Introduction

What is AEI?

AEI refers to the global standard for the automatic exchange of information (AEI) developed by the Organization for Economic Co-operation and Development (OECD).

In general, the objective of AEI is to identify clients holding assets in financial accounts outside their country of tax residence and to provide information in relation to such accounts to the relevant tax authorities. To facilitate this exchange of information, the OECD has developed the Common Reporting Standard (CRS).

The CRS outlines a common standard for due diligence procedures that must be applied to new and existing clients, and sets out the information that Financial Institutions (FIs) should report to the relevant tax authorities.

AEI is similar to the Foreign Account Tax Compliance Act (FATCA) in terms of FIs being required to undertake due diligence and reporting procedures in relation to (direct and certain indirect) clients. However, unlike US FATCA, AEI does not focus solely on-US taxpayers. Instead, FIs must report tax residents of all countries with which the FI's jurisdiction has a so-called Competent Authority Agreement (CAA) in place.

Which countries are impacted by AEI?

AEI is implemented on a country-by-country basis, whereby each country is able to decide whether it will implement AEI, the timeline over which it will do so, and with which other countries it will exchange information.

Entities that are resident in a country that has not agreed to implement AEI do not have any due diligence or reporting requirements. However, such entities should be aware of their AEI status if they hold, or may wish to open, an account with an FI in a country that has implemented AEI.

Countries that have committed to implementing AEI are expected to either implement the due diligence procedures as of 1 January 2016 (Early Adopter Jurisdictions) or as of 1 January 2017 (Second Wave Jurisdictions).

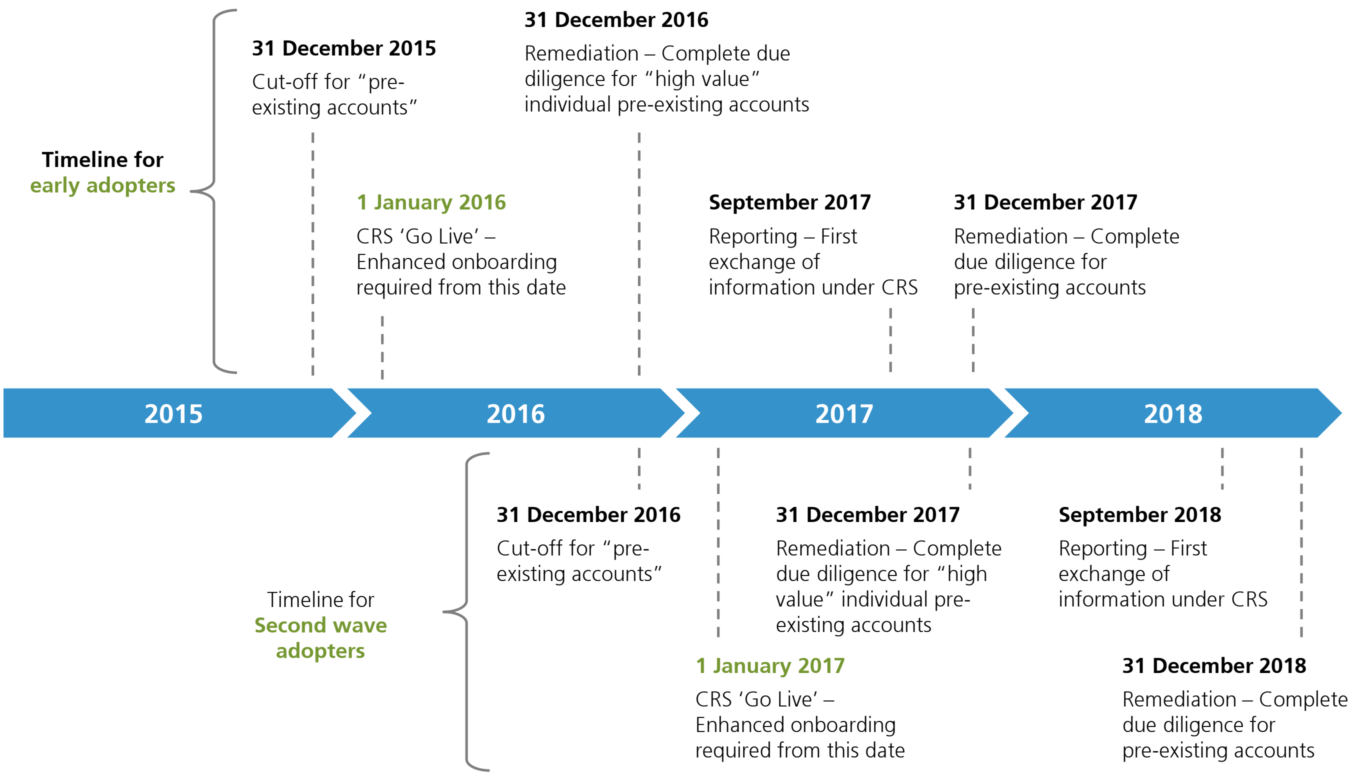
Information is only exchanged between countries that have a Competent Authority Agreement (CAA) in place with one another. CAAs can either be bilateral (between two countries) or multilateral (between multiple countries).

