

14 April 2025

Freedom Adventure Fund II CEIC Limited
15-114, 15th floor
Al Khatem Tower
Abu Dhabi Global Market Square
Al Maryah Island
Abu Dhabi
United Arab Emirates

Attention:

[REDACTED]

Sent by e-mail:

[REDACTED]

Dear Sirs

CONFIRMATION OF DECISION IN RELATION TO PENALTY IMPOSED FOR CONTRAVENTIONS OF THE COMMON REPORTING STANDARD REGULATIONS 2017 AND THE FOREIGN ACCOUNT TAX COMPLIANCE REGULATIONS 2022

1. The Financial Services Regulatory Authority (“FSRA”) of the Abu Dhabi Global Market (“ADGM”) hereby confirms its decision to impose a penalty on Freedom Adventure Fund II CEIC Limited (“FAF”) pursuant to subsection 9(1) of the *Common Reporting Standard Regulations 2017* (the “CRS Regulations”) and subsection 9(1) of the *Foreign Account Tax Compliance Regulations 2022* (the “FATCA Regulations”), together the “Regulations”. This notice is issued pursuant to Article 7(5) of Cabinet Resolution No. 93 of 2021 (“CRS Cabinet Resolution”) which applies pursuant to the CRS Regulations, and Article 9(5) of Cabinet Resolution No. 63 of 2022 (the “FATCA Cabinet Resolution”), which apply pursuant to the FATCA Regulations, following due consideration of an appeal submitted by FAF dated 23 January 2025 (“Appeal”) in response to a notice from the FSRA dated 6 January 2025 (“January Notice”).

Defined Terms

2. Terms defined in the notice are defined at the first instance the term is used in parentheses. Other capitalised terms are defined in the Regulations and shall bear the same meaning in this notice, unless the context otherwise requires.

SUMMARY

3. The FSRA considers that FAF:
 - a. having classified itself as a Reporting Financial Institution for the purposes of the CRS Regulations (“CRS RFI”):
 - i. has opened accounts without collecting a valid self-certification form for three (3) Controlling Persons;

- ii. has failed to conduct validity checks to confirm the reasonableness of the self-certification forms of two (2) Account Holders; and
 - iii. has failed to report information as required under the CRS Regulations in a complete and accurate manner by failing to report two (2) Reportable Persons;
 - b. having classified itself as a Reporting UAE Financial Institution as defined in and for the purposes of the FATCA Regulations ("FATCA RFI"):
 - i. has opened accounts without collecting a valid self-certification form for three (3) Controlling Persons; and
 - ii. has failed to conduct validity checks to confirm the reasonableness of the self-certification forms of two (2) Account Holders.
4. Following due consideration of FAF's appeal submitted pursuant to subsection 9(2) of the Regulations, the FSRA has decided to impose a total penalty of AED 20,000 on FAF, pursuant to subsection 9(1) of the CRS Regulations and subsection 9(1) of the FATCA Regulations.

BACKGROUND

CRS Regulations

- 5. The Organisation for Economic Co-operation and Development ("OECD") developed the Common Reporting Standard ("CRS"), which came into force in October 2014. The CRS was established in the United Arab Emirates ("UAE") with effect from 1 January 2017 pursuant to the ratification of various conventions and declarations by the UAE, and publication of Federal Law No. 54 of 2018.
- 6. The CRS sets out the required information to be exchanged, the types of entities required to report, the different types of financial accounts and account holders in scope and the common due diligence procedures to be followed by RFIs.
- 7. Appropriate legislation to support the implementation of the CRS in the UAE has been issued at both a federal level in the UAE and in the ADGM. This includes the enactment of the CRS Regulations by the Board of Directors of ADGM in 2017. The CRS Regulations apply the CRS Cabinet Resolution in the ADGM pursuant to subsection 2(1) of the CRS Regulations, and the CRS and any explanatory material and commentary published by the OECD in relation to the CRS pursuant to subsection 3(1) of the CRS Regulations.
- 8. On 27 January 2017, the ADGM published the '*Notification of collection of information under the Common Reporting Standards*' prepared by the UAE's Ministry of Finance ("MOF"), setting out the requirements for implementation of the CRS across all jurisdictions within the UAE.

FATCA Regulations

- 9. The Foreign Account Tax Compliance Act ("FATCA") was introduced by the United States of America ("US") in 2010 to target non-compliance by US taxpayers using foreign accounts. FATCA requires financial institutions outside the US to report information on financial accounts held by their US customers to the Internal Revenue Service.
- 10. On 17 June 2015, the UAE signed a Model 1B Intergovernmental Agreement ("IGA") with the US to improve international tax compliance and to implement FATCA reporting by FATCA RFI's. The IGA was ratified by Federal Decree 9 of 2016.

