11.09.2015 nr 1.1-2/02

COMPETENT AUTHORITY ARRANGEMENT

BETWEEN THE COMPETENT AUTHORITIES OF THE UNITED STATES OF AMERICA AND THE REPUBLIC OF ESTONIA

On April 11, 2014, the Government of the United States of America and the Government of the Republic of Estonia signed an intergovernmental agreement ("IGA") entitled, "Agreement between the Government of the United States of America and the Government of Republic of Estonia to Improve International Tax Compliance and to Implement FATCA." The IGA requires, in particular, the exchange of certain information with respect to U.S. and Estonian Reportable Accounts on an automatic basis, pursuant to the provisions of Article 26 of the Convention between the United States of America and the Republic of Estonia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, done at Washington on January 15, 1998 (the "Convention").

Article 3(6) of the IGA provides that the Competent Authorities of the United States and Estonia (the "Competent Authorities") shall enter into an agreement or arrangement under the mutual agreement procedure provided for in Article 25 of the Convention, in order to establish and prescribe the rules and procedures necessary to implement certain provisions in the IGA. Article 25 of the Convention permits the Competent Authorities to also address other matters regarding implementation of the Convention. These matters may also be addressed herein as the IGA is entered into pursuant to the Convention. Consistent with the IGA and after consultations between the Competent Authorities, the Competent Authorities have reached the following arrangement (this "Arrangement").

Terms used both in this Arrangement and in the IGA have the same meaning as in the IGA, unless otherwise specified in this Arrangement. References to Paragraphs and Attachments pertain to Paragraphs of, and Attachments to, this Arrangement, unless otherwise specified. Except as otherwise provided in the IGA, any references to U.S. Treasury Regulations are to the relevant regulations in effect at the time of application. References to Internal Revenue Service ("IRS") Publications include updated versions. All references to days comprising time periods for completion of actions refer to calendar days and not business days. However, if such period ends on a Saturday, Sunday or national statutory holiday, it would be treated as ending on the next calendar day that is not a Saturday, Sunday or national statutory holiday.

Paragraph 1

OBJECT AND SCOPE

1.1 As provided in Article 3(6) of the IGA, this Arrangement establishes the

procedures for the automatic exchange obligations described in Article 2 of the IGA and for the exchange of information reported under Article 4(1)(b) of the IGA. Information to be exchanged pursuant to Articles 2 and 4(1)(b) of the IGA includes information provided:

1.1.1 by a Reporting Estonian Financial Institution,

1.1.2 by or on behalf of each of the following Non-Reporting Estonian Financial Institutions that would be treated as a deemed-compliant FFI under Annex II of the IGA for purposes of section 1471 of the U.S. Internal Revenue Code (a "Paragraph 1.1.2 Financial Institution"):

- a Financial Institution with a Local Client Base, as described in Section III(A) of Annex II of the IGA;

- a Trustee-Documented Trust, as described in Section IV(A) of Annex II of the IGA;

- a Sponsored Investment Entity, as described in Section IV(B)(1) of Annex II of the IGA;

- a Sponsored Controlled Foreign Corporation, as described in Section IV(B)(2) of Annex II of the IGA;

- a Sponsored, Closely Held Investment Vehicle, as described in Section IV(C) of Annex II of the IGA; or

1.1.3 by a Reporting U.S. Financial Institution.

1.2 An Estonian Financial Institution that would otherwise qualify as a Paragraph 1.1.2 Financial Institution, and thus as a Non-Reporting Estonian Financial Institution under Article 1(1)(q) of the IGA, but does not satisfy one or more applicable requirements in Annex II or the relevant U.S. Treasury Regulations is a Reporting Estonian Financial Institution under Article 1(1)(o) of the IGA.

1.3 As provided in Article 3(6) of the IGA, this Arrangement prescribes rules and procedures as may be necessary to implement Article 5 of the IGA.

