

Glossary

This glossary of terms has been created to provide definitions of terms used in the Tax Residency Self-Certification Form and guidance notes (2016 version). If you have any further questions about how to complete the Form, please contact your tax adviser or contact Octopus on 0800 316 2295. These definitions have been taken from the relevant HMRC Guidance Notes and the underlying Regulations, which can be found at <https://www.gov.uk/government/collections/automatic-exchange-of-information-agreements>.

This document does not give tax advice and investors should seek professional advice if they are unclear about any of the terms used.

Tax Residency

Financial Institution (under UK-US IGA)	Includes: depository institutions, custodial institutions, investment entities, specified insurance companies, and holding companies and treasury centre of a financial group.
Depository Institution	Any entity that accepts deposits in the ordinary course of banking or a similar business.
Custodial Institution	Any entity that holds, as a substantial portion of its business, financial assets for the account of others. For example, if the entity's gross income attributable to the holding of financial assets and related financial services equals or exceeds 20 percent of the entity's gross income during the shorter of: (1) 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 (2) The period during which the entity has been in existence.
Investment Entity	Any entity which falls within the scope of either (i) or (ii) below: (i) Investment entity under an IGA 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. This definition shall be interpreted in a manner consistent with similar language set forth in the definition of "financial institution" in the Financial Action Task Force Recommendations. (ii) An entity meeting the financial assets test and which is managed by a Financial Institution

	<p>An entity meets the financial assets test if its gross income is primarily (i.e. 50% or more) attributable to investing, reinvesting, or trading in financial assets.</p> <p>Note that the UK guidance contains specific rules on the treatment of certain investment entities, including trusts and the treatment of trustee-documented trusts.</p>
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Specified Insurance Company	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.
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IGA partner jurisdiction	An IGA partner jurisdiction is any jurisdiction that has signed an Inter-Governmental Agreement (IGA) with the United States.
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Non-IGA partner jurisdiction	If a jurisdiction is not an 'IGA partner jurisdiction' as defined above it will be treated as a non-IGA partner jurisdiction.
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Exempt Beneficial Owner	<p>Any of the following:</p> <ul style="list-style-type: none"> • Any foreign government, any political subdivision of a foreign government, or any wholly-owned agency or instrumentality of any one or more of the foregoing that meets the definition under 1.1471-6(b) of the US regulations. • Foreign central banks of issue; being an institution that is by law or government sanction the principal authority, other than the government itself, issuing instruments intended to circulate as currency. Such an institution is generally the custodian of the banking reserves of the country under whose law it is organised. A foreign central bank of issue may include an instrumentality that is separate from a foreign government, whether or not owned in whole or in part by a foreign government. • International organisations; being any international organisation or any wholly owned agency or instrumentality thereof. • Government of a US territory.
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Certified Deemed Compliant Financial Institution	<p>Any of the following:</p> <ul style="list-style-type: none"> • Sponsored closely held investment vehicles being a financial institution that is an Financial Institution solely because it is an investment entity and is not a qualified intermediary, withholding partnership or withholding trusts and meets the requirements set out in §1.1471-5T(f)(2)(iii) under the US regulations. • Limited life debt investment entity which meets the criteria of §1.1471-5T (f)(2)(iv) under the US regulations. • Non registering local bank being any Financial Institution which meets the criteria of §1.1471-5 (f)(2)(i) under the US regulations. • Financial Institution with only low value accounts being any Financial Institution which meets the criteria of §1.1471-5 (f) (2)(ii) under the US regulations
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	<ul style="list-style-type: none"> • Local client base Financial Institutions • Non-profit organisations • Investment advisers and investment managers under the US regulations §1.1471-5T(f)(2)(v)
<p>Non-Participating Foreign Financial Institution (NPFI)</p>	<p>A Non-Participating Financial Institution (NPFI) is a Financial Institution (FI) that is not FATCA compliant. This non-compliance arises either where:</p> <ul style="list-style-type: none"> • The FI is located in a jurisdiction that does not have an IGA with the US (a Non-IGA Partner Jurisdiction) and the FI is not deemed compliant or otherwise excepted and the FI has not entered into a FATCA Agreement with the Internal Revenue Service (IRS), or, • The FI is classified by the IRS as being a NPFI following the conclusion of the procedures for significant noncompliance being undertaken. In this case, a UK FI will only be classed as an NPFI where there is significant non-compliance with the UK legislation and, after a period of enquiry, that non-compliance has not been addressed to HMRC's satisfaction. In such circumstances, the UK FI's details may be published electronically by the IRS and the FI will cease to be covered by the IGA.
<p>Active NFFE (under UK-US IGA)</p>	<p>An NFFE is any non-US entity that is not a Financial Institution. An Active NFFE is any NFFE that meets one of the following criteria:</p> <ol style="list-style-type: none"> 1. Less than 50 per cent of the NFFE's gross income for the preceding calendar year or other appropriate reporting period is passive income and less than 50 per cent of the assets held by the NFFE during the preceding calendar year or other appropriate reporting period are assets that produce or are held for the production of passive income; 2. The stock of the NFFE is regularly traded on an established securities market or the NFFE is a related entity of an entity, the stock of which is traded on an established securities market; 3. The NFFE is organised in a US territory and all of the owners of the payee are bona fide residents of that US territory. 4. The NFFE is a non-US government, a political subdivision of such non-US government (which, for the avoidance of doubt, includes a state, province, county, or municipality), or a public body performing a function of such non-US government or a political subdivision thereof, a government of a US territory, an international organisation, a non-US central bank, or an entity wholly-owned by one or more of the foregoing. 5. Substantially all of the activities of the NFFE 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. However, the entity will not qualify as an Active NFFE if it functions (or holds itself out to be) 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. In these circumstances the entity will be a passive

