

Frequently Asked Questions (FAQ) CRS

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General

What is the Standard for Automatic Exchange of Financial Information in Tax Matters (“AEOI”)?

The *Standard for Automatic Exchange of Financial Information in Tax Matters* (“AEOI”) is a standardised automatic exchange model, which builds on the FATCA IGA to maximise efficiency and minimise costs. This model is supported by the G20 and the OECD in close co-operation with the EU and other stakeholders.

Sixty-one jurisdictions have signed a multilateral agreement, which provides for the automatic exchange of information. The Competent Authority Agreement implements the Standard for automatic exchange, specifying the details of what information will be exchanged and when. While the agreement is multilateral, the actual exchanges are bilateral.

What is CRS?

CRS, the acronym for the “Common Reporting Standard”, is part of the *Standard for Automatic Exchange of Financial Information in Tax Matters* (“AEOI”). It contains the due diligence rules that financial institutions need to follow to collect and then report the information.

What is the purpose of the AEOI?

For many years automatic exchange of information has been widely practised by many countries as a very effective tool to counter tax evasion and to increase voluntary tax compliance.

Through the adoption of a common approach to automatic exchange of information, offshore tax evasion can be tackled more effectively.

The standard brought by the AEOI sets the rules on the collection and reporting of information by financial institutions.

When does CRS begin?

In EU CRS is applicable as of **1 January 2016**, the first reporting by all financial institutions in EU will be made in 2017 for the account balances as of 31.12.2016.

Who is impacted by CRS?

CRS is far-reaching and can impact any person, whether Private Individual or Legal Entity, resident in any Participating CRS Jurisdiction, EU included. CRS imposes obligations on Financial Institutions to

- identify Account Holder,
- report accounts held directly or indirectly by Foreign Tax Residents to the local tax authorities.

For example:

The Financial institution in Bulgaria has to report the accounts of its individual customers, who are tax residents in Germany or France or any other Participating country, different from Bulgaria.

Subsequently, the local tax authorities will automatically exchange this information with the relevant Participating CRS Jurisdiction. This means that the local tax authority will send automatically the account information to the tax authority in the country, where the client is tax resident and has to pay taxes.

Local accounts are not reported under the CRS. This means that in principle a Financial Institution in Bulgaria, for example, will not have to automatically report under the CRS the account of individuals or active entities or passive entities with controlling shareholders, who are tax residents in Bulgaria, because they are not reportable persons under the CRS.

What information does ICard AD report to the tax authorities to comply with CRS?

CRS requires reporting by all Financial Institutions to the local tax authorities on:

- the identity of each Reportable Account Holder on their Reportable Accounts as of 31.12.2016
- the balance on these accounts as at 31st December of each year
- income (interest, dividends, gross proceeds, and other income) on these accounts.

The first reporting in 2017 will cover the year 2016. The local tax authorities will forward this information to the tax authorities of the relevant Participating CRS Jurisdiction.

Undocumented individuals will be reported to the local tax authorities but will not be passed on to any other Participating CRS Jurisdiction as these accounts will not have a residence jurisdiction identified.

When does CRS reporting begin?

The first reporting will occur in 2017 and will cover the year 2016. ICard AD, as all EU banks, will report to their local tax authorities. The Participating CRS Jurisdictions will forward the information to the relevant tax authorities by 30 September of the reporting year at the latest.

Am I allowed to determine which data is going to be reported to the tax authorities?

No. What needs to be reported is determined by law.

Is the withholding tax system similar to the one applicable under FATCA?

No.

FATCA introduced a 30% penalty withholding tax system on withholdable payments made to foreign financial institutions that do not comply with the disclosure obligations imposed by FATCA ("Non-participating financial institutions").

There is no such withholding tax system under the AEOL.

What are the consequences for ICard AD of having clients with foreign Indicia?

If a customer shows an Indicum, such as a foreign residence address or one or more foreign telephone numbers and no Bulgarian telephone number, ICard AD must treat the customer as a resident for tax purposes of each Participating CRS Jurisdiction other than Bulgaria for which an indicium is identified, unless ICard AD has obtained documentation that confirms that the customer is not a Tax Resident of such Participating CRS Jurisdiction.

The AEOL legislation requires that customers who have Tax Resident status in a foreign Participating CRS Jurisdiction as well as Undocumented customers be reported to the Bulgarian tax authorities.

