

## Glossary of CRS terms

HSBC Broking Services (Asia) Limited  
HSBC Broking Securities (Asia) Limited  
HSBC Broking Futures (Asia) Limited  
HSBC Broking Forex (Asia) Limited  
("HSBC Broking" refers to any or all of the above)

### **Active Non-Financial Entity**

Under the CRS, an Active Entity (typically a business that is a trading entity) is known as an Active Non-Financial Entity (NFE). You must meet any of the following criteria to be an Active NFE:

- less than 50% of the NFE's gross income for the preceding calendar year or other appropriate reporting period is passive 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;
- the stock of the NFE or the Related Entity of the NFE is regularly traded on an established securities market;
- the 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 (FI), 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 FI, 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 an FI 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 an FI;
- the NFE primarily engages in financing and hedging transactions with, or for, Related Entities that are not FIs, 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 an FI; or
- the NFE meets all of the following requirements:
  - it is established and operated in its country/jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, athletic, or educational purposes; or it is established and operated in its country/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 country/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 country/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 country/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 country/jurisdiction of residence or any political subdivision thereof.

### **Automatic Exchange of Information**

The Automatic Exchange of Information (AEOI) is a response by national governments to combat tax evasion more widely and effectively. It refers to the process of tax authorities in CRS-participating countries automatically exchanging data on tax residency with other participating countries.

### **Controlling Person**

For an Entity that is a legal person, the term Controlling Person means the natural person(s) who exercises a controlling interest ("control") over the Entity.

Determining control will depend on the legal structure of the Entity. Control over an Entity may be exercised through direct or indirect ownership or if no such person(s) exists, then by any natural person(s) that otherwise exercises control over the management of the Entity (for example, the senior managing official of the company).

For companies, a Controlling Person includes any natural person that holds directly or indirectly more than 25 percent of the shares or voting rights of an Entity as a beneficial owner. In some countries/jurisdictions this percentage may be a lower figure.

In the case of a partnership and similar arrangements, Controlling Person means, consistent with "beneficial owner" in anti-Money Laundering regulations, any natural person who exercises control through direct or indirect ownership of the capital or profits of the partnership, voting rights in the partnership, or who otherwise exercises control over the management of the partnership or similar arrangement.

In the case of a trust (and Entities equivalent to trusts), the term Controlling Persons means the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or class(es) of beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust.

### **CRS**

The Common Reporting Standard (CRS) is a worldwide information-gathering and reporting requirement for financial institutions, to help fight against tax evasion and protect the integrity of tax systems.

Under the CRS, we are required to determine where you are "tax resident" (this will usually be where you are liable to pay income taxes) and give local tax authorities information on certain customers that are tax

resident outside the jurisdiction where they bank. This information may then be shared between different jurisdictions' tax authorities.

### **Entity**

This is defined under the CRS as a legal person or a legal arrangement, such as a corporation, organisation, partnership, trust or foundation. This therefore includes any corporate customer of HSBC Broking. This excludes Sole Traders, who are treated as Individuals under the CRS.

### **FATCA**

Foreign Account Tax Compliance Act (FATCA) is the name of the legislation introduced by the United States government, to help counter US tax evasion by encouraging better reporting of information. More information on FATCA is available on the FATCA page of this site.

### **Individual**

An individual customer of HSBC Broking. Under the CRS, this also includes Sole Traders.

### **OECD**

The Organisation for Economic Co-operation and Development (OECD) is a group of 34 member countries plus the European Commission and Brazil, China, India, Indonesia and South Africa as key partners.

### **Passive Non-Financial Entity**

Under the CRS, a Passive NFE means any (i) NFE that is not an Active NFE and (ii) Investment Entity located in a Non-Participating Country/Jurisdiction and managed by another Financial Institution.

An NFE will be deemed a Passive NFE if more than 50% of the NFE's gross income for the preceding calendar year or appropriate reporting period is passive income or the assets held by the NFE during the same period are assets that produce or are held for the production of passive income.

### **Passive Income**

For the purpose of the CRS, passive income\* would generally be considered to include the portion of gross income that consists of:

- dividends;
- interest;
- 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;
- annuities;
- the excess of gains over losses from the sale or exchange of Financial Assets that gives rise to passive income described above;
- the excess of gains over losses from transactions (including futures, forwards, options, and similar transactions) in any Financial Assets;

- the excess of foreign currency gains over foreign currency losses;
- net income from swaps;
- amounts received under Cash Value Insurance Contracts.

\* Passive income will not include, in the case of an 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.

### **Related Entity**

An Entity is a "Related Entity" of another Entity if either 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 per cent of the vote and value in an Entity.

### **Self-certification forms**

A completed self-certification form may be used to confirm your tax residency status under the CRS. There are three types of HSBC Broking self-certification forms: Individual, Entity and Controlling Person. For certain types of Entities, as well as collecting the Entity's self-certification, we may also need to collect a self-certification from its Controlling Persons. This is explained in the Entity and Controlling Person self-certification forms.

### **Senior Managing Official**

In the absence of a natural person(s) that exercises control of an Entity through ownership interests, the Senior Managing Official can be identified as the Controlling Person(s) of the Entity.

The Senior Managing Official of a company is the person who exercises control over the management of the entity.

### **Sole Trader/Proprietor**

A sole trader – also known as a sole proprietorship or simply proprietorship – is a type of business entity which is owned and run by one individual and where there is no legal distinction between the owner and the business.

### **Tax residency**

Your tax residency is the jurisdiction where you are a resident for tax purposes. Each jurisdiction has its own rules for defining tax residence. For more information on tax residence, please consult your tax adviser or the [tax residency pages of the OECD CRS portal](#).

### **TIN**

A Taxpayer Identification Number (TIN) is a unique combination of letters and/or numbers assigned to you. Some jurisdictions do not issue a TIN, but may rely on other issued numbers such as social security/insurance numbers. You may need to provide these if requested. The OECD has published a list of the acceptable [Taxpayer Identification Number \(TIN\) formats](#) and their alternatives.