



JSC "RIETUMU BANKA"
VESETAS 7 / RIGA
LV-1013 / LATVIA
REG. No. 40003074497 / RTMBLV2X
BLOOMBERG: RIET
TELEPHONE +371 67025555
FAX +371 67025588
info@rietumu.lv
www.rietumu.com

PAYMENT SERVICE PROVIDER'S ACTIVITY CLASSIFICATION ACCORDING TO AEOI&CRS

Date / / 20

Approved by the Board of JSC "Rietumu Banka", Minutes No. 54, 15.11.2018

COMPLETE IN BLOCK CAPITALS

Payment service provider _____
(Company's full name)

Registration No. _____

Specify the nature of the Company's economic/business activity:

a financial institution¹

outline the principal provisions of the internal documents and describe the Company's ongoing processes how the Company complies with procedures and requirements within the framework of AEOI&CRS*:

Specify the competent institution where the Company submits data on its clients – foreign tax residents meeting the requirements of AEOI&CRS:

(please specify full name, country of registration, website address)

an active non-financial legal entity²

explain why the Company in its country of registration/business activity is not a financial institution under the AEOI&CRS (indicate references to applicable laws and regulations that substantiate the explanation):

a passive non-financial legal entity³

In case of changes in the information and data related to the Company which are at disposal of JSC "Rietumu Banka" or if the Company has submitted false information and data, JSC "Rietumu Banka" is entitled to unilaterally change the Company status without further approval by the Company.

JSC "Rietumu Banka" must collect, process and annually provide information and data regarding its clients and/or Beneficial Owners of its clients to the State Revenue Service of the Republic of Latvia within the framework of the Standard for Automatic Exchange of Financial Information in Tax Matters in cases and according to the order stipulated by the laws of the Republic of Latvia.

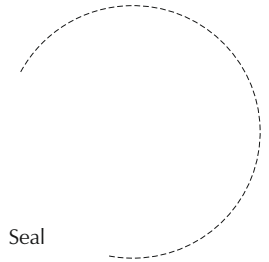
* AEOI&CRS (Automatic Exchange of Information & Common Reporting Standard) – an automatic tax information exchange system among tax authorities of different countries

X _____
(signature of Company's representative)

JSC "Rietumu Banka" is entitled to request from the Company, and the Company undertakes to timely provide information and documents confirming the data provided above. Furthermore JSC "Rietumu Banka" is entitled to independently verify information provided by the Company.

Hereby I confirm that the information provided is true. The Company undertakes to timely inform JSC "Rietumu Banka" about any changes in the above-stated information in writing.

Company's Representative _____
(name, surname)



X _____
(signature)

Seal

Rietumu ID Test-key _____

TO BE COMPLETED BY BANK EMPLOYEE

I confirm the identity and signature of the Company's Representative

Passport / Identity document No.

_____ X _____ Date / / 20
(name, surname) (signature)

Information specified in this Appendix is provided for information purposes only and is not an exhaustive description of the provisions of the Standard for Automatic Exchange of Financial Account Information in Tax Matters, nor is or can be regarded as legal, tax or other advice or analysis.

JSC "Rietumu Banka" is not responsible for information included in this material. In case of any questions in respect of provisions of the Standard for Automatic Exchange of Financial Account Information in Tax Matters and application thereof, we advise you to contact a tax or legal advisor.

¹ **Financial Institution** – a custodial institution, a depository institution, an investment entity, or a specified insurance company (Section 70 of the Law on Taxes and Duties of the Republic of Latvia).

Custodial institution means any entity that holds, as a substantial portion of business, financial assets for the account of others.

Depository institution means any entity that accepts from other persons deposits and other repayable funds in the ordinary course of banking, the activities of the credit and savings company, the activities of the institution providing payment services, the issuer's activities of electronic money or similar economic activities.

Investment entity means any organisation:

- 1) which primarily conducts as business activity one or more of the following activities or operations for or on behalf of the client:
 - a) trading in money market instruments (e.g. cheques, bills of exchange, certificates of deposit, derivatives), foreign currency, exchange rate instruments, interest rate and index instruments, transferable securities or commodity futures traded on a regulated market;
 - b) individual and collective investment portfolio management on the basis of issued authorisation;
 - c) other investing, administering or managing of financial assets or monetary funds for or on behalf of the client;

2) income of which is primarily attributable to investing, reinvesting or trading in financial assets, if the investment entity is managed by a custodial institution, depository institution, specified insurance company or an investment entity that meets the criteria specified in Paragraph 1 of this definition.

Specified insurance company means an insurance company (or the holding company of the insurance company) which offers the service of entering into cash value insurance agreements or annuity contracts, or which is obliged to make payments under such agreements.