11. Appropriate legislation to support the implementation of FATCA in the UAE has been issued at both a federal level in the UAE and in the ADGM. This includes the enactment of the FATCA Regulations by the Board of Directors of ADGM in 2022. The FATCA Regulations apply the FATCA Cabinet Resolution in the ADGM pursuant to subsection 2(1) of the FATCA Regulations.

RELEVANT FACTS

12. On 8 April 2022, FAF was registered as a private company limited by shares.
13. On 24 April 2023, the FSRA published Notice No. 10 of 2023 informing Senior Executive Officers (“SEOs”), Money Laundering Reporting Officers (“MLROs”) and ADGM Licensed Persons (“LPs”) of the MOF’s new Automatic Exchange of Information (“AEOI”) portal for submission of information returns for the purposes of CRS and FATCA (together “Annual Returns”) by CRS RFIs and FATCA RFIs (together “RFIs”) for the 2022 calendar year, with training scheduled on 28 April 2023 and 4 May 2023.
14. On 25 May 2023, the FSRA published Notice No. 16 of 2023 in which it invited all RFIs to attend a mandatory training session on the AEOI portal. The training was to provide a comprehensive review of the new portal and guide RFIs on completing and submitting Annual Returns, including a Nil Return (as that term is defined in CRS Cabinet Resolution) or Nil Report (as that term is defined in the FATCA Cabinet Resolution) as applicable.
15. On 8 June 2023, the FSRA published Notice No. 18 of 2023 addressed to SEOs, MLROs and LPs to notify them that the new AEOI portal was operational and open for registration in advance of submission of Annual Returns in respect of the 2022 calendar year, with instructions on how to do so.
16. On 9 June 2023, FAF registered as a CRS RFI and FATCA RFI on the AEOI portal.
17. On 26 June 2023, the FSRA published and sent by email ‘FCCP FSRA Notice No. 21 of 2023 – FATCA and CRS System Live’ informing SEOs, MLROs and LPs that the functionality for submission of Annual Returns was enabled on the AEOI portal, and that all RFIs were required to fulfil their obligations for the 2022 calendar year by the deadline of 31 July 2023.
18. On 5 July 2023, the FSRA published Notice No. 22 of 2023 informing RFIs that the MOF would be conducting training and web-based sessions starting from 10 July 2023 until 31 July 2023.
19. On 28 July 2023, the MOF extended the deadline for submission of Annual Returns for the 2022 calendar year, to 15 August 2023. On the same day, the FSRA sent an email to FAF informing it of the extended deadline for submission of Annual Returns.
20. On 17 August 2023, the FSRA sent an email to FAF informing FAF that it had been selected for an audit review for compliance with the Regulations in respect of the 2022 calendar year (“Review”), and that the Review would be based on its Annual Returns as submitted on the AEOI portal. The FSRA requested FAF to complete the CRS and FATCA audit questionnaires (“Questionnaires”) by 20 September 2023, and to acknowledge the email by 22 August 2023.
21. On 20 September 2023, FAF sent an email to the FSRA attaching the completed Questionnaires.
22. On 20 September 2023, the FSRA sent a letter to FAF informing FAF that the Review would be conducted on 3 October 2023, and requested that FAF submit documents requested by the FSRA by 27 September 2023.
23. On 3 October 2023, the FSRA conducted the Review.

FAILURE TO COLLECT SELF-CERTIFICATION FOR CRS

24. Subsection 6(1) of the CRS Regulations requires RFIs to collect and report all information in accordance with the CRS, the CRS Cabinet Resolution and the CRS Regulations.
25. Section VI subparagraph A(2) of the CRS requires an RFI to determine whether an Account Holder is a Passive NFE (as defined in the CRS) with one or more Controlling Persons that are Reportable Persons (as defined in the CRS). In determining whether a Controlling Person is a Reportable Person, section VI subparagraph A(2)(c) of the CRS sets out that an RFI may rely on a self-certification form from the Account Holder or such Controlling Person.

Client 1

26. In its self-certification form dated 14 April 2022, Client 1 (as identified in Annexure A to the January Notice) had self-classified as a Passive NFE, with two (2) Controlling Persons being CP1 and CP3 (as identified in Annexure A to this notice). A self-certification was collected for CP3. The Review found that FAF held information indicating that Client 1 had three (3) Controlling Persons, CP1, CP3 and CP2 (as identified in Annexure A to this notice). Accordingly, FAF failed to conduct validity checks to confirm the reasonableness of Client 1's self-certification and failed to collect a self-certification form for CP1 and CP2.