1.4 As permitted by Article 25 of the Convention, this Arrangement addresses other matters concerning implementation of the IGA, including: registration, confidentiality and data safeguards, costs, consultation and modification, and publication of this Arrangement.

Paragraph 2

REGISTRATION OF ESTONIAN FINANCIAL INSTITUTIONS

2.1 In General: The Competent Authorities note that, under Article 4(1)(c) and Annex II of the IGA, a Reporting Estonian Financial Institution or Paragraph 1.1.2 Financial Institution would be treated as compliant with, and not subject to withholding under, section 1471 of the U.S. Internal Revenue Code if the Reporting Estonian Financial Institution or Paragraph 1.1.2 Financial Institution (or, as applicable, its sponsor or trustee), among other requirements, complies with the applicable registration requirements on the FATCA registration website. The Competent Authorities also note the IRS intends to issue a unique Global Intermediary Identification Number ("GIIN") to each Reporting Estonian Financial Institution and Paragraph 1.1.2 Financial Institution that successfully completes the FATCA registration requirements.

2.2 Inclusion of Estonian Financial Institutions on IRS FFI List: The IRS intends to include on the "IRS FFI list" (as defined in section 1.1471-1(b)(73) of the U.S. Treasury Regulations) the name and GIIN of each Estonian Financial Institution issued a GIIN by the FATCA Registration System. Pursuant to Article 5(2)(b) of the IGA and Paragraph 4.3.2.2, however, a registered Estonian Financial Institution would be removed from the IRS FFI list if an issue of significant non-compliance is not resolved within a period of eighteen (18) months.

2.3 Exchange of Registration Information: The U.S. Competent Authority intends to provide the Estonian Competent Authority annually with the information necessary to identify each registered Estonian Financial Institution included on the IRS FFI list.

Paragraph 3

TIME AND MANNER OF EXCHANGE OF INFORMATION

3.1 Automatic Exchange within Nine (9) Months: Consistent with Articles 3(5) and 3(6) of the IGA, the Competent Authorities intend to exchange automatically the information described in Articles 2 and 4(1)(b) of the IGA within nine (9) months after the end of the calendar year to which the information relates.

3.2 Format:

3.2.1 Information Described in Articles 2(2) and 4(1)(b) of the IGA: The FATCA XML Schema, as reflected in the FATCA XML Schema User Guide (IRS Publication 5124), and the FATCA Metadata XML Schema, as reflected in the FATCA Metadata XML Schema User Guide (IRS Publication 5188),

posted on IRS.gov are intended to be used as the format for the exchange of information described in Articles 2(2) and 4(1)(b) of the IGA. The FATCA XML Schema User Guide (IRS Publication 5124) and the FATCA Metadata XML Schema User Guide (IRS Publication 5188) describe the structure of the schemata and include data dictionaries with summaries of the relevant data elements.

3.2.2 Notices: The U.S. Competent Authority intends to use the schemata described in the FATCA XML Schema User Guide (IRS Publication 5124), FATCA Metadata XML Schema User Guide (IRS Publication 5188), and FATCA Reports ICMM Notification XML Schema User Guide (IRS Publication 5216) posted on IRS.gov as the format for providing notices pursuant to this Arrangement.

3.2.3 Schema Changes: The IRS intends to post any changes to the schemata applicable to a particular calendar year on http://www.irs.gov/FATCA as soon as possible. When feasible, IRS intends to provide notice of such changes prior to posting. The Competent Authorities anticipate a collaborative process concerning schemata changes.

3.3 Information Transmission:

3.3.1 Method: The Competent Authorities intend to use the International Data Exchange Service ("IDES"), as reflected in the FATCA IDES User Guide (IRS Publication 5190) and the FATCA Metadata XML Schema User Guide (IRS Publication 5188) posted on IRS.gov, for all exchange of information, including notices described in Paragraph 4.3, pursuant to the IGA.