Accounts of Individuals

When am I considered a foreign Tax Resident?

As a natural person, you are considered having Tax Resident status in the country where you reside. For ICard AD, it means that, if you reside outside Bulgaria, you may be considered as a Reportable Person.

You may be a Tax Resident of several countries simultaneously. If your customer details show Indicia related to one or several countries, we consider the possibility that you might be a f Foreign Tax Resident and Reporatble Person, in which case ICard AD will ask you to confirm your tax residencies.

For the United States (FATCA regulation), you are considered a U.S. Resident for tax purposes, and therefore U.S. Reporatble Person, if you are a citizen or resident of the United States (holders of a Permanent Resident Card or 'Green Card'), or if you meet the Substantial Test of Presence for the calendar year.

What are the Indicia applicable under the Standard for Automatic Exchange of Financial Information in Tax Matters ("AEOI")?

Indicia are indicators that a person, private individual or legal entity, could be considered as a Tax Resident in another country.

For private individuals, they usually are:

- ✓ Residence address in a Participating CRS Jurisdiction other than the country of residence of the reporting Financial Institution,
- ✓ Current (mailing, residence, post office box or c/o) address in a Participating CRS Jurisdiction,
- ✓ Sole address is a care of address or hold mail in a Participating CRS Jurisdiction,
- ✓ One or more telephone numbers in a Participating CRS Jurisdiction and no telephone number in the country of residence of the reporting Financial Institution (e.g. a customer who has a French telephone number in ICard AD, but no Bulgarian telephone number),
- ✓ A currently effective power of attorney or signatory authority granted to a person with a (mailing, residence, post office box or c/o) address in a Participating CRS Jurisdiction.
- ✓ Standing instructions from an account opened in ICard AD to an account maintained in a Participating CRS Jurisdiction.

Having one of these indicia does not mean that the client has in fact Tax Resident status in another jurisdiction, only that he needs closer scrutiny.

If I am a sole trader or independent contractor, using PremioCard account for my business activity, will I be considered an individual foreign Tax Resident?

Yes. If you use PremioCard account for your business activity or as a consumer and you are a foreign Tax Resident status, you may be considered as a Reportable individual person and your account as Reportable account of individual, not entity.

What is a Reportable Account under CRS?

Any Financial Account, including deposit account, payment account, account for e-money, prepaid cards account and similar, that falls into the scope of CRS reporting and which is held by:

- one or more Reportable Persons – individuals or entities, which are foreign tax persons, or
- a Passive NFE (passive non financial foreign entity) with one or more Controlling Person(s) Reportable Person(s) who is/are (a) , or
- any Non-documented Individual.

The PremioCard accounts and other payment accounts or accounts for e-money provided by ICard AD are financial accounts.

Credit cards are not a financial account in principle.

Which information will be reported to the tax authorities regarding reportable individual accounts?

To be compliant a reporting Financial Institution is required to disclose details of any individual who is an Account Holder and a Reportable Person, in short, who falls into the scope of CRS. The information that must be provided includes:

1) The name, address, jurisdiction(s) of residence, Taxpayer Identification Number(s) ("TIN") and date and place of birth;

2) The account number(s);

3) The year-end account balance(s) or value (starting 31st December 2016) or, if an account was closed during the year, a "0"-balance for that account; and

4) In the case of any:

a. Custodial Account:

i. The total gross amount of interest, dividends or other income generated with respect to the assets held in the account, in each case paid or credited to the account during the calendar year or other appropriate reporting period; and

ii. The total gross proceeds from the sale or redemption of Financial Assets paid or credited to the account during the calendar year or other appropriate reporting period.

b. Depository Account or accounts like PremioCard accounts or other payment or e-money accounts:

i. The total gross amount of interest paid or credited to the account during the calendar year or other appropriate reporting period; and

c. Account other than a Custodial Account or a Depository Account:

i. The total gross amount paid or credited to the Account Holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the reporting Financial Institution is the obligor or debtor, including the aggregate amount of any redemption payments made to the Account Holder during the calendar year or other appropriate reporting period.

Remark:

Disclosure is required not only in relation to direct Account Holders but also to any Controlling Person of Account Holders, that are Passive NFEs (see below).

Does ICard AD have any plans to stop accepting private foreign customers, due to CRS?

Foreign Tax Residents are and remain welcome in ICard AD for banking solutions as long as they are willing to comply with the CRS obligations.