	<p>NFFE;</p> <p>6. The NFFE 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 NFFE shall not qualify for this exception after the date that is 24 months after the date of the initial organisation of the NFFE;</p> <p>7. The NFFE 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;</p> <p>8. The NFFE 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;</p> <p>9. The NFFE meets all of the following requirements:</p> <p>(1) It is established and maintained in its country of residence exclusively for religious, charitable, scientific, artistic, cultural, or educational purposes;</p> <p>(2) It is exempt from income tax in its country of residence;</p> <p>(3) It has no shareholders or members who have a proprietary or beneficial interest in its income or assets;</p> <p>(4) The applicable laws of the entity's country of residence or the entity's formation documents do not permit any income or assets of the entity 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 entity's charitable activities, or as payment of reasonable compensation for services rendered, or as payment representing the fair market value of property which the entity has purchased;</p> <p>and;</p> <p>(5) The applicable laws of the entity's country of residence or the entity's formation documents require that, upon the entity'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 entity's country of residence or any political subdivision thereof.</p>
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<p>Passive Income</p>	<p>Passive Income means the proportion of gross income that consists of:</p> <ol style="list-style-type: none"> 1. Dividends, including substitute dividend amounts; 2. Interest; 3. Income equivalent to interest, including substitute interest and amounts received from or with respect to a pool of insurance contracts if the amounts received depend in whole or part upon the performance of the pool; 4. Rents and royalties, other than rents and royalties derived in the active conduct of a trade or business conducted, at least in part, by employees of the NFFE; 5. Annuities; 6. The excess of gains over losses from the sale or exchange of property that give rise to passive income described in items 1 to 5; 7. The excess of gains over losses from transactions
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	<p>(including futures, forwards, and similar transactions) in any commodities, but not including certain commodity hedging transactions or gains or losses as set out in the US Revenue Code;</p> <ol style="list-style-type: none"> 8. The excess of foreign currency gains over foreign currency losses; 9. Net income from “notional principle” contracts; 10. Amounts received under cash value insurance contracts; or 11. Amounts earned by an insurance company in connection with its reserves for insurance and annuity contracts. <p>However the following amounts are excluded:</p> <ul style="list-style-type: none"> - Any income from interest, dividends, rents or royalties that is received or accrued from a related person to the extent such amount is properly allocable to income of such related person that is not passive income; and - In the case of an NFFE that regularly acts as a dealer in property described in item 6 above, forward contracts, option contracts, or similar financial instruments: <ol style="list-style-type: none"> (i) any item of income or gain entered into in the ordinary course of business and; (ii) in the case of a dealer in securities, any income from any transaction entered into in the ordinary course of business as a dealer in securities.
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Passive NFFE	<p>Any NFFE (being an entity that is not a US entity and is not a FI) that is not an Active NFFE as defined above. If you select this option, please complete a Tax Residency Self-Certification Form for individuals for each controlling person (e.g. in the case of trusts, the settlor; trustees and any named beneficiaries; and in the case of companies, persons who control more than 25% of the capital, profits or voting rights). Forms may be downloaded at octopusinvestments.com/reporting</p>
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Direct Reporting NFFE	<p>An NFFE that elects to report on Form 8966 directly to the IRS certain information about its direct or indirect substantial US owners, in lieu of providing such information to withholding agents or participating FFIs with which the NFFE holds a financial account.</p>
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Sponsored Direct Reporting NFFE	<p>A direct reporting NFFE which is sponsored by an entity and that entity is required to report on Form 8966 (on the sponsored direct reporting NFFE’s behalf) directly to the IRS information about each sponsored direct reporting NFFE’s direct or indirect substantial US owners.</p>
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All Entities/ Branches classification under the Common Reporting Standard