3.3.1.1 Use of Regional Router for Transmission: The Estonian Competent Authority may elect to use a regional router (e.g. the European Union's "Speed 2") to transmit information to, and download information from, IDES where the U.S. Competent Authority has approved that regional router in writing for compliance with specified standards, including encryption and internet transmission protocols. This election should be made in writing and delivered to the U.S. Competent Authority prior to transmitting information via the regional router to IDES or downloading information from IDES via the regional router.

3.3.1.2 Use of IDES as a Data Collection Tool: The Estonian Competent Authority may elect to use IDES as a Model 1 Option 2 ("M1O2") data collection tool for its information exchange pursuant to the IGA. The procedures and methodology for using IDES in this manner are described in greater detail in the FATCA IDES User Guide (IRS Publication 5190). The M1O2 election should be made in writing and delivered to the U.S. Competent Authority prior to the

uploading or downloading of information to or from IDES by a Reporting Estonian Financial Institution or by or on behalf of a Paragraph 1.1.2 Financial Institution.

3.3.1.3 Consistency: The Competent Authorities intend that an election described in Paragraph 3.3.1.1 or 3.3.1.2 would be applied consistently to all information uploaded or downloaded from the time of the election, unless such election is properly revoked consistent with Paragraph 3.3.1.4.

3.3.1.4 Revocation of Election: The Estonian Competent Authority may revoke an election described in Paragraph 3.3.1.1 or 3.3.1.2 following consultation with, and written notice to, the U.S. Competent Authority.

3.3.2 When Information is Exchanged: Information described in Articles 2(2) and 4(1)(b) of the IGA would be considered exchanged at the time of receipt specified in Paragraph 3.3.4. *See* Paragraph 5.2 concerning each Competent Authority's responsibility for maintaining confidentiality and other protections with respect to exchanged information.

3.3.3 Feedback and Consultation: The Competent Authorities understand that feedback with regard to data quality and usability is an important element of the exchange process and they may consult with each other as provided in Paragraph 7.2 about data error or transmission problems inadequately addressed through standard notification processes over IDES.

3.3.4 Time of Receipt: Except as described below, information transmitted via IDES by the Estonian Competent Authority would be considered provided to, and received by, the U.S. Competent Authority on the date the information is successfully uploaded onto IDES. Except as described below, information transmitted by the U.S. Competent Authority via IDES would be considered provided to, and received by, the Estonian Competent Authority on the date the information is available for downloading from IDES.

3.3.4.1 Regional Router: If the Estonian Competent Authority elects the use of a regional router for information transmission via IDES, information the regional router transmits would be considered provided to, and received by, the U.S. Competent Authority on the date it is successfully uploaded from the router to IDES, and information transmitted by the U.S. Competent Authority would be considered provided to, and received by, the Estonian Competent Authority on the date it is available for downloading to the router from IDES.

3.3.4.2 M1O2 Data Collection Tool: If the Estonian Competent Authority elects to use IDES as an M1O2 data collection tool, information would be considered provided to, and received by, the U.S. Competent Authority on the date the Estonian Competent Authority approves and therefore releases the information on IDES to the U.S. Competent Authority, and information transmitted by the U.S. Competent Authority would be considered provided to, and received by, the Estonian Competent Authority on the date it is available for downloading from IDES. *See* FATCA IDES User Guide (IRS Publication 5190).

3.4 Notification of File Processing Success or Failure:

3.4.1. Notification of File Processing Success: Within fifteen (15) days of successfully receiving a file containing the information described in Articles 2(2) and 4(1)(b) of the IGA in the time and manner described in Article 3(5) of the IGA and in Paragraph 3, the Competent Authority receiving the file (the "receiving Competent Authority") should provide notice of such successful receipt to the Competent Authority providing the file (the "providing Competent Authority"). The U.S. Competent Authority expects to generate such notification automatically through the International Compliance Management Model ("ICMM") and transmit it via IDES. The notice need not express the receiving Competent Authority's view about the adequacy of the information received or whether the receiving Competent Authority believes that the providing Competent Authority should take measures pursuant to Article 5 of the IGA to obtain corrected or complete information.

