

Estonia

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary

Sanctions:	None
FAFT list of AML Deficient Countries	No
Medium Risk Areas:	Corruption Index (Transparency International & W.G.I.) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

grain, potatoes, vegetables; livestock and dairy products; fish

Industries:

engineering, electronics, wood and wood products, textiles; information technology, telecommunications

Exports - commodities:

machinery and electrical equipment 21%, wood and wood products 9%, metals 9%, furniture 7%, vehicles and parts 5%, food products and beverages 4%, textiles 4%, plastics 3%

Exports - partners:

Sweden 16.8%, Finland 15.3%, Russia 12.7%, Latvia 9.2%, Lithuania 5.7%, Germany 4.8% (2012)

Imports - commodities:

machinery and electrical equipment, mineral fuels, chemical products, foodstuffs, plastics, textiles

Imports - partners:

Finland 15.1%, Germany 10.7%, Sweden 10.7%, Latvia 10%, Lithuania 9%, Poland 6.6%, China 4.4%, Russia 4.1% (2012)

Investment Restrictions:

As a member of the EU, the Government of Estonian (GOE) maintains liberal policies to attract investments and export-oriented companies.

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Section 1 - Background

After centuries of Danish, Swedish, German, and Russian rule, Estonia attained independence in 1918. Forcibly incorporated into the USSR in 1940 - an action never recognized by the US - it regained its freedom in 1991 with the collapse of the Soviet Union. Since the last Russian troops left in 1994, Estonia has been free to promote economic and political ties with the West. It joined both NATO and the EU in the spring of 2004, formally joined the OECD in late 2010, and adopted the euro as its official currency on 1 January 2011.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Estonia is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report (*Assessment*) relating to the implementation of anti-money laundering and counter-terrorist financing standards in Estonia was undertaken by the Financial Action Task Force (FATF) in 2014. According to that Evaluation, Estonia was deemed Compliant for 8 and Largely Compliant for 28 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 1 of the 6 Core Recommendations.

Key Findings from Progress Mutual Evaluation Report (Assessment) (2014):

Estonia has taken several important steps to improve compliance with the FATF Recommendations and has registered progress in several areas since the 3rd round evaluation. Several pieces of legislation were amended and new legislative instruments and guidance were issued to address deficiencies identified in the 3rd round evaluation.

In 2012, Estonia started conducting a national risk assessment, which at the time of the evaluation was still underway. Institutional risk assessments, which are carried out on a regular basis by the Financial Intelligence Unit (FIU) and the Financial Supervision Authority (FSA), indicate that the highest ML/FT risk derives from business conducted with customers from certain neighbouring countries. Certain financial institutions and designated non-financial businesses and professions (DNFBPs), especially payment services (including alternative payment services) and traders in precious metals, are particularly vulnerable to ML/FT. The widespread use of IT in Estonia increases vulnerability to the ML/FT risk within the financial sector. The most common predicate offences are drug trafficking, fraud and tax-related offences. The authorities consider the risk of FT to be low.

The money laundering offence in Estonia is broad, largely covering all the elements of the Vienna and Palermo Conventions. The authorities have been effective in securing ML convictions for self-laundering, third party laundering and stand-alone ML. Some issues remain within the judiciary regarding the level of proof required to establish the underlying predicate criminality.

The financing of terrorism offence was amended since the third round to address certain deficiencies. However, further amendments will still be required to ensure that the offence is fully aligned with the Terrorist Financing Convention. In particular, the collection of funds to

be used by an individual terrorist for any purpose other than terrorist purposes does not appear to be covered. Additionally, not all the acts which constitute an offence under the UN treaties annexed to the TF Convention are fully covered under the FT offence. Since the existing legislative framework has not been tested in practice it is difficult to assess the effectiveness of the system.

The authorities have been effective in confiscating and seizing property in ML and drug-related cases, although the volume of confiscated property seems low in some cases. The legal framework governing confiscation and provisional measures is still missing certain technical elements, such as confiscation of corresponding value to laundered property and instrumentalities in some cases. The authorities should apply confiscation and seizure measures to other serious proceeds-generating crimes on a more regular basis.

Estonia has implemented the UN Security Council Resolutions mainly through EU legislation. As a result, the requirement to apply freezing measures without delay is not met. Estonia has not issued a domestic list to apply freezing measures to EU internals and there are still no clear publicly-known procedures for un-freezing funds and assets in a timely manner. While guidance and communication to the financial and non-financial sector are adequate, supervision is insufficient.

