

Information for Clients on the CRS Statement

By publishing Act CXC of 2015¹ and implementing the provisions of Directive 2014/107/EU² ('DAC2') in Act XXXVII of 2013³ ('Act XXXVII of 2013') (hereinafter to be collectively referred to as: 'CRS Legislation'), Hungary became a party to the Common Reporting Standards ('CRS'), developed by the Organisation for Economic Cooperation and Development ('OECD'). Based on the automatic exchange of information, the CRS has been set up in order to promote compliance with international tax legislation and to prevent tax fraud and tax evasion.

The implementation of CRS Legislation began on 1 January 2016 by the States parties to the CRS ('States Concerned' – last page). As part of implementation, the competent authorities of States Concerned (in Hungary: the National Tax and Customs Administration ('NAV')) automatically exchange information regarding accounts held by clients resident in the partner state with money and capital market operators registered in their jurisdiction, as defined in the CRS Legislation.

The information to be reported under the exchange of information must be collected and forwarded to the NAV by financial institutions operating in the States Concerned ('Reporting Financial Institutions'), including Sberbank Magyarország Zrt. (hereinafter: Bank, or Sberbank), each year by 30 June of the year following the year concerned. As part of reporting the information, Reporting Financial Institutions are required to report any accounts whose direct or indirect holders are tax residents in any other country party to the CRS and, therefore, where supplementary conditions specified in the CRS Legislation are met, the following persons are subject to the reporting obligation:

- individuals tax resident in the State Concerned,
- entities (other than individuals) tax resident in the State Concerned,
- Passive Non-Financial Entities with one or more Controlling Persons who are tax residents in the State Concerned (hereinafter to be collectively referred to as 'Reportable Accounts').

In addition to the above, Sberbank is required to report to the NAV, as an 'Undocumented Account' where a 'hold mail' instruction or 'in-care-of' address is assigned to an account and the account holder has made no statement or submitted documentary evidence as to his residence for tax purposes.

Sberbank's data reporting obligation does not apply to clients whose status under the CRS Legislation is any of the following:

- o Public limited companies,
- o Related Entities to a public limited company,
- o Government Entities,
- o International Organisations,
- o Central Banks, and Financial Institutions.

¹ on the publication of a Multilateral Competent Authority Agreement on the automatic exchange of financial account information

² amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation

³ laying down certain rules for international administrative cooperation related to taxes and other public dues and certain laws



The information to be reported include personally identifiable data (e.g. name, tax identification number) as well as certain cash flow / account turnover data. Within 30 days of the reporting of data to NAV, Sberbank will notify clients whose data were reported.

By 30 September each year, NAV will communicate the information concerning financial accounts governed by the CRS Legislation to the tax authority of the State Concerned.

An audit is required in order to assess whether an account holder is resident of a State party to the Agreement for tax purposes and is thus subject to Sberbank's reporting obligations. Such audits cover the accounts of both existing and new customers, whether individuals or legal entities.

For the purposes of this paragraph, existing customers include clients holding/co-holding a live financial account with Sberbank as at 31 December 2015. In the case of existing customers, tax residence is established after 1 January 2016 on the basis of data provided earlier (during account opening procedure, and client audit processes in relation to money laundering prevention and client identification). Where, on the basis of available data, doubts arise as to the tax residence of an account holder, the client shall, at Sberbank's request, submit a statement (CRS declaration) required in order to ascertain tax residence and make available the documentary evidence requested.

For all new customers, i.e. clients opening an account on or after 1 January 2016, Sberbank is required to conduct an enquiry of the account holder's residence for tax purposes. As part of such enquiry, clients are required to submit a written statement (CRS declaration) concerning their tax residence. The statement must be completed when an account is opened with Sberbank, as part of the *Identification Form* where tax residence in a State Concerned other than Hungary is specified in the Identification Form.

A statement must be submitted for each natural person. Where a client registered as a natural person, is also registered with Sberbank as a sole trader/traditional small farmer, his tax residence shall be established on the basis of his statement made as a natural person.

For clients other than individuals, the statement shall also specify the following information:

- their CRS status, as listed below:
 - o Financial Institutions
 - o Active Non-Financial Entities
 - o Passive Non-Financial Entities, and
- For Passive NFEs, also the CRS tax residence of their beneficial owner(s).

As an account holder may be CRS tax resident in several states, the statement may specify several residences.

By considering data received during account opening procedure (including data received during client audits in relation to money laundering prevention and client identification procedure) Sberbank checks the correctness of the statement.

