

AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION: GLOSSARY OF TERMS

Account Holder: Person/s listed or identified as the holder of a financial account by the Financial Institution.

CDOT: International Tax Compliance (Crown Dependencies and Gibraltar) Regulations – also known as CDOT, which stands for Crown Dependencies and Overseas Territories. This acronym is used to identify the automatic tax information exchange agreements that are currently in existence between the British overseas territories and the UK. These requirements will apply for 2014, 2015 and 2016, prior to the adoption of CRS. Transitional requirements will apply for 2017, following which CRS will apply from 2018 onwards.

Change in Circumstances: a change in the account holder's circumstances that results in the information held by the financial institutions with which you have an account being incorrect or incomplete. Examples of changes of circumstances are change of tax residence and change of name. If such a change occurs you must notify the relevant financial institutions promptly so that your records can be updated accordingly.

Controlling Persons: Natural persons who exercise control over an Entity. In the case of a trust, such a term refers to the settlor, the trustees, the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust; and in the case of a legal arrangement other than a trust, such term means persons in equivalent or similar positions. For companies, the term refers to shareholders with at least a 25% ownership in the company, as well as directors and indirect interest holders.

CRS: Common Reporting Standard. This is the reporting standard approved and developed by the Organisation of Economic Co-operation and Development (OECD) in 2014, and requires jurisdictions to obtain relevant information from their Financial Institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the Financial Institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by Financial Institutions. In 2016 the UK and all of the Crown Dependencies and Overseas Territories will adopt CRS, with transitional reporting requirements applying for 2017. A link to the list of the participating jurisdictions can be found in the useful links in the annex to this glossary.

DAC: Directive on Administrative Cooperation, a European legislative instrument that adopts the CRS within the European framework so information exchange is mandatory between EU states.

Deemed Compliant FFI [FATCA only]: Under FATCA, this is an FFI that does not have to perform FATCA due diligence on the Financial Accounts it maintains. There are two types: (a) Registered deemed-compliant – an FFI that registers with the IRS to declare its status. Includes certain local banks, non-reporting members of participating FFI groups, qualified collective investment vehicles, restricted funds, and FFIs that comply with FATCA requirements under an agreement between the U.S. and a foreign government; (b) Certified deemed-compliant – an FFI that is not required to register with the IRS and certifies its status by providing a withholding agent with a valid Form W-8. Includes non-registered local banks, retirement plans, non-profit organisations, FFIs with only low-value accounts, and certain owner-documented FFIs.

Direct Interest Holder [FATCA only]: A person (individual or Entity) who holds shares in company is a Direct Interest Holder of such company.

Direct Reporting NFFE [FATCA only]: Under FATCA, this is an NFFE that elects to directly report information annually about its substantial U.S. owners to the IRS. A direct-reporting NFFE must register on the IRS portal to obtain a GIIN and must disclose its GIIN to qualify for exemption from the FATCA withholding tax, but is not required to enter into an FFI agreement. It is considered a type of excepted NFFE.

Entity: Legal person or a legal arrangement, such as a corporation, partnership, trust or foundation.

Excepted (F)FI [FATCA only]: Under FATCA, this identifies Entities that are excluded from the FI definition and not subject to withholding includes: (i) Holding companies engaged in non-FI business; (ii) Start-up companies for non-financial business; (iii) Liquidating or reorganising non-financial entities; (iv) Group hedge/financial company which is non-financial and restricted to affiliates; and (v) Organised in U.S. Territory

Exempt Beneficial Owner [FATCA only]: The following classes of persons are exempt beneficial owners for FATCA purposes: any foreign government, any political subdivision of a foreign government, or any wholly owned agency or instrumentality of any one or more of those; any international organization or any wholly owned agency or instrumentality thereof; any foreign central bank of issue; any government of a U.S. territory; certain foreign retirement funds; and certain entities that are wholly owned by one or more other exempt beneficial owners. In addition, an exempt beneficial owner includes any person treated as an exempt beneficial owner pursuant to a Model 1 IGA or Model 2 IGA.

FATCA: Foreign Account Tax Compliance Act. FATCA was enacted in 2010 by Congress to target non-compliance by U.S. taxpayers using foreign accounts. FATCA requires foreign Financial Institutions (FFIs) to report to the IRS information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. Here you will find links to many documents related to FATCA and its implementation.