The Estonian FIU is a structurally independent unit within the Police and Border Guard Board and has sufficient human and technical resources to conduct its functions properly. It has ample powers to request and obtain additional information both from other authorities and reporting entities. Guidance has been provided to reporting entities on the manner of reporting. On the whole, the FIU appears to be functioning effectively and efficiently.

Overall progress has been made to strengthen the preventive AML/CFT system. The Money Laundering and Terrorist Financing Prevention Act (MLTFPA) introduced the concept of the risk-based approach and includes, inter alia, provisions catering for simplified and enhanced customer due diligence (CDD) measures. CDD, record-keeping and reporting requirements are all broadly in line with the FATF Recommendations. Some weaknesses in the identification of beneficial owners by certain financial institutions were identified. The reporting level by financial institutions appears to be adequate. The legal framework for monitoring complex, unusual large transactions and transactions with persons from or in countries which do not or insufficiently apply the FATF Recommendations is still deficient.

The AML/CFT supervisory framework is broadly sound, especially with respect to the supervision of financial institutions subject to FSA supervision. The authorities have used their powers to stop criminals from owning or controlling financial institutions. The FIU, which supervises financial institutions not subject to the Core Principles, needs to be strengthened further. In particular, supervisory staff at the FIU needs to be increased.

The sanctioning regime for AML/CFT breaches needs to be revised as it still does not provide for the whole range of sanctions required under the FATF Recommendations. In practice, the sanctions imposed by the FSA and the FIU are very low.

The preventive measures applicable to DNFBPs are largely in place. Overall, DNFBPs appear to be aware of their obligations. However, implementation of preventive measures varies across the sector. The weakest element in the system, insofar as awareness of preventive

measures is concerned, appears to be real estate intermediaries. It is encouraging that Estonian attorneys seem to take their reporting obligation more seriously than in most countries. Supervision of DNFBPs needs to be improved, especially in terms of the number of on-site visits conducted and sanctions imposed.

Cooperation and coordination between competent authorities on a domestic level appears to be conducted in an effective manner. The government committee set up for the purpose of coordination of AML/CFT policies in Estonia has produced tangible results.

The Estonian mutual legal assistance framework allows the judicial authorities to give sufficient assistance in money laundering and terrorism financing cases. The legal provisions regulating the mutual legal assistance appear to be effectively applied in practice by Estonian authorities. The application of dual criminality may negatively impact Estonia's ability to provide assistance due to shortcomings identified in respect of the scope of the TF offence.

No significant progress has been made in order to address the deficiencies relating to the transparency of legal persons identified in the third round assessment. Accessibility to company information online has however been greatly improved.

The Estonian authorities have significantly improved the legal framework regulating non-profit organisations (NPOs). As a result of an assessment carried out by the FIU, NPOs were included under the scope of the MLTFPA and are now subject to preventive measures.

US Department of State Money Laundering assessment (INCSR)

Estonia was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Estonia has a highly developed and transparent banking sector, and its rule of law is recognized as established and mature. Transnational and organized crime groups are attracted to the country for its location between Eastern and Western Europe. Suspicious transaction reports (STRs) show illicit funds from internet crime flowing into Estonia. Online gaming and casinos are both legal in Estonia, although the industry is well-regulated by the Estonian Gambling Act. A review of court decisions related to money laundering show that the most common predicate offenses for money laundering are fraud, computer fraud, and tax-related offenses (both domestic and foreign).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks and credit institutions; lottery and gaming institutions; real estate firms and pawnbrokers; auditors, accountants, and accounting and tax advisors; service providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in bankruptcy and legal services providers; dealers of high-value goods, precious metals, precious metals articles, or precious stones; and nongovernmental organizations and foundations if they receive a cash payment exceeding established thresholds

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4792: January 1 – October 31, 2015
Number of CTRs received and time frame: 2073: January 1 – October 30, 2015
STR covered entities: Banks and credit institutions; lottery and gaming institutions; real estate firms and pawnbrokers; auditors, accountants, and accounting and tax advisors; service providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in bankruptcy and legal services providers; and dealers of high-value goods, precious metals, precious metals articles, or precious stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 32: January 1 – September 30, 2015
Convictions: 30: January 1 – September 30, 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