I am already a client of ICard AD and I've been contacted by ICard AD because I have foreign Indicia. Am I obliged to fill in the self-certification form?

It is strongly recommended to fill in the self-certification form. You should be aware that, should you not fill in this form, ICard AD will be obliged to treat your account/s as Reportable accounts and to report your accounts to the Bulgarian Tax Authorities.

The information in the ICard AD database is not correct and I have no foreign link. What can I do to cure this situation?

Please contact our customer support team. Depending on the Indicium in the ICard AD database, you will have to provide additional documentation.

I am an Italian national and have an Italian identity card and an Italian passport but I live and work in Bulgaria and only use my Italian passport when I travel abroad. Am I considered as a Italian resident for tax purposes?

No. If you have no foreign Indicium whatsoever beside your foreign citizenship, you will not be considered as a foreign Tax Resident. The Bank may contact you to clarify this.

I am a U.S. citizen and I have provided ICard AD with all the documentation requested under FATCA. The United States don't participate in the CRS as they have devised their own reporting system. Will ICard AD contact me for CRS?

Being a Specified U.S. Person under FATCA does not necessarily mean that you will not have to provide additional documentation under the CRS. Indeed, as a U.S. citizen, you can also be a resident in any other Participating CRS Jurisdiction. ICard AD may contact you to request additional documentation, in case this would be required under CRS.

Accounts of Legal Entities

Are the accounts, such as PremioCard account, of entities, which are foreign tax residents to be reported under CRS?

Yes. The entities (legal persons or companies, like limited liability company, joint stock company or others, organizations or memberships or similar), which are incorporated outside Bulgaria are foreign tax residents and are Reportable Persons, with the exception of entities, which are Financial Institutions (like banks or E-money institutions or similar) or some Active NFFE (see below). international organizations.

Entities, using PremioCard accounts, which are not falling in the exceptions of Active NFFE excluded from Reportable Persons, and which are incorporated outside Bulgaria, are Reportable Persons.

Who is a Reportable Person and what is a Non-financial Entity ("NFE")?

The foreign Tax Resident entity is a Reportable Person.

For example: For ICard AD a company, incorporated and established in Bulgaria, which has opened account with ICard AD, is a foreign Tax Resident and a Reportable Person.

A Non-financial Entity is a legal entity that is not a Financial Institution.
There are two categories of NFEs:

1. Active NFEs are engaged in an active trade or business (production, industry, non-financial services, consultancy, marketing, sales, tourism, restaurants, services, etc.) where less than 50% of their gross income for the preceding calendar year is passive income (see what is passive income below).

Example: A bakery produces bread and more than 50% of its incomes comes from its commercial activity.

Reportable person in this case is the Entity only, i.e. the bakery. If the Bakery is a company in Bulgaria, ICard AD will have to report the account of this company to the Bulgarian tax authorities and they will have to transfer the information to the Bulgarian tax authorities.

2. Passive NFEs have more than 50% of their income that derives from passive income (a. o. dividends, interests, rents, royalties, annuities).

Example: A company, which keeps cash and does not have active income or any commercial activity, different from passive incomes. Or, in the example above - the same bakery, but it has a large investment portfolio (has invested in shares or bonds or real estate) and has more than 50% of its income from these investments than from its business activity.

Reportable person in this case is the Entity and the Controlling Persons in the Entity. If the Bakery is a company in Bulgaria, ICard AD will have to report the account of this company to the Bulgarian tax authorities and they will have to transfer the information to the Bulgarian tax authorities. If the Controlling persons (the person who owns more than 25% of the shares) are two – one individual, who is a Bulgarian Tax Resident, and a second individual, who is a Greek Tax Resident, ICard AD will have to report also the Controlling Persons to the Bulgarian Tax authorities, and they will have to transfer the information for the Controlling persons to the respective tax authorities in Bulgaria for the first, and in Greece – for the second Controlling person.

Is my company obliged to fill-in the Self-certification form to be provided by ICard AD and why?

Yes. It is very important to fill the self-certification form provided by ICard AD. We may need to correctly classify your entity as an Active NFE or a Passive NFE or even Active NFE, which is exempt from reporting under the CRS.

If you refuse to submit a completed self-certification form provided by ICard AD, we will be obliged to treat your entity as Passive NFE and report the Entity and the Controlling Persons to the Bulgarian Tax Authorities. If you have questions related to the Self-certification form, please contact our Customer support.

