

Informative material – clients residing in EU member states and other signatory jurisdictions except for US residents

1. What is CRS / DAC2?

CRS (Common Reporting Standard) is the globally accepted standard for the automatic exchange of information on financial accounts.

Directive No. 2014/107/EU – DAC2 of the Council amending Directive 2011/16/EU is the European provision that represents the legal framework for the mandatory automatic exchange of information in the tax field.

For additional information, you can consult the links:

- <https://www.oecd.org/tax/exchange-of-tax-information/crs-mcaa-signatories.pdf>
- https://static.anaf.ro/static/10/Anaf/cod_procedura/Cod_Procedura_Fiscala_2023.htm#AN1
- https://static.anaf.ro/static/10/Anaf/AsistentaContribuabili_r/AEOI/GhidDAC2CRSFATCA2024.pdf

2. What is the purpose of CRS / DAC2?

CRS aims to prevent tax evasion and improve international tax compliance by developing relationships between signatory states regarding mutual assistance in the fiscal domain.

3. Since when does CRS / DAC2 apply?

In December 2014, the European Union adopted the text of the OECD Common Reporting Standard (CRS) by amending Directive No. 2014/107/EU – DAC2.

According to this, each Member State of the European Union had to take the necessary measures to require its reporting financial institutions to apply reporting and prudential standards and to ensure their compliance.

Romania has adhered to this Standard and, in this regard, Law no. 70/2016 of April 25, 2016, regarding the Ratification of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information was adopted.

4. What does CRS / DAC2 entail?

Based on legal requirements, IFB FINWEST SA is obliged to implement measures to identify foreign tax resident clients, both individuals and legal entities, and to report account holders to the tax authorities in Romania.

More information can be found at:

- https://static.anaf.ro/static/10/Anaf/cod_procedura/Cod_Procedura_Fiscala_2023.htm#AN1

The list of CRS reportable countries is updated annually <https://www.oecd.org/en/countries.html>

5. What does TIN mean?

The TIN (tax identification number) or NIF represents the Fiscal Identification Number assigned to a person and is used by the local authority for the application of fiscal rules.

You can find more information regarding the TIN structure at the following link:

- <https://web.archive.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-identification-numbers/index.htm>

6. I am a client and I have been contacted by the company's representatives because there are indications of tax residency in a reportable jurisdiction in my personal data. Am I obliged to provide the requested documents/information?

If, at the time of signing the contract or later, during the development of the investment contract, you refuse to provide information or documents regarding tax residency, IFB FINWEST SA will terminate the contractual relationship with you and will report the refusal to provide the requested information to the tax authorities in Romania/your jurisdiction.

In this situation, you will be considered a "recalcitrant" client in accordance to legal standards.

7. Which clients are included under CRS / DAC2?

Individuals or legal entities identified as having tax residence in a reportable jurisdiction based on their own responsibility declaration or based on indications regarding tax residence in a reportable jurisdiction.

The indicators that can determine the classification of a client as CRS reportable are:

- the residential address in a reportable jurisdiction;
- mailing address or the current residence address in a reportable jurisdiction;
- one or more phone numbers in a reportable jurisdiction;
- the standing instructions to transfer funds into an account managed in a reportable jurisdiction;
- power of attorney or a valid signature delegation granted to a person with an address in a reportable jurisdiction
- it is a passive entity with a relevant beneficial owner CRS
- the person/persons identified as real beneficiaries of a passive entity meet one of the indications mentioned above.

In the case of individuals leaving Romania, the main elements considered in determining residency are:

- the location of residence: Romania/other country;
- The existence of a permanent residence in Romania/or in another state, a residence that can be owned or rented
- or that remains available at any time for this person and/or their family;
- Identification of the place where the center of vital interests is located in Romania/another state;
- Leaving Romania for a period or multiple periods of stay abroad that exceed a total of 183 days during any consecutive 12-month period.

You can read more about tax residency in the ANAF Guide.

In the case of entities, the following additional information about the Person/Persons controlling the entity will be reported:

- name/date/place/country of birth
- residence address
- country/countries of tax residence
- the tax identification number (TIN)

Types of entities:

Financial Institution means a custodian institution, a depositary institution, an investment entity, or a specified insurance company.

Non-Financial Entity ("NFE") means any entity that is not a financial institution.

Non-Financial Passive Entity ("NPE passive") means any:

- (i) ENF that is not an active ENF; or
- (ii) an investment entity* that is not a financial institution from a participating jurisdiction.

Active Non-Financial Entity ("ANFE") means any NFE that meets any of the following criteria:

a) less than 50% of ENF's gross income for the previous calendar year or for other appropriate reporting period is passive income, and less than 50% of the assets held by the ENF during the previous calendar year or another appropriate reporting period are assets that produce or are held to produce passive income;

b) ENF shares are regularly traded on a regulated securities market or ENF is an entity affiliated to an entity whose shares are regularly traded on a regulated securities market;

c) ENF is a governmental entity, an international organization, a central bank, or an entity wholly owned by one or more of the aforementioned entities;

d) all ENF activities consist, in essence, of holding (in whole or in part) the subscribed shares issued by one or more subsidiaries whose transactions or activities are different from the activities of a financial institution or in the financing and provision of services to those subsidiaries. However, an entity does not have the status of an active entity if it functions (or presents itself) as an investment fund, such as an investment fund in unlisted companies, a fund with a capital of risk, an acquisition fund by borrowing the company or any other investment body whose purpose is to acquire or finance companies and to hold capital within the respective companies, representing capital assets for the purpose of investments;

e) The ENF does not yet carry out commercial activities and has never done so, but invests capital in assets with the intention of carrying out a commercial activity, other than that of a financial institution, provided that the ENF does not qualify for this exception after the date on which 24 months have passed since the initial date of the establishment of the ENF;

f) ENF has not been a financial institution in the last 5 years and is in the process of liquidating its assets or restructuring with the intention of continuing or resuming operations in activities other than those of a Financial Institution;

g) ENF activities mainly consist of financing and risk coverage operations with or for affiliated entities that are not financial institutions, and ENF does not provide financing or risk coverage services to any other entity that is not an assimilated entity, provided that the group to which the respective affiliated entities belong mainly engages in activities different from those of a financial institution; or

h) ENF meets all the following conditions:

(i) is established and operates in Romania or another jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, sports, or educational purposes; or is established and operates in Romania or another jurisdiction of residence and is a professional organization, a business association, a chamber of commerce, a

labor organization, an organization in the agriculture or horticulture sector, a civic association, or an organization that operates exclusively to promote social welfare;

(ii) is exempt from income tax in Romania or in another jurisdiction of residence;

(iii) it has no shareholders or members who have ownership rights or benefits related to its assets or income;

(iv) the national legislation applicable to the ENF or another jurisdiction of residence of the ENF or the incorporation documents of the ENF do not allow that any income or any asset of the ENF be distributed or used for the benefit of a natural person or a non-charitable entity in any other way than for the purpose of carrying out charitable activities of the ENF or as payment of reasonable compensations for services rendered or as payment representing the fair market value of the property that the ENF purchased; and

(v) the applicable national legislation of the ENF or another jurisdiction of residence of the ENF or the ENF's founding documents require that, at the time of the liquidation or dissolution of the ENF, all its assets be distributed to an entity governmental or other nonprofit organization, or to revert to the Government of Romania or another jurisdiction of residence of the ENF or any political subdivision thereof.

Single Person Entity (with the exception of SRL with sole natural person partner) means a sole trader, sole owner, entrepreneur who is defined as the sole effective owner of a business.