Friends Provident International

Automatic Exchange of Information (AEOI) definitions

This document provides definitions for some of the terminology used in both CRS (Common Reporting Standards) and FATCA (Foreign Account Tax Compliance Act).

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

Active Non-Financial Entity (Active NFE) means any NFE that meets any of the criteria below (a) to h)). For FATCA, an Active NFE is known as Active Non-Financial Foreign Entity (Active NFFE) and has similar criteria. Please refer to the applicable provisions for the differences.

a) More than 50% of the entity's gross income during the last year consisted of active income and less than 50% of the assets held by the entity were used to produce passive income.

b) The stock of the entity is regularly traded on an established securities market or the entity is a Related Entity of an entity whose stock is regularly traded on an established securities market.

c) The entity is a governmental entity, an international organisation or a central bank (or an entity wholly owned by one of the foregoing)

d) The entity is a holding company or financing company if the entity either:

   i) Primarily perform activities that consist of holding one or more subsidiaries, or providing financing services to one or more subsidiaries, or a combination of both and

   ii) The activities mentioned above are provided to one or more subsidiaries that are active operating companies (i.e. operating company being a non-financial institution which generates 50% or more of its gross income from active operations or the entity fulfils the criteria in (iii) below)

   iii) If the entity does not primarily fulfil activities under (i) but the entity has apart from income from subsidiaries other income then that income should meet the definition of active entity (see (a) above)

e) The entity is a non-profit organisation

f) The entity is in liquidation or reorganization if the entity:

   i) Is currently in liquidation or bankruptcy, or is the entity reorganizing to resume activities and has not been considered a financial institution for the last 5 years;

   ii) In case of a reorganization, the entity is planning to operate a business other than the business of a financial institution.

g) The entity is a treasury centre:

   The entity is a treasury centre in a group that is primarily engaged in a business other than the business of a financial institution and the entity does not provide treasury services to third parties or to financial institutions (treasury services to financial institutions which are group entities is also not allowed).

h) The entity is a start-up company if the entity:

   i) Is established less than 24 months ago and the entity is currently not operating a business and has previously not operated a business; and

   ii) The entity is not planning to operate the business of a financial institution.

Important: You may want to seek independent professional or tax advice if you are not sure whether the entity is an Active NFE/Active NFFE.

Controlling Person means the natural person(s) who exercise direct or indirect control over an entity. Control over an entity is generally exercised by the natural person(s) who ultimately has a controlling ownership interest in the entity.

In the case of a trust, such term means 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 like a company or partnership*, such term means

persons in equivalent or similar positions (e.g. Directors, Beneficial Owners and Shareholders).

* Controlling ownership interest depends on the ownership structure of the company. It may be based on a threshold e.g. any person owning more than a certain percentage of the company (e.g. 25%).

CRS stands for Common Reporting Standards. Developed by the OECD (Organisation for Economic Cooperation and Development), CRS is a global reporting standard for the automatic exchange of information (AEOI). The goal of CRS is to allow tax authorities to obtain a clearer understanding of financial assets held abroad by their residents, for tax purposes.

Direct Reporting NFFE (FATCA only) is an entity that is not a Financial Institution and elects to report its direct or indirect US owners to the IRS on Form 8966. It has registered with the IRS and obtained a GIIN.

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

Exempt Beneficial Owner (FATCA only) means a non-reporting Entity such as

a) Governmental Organisation (non-US government or political subdivision thereof),

b) International Organisation or supranational organisation whose income does not benefit private persons

c) Central Bank that is the principal authority in issuing instruments intended to circulate as currency

d) Retirement Plan that provides retirement benefits to current or former employees

e) Entity wholly owned by an Exempt Beneficial Owner.

FATCA stands for Foreign Account Tax Compliance Act. This became US law in March 2010.

Financial Institution (FI) means a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company. Further definitions of each Financial Institution are given below.

a) Custodial Institution means any entity that holds, as a substantial portion of its business, financial assets for the account of others. An entity holds financial assets for the account of others as a substantial portion of its business if the entity's gross income attributable to the holding of financial assets and related financial services equals or exceeds 20% of the Entity's gross income during the shorter of:

   i) three years prior to the current year or;

   ii) the period during which the entity has been in existence;

b) Depository Institution means any entity that accepts deposits in the ordinary course of a banking or similar business; (e.g. a bank or a financial leasing company)

c) Investment Entity means any entity that conducts as a business (or is managed by an entity that conducts as a business) one or more of the following activities or operations for or on behalf of a customer: (1) 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; (2) individual and collective portfolio management; or (3) otherwise investing, administering, or managing funds or money on behalf of other persons.

d) Specified Insurance Company means any entity that is an insurance company (or the holding company of an insurance company) that issues, or is obligated to make payments with respect to, a Cash Value Insurance Contract or an Annuity Contract.

Foreign Financial Institution (FFI) means a non-US Financial Institution that meets one of the Financial Institution criteria above.