Who is affected by AEI obligations?

AEI places due diligence and reporting obligations on all FIs that are resident in countries that have implemented AEI and any overseas branch of an FI where the branch is located in such a country. Similar to US FATCA, the term FI for AEI purposes means any entity that is a Custodial Institution, Depository Institution, Investment Entity or a Specified Insurance Company.

Other entities are not required to meet the due diligence and reporting obligations under AEI. However, it is important that they are able to provide information in relation to their AEI status, tax residence, and, in certain circumstances, controlling persons (if any) if they hold, or wish to open, an account with an FI in a country that has implemented AEI.

What are the implementation timelines for AEI?



How does this impact UBS?

UBS is subject to the due diligence and reporting obligations of an FI under AEI in relation to the financial accounts that it maintains on behalf of clients. As such, UBS must carry out due diligence procedures on both new and existing account holders to identify any reportable accounts, and subsequently report such accounts on an annual basis.

In general, the due diligence procedures for a new account (i.e. an account opened after the implementation of AEI) will require UBS to obtain a self-certification form from the account holder and its controlling persons (if any). However, the content and format of the self-certification form may vary depending on the type of account holder, the type of account, and the UBS entity with which the account is being opened.

With regards to accounts that UBS already maintains when AEI is implemented in each jurisdiction (pre-existing accounts), UBS must review information that is held in relation to such accounts to determine where the account holder is tax resident. If the information held is insufficient, or it is unclear from the information where the account holder is tax resident, it may be necessary for UBS to obtain further documentation from the account holder and its controlling persons (if any); e.g. a self-certification form or other documentary evidence.

Under AEI, UBS must report certain information (e.g. name, address, country of tax residence, tax identification number, account balance, payments, etc.) to the relevant local tax authority annually in relation to any accounts identified as reportable accounts as part of the due diligence procedures. The local tax authority will subsequently exchange this information with the tax authority of the country in which the reportable person is tax resident.

UBS

How does this impact you?

How does AEI impact new account holders?

Following the implementation of AEI, if you wish to open a new financial account with UBS, you will generally be required to provide a self-certification form in order to allow UBS to determine whether you are a reportable person. The content and format of the self-certification form you are asked to complete may vary depending on the type of account holder, the type of account, and the UBS entity with which the account is being opened.

How does AEI impact existing account holders?

If you are the account holder of an account that was opened with UBS prior to the implementation of AEI, you would normally be expected to be classified based on information that you have previously provided and is held on the UBS systems. However, in case where the information held is insufficient or inconclusive for AEI purposes, you may be required to provide additional documentation (e.g. a self-certification form or other documentary evidence).

What will UBS do with your information?

If the information that you provided identifies you as a reportable person, UBS is required to report annually certain information in relation to your account (e.g. name, address, country of tax residence, tax identification number, account balance, payments, etc.) to the relevant local tax authority. The local tax authority will subsequently exchange this information with the tax authority of the country in which you are tax resident.