	<p>The term “Investment Entity” includes two types of Entities:</p> <ol style="list-style-type: none"> 1. an Entity that primarily conducts as a business one or more of the following activities or operations for or on behalf of a customer: <ol style="list-style-type: none"> a. trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.); foreign
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<p>Investment Entity</p>	<p>exchange; exchange, interest rate and index instruments; transferable securities; or commodity futures trading;</p> <p>b. individual and collective portfolio management; or</p> <p>c. Otherwise investing, administering, or managing Financial Assets or money on behalf of other persons.</p> <p>2. The second type of “Investment Entity” (“Investment Entity managed by another Financial Institution”) is any Entity the gross income of which is primarily attributable to investing, reinvesting, or trading in Financial Assets where the Entity is managed by another Entity that is a Depository Institution, a Custodial Institution, a Specified Insurance Company, or the first type of Investment Entity defined above.</p> <p>For the purpose of both definitions above, an Entity is treated as primarily conducting as a business one or more of the activities described above in 1.), or an Entity’s gross income is primarily attributable to investing, reinvesting or trading in Financial Assets for the purpose of 2.) if the Entity satisfies the Financial Asset Test (“FAT”), i.e. if the Entity’s gross income attributable to the relevant activities equals or exceeds 50% of the Entity’s gross income during the shorter of:</p> <ul style="list-style-type: none"> • the three-year period ending on 31 December of the year preceding the year in which the determination is made; or <p>the period during which the Entity has been in existence.</p>
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<p>Non-Participating Jurisdiction</p>	<p>Any jurisdiction which is not participating within the CRS regime.</p>
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<p>Depository Institution</p>	<p>Any Entity that accepts deposits in the ordinary course of a banking or similar business.</p>
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<p>Custodial Institution</p>	<p>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 percent of the Entity’s gross income during the shorter of: (i) the three-year period that ends on 31 December (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.</p>
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<p>Specified Insurance Company</p>	<p>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.</p>
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<p>Active NFE</p>	<p>Any NFE (being an entity that is not a FI) that meets any of the following criteria:</p> <p><i>Active NFE – a corporation the stock of which is regularly traded on an established securities market or a related entity of such a corporation</i></p> <p>(i) Less than 50 percent of the NFE’s gross income for the preceding calendar year or other appropriate reporting period is passive income and less than 50 percent of the assets held by the NFE during the preceding calendar</p>
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	<p>year or other appropriate reporting period are assets that produce or are held for the production of passive income;</p> <p>(ii) 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 traded on an established securities market;</p>
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Established securities market	<p>For any calendar year—</p> <p>(i) A foreign securities exchange that is officially recognised, sanctioned, or supervised by a governmental authority of the foreign country in which the market is located, and has an annual value of shares traded on the exchange (or a predecessor exchange) exceeding \$1 billion during each of the three calendar years immediately preceding the calendar year in which the determination is being made;</p> <p>(ii) A national securities exchange that is registered under part 6 of the Securities Exchange Act of 1934 (15 USC 78f) with the Securities and Exchange Commission;</p> <p>(iii) Any exchange designated under a Limitation on Benefits article of an income tax treaty with the United States that is in force; or</p> <p>Any other exchange that the Secretary may designate in published guidance</p>
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Related Entity	<p>An entity is regarded as being related to another entity if:</p> <p>(i) One controls the other; or</p> <p>(ii) The two entities are under common control.</p> <p>Control means: Direct or indirect ownership of more than 50% of the vote and value in an entity.</p>
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Active NFE – a Government Entity or a Central Bank	The NFE is a governmental entity or a Central bank, or an Entity wholly owned by one or more of the foregoing;
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Active NFE – an International Organisation	The NFE is an International organization or an Entity wholly owned by one or the foregoing;
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Active NFE – other than above	<p>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;</p> <p>(i) 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 shall not qualify for this exception after the date that is 24</p>
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	<p>months after the date of the initial organisation of the NFE;</p> <p>(ii) 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; or</p> <p>(iii) 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.</p> <p>(iv) The NFE meets all of the following requirements:</p> <p>(a) It is established and operated in its jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, athletic, or educational purposes; or it is established and operated in its 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;</p> <p>(b) It is exempt from income tax in its jurisdiction of residence;</p> <p>(c) It has no shareholders or members who have a proprietary or beneficial interest in its income or assets;</p> <p>(d) The applicable laws of the NFE's 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 entity has purchased; and</p> <p>The applicable laws of the NFE's 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 jurisdiction of residence or any political subdivision thereof.</p>
Passive NFE	Any NFE (being an entity that is not a FI) that is not an Active NFE.