3.4.2. Notification of File Processing Failure: Within fifteen (15) days of receiving a file containing information that cannot be processed, the receiving Competent Authority should provide notice of such processing failure to the providing Competent Authority. The U.S. Competent Authority expects to generate such notification automatically through the ICMM and transmit it via IDES.

3.4.3 ICMM: A description of, and additional information regarding, ICMM, including the (i) FATCA Reports ICMM Notifications User Guide (IRS Publication 5189), and (ii) FATCA Reports ICMM Notification XML Schema User Guide (IRS Publication 5216), can be found on IRS.gov.

3.5 Transliteration: Any information the Estonian Competent Authority exchanges that is reported in a non-Latin domestic alphabet or literation is expected be transliterated pursuant to Estonian domestic procedures or rules aligned with international standards for transliteration (for example as specified in ISO 8859) into the Latin alphabet. The Estonian Competent Authority may send designatory data (*e.g.*, name or address) both in its domestic alphabet or literation and separately in the Latin alphabet within each account record if it so chooses. The

Estonian Competent Authority should also be prepared to transliterate the information it receives from the U.S. Competent Authority from the Latin alphabet to any non-Latin domestic alphabet or literation it uses or accepts.

Paragraph 4

REMEDIATION AND ENFORCEMENT

4.1 In General: The U.S. Competent Authority and the Estonian Competent Authority should each seek to ensure that all of the information specified in Articles 2(2) and 4(1)(b) of the IGA has been identified and reported to the U.S. Competent Authority and the Estonian Competent Authority, as applicable, so that such information is available to be exchanged in the time and manner described in Article 3(5) of the IGA and in Paragraph 3.

4.2 Categories of Non-Compliance: Non-compliance with the IGA may be administrative or minor in nature, or may constitute significant non-compliance.

4.2.1 Significant Non-Compliance: Under Article 5(2) of the IGA, the receiving Competent Authority has the discretion to determine whether there is significant non-compliance with the obligations to obtain and exchange information described in Articles 2(2) and 4(1)(b) of the IGA with respect to a Reporting Financial Institution in the other jurisdiction. The U.S. Competent Authority also has the discretion to determine significant non-compliance based on failure to satisfy due diligence, reporting, withholding and other obligations with respect to a Reporting Estonian Financial Institution. The receiving Competent Authority may determine that certain failures constitute significant non-compliance with respect to a Reporting Financial Institution regardless of whether the failure is attributable to the providing Competent Authority or the Reporting Financial Institution. Examples of significant non-compliance are set forth in Paragraphs 4.2.1.1 through 4.2.1.3.

4.2.1.1 Reporting Failures: The U.S. Competent Authority may find significant non-compliance based on a failure by a Reporting Estonian Financial Institution to report information on U.S. Reportable Accounts, as specified in Article 4(1)(a) of the IGA, or on 2015 and 2016 payments to Nonparticipating Financial Institutions, as specified in Article 4(1)(b) of the IGA.

4.2.1.2 Failure to Timely Correct: Failure by a Reporting Financial Institution to correct administrative or other minor errors may, in the discretion of the receiving Competent Authority, lead to a determination of significant non-compliance. The

Competent Authorities expect, however, that in the ordinary course a determination of such significant non-compliance would not occur until at least 120 days after the notice specified in Paragraph 4.3.1 is provided to, and received by, the providing Competent Authority (per Paragraph 3.3.4).

