

# AEIO Glossary (Company)

## Account Holder

The term account holder means the 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 on behalf of another person as representative, custodian, legal representative, signatory, investment advisor or intermediary is not treated as the account holder for AEIO purposes, and such other person is instead treated as account holder. In the case of a banking relationship of a trust, the trust itself is the account holder for AEIO purposes and not the trustee.

## Active NFE

An NFE is an active NFE if it meets the criteria of one or more of the sub-categories listed below:

- **Active NFE by reason of income and assets:**  
Less than 50% of the NFE's gross income for the preceding calendar year or other appropriate reporting period is passive income (e.g. dividends, interest, rents, royalties, annuities) 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 should produce passive income.
- **Publicly traded NFE:**  
The interests in the NFE are regularly traded in a recognised stock exchange.
- **Related Entity of a publicly traded entity:**  
The NFE is a related entity of an entity the interests in which are regularly traded in a recognised stock exchange.
- **Governmental entity, international organisation or central bank:**  
The NFE is a governmental entity, an international organisation, a central bank or an entity wholly owned by one or more of the foregoing.
- **Holding NFE that is a member of a nonfinancial group:**  
Substantially all of the activities of the NFE consist of holding (in whole or in part) the shares 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. 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 another investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as assets for investment purposes.
- **Start-up NFE:**  
The NFE is not yet operating a business and has no prior operating history, but is investing with the intent to operate a business other than that of a financial institution. The NFE does not qualify for this exception once 24 months have passed since the date of its initial organisation.
- **NFE in liquidation:**  
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.
- **Treasury centre that is a member of a nonfinancial group:**  
The NFE primarily engages in financing and hedging transactions with 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 such related entities is primarily engaged in a business other than that of a financial institution.
- **Non-profit NFEs:**  
The NFE meets all of the following requirements:
  - 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 as a professional organisation, business league, chamber of commerce, employers' association, 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 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 jurisdiction of residence or the NFE's formation documents do not permit any income or assets of the NFE to be distributed to natural persons or non-charitable entities 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 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 of that jurisdiction.

### **Controlling Persons**

The term controlling persons means the natural persons who exercise control over an entity. In the case of a trust, such term 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 exercising ultimate effective control over the trust, and in the case of a legal arrangement other than a trust, such term means persons in equivalent or similar positions. The term controlling persons must be interpreted in a manner consistent with the Swiss implementation of the Financial Action Task Force (FATF) Recommendations, i.e. for banking relationships in Switzerland the Agreement on the Swiss banks' code of conduct with regard to the exercise of due diligence (CDB 16).

### **Country of residence for tax purposes**

Generally, an entity is resident for tax purposes in a country if, under the laws of that country (including international tax treaties), it pays or should pay tax therein by reason of its residency, residence, place of management or incorporation or another criterion of a similar nature (i.e. unlimited tax liability), and not only for income from sources in that jurisdiction. Entities with residence in multiple countries may determine their tax residence based on the tiebreaker rules of any applicable agreements against double taxation that may be taken into consideration.

### **Custodial Institution**

The term custodial institution means an entity that holds, as a substantial portion of its business, financial assets on behalf of third parties. An entity holds financial assets on behalf of third parties 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 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.

### **Depository Institution**

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

### **Financial Asset**

The term financial assets includes securities (for example, a share of stock in a corporation; partnership or beneficial ownership interest in a publicly traded entity or trust; notes, bonds, debentures, or other credit instruments), partnership interests, commodity transactions, swaps (for example, interest rate swaps, currency swaps, basis swaps, interest rate caps, interest rate floors, commodity swaps, equity swaps, equity index swaps and similar agreements), insurance contracts or annuity contracts, or any interest (including a futures or forward contract or option, traded or not traded on the stock exchange) in securities, partnerships, commodities, swaps, insurance contracts, or annuity contracts. The term financial assets does not include a non-debt, direct interest in real property.

### **Financial Institution**

The term financial institution means a custodial institution, a depository institution, a managing or professionally managed investment entity, or a specified insurance company.

#### **Managing Investment Entity**

The term managing investment entity means an entity that primarily conducts as a business one or more of the following activities for a customer:

- Trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.); foreign currency; exchange, interest rate and index instruments; transferable securities; or commodity futures;
- Individual and collective portfolio management; or
- Otherwise investing, administering, or managing financial assets or capital on behalf of other persons.

An entity is treated as primarily conducting as a business one or more of the activities described above 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: (i) the three-year period ending on 31 December of the year preceding the year in which the determination is made; or (ii) the period during which the entity has been in existence.

### **NFE (Non-Financial Entity)**

An NFE is any entity that is not a financial institution.

### **Passive NFE**

The term passive NFE means an NFE that is not an active NFE. Additionally, an account holder that is a PMIE located in a non-participating jurisdiction from the perspective of Switzerland is treated as a passive NFE for purposes of AEOL.

### **Participating Jurisdiction**

The term participating jurisdiction means a jurisdiction (i) with which Switzerland has an AEOL agreement, and (ii) which is identified on the following list: <http://www.oecd.org/tax/transparency/AEOL-commitments.pdf>.

**Professionally Managed Investment Entity (PMIE)**

The term PMIE means any entity 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 a managing investment entity.

An entity's gross income is primarily attributable to investing, reinvesting, or trading in financial assets 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: (i) the three-year period ending on 31 December of the year preceding the year in which the determination is made; or (ii) the period during which the entity has been in existence.

An entity is professionally managed by another entity if the managing entity performs, either directly or through another service provider, any of the following activities on behalf of the managed entity:

- Trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.); foreign currency; exchange, interest rate and index instruments; transferable securities; or commodity futures;
- Individual and collective portfolio management; or
- Otherwise investing, administering, or managing financial assets or capital on behalf of other persons.

However, an entity does not professionally manage another entity if it does not have discretionary authority to manage the entity's assets (in whole or in part). Where an entity is managed by a mix of financial institutions, NFEs or individuals, the entity is considered to be managed by an entity that is a financial institution.

**Related Entity**

An entity is a related entity of another entity if one of the entities 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 capital and voting rights of an entity.

**Reportable Account**

The term reportable account means a financial account held by one or more reportable persons or by a passive NFE (or a professionally managed investment entity in a non-participating jurisdiction) with one or more reportable persons, provided they have been identified as such in application of the AEOI due diligence obligations.

**Reportable Person**

The term reportable person means a person who is resident for tax purposes in a reportable jurisdiction and who under local laws is not: (i) a corporation the stock of which is regularly traded on one or more recognised stock exchanges; (ii) any corporation that is a related entity of a corporation described in point (i); (iii) a governmental entity; (iv) an international organisation; (v) a central bank; or (vi) a financial institution.

**Reportable Jurisdiction**

The term reportable jurisdiction means a country (i) with which Switzerland has an AEOI agreement in place pursuant to which Switzerland is obliged to provide information about the residents of that country and their financial accounts (reportable accounts), and (ii) which is identified on the following list:

<https://www.sif.admin.ch/sif/en/home/themen/internationale-steuerpolitik/automatischer-informationsaustausch.html>.

**Specified Insurance Company**

The term specified insurance company means an entity that is an insurance company that issues, or is obligated to make payments with respect to, cash value insurance contract or annuity contracts.

**TIN**

The term TIN means Taxpayer Identification Number or a functionally equivalent number in the absence of a TIN. A TIN is a unique combination of letters or numbers assigned by the country of residence to natural persons or entities to identify them for tax purposes. Further details of acceptable TINs can be found on the OECD AEOI Portal:

(<http://www.oecd.org/tax/automatic-exchange/>).