Estonia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The national AML/CFT Risk Assessment Task Force (NRATF) focuses on legislation and directs Estonia’s key AML/CFT agencies to concentrate on high priority and high risk areas. The NRATF has identified as priority areas digital services (internet based financial services, e-residency), which complicate application of KYC rules because there is no face-to-face contact; cash transactions; and cross-border payment mediation. Money flows from higher risk countries (so called “Eastern money”) remains a priority as Estonia does not want to assume increased AML/CFT risks. Other activities include regulating creditors’ markets. The responsibility to issue licenses to applicable creditors (including SMS loan providers and lessors) has shifted from the Estonian Financial Intelligence Unit (FIU) to the independent Financial Supervision Authority.

Estonia has adopted the universal banking model, which enables credit institutions to participate in a variety of activities, such as leasing, insurance, and securities. In recent years,

the obligated entities considered to be most vulnerable to money laundering have been payment services providers (including alternative payment services) and traders in precious metals, including scrap gold. The FIU has identified a number of money laundering schemes whereby funds obtained from cybercrime committed in neighboring countries were transferred through the payment services market to Estonian "straw men," withdrawn in cash, and physically transported to neighboring countries.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Estonia conforms with regard to all government legislation required to combat money laundering

EU White list of Equivalent Jurisdictions

Estonia is on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Estonia is not considered to be an Offshore Financial Centre

Latest US State Dept Narcotics Report

Estonia's domestic anti-narcotics legal framework is in full compliance with UN drug conventions and European Union narcotics regulations. The Estonian Narcotic Drugs, Psychotropic Substance and Precursor Act has been in force since 1997. Except for a higher HIV-infection rate among intravenous drug users (IDUs) in Estonia, the drug situation in Estonia is similar to that in other European countries. Estonia is a party to the 1988 UN Drug Convention, the UN Convention against Corruption and the UN Convention against Transnational Organized Crime.

A new extradition treaty between the United States and Estonia entered into force on April 7, 2009, replacing the 1924 agreement. The new agreement is in compliance with agreements previously signed between the EU and the United States, as well as with a 2002 decision of the EU Council concerning arrest warrants and transfer procedures. The United States and Estonia are parties to a mutual legal assistance agreement which entered into force on October 20, 2000. Both governments have also ratified and exchanged instruments regarding a Protocol to the MLAT. These instruments form the basis for a modern law enforcement regime and implement obligations under the U.S.-EU extradition and mutual legal assistance agreements.

The Government of Estonia (GOE) does not encourage or facilitate illicit production or distribution of narcotic drugs and psychotropic substances, nor does it encourage or facilitate the laundering of proceeds from illegal drug transactions. Combating the trade, production and domestic consumption of narcotics continued to be high priorities for all Estonian Law enforcement agencies and for key government ministries in 2010-11. The GOE has excellent cooperation on counter narcotics efforts with all neighboring countries. The Estonian Tax and Customs Board (ETCB) and the Estonian Police and Border Guard Board maintain good international cooperation through liaison officers with Finnish, Swedish, German, and UK customs and police authorities and with DEA. In March after a high-level meeting the chiefs of Estonian and Finnish police, border guard and customs renewed the cooperation agreement focusing on cross-border organized crime, drug trafficking and illegal immigration.

Approximately 80 police officers from the Estonian Police and Boarder Guard Board (EPBGB) specialize solely in narcotic- related crime. Relations between Estonian police, tax and customs authorities and the regional DEA office in Copenhagen have been outstanding and productive. In Estonia the DEA has been able to work jointly with Estonian authorities on cases of mutual interest and share criminal intelligence. Cooperation with DEA continued to be smooth and mutually beneficial in 2011.

Fifteen Estonian traffickers were arrested around the world in the first ten months of 2011, down from 29 in 2010. The Estonian police successfully investigated and charged several persons suspected of recruiting drug smugglers and credit these efforts with the decrease of arrests of Estonian drug traffickers abroad. Further, according to the police, their continuous law enforcement efforts have resulted in the number of seizures of narcotic substances decreasing.