GIIN stands for Global Intermediary Identification Number. This is the reference number issued to entities from the FATCA Registration System.

IRAS stands for Inland Revenue Authority of Singapore. This is a statutory board under the Ministry of Finance of the Government of Singapore in charge of tax collection.

IRS stands for Inland Revenue Services. This is the US government agency responsible for the collection of taxes and enforcement of tax laws.

International Organisation means any international organisation or wholly owned agency or instrumentality thereof. This category includes any intergovernmental organisation (including a supranational organisation) (i) that is comprised primarily of governments; (ii) that has in effect a headquarters or substantially similar agreement with the country; and (iii) the income of which does not inure to the benefit of private persons.

Non-Financial Entity (NFE) means any entity other than a Financial Institution.

Non-Financial Institution means an entity other than a Financial Institution. Entities that are not financial institutions can be classified as Active NFE or Passive NFE.

Non-Financial Foreign Entity (FATCA only) means an entity that is a non-US entity that is not treated as a Financial Institution.

Non-Participating Foreign Financial Institution (FATCA only) means a non-US financial institution that does not comply with the FATCA provisions and is subject to withholding under FATCA.

Non-Participating Jurisdiction means a jurisdiction that is not a Participating Jurisdiction for CRS.

Non-Reporting Financial Institution means any Financial Institution that is:

a) a Governmental Entity, International Organisation or Central Bank, other that with respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in by a Specified Insurance Company, Custodial Institution or Depositary Institution

b) a Broad Participation Retirement Fund; a Narrow Participation Retirement Fund, a Pension Fund of a Governmental Entity, International Organisation or Central Bank; or Qualified Credit Card Issuer.

c) An Exempt Collective Investment Vehicle or

d) A trust to the extent that the trustees of the trust is a Reporting Financial Institution and reports all necessary information about the trust's Reportable Accounts;

e) Any other Entity that a country defines as a Non-Reporting Financial Institution in its domestic law.

Non-US Entity means an Entity that is not a US Person.

Participating Foreign Financial Institution (FATCA only) means a non-US financial institution that enters into an FFI agreement with the IRS.

Participating Jurisdiction means a jurisdiction with which an agreement is in place to provide specific information for CRS and which is identified in a published list.

Participating Jurisdiction Financial Institution means 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 any branch of the Financial Institution that is not resident in a Participating Jurisdiction if that branch is located in such a Participating Jurisdiction.

Passive Income is determined by each jurisdictions particular rules, but would generally be considered to include the portion of gross income that consists of:

a) amounts received under Cash Value Insurance Contracts

b) dividends and dividend substitute payments (income equivalent to dividend);

c) interest and income equivalent to interest;

d) rents and royalties (other than rents/royalties derived in the active conduct of a trade or business conducted as least in part by employees of NFE/NFFEs)

e) annuities

f) income from swap-contracts

g) rental income of real estate property provided that this income can be obtained by performing little to no activity.

Passive Non-Financial Entity (Passive NFE) means an entity that does not classify as

a) a Financial Institution (FI) or Foreign Financial Institution (FFI) and

b) an Active NFE/NFFE and

c) a professionally managed investment entity to tax resident in a participating country.

Passive Non-Financial Foreign Entity (Passive NFFE) – FATCA only means an entity that does not classify as

a) a Financial Institution (FI) or Foreign Financial Institution (FFI) and

b) an Active NFE/NFFE

Registered Financial Institution means a financial institution that is either:

a) a intergovernmental agreement (IGA) Partner Jurisdiction

b) a Deemed Compliant Foreign Financial Institution

c) a Participating Foreign Financial Institution (PFFI)

Related Entity is an entity that is part of a group. If a Related Entity controls the other entity, or the two entities are under common control. For this purpose control includes direct or indirect ownership of more than 50% of the vote or value in an entity. For FATCA, Notwithstanding the foregoing, either Party may treat an entity as not a related entity if the two entities are not members of the same affiliated group, as defined in Section 1471(e)(2) of the Code.

Specified US Person (FATCA only) means any US person other than:

a) a corporation the stock of which is regularly traded on one or more established securities markets for a calendar year;

b) any corporation which is a member of the same expanded affiliated group as a corporation the stock of which is regularly traded on one or more established securities markets for the calendar year;

c) any organisation exempt from taxation under US federal tax law or an individual retirement plan;

d) the United States or any wholly owned agency or instrumentality thereof;

e) any state, the District of Columbia, any US territory, any political subdivision of any of the foregoing, or any wholly owned agency or instrumentality of any one or more of the foregoing;

f) any bank incorporated and doing business under the laws of the United States (including laws relating to the District of Columbia) or of any state thereof;

g) any real estate investment trust;

h) any regulated investment company, or any entity registered with the Securities Exchange Commission under the Investment Company Act of 1940;

i) any common trust fund;

j) any trust that is exempt from tax or is deemed a charitable trust;

k) a dealer in securities, commodities, or derivative financial instruments that is registered as such under the laws of the United States or any state;

l) a broker;

m) any tax exempt trust under a tax exempt or public school annuity plan or governmental plan.

