located outside of the Islands in any manner whatsoever, the Reporting Financial Institution shall take all necessary steps to bring the information to the Islands within the time specified by the Competent Authority in writing to enable the Reporting Financial Institution to comply with the requirements of the Competent Authority under this regulation.

(3) A Reporting Financial Institution shall retain for a period of six years all books, documents and other records, including those stored by electronic means, which relate to the information required to be reported to the Competent Authority for the purposes of these regulations.

12. (1) A Reporting Financial Institution which -

Offences

- (a) without reasonable excuse, fails to comply with a requirement of the Competent Authority under regulation 11;
- (b) without reasonable cause, fails to make a report required under these regulations;
- (c) fraudulently or negligently makes a false report, whether in its entirety or in any particular part;
- (d) fails to implement arrangements or procedures in order to comply with these regulations;
- (e) with intent to avoid the provisions of these regulations, alters, destroys, mutilates, defaces, hides or removes any document or

information, including documents or information electronically held ; or

- (f) wilfully obstructs an inquiry by the Competent Authority under regulation 11,

commits an offence and is liable on summary conviction to a fine of five thousand dollars, or in the case of subparagraphs (a), (c), (d), (e) and (f) to imprisonment for a term of 2 years, or to both.

(2) Where an offence under this regulation is committed by a body corporate and is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the body corporate, or any person who was purporting to act in the capacity of director, manager, secretary or other similar officer of the body corporate, that individual, as well as the body corporate, is considered to have committed that offence and is liable to be proceeded against and punished accordingly.

(3) Where the affairs of the Financial Institution, in cases where it is not a body corporate, are managed or controlled by its partners, members, trustees or other persons purporting to act in the capacity of a partner, member or trustee, paragraph (2) shall apply in relation to the acts and defaults of that person in connection with the person's functions of management or control as if that individual were a director of a body corporate.

Appointment of Third Parties

13. (1) A Reporting Financial Institution may appoint a person as its agent to carry out the duties and obligations imposed on it by these regulations, or the Agreement.

(2) Where a person is appointed under paragraph (1) -

- (a) the Financial Institution shall, at all times, have access to and be able to produce, where so requested by the Competent Authority, the records and documentary evidence used to identify and report on reportable accounts; and
- (b) the Financial Institution is responsible for any failure of that person to carry out its obligations notwithstanding that the actions were the actions of that person or that the failure to act was the failure by that person to act.

Issue of Guidance

14. The Competent Authority shall issue guidance from time to time and in a form considered appropriate by the Competent Authority for the purposes of aiding compliance with these regulations.

15. (1) A Reporting Financial Institution shall implement arrangements to obtain the United Kingdom national insurance number and date of birth of a Specified Person who is the account holder of a Reportable Account.

Obligations of Reporting Financial Institutions to obtain certain information

(2) Paragraph (1) has effect -

- (a) from 1st January, 2017 in the case of pre-existing accounts and
- (b) from 1st July, 2014 in the case of new accounts opened on or after that date.

16. (1) Where a reporting Financial Institution has made an election under B.1(a) of Annex III to offer the alternative reporting regime in relation to applicable United Kingdom Reportable Accounts as set out in Annex III, these regulations shall apply to that Financial Institution and to those Reportable Accounts as modified by the provisions of Annex III.

Obligations of Reporting Financial Institutions under Annex III

(2) An election under this regulation shall be made to the Competent Authority in the form determined by the Competent Authority.

Made in Cabinet the 3rd day of July, 2014.

Kim Bullings

Clerk of the Cabinet.