What are the Indicia applicable under the Standard for Automatic Exchange of Financial Information in Tax Matters ("AEOI")?

Indicia are indicators that a person, private individual or legal entity, could be considered as a Tax Resident in another country.

For legal entities, they usually are:

- The country of incorporation or residence is a Participating CRS Jurisdiction other than the country of residence of the reporting Financial Institution,
- Current (mailing, residence, post office box or c/o) address is in a Participating CRS Jurisdiction.

Having one of these indicia does not mean that the client is in fact a Tax Resident of another jurisdiction, only that he needs closer scrutiny.

What is a Reportable Account under CRS?

Any Financial Account that falls into the scope of CRS reporting and which is held by:

- one or more Reportable Persons, or
- a Passive NFE with one or more Controlling Persons who is a Reportable Person, or
- any Non-documented Individual.

Which information will be reported to the tax authorities regarding entity accounts?

To be compliant a reporting Financial Institution is required to disclose details of any entity that is an Account Holder and a Reportable Person, in short, who falls into the scope of CRS. The information that must be provided includes:

- 1) The name, address, jurisdiction(s) of residence, and Taxpayer Identification Number(s) ("TIN") of the entity;
- 2) The account number(s);
- 3) The year-end balance or value (starting 31st December 2016) of each account or, if an account was closed during the year, a "0"-balance for that account; and

4) In the case of any:

a. Custodial Account:

i. The total gross amount of interest, dividends or other income generated with respect to the assets held in the account, in each case paid or credited to the account during the calendar year or other appropriate reporting period; and

ii. The total gross proceeds from the sale or redemption of Financial Assets paid or credited to the account during the calendar year or other appropriate reporting period.

b. Depository Account, including PremioCard account or other payment or e-money accounts:

The total gross amount of interest paid or credited to the account during the calendar year or other appropriate reporting period; and

c. Account other than a Custodial Account or a Depository Account:

The total gross amount paid or credited to the Account Holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the reporting Financial Institution is the obligor or debtor, including the aggregate amount of any redemption payments made to the Account Holder during the calendar year or other appropriate reporting period.

In addition, in the case the entity is a Passive FNFE Account Holder and is identified as having one or more Controlling Persons who are Reportable Persons, the reporting Financial Institution is required to disclose:

- 1) The name, address, jurisdiction(s) of residence, and Taxpayer Identification Number(s) ("TIN") of the entity; and
- 2) The name, address, jurisdiction(s) of residence, Taxpayer Identification Number(s) ("TIN") and date and place of birth of each Controlling Person who is a Reportable Person.

Glossary

Account Holder

Person listed or identified as the holder of a Financial Account by the Financial Institution that maintains the account.

A person, other than a Financial Institution, holding a Financial Account for the benefit or account of another person as agent, custodian, nominee, signatory, investment advisor, or intermediary, is not treated as holding the account for purposes of the Common Reporting Standard, and such other person is treated as holding the account.

In the case of a Cash Value Insurance Contract or an Annuity Contract, the Account Holder is any person entitled to access the cash value or change the beneficiary of the contract.

If no person can access the cash value or change the beneficiary, the Account Holder is any person named as the owner in the contract and any person with a vested entitlement to payment under the terms of the contract. Upon the maturity of a Cash Value Insurance Contract or an Annuity Contract, each person entitled to receive a payment under the contract is treated as an Account Holder.

Active NFE

Non-financial Entity that has one of the following characteristics:

- a. Generated for the preceding calendar year or other appropriate reporting period 50 per cent or more of its gross income from active operations (as opposed to investments); OR
- b. NFE (or Related Entity) regularly traded on an established securities market; OR
- c. Holding NFE that is a member of a non-financial group. 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 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; OR
- d. Start-up NFE. 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; OR
- e. NFE that is liquidating or reorganising and was not a Financial Institution in the past five years; OR
- f. Treasury centre that is a member of a non-financial group. 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 provided that the group of any such is primarily engaged in a business other than that; OR
 - income earned from extending credit to customers with respect to Financial Assets held in custody (or acquired through such extension of credit);
 - income earned on the bid-ask spread of Financial Assets held in custody;
 - fees for providing financial advice with respect to Financial Assets held in (or potentially to be held in) custody by the entity; and
 - fees for clearance and settlement services.