Approximately 420 ETCB officers perform narcotics control on a daily basis. About 50 officers work in mobile units and 30 officers from the Investigation Department are specialized in narcotics-related crimes. On the European Union's easternmost border customs control is performed 24/7. All customs border points are equipped with X-ray machines and equipment to disassemble vehicles. Both border points and mobile units are equipped with rapid drug test kits, endoscopes, fuel pumps and densimeters to discover secreted drug caches. All customs investigation and information officers have received special training in narcotics control. The ETCB also has 17 drug sniffing dogs working on the EU external border, in Tallinn airport, and in Tallinn harbor trained to detect cocaine, heroin, amphetamine, cannabis, marijuana, hashish, ecstasy, phentanyl and other dangerous drugs. The ETCB also utilizes automated license plate surveillance systems to gather additional information at border crossings.

Staff of NGOs providing services to IDUs report that most kinds of common narcotics can also be found in Estonia. However, opiates, synthetic drugs, and heroin are the most popular illegal substances used domestically. According to GOE and NGO estimates, there are about 14,000 IDUs in Estonia.

Estonia continues to implement its 2004-2012 National Strategy on the Prevention of Drug Dependency. There are more than 60 governmental, non-governmental and private entities working with IDUs to provide services to decrease demand and reduce harm from drug abuse. In Estonia, there are ten drug rehabilitation centres: two for adolescents, two for adults, six therapeutic communities for adults and one daycare centre for double diagnosis patients. Six organizations in eight cities provide out-patient counseling services that include psychotherapy, psychological, social and peer-counseling services. Methadone substitution treatment is provided by six clinics at nine different sites. One program specializes in providing integrated methadone substitution and Anti-AIDS Retroviral treatment for HIV-infected IDUs. In total, nine organizations operate at 36 syringe exchange sites including outreach teams and mobile units. According to the National Institute for Health Development, the estimated coverage on syringe exchange is 52 per cent of targeted IDUs as the exchange points have about 7400 regular clients. There are no precursor chemical control issues in Estonia.

US State Dept Trafficking in Persons Report 2016 (introduction):

Estonia is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Estonia is a source, transit, and destination country for women and girls subjected to sex trafficking and for men, women, and children subjected to forced labor. Estonian women and girls are subjected to sex trafficking within Estonia and in other European countries. Men and women from Estonia are subjected to conditions of forced labor within Estonia, elsewhere in Europe, and in Australia, particularly in the construction, cleaning, and social welfare sectors, as well as in seasonal jobs. Estonian children are forced to commit crimes, such as theft, to benefit their exploiters. Men from Ukraine and Poland are subjected to labor

exploitation within Estonia, particularly in the construction sector. Vietnamese nationals subjected to forced labor transit Estonia en route to other EU countries.

The Government of Estonia does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Estonian authorities increased the available funding for victim services and identified a broader range of victims, including foreign citizen and child sex trafficking victims. The government, however, continued to require a police report be filed for presumed victims to receive government-funded assistance, and it ceased any such funding when criminal charges were not pursued in a given case. This requirement discouraged victims to come forward and limited the publicly funded services available to trafficking victims.

Latest US State Dept Terrorism Report - 2009

Estonia actively enforced all EU laws regarding counterterrorism and cooperated fully with the United States in law enforcement matters. Estonian passports issued since May 2007, including "gray" passports issued to stateless residents of Estonia, have the latest in biometric security features, including an embedded computer chip containing biometric information.

Participation in the International Security Assistance Force (ISAF) operation in Afghanistan was Estonia's highest priority international mission. Estonia contributed an additional motorized infantry company in 2009, for a total of two companies plus staff officers and support elements, which equaled more than 280 soldiers. One unit formed part of a U.K.-led provincial reconstruction team in Helmand Province, and the additional company, also in Helmand, operated side-by-side with U.S. Marines providing election security. Although the second company was withdrawn, Estonia still had approximately 155 troops in Afghanistan at the end of 2009. Estonia participated in the European Police Mission to Afghanistan with two police officers and a political advisor. It was projected to give a total of 1.3 million Euros in assistance for the period 2009-2011, which includes funding for the fight against narcotics; the Afghanistan Population and Housing Census project; and for human capital and infrastructure development of Helmand province's health care network, such as training of nurses, mid-wives, and other health professionals. While no longer participating in combat operations in Iraq, Estonia continued to support the NATO Training Mission in Iraq with a staff officer.

On March 11, Estonia amended the Penal Code to criminalize the financing and support of acts of terrorism or actions leading to the perpetration of an act of terrorism, punishable by up to 10 years imprisonment or the liquidation of any entity used in such efforts. The MLTFPA also harmonized Estonian law with EU standards and brought Estonia's money laundering regime into total compliance with Financial Action Task Force recommendations.