4.2.1.3 Other Non-compliance Under the IGA: The U.S. Competent Authority may make a determination of significant non-compliance with respect to a Reporting Estonian Financial Institution to the extent it does not meet the conditions set forth in Article 4 of the IGA, including by failing to (i) withhold on any U.S. Source Withholdable Payment made to any Nonparticipating Financial Institution to the extent required under Article 4(1)(d) of the IGA; (ii) provide to any immediate payor of a U.S. Source Withholdable Payment the information required for withholding and reporting on any such payment to a Nonparticipating Financial Institution to the extent required under Article 4(1)(e) of the IGA; and (iii) comply with Article 4(5) of the IGA with respect to Related Entities and branches that are Nonparticipating Financial Institutions. Lack of compliance with other conditions set forth in Article 4, such as compliance with applicable registration requirements, may also lead to a determination of significant non-compliance with regard to a Reporting Estonian Financial Institution.

4.2.1.4 Consultation: In the ordinary course, the Competent Authorities anticipate consultation prior to a determination of significant non-compliance.

4.2.2 Administrative or Other Minor Errors: Under Article 5(1) of the IGA, administrative and other minor errors include incorrect or incomplete reporting of information described under Articles 2(2) and 4(1)(b) of the IGA or other errors that result in infringements of the IGA.

4.2.2.1 Self-initiated Reporting Changes: In the event a providing Competent Authority receives a notice from a Reporting Financial Institution or a Paragraph 1.1.2 Financial Institution regarding an omission or other error in an exchanged report, the report should be amended. The providing Competent Authority should forward any amended reports to the receiving Competent Authority as soon as practicable.

4.3 Notification Procedures: To address non-compliance, the receiving Competent Authority would notify the providing Competent Authority pursuant to Article 5 of the IGA. The notification procedures would differ depending upon whether the receiving Competent Authority seeks to address administrative or other minor

errors or significant non-compliance.

4.3.1 Procedures for Administrative or Other Minor Errors: As provided in Article 5(1) of the IGA, the receiving Competent Authority would notify the providing Competent Authority when the receiving Competent Authority has reason to believe that administrative errors or other minor errors may have led to incorrect or incomplete information reporting or result in other infringements of the IGA. The providing Competent Authority would then apply its domestic law (including applicable penalties) to obtain complete and correct information or to resolve other minor or administrative infringements of the IGA and exchange such information with the receiving Competent Authority.

4.3.2 Procedures for Significant Non-Compliance:

4.3.2.1 In General: Under Article 5(2) of the IGA, the receiving Competent Authority would notify the providing Competent Authority when the receiving Competent Authority has determined there is significant non-compliance with the obligations under the IGA with respect to a Reporting Financial Institution. After such notification of significant non-compliance from the receiving Competent Authority, the providing Competent Authority would apply its domestic laws (including applicable penalties) to address the significant non-compliance described in the notice. The Competent Authorities may consult on the steps needed to address such non-compliance. If the U.S. Competent Authority were to notify the Estonian Competent Authority of a determination of significant non-compliance, the date on which notification was provided to, and received by, the Estonian Competent Authority (per Paragraph 3.3.4) would constitute the beginning of the eighteen (18) month period set forth in Article 5(2)(b) of the IGA.

4.3.2.2 Notice to Reporting Estonian Financial Institution: The Estonian Competent Authority should notify the relevant Reporting Estonian Financial Institution of the significant non-compliance determination, including the date the U.S. Competent Authority provided notice of such non-compliance to the Estonian Competent Authority (per Paragraph 3.3.4). The notice should also indicate that if the significant non-compliance is not cured within eighteen (18) months after the date the U.S Competent Authority provided notice to the Estonian Competent Authority, the relevant Reporting Estonian Financial Institution may be treated as a Nonparticipating Financial Institution, its name may be removed from the IRS FFI list, and it may therefore be subject to 30-percent withholding under section 1471(a) of the U.S. Internal Revenue Code.

