

DEFINITIONS

Financial Institution

A **Financial Institution** is defined as a depository institution, a custodial institution, an investment entity or a specified insurance company.

The term **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) the three-year period that ends on December 31 (or the final day of a non-calendar year accounting period) prior to the year in which the determination is being made; or (ii) the period during which the entity has been in existence.

The term **depository institution** means any entity that accepts deposits in the ordinary course of a banking or similar business.

The term **investment entity** means an entity that primarily (more than 50% of the income) conducts as a business, or is managed by an entity that conducts as a business, one or more of the following activities or operations on behalf of a customer:

- trading of securities or other financial instruments,
- individual and collective portfolio management, or
- otherwise investing, administering or managing assets on behalf of other persons.

The term **specified insurance company** means any entity that is an insurance company (or holding company of insurance company) that issues, or is obligated to make payments with respect to, a cash value insurance contract or an annuity contract.

Active Non-Financial Entity

An **Active Non-Financial Entity** (Active NFE) is defined as an entity that is not a financial institution and meets at least one of the following criteria:

Income from sale of goods and services – More than 50% of the NFE's gross income for the previous calendar year or corresponding reporting period consists of income from business operations, i.e. less than 50% are passive income (e.g. dividends, interests, royalties etc. or income from sale of assets that generate such income). In addition, more than 50% of the NFE's assets must be held for the production of business income.

Listed company – The 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. An entity is a related entity of another entity if either the entity controls the other entity, or the two entities are

under common control. Control includes direct or indirect ownership of more than 50% of the vote and value in an entity.

Holding company – Substantially all of the activities of the NFE consist of holding 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.

Start-up company – The NFE is not yet operating a business and has no prior operation 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 shall not qualify for this exception after the date that is 24 months after the date of the initial organization of the NFE.

Corporate Treasury – The NFE primarily engages in financing and hedging transaction 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.

Liquidation & bankruptcy – The entity was not a financial institution in the past five years, and is in the process of liquidating its assets or is reorganizing with the intent to continue or recommence operations in.

Non-Profit – The NFE is a Non-Profit Organisation, e.g. a tax-exempt charity organisation, tax-exempt non-profit organisation, or tax-exempt religious community.

Governmental bodies – The NFE is a government, a political subdivision of such government, or a public body performing a function of such government or a political subdivision thereof, or an Entity wholly owned by one or more of the foregoing. **Passive Non-Financial Entity**

A **Passive Non-Financial Entity** (Passive NFE) is defined as an entity, which is neither a Financial Institution, nor an Active Non-Financial Entity.

Controlling Person

A **controlling person** is defined as a natural person who owns or exercises control, e.g. by directly or indirectly having usually >25% ownership or voting rights. If there are no natural persons with >25% ownership or voting rights, the controlling person is defined as the natural person who exercises control of the entity through other means. If no such person can be identified, the person(s) who hold(s) the position as senior management is defined as controlling person.

Non-Participating Jurisdictions

Jurisdictions that do not participate in the automatic exchange of financial information are referred to as **Non-Participating Jurisdictions**. For more information about participating countries are available on OECD Automatic Exchange Portal. More information can be obtained from the tax authorities.

*UAB Pervesk – an electronic money institution authorised by the Central Bank of Lithuania (Licence No. 17) for the issuing of electronic money and payment instruments. UAB Pervesk acts as a partner of Finrax due to provision of the services indicated in General Service Agreement available at <https://finrax.com/docs/Bank%20accounts%20-%20General%20terms.pdf>.

1 FATCA (Foreign Account Tax Compliant Act) (read more <https://www.irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca>) and CRS/DAC2 (Common Reporting Standard (read more <https://www.oecd.org/tax/automatic-exchange/common-reporting-standard/>) / Directive on Administrative Cooperation (read more <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:32011L0016>).

2 More information about Tax residence and TIN is available at <https://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-identification-numbers/>.