On October 12, the Government of Estonia began operating U.S. Department of Energy-funded radiation monitors at Luhamaa, on its southeastern border with Russia. The Estonian Border Guard was in the process of constructing helicopter landing pads at entry control points at Narva, in the east, and Varska, in the southeast, with U.S. Department of Defense Counternarcotics and Terrorism funds.

International Sanctions

None applicable

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index - 2013	71
World Governance Indicator – Control of Corruption - 2013	85

Corruption is not a problem for investors in Estonia, which is considered the least corrupt country in Central and Eastern Europe and one of the most competitive new EU member states. The necessary legislation, regulations and penalties to efficiently counteract corruption are in place, and the government has implemented anti-corruption laws effectively. Most of Estonia's public institutions have good anti-corruption and transparency practices. Facilitation payments are prohibited under Estonian law, and the same applies to gifts and hospitality in return for services. Businesses do not perceive these practices to be common in Estonia. **Information provided by GAN Integrity.**

US State Department

Estonia has laws, regulations, and penalties to combat corruption and while corruption is not unknown, it has generally not been a major problem faced by foreign investors. Both offering and taking bribes are criminal offenses which can bring imprisonment of up to five years. While "payments" that exceed the services rendered are not unknown, and "conflict of interest" is not a well-understood issue, surveys of American and other non-Estonian businesses have shown the issue of corruption is not a major concern. In 2013, Transparency International (TI) ranked Estonia 28th out of 177 countries on its Corruption Perceptions Index.

The Estonian government approved in October 2013, the anti-corruption strategy for 2013-2020 which seeks to increase the transparency of the public sector's decisions and activity, awareness of corruption and the quality of investigating corruption crimes.

The anti-corruption policy and the implementation of the strategy is coordinated by the Ministry of Justice and the strategy will be implemented by all ministries and local governments.

To have an overview of the implementation of planned activities, the state of the execution will be constantly assessed and several anti-corruption networks will be created, such as a network of healthcare facilities, a network of law enforcement authorities and local governments. Representatives of the networks will meet a few times each year to discuss current issues and pressing matters.

The Security Police Board has shown its capacity to deal with corruption offences and criminal misconduct, leading to the conviction of several high-ranking state officials.

Estonia co-operates in fighting corruption at the international level and is a member of GRECO (Group of States Against Corruption). Estonia is a party to both the Council of Europe

(CoE) Criminal Law Convention on Corruption and the Civil Law Convention. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia.

Estonia has been a full participant in the OECD Working Group on Bribery in International Business since 2004 and the underlying Convention entered into force in Estonia on January 22, 2005. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Anti-bribery Convention through the U.S. Foreign Corrupt Practices Act.

The UN Anticorruption Convention entered into force in Estonia on February 26, 2010.

Corruption and Government Transparency - Report by Global Security

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In 2004, the GOE instituted the "Honest State" program, an anti-corruption platform that included specific policies to reduce the risk of corruption in government. These included auditing local governments (widely seen as the greatest risk of corruption in Estonia), requiring public servants to file electronic declarations of their economic interests, setting up a National Ethics Council, increasing the number of specialized investigators and prosecutors who focus on corruption, and setting up an anonymous hotline for people to report corruption cases. The principles of the "Honest State" program continue to be an embedded part of GOE best practices.

The Security Police Board has shown its capacity to deal with corruption offences and criminal misconduct, leading to the conviction of several high-ranking state officials. Estonia cooperates in fighting corruption at the international level and is a member of GRECO (Group of States Against Corruption). Estonia is a party to both the Council of Europe (CoE) Criminal Law Convention on Corruption and the Civil Law Convention. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia.

Estonia has been a full participant in the OECD Working Group on Bribery in International Business since 2004; the underlying Anti-bribery Convention entered into force in Estonia in 2005. The Convention obligates the Parties to criminalize bribery of foreign public officials in

the conduct of international business. The United States meets its international obligations under the OECD Anti-bribery Convention through the U.S. Foreign Corrupt Practices Act. The UN Anticorruption Convention entered into force in Estonia in 2010.

Section 3 - Economy

Estonia, a member of the EU since 2004 and the euro zone since 2011, has a modern market-based economy and one of the higher per capita income levels in Central Europe and the Baltic region. Estonia's successive governments have pursued a free market, pro-business economic agenda, and sound fiscal policies that have resulted in balanced budgets and low public debt.