Entities that safe keep Financial Assets for the account of others, such as custodian banks, brokers and central securities depositories, would generally be considered Custodial Institutions. Entities that do

not hold Financial Assets for the account of others, such as insurance brokers, will not be Custodial Institutions.

Depository Account

Includes:

- Financial Institution in the ordinary course of a banking or similar business; Any commercial, checking, savings, time, or thrift account, or an account that is evidenced by a certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar instrument maintained by a
- An amount held by an insurance company pursuant to a guaranteed investment contract or similar agreement to pay or credit interest thereon;
- An account that is evidenced by a passbook.

Negotiable debt instruments that are traded on a regulated market or over-the counter market and distributed and held through Financial Institutions would not generally be considered Depository Accounts, but Financial Assets.

Depository Institution

Entity that accepts deposits in the ordinary course of a banking or similar business.

An entity is considered to be engaged in a “banking or similar business” if, in the ordinary course of its business with customers, the entity accepts deposits or other similar investments of funds and regularly engages in one or more of the following activities:

- a. makes personal, mortgage, industrial, or other loans or provides other extensions of credit; OR
- b. purchases, sells, discounts, or negotiates accounts receivable, instalment obligations, notes, drafts, checks, bills of exchange, acceptances, or other evidences of indebtedness; OR
- c. issues letters of credit and negotiates drafts drawn thereunder; d. provides trust or fiduciary services; OR
- e. finances foreign exchange transactions; OR
- f. enters into, purchases, or disposes of finance leases or leased assets.

An entity is not considered to be engaged in a banking or similar business if it solely accepts deposits from persons as a collateral or security pursuant to a sale or lease of property or pursuant to a similar financing arrangement between such entity and the person holding the deposit with the entity.

Savings banks, commercial banks, savings and loan associations, and credit unions would generally be considered Depository Institutions. However, whether an entity conducts a banking or similar business is determined based upon the character of the actual activities of such entity.

Early Adopter Countries

Countries that have agreed to become Participating CRS Jurisdictions as of 2016 and to enact domestic legislation to require local Financial Institutions to start CRS identification on 1 January 2016 and reporting in 2017.

Excluded Account

Accounts that would otherwise be CRS Financial Accounts, but are excluded from the review requirements because they are considered to be at low risk of being used for tax evasion and are therefore not Reportable Accounts. This category includes: a. certain retirement or pension accounts,

b. certain savings accounts,

c. certain life insurance contracts,

d. certain estates,

e. certain escrow accounts,

f. certain depository accounts, and

g. local law exceptions.

Foreign Account Tax Compliance Act ("FATCA")

U.S. legislation, included in the Hiring Incentives to Restore Employment ("HIRE") Act on 18 March 2010, that is primarily a reporting system, i.e. a global system of automatic exchange of information between the United States and other countries. Amongst other, non-U.S. financial institutions have to

- **Identify** and obtain information on account holders that is necessary to determine which accounts are U.S. reportable accounts;
- Annually **report** information on their customer data, their account balances and financial income.

Financial Account

Includes:

1. a Depository Account,

2. a Custodial Account and: a. in the case of an Investment Entity, any equity or debt interest in the Financial Institution. Notwithstanding the foregoing, the term "Financial Account" does not include any equity or debt interest in an entity that is an Investment Entity solely because it

(i) renders investment advice to, and acts on behalf of, or

(ii) manages portfolios for, and acts on behalf of, a customer for the purpose of investing, managing, or administering Financial Assets deposited in the name of the customer with a Financial Institution other than such entity; AND b. in the case of a Financial Institution not described in the above

paragraph, any equity or debt interest in the Financial Institution, if the class of interests was established with a purpose of avoiding reporting in accordance with Section I of the Agreement; AND

c. any Cash Value Insurance Contract and any Annuity Contract issued or maintained by a Financial Institution, other than a noninvestment-linked, non-transferable immediate life annuity that is issued to an individual and monetizes a pension or disability benefit provided under an account that is an Excluded Account.

The term “Financial Account” does not include any account that is an Excluded Account.

Financial Institution

- Custodial Institution,
- Depository Institution,
- Investment Entity, or
- Specified Insurance Company.

Governmental entities, international organisations, central banks or their wholly owned subsidiaries are also considered as financial institutions under CRS albeit non-reporting financial institutions unless a payment is derived from commercial financial activities in which they would intervene.