During this review data available in Sberbank's systems are standard!

Where Sberbank finds out or has good reason to believe that the original statement is faulty or unfounded, Sberbank will obtain a valid statement from the client on the basis of which the client's tax residence can be established.

Sberbank may refuse to establish a contractual relationship with clients failing to submit a statement.

Thank you for your cooperation regarding the implementing of CRS Legislation.

Legend

Financial Institutions

Any organisation that

- (a) accepts deposits in the ordinary course of a banking or similar business,
- (b) holds, as a substantial portion of its business, Financial Assets for the account of others,
- (c) is an insurance company (or the holding company of an insurance company) which issues, or is obligated to make payments with respect to, a Cash Value Insurance Contract or an Annuity Contract, or
- (d) any Entity,
 - (a) which primarily conducts as a business one or more of the following activities or operations for or on behalf of a customer:
 - (aa) trading in money market instruments; foreign exchange; exchange, interest rate and index instruments; transferable securities; or commodity futures trading;
 - (ab) individual or collective portfolio management; or
 - (ac) otherwise investing, administering, or managing Financial Assets or money on behalf of other persons; or
 - (b) 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 Financial Institution.
- (e) is subject to any of the following laws or would be subject to the following laws if it were lawfully carrying out its activity in Hungary,
 - Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities
 - Act XVI of 2014 on collective investment schemes and the managers of such schemes and amending certain laws in the field of finance

Active Non-Financial Entities

any Non-Financial Entities that meet any of the following criteria:

- (a) less than 50 % of the NFE's gross income for the preceding reporting year is passive income and less than 50 % of the assets held by the NFE during the preceding reporting year are assets that produce or are held for the production of passive income;
- (b) the stock of the NFE is regularly traded on an established securities market or the NFE is a Related Entity of an Entity the stock of which is regularly traded on an established securities market;
- (c) the NFE is a Governmental Entity, an International Organisation, a Central Bank, or an Entity wholly owned by one or more of the foregoing;
- (d) 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, except that an Entity does not qualify as an Active Non-Financial Entity 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;
- (e) 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 Financial Institution, 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;
- (f) 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;

(g) the NFE primarily engages in financing and hedging transactions with, or for, Related Entities that are not Financial Institutions, provided that the group of any such Related Entities is primarily engaged in a business other than that of a Financial Institution; or

(h) the NFE meets all of the following requirements:

(ha) it is established and operated in its Member State or other jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, athletic, or educational purposes; or it is established and operated in its Member State or other 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;

(hb) it is exempt from income tax in its Member State, other state or jurisdiction of residence;

(hc) it has no shareholders or members who have a proprietary or beneficial interest in its income or assets;

(hd) the applicable laws of the NFE's Member State, other state or 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

(he) the applicable laws of the NFE's Member State or other 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 Member State or other jurisdiction of residence or any political subdivision thereof.

Passive Non-Financial Entities

any organisation that is:

(a) a Non-Financial Entity other than an Active NFE; or

(b) a specific Investment Entity described other than a Participating Jurisdiction Financial Institution.

'States Concerned':

Albania Andorra Anguilla Antigua and Barbuda Argentina Aruba Australia Austria Azerbaijan
The Bahamas Bahrain Barbados Belgium Belize Bermuda Brazil British Virgin Islands Brunei
Darussalam Bulgaria Canada Cayman Islands Chile China Colombia Cook Islands Costa Rica
Croatia Curaçao Cyprus Czech Republic Denmark Dominica Ecuador Estonia Faroe Islands
Finland France Germany Ghana Gibraltar Greece Greenland Grenada Guernsey Hong Kong
(China) Hungary Iceland India Indonesia Ireland Isle of Man Israel Italy Japan Jersey
Kazakhstan Korea Kuwait Latvia Lebanon Liechtenstein Lithuania Luxembourg Macao (China)
Malaysia Maldives Malta Marshall Islands Mauritius Mexico Monaco Montserrat Nauru
Netherlands New Zealand Nigeria Niue Norway Oman Pakistan Panama Peru Poland Portugal
Qatar Romania Russia Saint Kitts and Nevis Saint Lucia Saint Vincent and the Grenadines
Samoa San Marino Saudi Arabia Seychelles Singapore Sint Maarten Slovak Republic
Slovenia South Africa Spain Sweden Switzerland Trinidad and Tobago Turkey Turks and
Caicos Islands United Arab Emirates United Kingdom Uruguay Vanuatu.