Sponsored Direct Reporting NFFE (FATCA only) is an entity that is not a financial institution. It has a Direct Reporting NFFE and has agreed with that NFFE to act as its sponsoring entity.

Sponsoring Entity (FATCA only) means an entity that will perform the due diligence, withholding, and reporting obligations of one or more Sponsored Financial Institutions or the due diligence and reporting obligations of one or more Sponsored Direct Reporting NFFEs.

Sponsored Financial Institution (FATCA only) means an entity that is a financial institution but is sponsored by another entity that is a Sponsoring Entity.

Trustee-documented trusts is a trust that is a financial institution where the trustee of the trust is itself a Reporting Financial Institution and reports all the information required in respect of the Reportable Accounts of the trust

US Person (FATCA only) term means

a) a US Citizen or resident individual,

b) a partnership or corporation organised in the United States or under the law of the United States (or any state, or the District of Columbia)

c) an estate or a trust if a court within the United States would have authority under applicable laws to render order or judgments concerning substantially all issues regarding administration of the trust and one or more US Persons have the authority to control all substantial decision of the trust or an estate of a decedent that is a citizen or resident of the United States.

d) A person that meets the Substantial Presence Test (this is criterion used by the IRS to determine whether an individual who is not a citizen or lawful permanent resident qualifies as a "resident for tax purposes". More information can be found at https://www.irs.gov/individuals/international-taxpayers/substantial-presence-test)

e) Any other person that is not a foreign person.

Non-Participating Jurisdiction means a jurisdiction that is not a Participating Jurisdiction.

Non-Reporting Financial Institution means any Financial Institution that is:

a) a Governmental Entity, International Organisation or Central Bank, other than with respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in by a Specified Insurance Company, Custodial Institution, or Depository Institution;

b) a Broad Participation Retirement Fund; a Narrow Participation Retirement Fund; a Pension Fund of a Governmental Entity, International Organisation or Central Bank; or a Qualified Credit Card Issuer;

c) any other Entity that presents a low risk of being used to evade tax, has substantially similar characteristics to any of the Entities described in subparagraphs B(1)(a) and (b), and is defined in domestic law as a Non-Reporting Financial Institution, provided that the status of such Entity as a Non-Reporting Financial Institution does not frustrate the purposes of the Common Reporting Standard;

d) an Exempt Collective Investment Vehicle; or

e) a trust to the extent that the trustee of the trust is a Reporting Financial Institution and reports all information required to be reported pursuant to Section I with respect to all Reportable Accounts of the trust.

Participating Jurisdiction means a jurisdiction (i) with which an agreement is in place pursuant to which it will provide the information Specified in Section I (of the CRS), and (ii) which is identified in a published list.

Participating Jurisdiction Financial Institution 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.

FATCA ONLY: Exemptions for Entities that are US Persons but not a Specified US Person (these exemptions relate to Section 2 of the Entity Self-Certification Form)

- An organization exempt from tax under section 501(a) or any individual retirement plan as defined in section 7701(a)(37); The United States or any of its agencies or instrumentalities;
- A state, the District of Columbia, a possession of the United States, or any of their political subdivisions, or instrumentalities;
- A corporation the stock of which is regularly traded on one or more established securities markets, as described in Reg section 1.1472-1(c)(1)(i);
- A corporation that is a member of the same expanded affiliated group as a corporation described in Reg. section 1.1472-1(c)(1)(i);
- A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any state;
- A real estate investment trust;
- A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940;
- A common trust fund as defined in section 584(a);
- A bank as defined in section 581;
- A broker;
- A trust exempt from tax under section 664 or described in section 4947; or
- A tax-exempt trust under a section 403(b) plan or section 457(g) plan.

Friends Provident International Limited: Registered and Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA. Isle of Man incorporated company number 11494C. Authorised and regulated by the Isle of Man Financial Services Authority. Provider of life assurance and investment products. **Singapore branch:** 182 Cecil Street, Level 17 Frasers Tower, Singapore 069547. Registered in Singapore No. T06FC6835J. Licensed by the Monetary Authority of Singapore to conduct life insurance business in Singapore. Member of the Life Insurance Association of Singapore. Member of the Singapore Financial Dispute Resolution Scheme. **Hong Kong branch:** A122, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. Authorised by the Insurance Authority of Hong Kong to conduct long-term insurance business in Hong Kong. **Dubai branch:** PO Box 450591, Unit 706, One Za'abeel - The Offices, Za'abeel Palace Street, Za'abeel First, Dubai, UAE. Registered in the United Arab Emirates (UAE) with the Central Bank of the UAE as an insurance company. Registration date, 18 April 2007 (Registration No. 76). Registered with the Ministry of Economy as a foreign company to conduct life assurance and funds accumulation operations (Registration No. 2013). Friends Provident International is a registered trademark and trading name of Friends Provident International Limited.