Client 2

27. In its self-certification form, Client 2 (as identified in Annexure A to the January Notice) had self-classified as a Passive NFE, with two (2) Controlling Persons, being CP1 and CP3. A self-certification was collected for CP3. The Review found that FAF held information indicating that Client 2 had three (3) Controlling Persons, identified as CP1, CP3 and CP4 (as identified in Annexure A to this notice). Accordingly, FAF failed to conduct validity checks to confirm the reasonableness of Client 2's self-certification, and failed to collect a self-certification form for CP1.
28. Accordingly, the FSRA considers that FAF has contravened subsection 6(1) of the CRS Regulations.

FAILURE TO COLLECT SELF-CERTIFICATION FOR FATCA

29. Subsection 6(1) of the FATCA Regulations requires FATCA RFIs to collect and report all information in accordance with the FATCA Regulations and the FATCA Cabinet Resolution. The FATCA Cabinet Resolution defines a Self-Certification Form as "*...the form required to be collected and validated... establishing where an Account Holder or Controlling Person is resident for tax purposes.*" Article 5 of the FATCA Cabinet Resolution requires each FATCA RFI to collect and validate a Self-Certification Form for each New Entity Account.
30. The purpose of the FATCA Cabinet Resolution is to implement the IGA in the UAE. Annex 1, subsection V(B)(3)(b) of the IGA requires that, if the Account Holder is a Passive NFFE (as defined in the IGA), the FATCA RFI must identify the Controlling Person(s) and determine whether any such person is a U.S. citizen or resident on the basis of a self-certification from the Account Holder or such person.

Client 1

31. In its Self-Certification Form dated 14 April 2022, Client 1 had self-classified as a Passive NFFE, with two (2) Controlling Persons. However, as mentioned in paragraph 26 above, the Review found that FAF held information indicating that Client 1 had three (3) Controlling Persons. Accordingly,

FAF failed to conduct validity checks to confirm the reasonableness of Client 1's self-certification and failed to collect a Self-Certification Form in relation to CP1 and CP2, as required by the IGA.

Client 2

32. In its Self-Certification Form, Client 2 self-classified as a Passive NFFE, with two (2) Controlling Persons. However, the Review found that FAF held information indicating that Client 2 had three (3) Controlling Persons. Accordingly, FAF failed to conduct validity checks to confirm the reasonableness of Client 2's self-certification and failed to collect a self-certification in relation to CP1 as required by the IGA.
33. Accordingly, the FSRA considers that FAF has contravened subsection 6(1) of the FATCA Regulations.

FAILURE TO REPORT IN A COMPLETE AND ACCURATE MANNER

34. Section VI, subparagraph A(2)(a) of the CRS sets out *"With respect to an Account Holder of a New Entity Account (including an Entity that is a Reportable Person), the Reporting Financial Institution must determine whether the Account Holder is a Passive NFE with one or more Controlling Persons who are Reportable Persons. If any of the Controlling Persons of a Passive NFE is a Reportable Person, then the account must be treated as a Reportable Account."*
35. Section VIII, subparagraph D(2) of the CRS defined a "Reportable Person" as a *"Reportable Jurisdiction Person other than: (i) a corporation the stock of which is regularly traded on one or more established securities markets; (ii) any corporation that is a Related Entity of a corporation described in clause (i); (iii) a Governmental Entity; (iv) an International Organisation; (v) a Central Bank; or (vi) a Financial Institution."*
36. A "Reportable Jurisdiction Person" was defined in Section VIII, subparagraph D(3) of the CRS to mean an individual or Entity that is resident in a Reportable Jurisdiction, which was defined in the following subparagraph D(4) to mean for these purposes a jurisdiction other than the United States of America or the UAE.

Client 1

37. As mentioned in paragraph 26 above, the Review identified that Client 1 had three (3) Controlling Persons and Client 1 had failed to identify one (1) of its Controlling Persons in its self-certification form, being CP2.
38. The Review found that despite FAF holding a self-certification form in relation to CP3 showing a jurisdiction of tax residence as Cyprus, which is a Reportable Jurisdiction, FAF failed to report CP3 as a Reportable Person in relation to the Client 1's Reportable Account in its Annual Return.
39. The FSRA considers that FAF has failed to report information in a complete and accurate manner and accordingly, contravened subsection 6(1) of the Regulations.