Financial Asset: Includes a security (for example, a share of stock in a corporation; partnership or beneficial ownership interest in a widely held or publicly traded partnership or trust; note, bond, debenture, or other evidence of indebtedness), partnership interest, commodity, swap (for example, interest rate swaps, currency swaps, basis swaps, interest rate caps, interest rate floors, commodity swaps, equity swaps, equity index swaps, and similar agreements), Insurance Contract or Annuity Contract, or any interest (including a futures or forward contract or option) in a security, partnership interest, commodity, swap, Insurance Contract, or Annuity Contract. The term "Financial Asset" does not include a non-debt, direct interest in real property.

Financial Assets Test: An Entity meets the Financial Assets test if its gross income is primarily attributable to investing, reinvesting or trading in Financial Assets (as defined above). This test is met if at least 50% of its income is attributable to investing, reinvesting or trading in Financial Assets in the shorter of: (i) The three year period ending on 31 December in the year preceding that in which its status as an investment Entity is to be determined; or (ii) The period in which the Entity has been in existence.

Financial Institution/Foreign Financial Institution (FI/FFI): a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company.

Functional Equivalent: While many jurisdictions use a TIN for taxation purposes, some jurisdictions do not issue a TIN. However, these jurisdictions often utilise some other high integrity number with an equivalent level of identification. This is referred to as a "Functional Equivalent". Examples of that type of number include, for individuals, a social security/insurance number, citizen/personal identification/service code/number, and resident registration number; for entities, a business/company registration code/number.

GIIN [FATCA only]: Global Intermediary Identification Number which is the FATCA identifier for Financial Institutions.

HMRC: HM Revenue and Customs, UK tax authority.

Indirect Interest Holder [FATCA only]: A natural person who holds shares in a company through another Entity or through a chain of Entities is an Indirect Interest Holder of such company.

Information: Information as required under the Automatic Exchange of Financial Account Information agreements.

IRS [FATCA only]: The Internal Revenue Service, the US equivalent of HMRC.

Inter-Governmental Agreement (IGA) [FATCA only]: An agreement between the United States and another Government to enforce a modified version of FATCA regulations under the other Government's local laws. All Financial Institutions resident in a country that has signed an IGA are legally compelled to follow the FATCA regulations issued by their own tax authority. For example all UK FIs are required to comply with the UK FATCA legislation, and disclose US persons to HMRC.

Investment Entity: An Entity that is either an Investment Entity conducting business on behalf of Customers or a Managed Investment Entity.

Investment Entity conducting business on behalf of Customers: An Entity will be an Investment Entity if it primarily conducts as a business for or on behalf of a customer one or more of the following activities:

- (a) Trading in: money market instruments (cheques, bills, certificates of deposit, derivatives, etc.), foreign exchange, exchange, interest rate and index instruments, transferable securities, commodity futures,
- (b) individual and collective portfolio management;
- (c) Otherwise investing, administering or managing funds or money on behalf of other persons.

An Entity will be regarded as primarily conducting these activities as a business if its gross income from conducting these activities is at least 50% of its total gross income during the shorter of:

- (i) The three year period ending on 31 December in the year preceding that in which its status as an investment entity is to be determined; or
- (ii) The period in which the Entity has been in existence.

Managed Investment Entity: An Entity will be an Investment Entity if it is investing on its own account, is managed by a Financial Institution AND meets the Financial Assets test. An Entity is managed by a Financial Institution if that Financial Institution performs, either directly or through another service provider, activities described in section (a) to (c) above on behalf of the Entity.

An entity will be considered to be "managed by a Financial Institution" where either:

- A Financial Institution is acting as a controlling person of the Entity (e.g. a Corporate Trustee has been appointed to a Trust),

- A Financial Institution has been appointed to carry out the day-to-day functions on behalf of the entity (e.g. The entity administered by a 3rd party service provider that is an FI), or
- A Financial Institution (such as Charles Stanley) has been engaged to manage the financial assets of the entity (in whole or in part) on a discretionary basis.

An Entity may be managed by a mix of other entities and individuals. If one of the entities so involved in the management of the Entity is a Financial Institution then the Entity meets the requirements for being managed by a Financial Institution.

Managed Investment Entities include Investment Trusts, Venture Capital Trusts and ETFs.