G20

The Group of Twenty (also known as the G-20 or G20) is an international forum for the governments and central bank governors from 20 major economies. The members include 19 individual countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States)

along with the European Union (EU). The EU is represented by the European Commission and by the European Central Bank.

Indicia

Indicators that a person, private individual or legal entity, could be considered as a Tax Resident in another country.

For private individuals, they usually are:

- Residence address in a Participating CRS Jurisdiction other than the country of residence of the reporting Financial Institution,
- Current (mailing, residence, post office box or c/o) address in a Participating CRS Jurisdiction,
- Sole address is a care of address or hold mail in a Participating CRS Jurisdiction,
- One or more telephone numbers in a Participating CRS Jurisdiction and no telephone number in the country of residence of the reporting Financial Institution,
- A currently effective power of attorney or signatory authority granted to a person with a (mailing, residence, post office box or c/o) address in a Participating CRS Jurisdiction.
- Standing instructions (other than with respect to a Depository Account) from an ICard AD account to an account maintained in a Participating CRS Jurisdiction.

For legal entities, they usually are:

- The country of incorporation or residence is a Participating CRS Jurisdiction other than the country of residence of the reporting Financial Institution,
- Current (mailing, residence, post office box or c/o) address is in a Participating CRS Jurisdiction.

Intergovernmental Agreement ("IGA")

Bilateral agreement between a country's tax authority and the U.S. government that facilitates compliance with FATCA. The model agreements enable Foreign Financial Institutions in the designated jurisdictions to comply with FATCA, especially where privacy laws exist. There are currently two types of IGAs: Model 1 and Model 2.

Investment Entity

Entity:

- a. that primarily conducts as a business one or more of the following activities or operations for or on behalf of a customer:
 - (i) trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.); foreign exchange; exchange, interest rate and index instruments; transferable securities; or commodity futures trading; OR
 - (ii) individual and collective portfolio management; OR
 - (iii) otherwise investing, administering, or managing Financial Assets or money on behalf of other persons; OR
- b. the gross income of which is primarily attributable to investing, reinvesting, or trading in Financial Assets, if the entity is managed by another entity that is a Depository Institution, a Custodial Institution, a Specified Insurance Company, or an Investment Entity.

Note: An investment entity includes an entity that functions (or holds itself out) as an investment fund, such as private equity fund, venture capital fund, leverage 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 investments purposes.

Non-financial Entity (“NFE”)

Any entity that is not a Financial Institution.

Organisation for Economic Co-operation and Development (“OECD”)

An international economic organisation of 34 countries, founded in 1961 to stimulate economic progress and world trade, it is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seeking answers to common problems, identify good practices and coordinate domestic and international policies of its members.

Participating CRS Jurisdiction

Jurisdiction that signed a Competent Authority Agreement. It includes all European Union Member States (by application of the Directive on Administrative Cooperation (Directive 2014/107/UE)).

Until now, 61 jurisdictions have signed the multilateral Competent Authority Agreement to automatically exchange information under the Standard. At present, signatories are:

- Early Adopter Countries: Anguilla, Argentina, Belgium, Bermuda, the British Virgin Islands, the Cayman Islands, Colombia, Croatia, Curaçao, Cyprus, the Czech Republic, Denmark, Estonia, the Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Ireland, the Isle of Man, Italy, Jersey, South Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mauritius, Mexico, Montserrat, the Netherlands, Norway, Poland, Portugal, Romania, San Marino, the Seychelles, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, the Turks & Caicos Islands, and the United Kingdom.
- Second Wave Countries: Albania, Aruba, Australia, Austria, Canada, Chile, Costa Rica, Ghana, Indonesia, New Zealand, and Switzerland.

Other countries have already committed to implement CRS but have not yet committed to a date. For the purpose of this document, Participating CRS Jurisdiction means any signatory country other than Bulgaria.

Passive Income

Includes the portion of gross income that consists of:

- (i) dividends and dividend substitute payments (income equivalent to dividend); OR
- (ii) interest and income equivalent to interest; OR
- (iii) income equivalent to interest rents and royalties, other than rents and royalties derived in the active conduct of a business conducted, at least in part, by employees of the NFE; OR
- (iv) annuities; OR
- (v) the excess of gains over losses from the sale or exchange of Financial Assets that gives rise to the Passive Income described previously; OR

- (vi) the excess of gains over losses from transactions (including futures, forwards, options and similar transactions) in any Financial Assets; OR
- (vii) the excess of foreign currency gains over foreign currency losses; OR
- (viii) net income from swaps; OR
- (ix) amounts received under Cash Value Insurance Contracts.