Client 2

40. As mentioned in paragraph 27 above, Client 2 had three (3) Controlling Persons and failed to identify one (1) of its Controlling Persons in its self-certification form, being CP4. CP4's country of tax residence was declared as Cyprus, which is a Reportable Jurisdiction.

41. The Review found that despite FAF being aware of CP4 as a Reportable Person in relation to Client 2's Reportable Account, CP4 was not reported by FAF as a Reportable Person in its Annual Return.
42. The FSRA considers that FAF has failed to report information in a complete and accurate manner and accordingly, contravened subsection 6(1) of the Regulations.

PENALTY

43. The FSRA considers that FAF contravened:
 - a. subsection 6(1) of the CRS Regulations and accordingly subsection 9(1)(b) of the CRS Regulations applies; and
 - b. subsection 6(1) of the FATCA Regulations, and accordingly subsection 9(1)(b) of the FATCA Regulations applies.
44. The penalties for the contraventions are set out in Article 5(2) and 5(4)(a) of the CRS Cabinet Resolution and Article 7(2) of the FATCA Cabinet Resolution.
45. The total penalty imposed by the FSRA on FAF is AED 20,000.
46. The breakdown of the penalty imposed by the FSRA on FAF pursuant to the CRS Cabinet Resolution and FATCA Cabinet Resolution is as follows:

Reference	Contravention	Penalty (AED)
Article 5(2) of the CRS Cabinet Resolution	A RFI that opens an Account to an Account Holder or Controlling Person (as applicable) without obtaining a valid self-certification and/or failing to validate such self-certification.	1,000 per contravention x 5
Article 5(4)(a) of the CRS Cabinet Resolution	A RFI that fails to report any information that is required to be reported in a complete and accurate manner	5,000 x 2
Article 7(2) of the FATCA Cabinet Resolution	An FATCA RFI that opens a New Individual Account or New Entity Account without collecting a valid Self-Certification Form or without validating such Self-Certification Form	1,000 per contravention x 5

CONSIDERATION OF APPEAL

47. In the January Notice, the FSRA imposed a penalty of AED 20,000 on FAF.
48. Under subsection 9(2) of the CRS Regulations and Article 7(1) of the CRS Cabinet Resolution, and subsection 9(2) of the FATCA Regulations and Article 9(1) of the FATCA Cabinet Resolution, FAF had the opportunity to appeal against the FSRA's decision set out in the January Notice.

49. On 23 January 2025, FAF submitted its Appeal to the FSRA.
50. In its Appeal, FAF asked the FSRA to take certain matters into consideration as follows:
- a. FAF's Directors and fund administrator acted in good faith and made efforts to comply with the relevant CRS/FATCA rules when preparing the 2022 submission, and that the procedure used in the preparation of the Annual Return was based on a well-established process and used elsewhere without issue.
 - b. No queries were raised on the RY 2023 CRS/FATCA filing from feedback received to date indicating that the filing was in line with regulatory expectations for that reporting year which suggested that the procedure was generally sound and compliant with the necessary standards.
 - c. FAF's administrator had sent an email in October 2023 seeking clarification on the matter but there was no acknowledgement from the FSRA until the fine was issued in January 2025. FAF stated that the minimal communication may have contributed to the misunderstanding and non-compliant behaviour set out in the January Notice.
 - d. FAF sent numerous emails to Client 1 and Client 2 to confirm their CRS and FATCA information to ensure that the data held on file was accurate and complete, but there was no response from the Client, hence FAF requested the penalties for contraventions of Articles 5(2) and 7(2) to be removed.
 - e. Only an individual was authorised to give instructions on behalf of Client 1 which supports FAF's opinion that only one Controlling Person was required to sign the Controlling Person form.
 - f. Client 2 had an obscured ownership structure which was duly reported in accordance with regulatory expectations. The level of transparency was intended to prevent any issues arising from the ownership structure and it was believed to be handled correctly and in line with FSRA's requirements.
 - g. The Directors of FAF took precautionary measures of freezing the entire fund once a sanctions nexus became clear. The action was taken proactively to demonstrate the Directors' commitment to compliance and the intention to prevent any illicit activity.
 - h. Going forward, the internal auditor of FAF's administrator will incorporate a specific CRS and FATCA test into the 2024 audit plan to ensure ongoing compliance and thorough review.
 - i. Finally, clarification is sought as to how the penalty for Client 2 was calculated, as well as more information on the role of CP1 in the assessment as FAF did not have any evidence to suggest that CP1 was a controlling party.
51. The FSRA has considered the grounds and documents in support of FAF's appeal.
52. In relation to FAF's representations in paragraph 50 above, the FSRA notes that:
- a. In response to paragraph 50(a), it is FAF's obligation to ensure that it is in compliance with the CRS and FATCA Regulations.
 - b. In response to paragraph 50(b), not having received any queries from the FSRA for FAF's filings for the 2023 reporting year does not indicate that there were no issues with FAF's filings for the 2022 reporting year. The Review conducted by the FSRA on 3 October 2023 was not an assurance or validation exercise, nor was it intended to provide

recommendations for procedural improvements. Rather it was a supervisory review enabling the FSRA to assess the existing procedures and identify instances of non-compliance that are subject to penalties.