NFE/NFFE: NFE is used in the CRS to identify a Non-Financial Entity, which is any Entity that is not a Financial Institution. The same concept is described by FATCA as a NFFE, which means Non-Financial Foreign Entity. (The word 'Foreign' used in the context of being resident outside the U.S.).

There are two types of NFE/NFFE: Active NFE/NFFE and Passive NFE/NFFE

Active NFE/NFFE: Any NFE/NFFE (referred to hereafter as 'NFE') that meets any of the following criteria:

- less than 50 % of the NFE's gross income for the preceding calendar year or other appropriate reporting period is passive (investment) income and less than 50 % of the assets held by the NFE during the preceding calendar year or other appropriate reporting period are assets that produce or are held for the production of passive income;
- stock of the NFE is regularly traded on an established securities market or the NFE is a Related Entity of an Entity the stock of which is regularly traded on an established securities market;
- NFE is a Governmental Entity, an International Organisation, a Central Bank, or an Entity wholly owned by one or more of the foregoing;
- substantially all of the activities of the NFE 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 Entity does not qualify for this status if the Entity 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;
- the NFE 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 NFE does not qualify for this exception after the date that is 24 months after the date of the initial organisation of the NFE;
- the NFE 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;
- the NFE 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 any such Related Entities is primarily engaged in a business other than that of a Financial Institution; or
- the NFE meets all of the following requirements:
 - it is established and operated in its Member State or other jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, athletic, or educational purposes; or it is established and operated in its Member State or other jurisdiction of residence and it is a professional organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare;
 - it is exempt from income tax in its Member State or other jurisdiction of residence;
 - it has no shareholders or members who have a proprietary or beneficial interest in its income or assets;
 - the applicable laws of the NFE's Member State or other jurisdiction of residence or the NFE's formation documents do not permit any income or assets of the NFE to be distributed to, or applied for the benefit of, a private person or non-charitable Entity other than pursuant to the conduct of the NFE's charitable activities, or as payment of reasonable compensation for services rendered, or as payment representing the fair market value of property which the NFE has purchased; and
 - the applicable laws of the NFE's Member State or other jurisdiction of residence or the NFE's formation documents require that, upon the NFE's liquidation or dissolution, all of its assets be distributed to a Governmental Entity or other non-profit organisation, or escheat to the government of the NFE's Member State or other jurisdiction of residence or any political subdivision thereof.

Passive NFE/NFFE: Any: (i) NFE that is not an Active NFE; or (ii) a Managed Investment Entity that is not a Participating Jurisdiction Financial Institution.

Participating Jurisdiction: Jurisdiction which receives from its local Financial Institutions information about Financial Accounts held by persons tax resident in a Reportable Jurisdiction. Participating Jurisdictions have made a “commitment to exchange” i.e. provide account information to other jurisdictions. Reportable Jurisdictions are those that receive information from the UK.

Non-Participating (F)FI: FI that does not does not comply with its obligations under FATCA and is not deemed compliant or excepted.

Non-Participating Jurisdiction: Any jurisdiction that is not a Participating Jurisdiction.

Non-Reporting FI [CRS only]: FIs resident in a Participating Jurisdiction that are not obliged to conduct due diligence under the CRS and may not need to register with the IRS for FATCA purposes because, for example, it is deemed compliant or otherwise exempt. An example of Non-Reporting FIs are government institutions, other public bodies and UK registered pension schemes.

Owner Documented (F)FI: A FI that falls within the scope of US Regs 1471-5(f)(3). This identifies those FIs that are not part of a financial group and that appoint another FI (called “designated withholding agent”) to perform any FATCA reporting on their behalf. Owner Documented FIs are not required to register with the IRS but have to provide all necessary documents to the withholding agent. ODFI status is only available under FATCA (see FI with Reporting Obligations).

Participating Jurisdiction: A jurisdiction (i) with which an agreement is in place pursuant to which it will provide financial account tax information and (ii) which is identified in a published list.

Participating (F)FI: Under FATCA, this is a FI that enters into an agreement with the IRS to undertake certain due diligence, withholding and reporting requirements for U.S. account holders.

Reportable Account: an account held by one or more Reportable Persons or by a Passive NFE with one or more Controlling Persons that is a Reportable Person.

Reportable Jurisdiction: Jurisdiction to which Participating Jurisdictions send information about Financial Accounts held by persons tax resident in the Reportable Jurisdiction.

