

What is Automatic Exchange of Account Information (AEOI)?

The Automatic Exchange of Information is the 'Common Reporting Standard' for all agreements made between the UK and all other countries.

Governments of countries across the world are seeking greater transparency for taxation. This has led to legislation for automatic exchange of customer information for financial institutions. The UK has entered a number of agreements with over 150 countries to date and includes the Crown Dependencies (Isle of Man, Guernsey and Jersey) and the British Overseas Territories.

Importantly these agreements are relating to reporting and information sharing and are unlikely on its own to require an account to be closed. However, all non-UK tax resident clients will need to be verified by Novia to see if their tax residency status and/or nationality if the US needs to be shared with HMRC.

What is FATCA and what is its purpose?

This means Foreign Account Tax Compliance Act which was introduced by the Internal Revenue Service of the US government (IRS) and falls under overall reporting legislation of AEOI, but it is distinguished as being different. FACTA's purpose is still to prevent tax evasion by any US person but, the customer reporting does not purely focus on tax residency, it includes any US indicia for a client and therefore having a link to the US. The US has the ability to withhold income and report firms as non-compliant. Other countries under AEOI appear to be lower impact since this only requires gathering information for reporting and does not pose the same associated tax risks.

What is the definition of a US Person?

The meaning of US persons includes any US citizen, national or resident individual, including UK trusts established with US persons as trustees and/or beneficiary, settlor. Any partnership, corporation or trust organised in the United States of America or under its laws of those of any of its States.

What is Novia's policy for US persons?

Since 2008, our company policy has always been not to accept any US persons. FATCA legislation increases our obligations so our policy will not change. Furthermore, Fund Managers continue to apply investment restrictions where held for the benefit of a US person. If you submit an application for a US person to us, the case will be rejected. If we discover through monitoring an account held by a US person we require this account to be closed or transferred away as with our terms and conditions.

What if I do not know if I have clients with Novia that maybe caught by FATCA?

Novia will periodically review US indicia i.e. US address, US place of birth, US tax residents, against the client database to identify any potential US persons caught by the rules. We will contact firms to validate any information so that records are correct. If US persons are found we will require their account to be closed or transferred to another provider. You should ensure that your contact details for your clients are up to date and notify Novia of any changes to be made to its records.

In general, how does this Common Reporting Standard affect my firm and my clients?

HMRC have taken steps to minimise the impact on financial services provided in the UK, but the Common Reporting Standards cannot be avoided.

There is only likely to be a minor impact to your UK business processing as it will only effect non-UK tax residents. We make the process of collecting the additional client information as simple as possible. The additional information forms are available via the secure literature section of the



FATCA & Automatic Exchange of Information – FAQs

Novia website and can be used whilst having client meetings. The FATCA & Automatic Exchange of Information forms will need to be returned to Novia prior to submission of any new non-UK clients, when client circumstances change or in cases where key information has since been identified.

What forms do I need to complete?

The individual/joint form is required for any individual who does not meet our online UK client declaration conditions.

The trust form is required for non-financial institutions i.e. family and charitable trusts where the trustees, settlor or known beneficiaries do not meet the UK client declaration conditions.

The corporate application form should be completed on behalf of financial institutions, limited companies, partnerships, sole traders (where this is intended to be separate to an individual's account), third party financial service companies outsourcing the investments to Novia (i.e. Trustee investment plans or other offshore bond providers) where the entity itself or the controlling persons of that entity do not meet the UK declaration conditions.

What is the Novia Online UK Client Declaration?

Your declaration completes the web journey when setting up a client.

As displayed in the screenshot below:

Residency & Tax Information

UK residents
Our Terms & Conditions are drafted on the basis that Investors are UK resident, including for tax purposes. As part of your Know Your Client requirements you must be able to verify information about the Applicant to meet our requirements. Novia is permitted to rely on the information about the Applicant obtained by you and disclosed to us. Any false information in the Application may make the Application invalid.
Should you have a client who is a non UK resident and/or non-resident for tax purposes, the information must be declared to us using the FATCA/CRS forms on the Novia Secure Literature Library as we have a regulatory requirement to provide certain Applicants account information to HMRC. Acceptance of such Investors is only agreed at Novia's absolute discretion.

FATCA
Novia does not accept applications from any US persons as defined under United States Foreign Account Tax Compliance Act (FATCA) and which includes any US citizen, national or resident individual, any partnership, corporation or trust organised in the United States of America or under its laws or those of any of its States.

Declaration
I confirm that we will not promote or offer to sell to any US Persons (as defined in the Regulations under the US Securities Act of 1933) or US citizens; will ensure that we do not permit any investment in Funds through a Product Wrapper to be made by a person who is a "US account" for the purposes of FATCA and undertake to immediately liquidate to close or transfer out for Novia's reporting FI compliance, if to my/our knowledge or reasonable belief, an account is, or has become a US account.
I declare that each Applicant, including; any corporate entity and all its controlling persons; trustees and the settlor of the trust property and all know beneficiaries:

- > Is not a US person
- > Is resident in the UK
- > Is resident or registered for tax purposes only in the UK
- > Is of a UK nationality only/or citizenship
- > Any changes or corrections to the Applicant's status will be notified to Novia

I understand that if I cannot declare that all the above conditions apply to each Applicant, or if I have any doubt that they all apply, I must supply the additional information on the relevant FATCA/CRS forms available from the Novia Secure Literature Library, or by using the form provided as part of the Application Summary at the end of this Application. Novia is required to obtain this information for HMRC reporting purposes. Any delay may result in the account being closed and the return of the sum being invested.
I confirm that the advice was given by us and accepted by the Applicant(s) in the United Kingdom.

Is there any additional documentation required to be submitted with the FATCA & Automatic Exchange of Information form?

Ordinarily standard Know Your Client (KYC) processes are your responsibility and we may rely upon your declaration and information supplied on these forms. However, we are obliged to carry out some verification spot checks on the information received and may require W8Ben forms or signed self-declaration from your client in certain circumstance.

We will conduct random sample checks on all clients and where relevant on specific cases will contact firms periodically to obtain the clients identification records to assure our compliance.

Is there any unique client information that must be provided for tax purposes?

Yes and this can differ from country to country for tax residency. All types of clients can have a unique tax number that we have to provide to HMRC. The taxpayer identification number (TIN) is the unique identifier assigned in the jurisdiction of tax residence. It is a unique combination of letters and/or numbers used to identify an individual or entity for the purposes of administering the tax laws of that jurisdiction.

Some jurisdictions do not issue a TIN, or do not issue a TIN to all residents, and where no TIN has been issued you will need to tell us. They may have an equivalent level of identification. For Individuals these can include:

- > Social security number
- > National insurance number
- > Citizen or personal identification code or number
- > Resident registration number
- > FATCA- US has a 'Federal Taxpayer Identification Number'

Novia generally expects non-UK residents to have a TIN expect Crown Dependencies and the British Overseas Territories which are more aligned to the UK tax legislation using national insurance number and social security numbers

For entities, jurisdiction may use a business/ company registration code or number where no TIN has been issued.

Specifically relevant for financial institutions a GIIN will be required.

What is a GIIN?

GIIN stands for Global Intermediary Identity Number and is a unique identifying number for tax reporting information.

Where an account is opened by a financial institution on behalf of your client you will need to supply the GIIN for the financial institution to us. This will eliminate the need for us to report the account holder to HMRC

Do I need a GIIN?

UK financial intermediaries are unlikely to need to register provided that you act only in an advisory capacity and do not hold legal title to the assets. However, if you have any doubt you can review the HMRC guidance and seek professional advice.