The economy benefits from strong electronics and telecommunications sectors and strong trade ties with Finland, Sweden, and Germany. After two years of robust recovery in 2011 and 2012, the Estonian economy faltered in 2013 with only 1.6% GDP growth, mainly due to continuing recession in much of the EU. GDP growth in 2014 was 2.9% but dropped to 1.2% in 2015 due to lower demand in key Scandinavian export markets. GDP growth is expected to be about 2.2% in 2016.

Estonia is challenged by a shortage of labor, both skilled and unskilled, although the government has amended its immigration law to allow easier hiring of highly qualified foreign workers.

Agriculture - products:

grain, potatoes, vegetables; livestock and dairy products; fish

Industries:

food, engineering, electronics, wood and wood products, textiles; information technology, telecommunications

Exports - commodities:

machinery and electrical equipment 34%, food products and beverages 9%, mineral fuels 9%, wood and wood products 10%, metals 7%, furniture 9%, vehicles and parts 6%, chemicals 5% (2015 est.)

Exports - partners:

Sweden 18.8%, Finland 16%, Latvia 10.4%, Russia 6.7%, Lithuania 5.9%, Germany 5.2%, Norway 4.1% (2015)

Imports - commodities:

machinery and electrical equipment 28 %, mineral fuels 11%, food and food products 10%, vehicles 9%, chemical products 8%, metals 8% (2015 est.)

Imports - partners:

Finland 14.5%, Germany 11%, Lithuania 9%, Sweden 8.5%, Latvia 8.3%, Poland 7.4%, Russia 6.1%, Netherlands 5.5%, China 4.8% (2015)

Banking

Estonia's banking system has consolidated rapidly. Total assets of the commercial banks were approximately USD 26 billion at the end of 2010. Two Swedish-owned banks (Swedbank and SEB) control over 70 percent of the market. More information is available at: <http://www.pangaliit.ee/eng/Info/>.

The Scandinavian-owned Estonian banking system is modern and efficient, encompassing the strongest and best-regulated banks in the region. These provide both domestic and international services (including internet and telephone banking) at very competitive rates. Both local and international firms provide a full range of financial, insurance, accounting, and legal services. Estonia has a highly advanced internet banking system: almost 90 percent of internet users make their everyday transactions via internet banking. In Estonia over 75 percent of the population between the ages of 16-74 uses the internet.

The Central Bank and the government hold no shares in the banking sector.

Stock Exchange

The Security Market Law complies with EU requirements and enables EU securities brokerage firms to deal in the market without establishing a local subsidiary. The NASDAQ OMX stock exchanges in Tallinn, Riga and Vilnius form the Baltic Market, which facilitates cross-border trading and attracting more investments to the region. This includes sharing the same trading system and harmonizing rules and market practices, all with the aim of reducing the costs of cross-border trading in the Baltic region.

Executive Summary

Estonia is a safe and dynamic country in which to invest, with a business climate very similar to the United States. As a member of the EU, the Government of Estonia (GOE) maintains liberal policies in order to attract investments and export-oriented companies. Creating favorable conditions for foreign direct investment (FDI) and openness to foreign trade has been the foundation of Estonia's economic strategy. The overall freedom to conduct business in Estonia is well protected under a transparent regulatory environment.

- Estonia is among the leading countries in Eastern and Central Europe regarding FDI per capita. At the end of 2015, Estonia had attracted in total USD 19.3 billion (stock) of investment, of which 27 percent was made into the financial sector, 16 percent into real estate, 15 percent into wholesale and retail trade, and 9 percent into professional, scientific and technical activities.
- The Estonian income tax system, with its flat rate of 21 percent, is considered one of the simplest tax regimes in the world. Deferral of corporate taxation payment shifts the time of taxation from the moment of earning the profits to that of their distribution. Undistributed profits are not subject to income taxation, regardless of whether these are reinvested or merely retained.
- Estonia offers key opportunities for businesses in a number of economic sectors like information and communication technology (ICT), chemicals, wood processing, and biotechnology. Estonia has strong trade ties with Finland, Sweden and Germany.
- Starting December 1, 2014, Estonia offered foreigners the option of e-residency. E-residents are issued a digital identity (smart ID-card) from the Republic of Estonia for a small fee. This does not entail full legal residency, citizenship or right of entry to Estonia, but gives secure access to some of Estonia's digital services such as business registration and an opportunity to use digital signatures in an electronic environment. Such digital identification and signing is the legal equivalent to face-to-face identification and handwritten signatures in the European Union. More info: <https://e-estonia.com/e-residents/about/>
- Estonia suffers a shortage of labor, both skilled and unskilled. The GOE has recently amended its immigration law to allow easier hiring of highly qualified foreign workers.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	23 of 168	http://www.transparency.org/cpi/2015
World Bank's Doing Business Report "Ease of Doing Business"	2016	16 of 189	http://www.doingbusiness.org/rankings