Reportable Jurisdiction Person: Individual or Entity that is resident in a Reportable Jurisdiction under the tax laws of such jurisdiction, or an estate of a decedent that was a resident of a Reportable Jurisdiction. For this purpose, an Entity such as a partnership, limited liability partnership or similar legal arrangement that has no residence for tax purposes shall be treated as resident in the jurisdiction in which its place of effective management is situated. Note - under FATCA the estate of a deceased person may not be a financial account, if the FI is in possession of formal notification of the account holder’s death.

Reporting FI: Means (i) any Financial Institution that is resident in a Participating Jurisdiction, but excludes any branch of that Financial Institution that is located outside such Participating Jurisdiction, and (ii) any branch of a Financial Institution that is not resident in a Participating Jurisdiction, if that branch is located in such Participating Jurisdiction.

Reportable Person: 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.

Sponsored Direct Reporting NFFE [FATCA only]: Under FATCA this is an NFFE engaging another qualifying Entity to act as its sponsoring Entity; the sponsoring Entity registers the NFFE with the IRS and reports information about the NFFE’s substantial U.S. owners to the IRS. It is considered a type of excepted NFFE.

Sponsored Investment Entity [FATCA only]: A type of Deemed Compliant FI under FATCA. To qualify for this classification, the Entity must be an Investment Entity and must have agreed with another Entity for the other Entity to act as a sponsor and that the sponsoring Entity will perform all required FATCA tasks on behalf of this Investment Entity.

Sponsored Investment Vehicle [FATCA only]: A type of Deemed Compliant FI under FATCA. To qualify for this classification, the Entity must be an investment vehicle and must have agreed with another Entity for such other Entity to act as a sponsor for this investment vehicle. Further, the investment vehicle must have 20 or fewer individuals owning all of the debt and equity interests.

Sponsoring FI: FI that performs all required FATCA tasks on behalf of another FI.

Taxpayer Identification Number (TIN): A TIN is a unique combination of letters and numbers, however described, assigned by a jurisdiction to an individual or an entity and used to identify the individual or entity for purposes of administering the tax laws of such jurisdiction. TIN specifications (i.e. structure, syntax etc.) are set by each jurisdiction’s tax administrations. Some jurisdictions even have a different TIN structure for different taxes or different categories of taxpayers (e.g. residents and non-resident).

Third Party Service Provider [CRS only]: Entity that carries out reporting and due diligence obligations on behalf of the reporting FI. The reporting FI remains responsible for the performance of the obligations and the Third Party Service Provider’s actions are imputed to the reporting FI.

Trustee Documented Trust [FATCA only]: To qualify for this classification, the Entity must be a Trust with a Trustee that is a Financial Institution (i.e. a Corporate Trustee) and where the corporate trustee will perform all required FATCA compliance on behalf of the trust.

Useful Website Links:

IRS FATCA page:

<https://www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-FATCA>

HMRC FATCA Registration:

<https://www.gov.uk/guidance/the-foreign-account-tax-compliance-act-reporting-information-to-hm-revenue-and-customs-fatca>

HMRC FATCA Guidance notes:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/461542/Guidance_Notes_for_the_UK-US_FATCA_Agreement.pdf

HMRC Inter-Governmental Agreements:

<https://www.gov.uk/government/collections/automatic-exchange-of-information-agreements>

HMRC CDOT:

<https://www.gov.uk/government/publications/automatic-exchange-of-information-agreements-other-uk-agreements/automatic-exchange-of-information-agreements-other-uk-agreements>

HMRC CRS Guidance notes:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/461418/Guidance_Notes_for_the_Automatic_Exchange_of_Financial_Account_Information.pdf

HMRC CRS (Tax Compliance Regulations):

http://www.legislation.gov.uk/ukxi/2015/878/pdfs/ukxi_20150878_en.pdf

EU DAC: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0107&from=EN>

OECD Automatic Exchange of Information web page:

<http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/>

OECD list of participating countries:

<http://www.oecd.org/tax/transparency/AEOI-commitments.pdf>

EU Commission List of Tax Identification Number (TIN) Structures for EU Member States:

https://ec.europa.eu/taxation_customs/tin/pdf/en/TIN_-_subject_sheet_-_1_structure_summary_en.pdf