- c. In response to paragraph 50(c), the emails between FAF and the FSRA in October 2023 were in response to information requested by the FSRA. The FSRA's email of 9 October 2023 acknowledged FAF's email of 4 October 2023 in which the FSRA stated that it will review the additional information provided and will let FAF know if it required any further information. Please note that such communication or lack of further communication is not an approval of FAF's procedures. The FSRA also notes that its request post-dates the submission deadlines for the 2022 reporting year and could therefore not have contributed to any non-compliance by FAF.
- d. In response to paragraph 50(d), FAF was required to collect valid self-certifications from Clients 1 and 2 at the time of account opening. Even though FAF attempted to contact Clients 1 and 2 subsequently, this is a remedial measure, and it does not change the FSRA's position in relation to its findings in relation to Clients 1 and 2.
- e. In response to paragraph 50(e), having self-classified as a Passive NFE/NFFE for CRS and FATCA respectively, Client 1 was required to submit a self-certification for all Controlling Persons of the entity, not only for the one (1) Controlling Person who was authorised to give instructions.
- f. In response to paragraph 50(f), the issue is not in relation to Client 2's ownership structure but in relation to shortcomings in relation to the collection of a valid self-certification for CRS and FATCA, and complete and accurate reporting of Reportable Persons.
- g. In relation to paragraph 50(g), whilst the actions of the Directors of FAF are commendable, this is not relevant in relation to reporting for the purposes of CRS or FATCA.
- h. The FSRA notes the measures taken by FAF to ensure that it is in compliance with its obligations under CRS and FATCA.
- i. In relation to the calculation of the penalty for Client 2, the penalty consists of:
 1. AED 1,000 x 2 = AED 2,000 – for CRS contraventions mentioned in paragraph 27 above in relation to Client 2 and CP1;
 2. AED 1,000 x 2 = AED 2,000 – for FATCA contraventions mentioned in paragraph 32 in relation to Client 2 and CP1; and
 3. AED 5,000 for failing to report information in a complete and accurate manner by failing to report CP4 as set out in paragraph 41 above.

As regards CP1, in the self-certification provided by FAF in support of "Point 9" of the Appeal, the FSRA notes that on page 3, paragraph 2(a) of the 'Self-Certification for IGA/CRS Purposes' for Client 2, CP1 is named as a Controlling Person.

53. Given the facts and matters set out above, and having given due consideration to FAF's appeal, the FSRA has decided to confirm its decision in this matter to impose a penalty of AED 20,000 on FAF.

PROCEDURAL MATTERS

Manner and time for payment of penalty

54. Pursuant to Article 6(4) of the CRS Cabinet Resolution and Article 10(2) of the FATCA Cabinet Resolution, the penalty imposed pursuant to this notice is to be paid by FAF within fifteen (15) business days from the date of this notice, i.e. on or before **6 May 2025**.
55. Payment of the penalty can be made by electronic funds transfer into the following account:

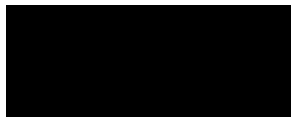
Account Name	[REDACTED]
Account Number	[REDACTED]
IBAN Number	[REDACTED]
Account Type	[REDACTED]
Bank Name	[REDACTED]
Swift Code	[REDACTED]
Reference	[REDACTED]

56. If the penalty or any part of it remains outstanding on the date by which it must be paid, the obligation to make the payment is enforceable as a debt by the FSRA.

Publicity

57. The FSRA will generally publish, in a manner we consider appropriate and proportionate, information and statements relating to enforcement action. Accordingly, the FSRA will publish relevant information about the decision in this notice, including the notice itself, as the FSRA considers appropriate. The publication of enforcement outcomes is consistent with the FSRA's commitment to open and transparent processes and our objectives.

Yours sincerely,



Mr. Adrian Bock
 Executive Director – Enforcement
 Abu Dhabi Global Market Financial Services Regulatory Authority