Notwithstanding the foregoing, Passive Income will not include, in the case of a NFE that regularly acts as a dealer in Financial Assets, any income from any transaction entered into in the ordinary course of such dealer's business as such a dealer.

Passive NFE

Entity that is not an Active NFE.

A Financial Institution in a country that is not a Participating CRS Jurisdiction will be treated as a Passive NFE for the purposes of CRS and required to identify their Controlling Persons who are Reportable Persons in Participating CRS Jurisdictions.

Reportable Account

Financial Account held by one or more Reportable Persons or by a Passive NFE with one or more Controlling Persons who is/are (a) Reportable Person(s).

Reportable Person

Tax Resident of a Participating CRS Jurisdiction.

Second Wave Countries

Countries that have agreed to become Participating CRS Jurisdictions as of 2017 and to enact domestic legislation to require local Financial Institutions to start CRS identification on 1 January 2017 and reporting in 2018.

Substantial Test of Presence

You will be considered a U.S. resident for tax purposes (under FATCA) if you meet the "substantial test of presence". To meet this test, you must have been physically present in the United States for at least:

- 31 days during last year, and
- 183 days during the 3-year period that includes last year and the previous two years, counting:
 - o All the days you were present during last year, and
 - o 1/3 of the days you were present the year before, and o
 - 1/6 of the days you were present the previous year.

Tax Resident

Individual or entity resident under a tax law of a jurisdiction when there is a full liability to tax. The concept of tax residency may differ from jurisdiction to jurisdiction. Common international criteria that may be factored into tax residency include:

- (A)** Domicile in a jurisdiction; OR
- (B)** Place of effective management or incorporation/organisation; OR
- (C)** Nationality.

It should be noted that a temporary stay in a jurisdiction can contribute to tax residency. Further it is possible that an individual or entity is considered a Tax Resident in more than one jurisdiction². Government officials, diplomats and military personnel are generally Tax Resident in their home jurisdiction.

² An individual has his permanent home in Jurisdiction A and is taxed as being a resident of Jurisdiction A. He has had a stay of more than six months in Jurisdiction B and according to the legislation of the latter Jurisdiction he is, in consequence of the length of the stay, taxed as being a resident of that Jurisdiction. Thus, he is resident of both Jurisdictions.

The actual determination of tax residency takes place under the local tax regime(s). A tie-breaker rule is included in tax conventions between two jurisdictions, which in case of double tax residency determine what your tax residency is. Participating Jurisdictions are expected to help taxpayers determine, and provide them with information with respect to, their residence(s) for tax purposes. That may be done, for example, through the various service channels used for providing information or guidance to taxpayers on the application of tax laws (e.g. phone, walk-in offices, internet).

The domestic laws of the other countries lay down the conditions under which an entity is to be treated as tax resident. They cover various forms of attachment to a country which, in the domestic taxation laws, form the basis of a comprehensive taxation (full tax liability). You can check the conditions with the local government or by visiting the website www.oecd.com/taxresidence. We are not allowed to provide tax advice to determine a client's tax residence.

Legal arrangements and tax residency: An entity such as a legal arrangement, that has no residence for tax purposes (transparent entities) is tax resident for CRS purposes in the jurisdiction in which its place of effective management is located. If there is no place of effective management, the address of its principal office can serve as a proxy for determining residence. Please note therefore that the residence for CRS purposes may differ from the residence for other purposes. Please consult a tax advisor if you are not sure about your tax residence.

Taxpayer Identification Number ("TIN")

Identifying number used by receiving Account Holders or Controlling Persons. ³ tax authorities to identify individual

³ The Participating CRS Jurisdictions receiving the Information forwarded by the Local Tax Authorities.

Undocumented Account or Individual

If a "hold mail" instruction or "in-care-of" address is the sole address available for a customer and no other address or other indicia are identified for the customer, Financial Institutions must obtain a self-certification from the customer to establish his Tax Residence(s). If a Financial Institution cannot obtain such self-certification, it must report the account of the individual as an Undocumented Account. The individual will in that case be classified as Undocumented Individual.