² **Active non-financial entity.** In accordance with Section 86 of the Law on Taxes and Duties of the Republic of Latvia:

(1) an active non-financial entity is any non-financial entity (hereinafter – organization) with or without the status of a legal person, which meets at least one of the following criteria (1-8):

- 1) less than 50 (fifty) per cent of the revenue of the organization in the previous calendar year or another corresponding reporting period are the passive revenue (referred to in Paragraph two of this definition), and less than 50 (fifty) per cent of the assets held by the organization in the previous calendar year or another corresponding reporting period are assets generating passive revenue (referred to in Paragraph two of this definition);
 - 2) stocks of the organization are regularly traded on an organized securities market or the organization is an affiliated entity of another organization, the stocks of which are traded on an organized securities market;
 - 3) the organization is a governmental entity, international organisation, central bank, or an organization that belongs to one of the abovementioned structures;
 - 4) the activities of the organization are mostly related to the holding (wholly or partly) of stocks issued by one or several affiliated entities that carry out trading or other commercial activity that is different from the activities of the financial institution, and the provision of financing and other services to such affiliated entities. The organization may not be deemed an active non-financial entity, if it operates (or declares itself as such) as an investment fund, for example, 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;
 - 5) the organization does not carry out and has not earlier carried out an economic activity, but makes capital investment in assets for the purpose of performing economic activity, which is different from the economic activity of the financial institution, provided that the existence of such organization does not exceed 24 (twenty four) months since its initial date of establishment;
 - 6) the organization has not been a financial institution for the last 5 (five) years and is under liquidation or reorganisation proceedings of assets of the organization for the purpose of continuing or resuming such economic activity that is not economic activity of the financial institution;
 - 7) the organization carries out financing and hedging activities jointly with affiliated entities, which are not financial institutions, or under assignment of such affiliated entities, and does not provide financing or hedging services to organisations, which are not affiliated entities, provided that a group of such affiliated entities is mainly involved in economic activity that is not economic activity of the financial institution;
 - 8) the organization that conforms to all of the following requirements:
 - a) it has been established and is operating solely for the purposes related to religion, charity, science, art, culture, sports, or education, or it has been established and is operating in its state of residence and is a professional organisation, business union, commercial chamber, work organisation, agricultural or horticultural organisation, union or organisation of citizens, which is operating only for promotion of collective welfare of the society,
 - b) it has been exempted from the income (profit) tax in its state of residence,
 - c) it has no shareholders or other stakeholders, which hold the ownership or have other material interest in respect of income or assets of the organization,
 - d) in accordance with the legal acts applicable in the state of residence of the organization or documents of incorporation of the organization, income and assets of the organization may not be divided or used for the benefit of an individual or corporate entity, which is not a charity institution, other than pursuant to the conduct of the charitable activities carried out by the organization. The above mentioned division or use other than for charity purposes may take place only in case of the corresponding payment of compensation by the organization for services received or payment of the true market value of the property purchased by the organization,
 - e) in accordance with the legal acts applicable in the state of establishment or the state of residence of the organization or documents of incorporation of the organization, in case of liquidation or reorganisation of such organization, all assets of the organization are transferred to the governmental entity or other non-profit organization.
- (2) such part of revenue shall be deemed passive revenue of the organization, which is formed by:
- 1) dividends;
 - 2) interest payments and payments equivalent thereto;
 - 3) rental, lease payments and royalty (except rental, lease payments and royalty within the scope of principal business activity of the organization);
 - 4) revenue from annuity contracts;
 - 5) revenue obtained as a result of such alienation transactions of financial assets, which generate the revenue referred to in Clause 1, 2, 3, or 4 of this Paragraph (except revenue obtained as a result of principal activity of a financial broker (dealer));
 - 6) revenue obtained in transactions (including futures, option contracts, and other similar transactions) with financial assets (except revenue obtained as a result of principal activity of a financial broker (dealer));
 - 7) revenue from currency exchange transactions (except revenue obtained as a result of principal activity of a financial broker (dealer));
 - 8) revenue from swap transactions (except revenue obtained as a result of principal activity of a financial broker (dealer));
 - 9) amounts obtained from cash value insurance contracts;
 - 10) other revenue, which by their economic nature are equivalent to the revenue referred to in Clause 1, 2, 3, 4, 5, 6, 7, 8, or 9 of this Paragraph.

In addition to the definition specified in the Law on Taxes and Duties, the explanatory materials and comments prepared by the organization OECD (<http://www.oecd.org/tax/automatic-exchange/>) describe the main types of the companies which meet the status of an active non-financial entity and give a brief description thereof:

- Active companies due to the nature of their income and assets:
normally companies carrying out their basic and principal activity in the area of production, sales of goods and provision of services;
- Public companies whose shares are traded on the stock exchange, or the companies closely related to such public companies:
stock exchange where such shares are traded must be duly authorised by the state supervisory authorities and the shares of the company traded on such a stock exchange shall be regularly traded thereof;
- State and municipal structures, international organizations, central banks and companies owned by such structures;
- Companies carrying out holding activities:
this targeted activity of the company should be dominant, i.e., it should occupy at least 80 (eighty) % of other types of activities, while members of the group of companies to which such a company belongs should not conduct activities of the financial institution. The company will not comply with this status if it holds shares/stocks for short-term and speculative purposes;

- Newly-founded companies (start-ups):

companies no older than 24 (twenty four) months from the date of their registration/establishment in the register of companies, while the planned principal activity must be of active activity within the meaning of this Appendix;

- Companies under liquidation or reorganisation;

- Treasury centres that are the part of non-financial group of companies:

main activity of the company – the provision of financing related to the group of companies, furthermore the participants of this group must not carry out activities of financial institution;

- Non-profit public organizations and professional associations:

organizations in the country of establishment or conducting of activities must be exempted from paying the corporate income tax.

³ **Passive non-financial entity** – according to Section 87 of the Law on Taxes and Duties of the Republic of Latvia:

1. a non-financial entity which does not meet the criteria of an active non-financial entity (reference² above). *Normally such companies are the companies that have prevailing passive income in the total volume of their incoming payments, and financial assets and cash are predominant in their balance sheet;*

2. the investment entity located in the country which does not apply the Standard for Automatic Exchange of Financial Account Information in Tax Matters.