4.4 Transition Period for Remediation and Enforcement:

4.4.1 The Competent Authorities intend calendar years 2014 and 2015 to be a transition period for purposes of the enforcement and administration of any data collection, due diligence, information reporting, automatic information exchange, and withholding requirements described in the IGA. The Competent Authorities intend to take into account the good faith efforts of each other, Reporting Financial Institutions, and Paragraph 1.1.2 Financial Institutions toward compliance with any such requirements during this transition period when pursuing enforcement.

4.4.2 The transition period described in Paragraph 4.4.1 may be extended by mutual written decision of the Competent Authorities.

Paragraph 5

CONFIDENTIALITY AND DATA SAFEGUARDS

5.1 Confidentiality and Use: In accordance with Article 3(7) of the IGA, all information exchanged pursuant to the IGA is subject to the confidentiality and other protections provided for in Article 26 of the Convention (hereinafter "Confidentiality Protections"), including the provisions limiting the use of the information exchanged. The Competent Authorities intend to maintain appropriate safeguards and infrastructure as described in Article 3(8) of the IGA ("Data Safeguards").

5.2 Transmission Risk and Responsibility: The Estonian Competent Authority intends to maintain Confidentiality Protections regarding information transmitted by the U.S. Competent Authority via IDES from the time it successfully downloads such information from IDES. The U.S. Competent Authority intends to maintain Confidentiality Protections regarding information transmitted via IDES from the time information is successfully uploaded to IDES. Where the Estonian Competent Authority elects to use IDES as an M1O2 data collection tool, the Estonian Competent Authority intends to maintain Confidentiality Protections from the time information is successfully uploaded by a Reporting Estonian Financial Institution or by or on behalf of a Paragraph 1.1.2 Financial Institution to IDES. *See* FATCA IDES User Guide (IRS Publication 5190).

5.3 Notification of Actual or Potential Breach of the Confidentiality and Safeguard Protections: A Competent Authority should notify the other Competent Authority promptly regarding any actual or potential breach of the Confidentiality Protections, or in the event that the Competent Authority no longer intends to maintain the Data Safeguards.

Paragraph 6

COSTS

6.1 Unless the Competent Authorities specify otherwise in writing, each Competent Authority intends to bear its own ordinary costs incurred in administering its domestic laws and providing assistance under this Arrangement. The Competent Authorities may consult with each other in advance of the incidence of extraordinary costs to consider whether, and if so how, to allocate such costs between the Competent Authorities.

Paragraph 7

EFFECT, CONSULTATION AND MODIFICATION

7.1 Operative Date: This Arrangement becomes operative on the later of (i) the date the IGA enters into force, or (ii) the date the Arrangement is signed by the U.S. and Estonian Competent Authorities. Once the Arrangement is operative, its provisions apply to all information that is exchanged pursuant to the IGA, including information for calendar years that precede the operative date.

7.2 Consultation: Each Competent Authority may at any time request consultations on the implementation, interpretation, application, or modification of this Arrangement. Such consultation (through discussion or correspondence) should take place within a period of thirty (30) days from the date of receipt of such request, unless otherwise mutually decided. If the Competent Authority of a Contracting State believes the other Contracting State has failed to fulfill its obligations under the IGA, it may request immediate consultation to ensure fulfillment of the IGA.

7.3 Modification: This Arrangement may be modified at any time by mutual consent of the Competent Authorities, in writing.

7.4 Discontinuation: This Arrangement is intended to be discontinued automatically upon termination of the IGA. In the event of discontinuation, all information previously received under this Arrangement would remain subject to the Confidentiality Protections.

Paragraph 8

Publication

The Competent Authorities intend to make this Arrangement publicly available through official publication by each Contracting State within thirty (30) days from the last date of signature of this Arrangement. The Competent Authorities expect to set the precise date and time through consultation.

For the United States Competent Authority:

David W. Horton

Acting Deputy Commissioner International

Internal Revenue Service

9/28/15

Date

For the Estonian Competent Authority:

Marek Helm

Director General

Estonian Competent Authority

11.09.2015

Date