Global Innovation Index	2015	23 of 141	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2015	410	http://statistika.eestipank.ee/?lng=en#treeMenu/MAKSEBIL_JA_INV_POS/146
World Bank GNI per capita	2014	19,030	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Estonia is open for FDI and foreign investors are treated on an equal footing with local investors.

Other Investment Policy Reviews

The overview of the Estonian Investment Agency reviews can be found <http://www.investinestonia.com/en/>

Laws/Regulations on Foreign Direct Investment

Estonia's judiciary is independent and insulated from government influence. Estonia is part of the Continental European legal system (civil law system). The most important sources of law are legal instruments such as the Constitution, European Union law, international agreements and Acts and Regulations. Major laws affecting incoming foreign investment include: the Commercial Code, Taxation Act, Income Tax Act, Value Added Tax Act, Social Tax Act, Unemployment Insurance Payment Act. More information is available at <https://www.riigiteataja.ee/en/>. An overview of the investment regulations can be found: <http://www.investinestonia.com/en/>

Business Registration

There are two ways of registering your business:

- Electronic registration via the e-Commercial Register's Company Registration Portal (takes from 5 minutes to 1 business day)
- Through a notary (takes 2-3 business days)

Access to the Register: https://www.eesti.ee/eng/ettevotte_registreerimine/

Overview of the different type of legal business entities in Estonia can be found: <http://www.investinestonia.com/en/investment-guide/establishing-a-company>

The Estonian Investment Agency (EIA), a part of Enterprise Estonia, is a government agency promoting foreign investments in Estonia and assisting international companies in finding business opportunities in Estonia. EIA offers comprehensive, one-stop investment consultancy services, free of charge. The agency's goal is to increase awareness of business opportunities

in Estonia and promote the image of Estonia as an attractive country for investments. More info: <http://www.investinestonia.com/en/estonian-investment-agency/about-the-agency>

Estonia's government makes no special concessions to SMEs. At the same time small and medium-sized enterprises are very important for the Estonian economy, accounting for about 74 percent of value added and 78 percent of private sector employment.

Industrial Promotion

The Estonian government promotes investments into the ICT, shared services, electronics, mechanical engineering, logistics and wood industries. More info:

<http://www.investinestonia.com/en/business-opportunities>

Limits on Foreign Control and Right to Private Ownership and Establishment

Estonia's government has not set limitations on foreign ownership. Licenses are required for foreign investors to enter the following sectors: mining, energy, gas and water supply, railroad and transport, waterways, ports, dams and other water-related structures and telecommunications and communication networks. The Estonian Financial Supervision Authority issues licenses for foreign interests seeking to invest in or establish a bank. Additionally, the Estonian Competition Authority reviews transactions for anti-competition concerns. Government review and licensing have proven to be routine and non-discriminatory.

Privatization Program

Estonia's privatization program is now complete. Only a small number of enterprises remain wholly state-owned. Examples include the country's main port, national air carrier, power plants, the postal system, and the national lottery.

Screening of FDI

Estonia's government does not screen foreign investment. As a member of the EU, the Government of Estonia (GOE) maintains liberal policies in order to attract investment and export-oriented companies. Creating favorable conditions for FDI and openness to foreign trade has been the foundation of Estonia's economic strategy. Existing requirements are not intended to restrict foreign ownership but rather to regulate it and establish clear ownership responsibilities.

Competition Law

The Estonian Competition Authority reviews transactions for anti-competition concerns. Government review and licensing have proven to be routine and non-discriminatory.

More info: <http://www.konkurentsiamet.ee/?lang=en>

2. Conversion and Transfer Policies

Foreign Exchange

Estonia has been a member of the euro currency area since 2011. There are no restrictions on currency transfers or conversion.

Remittance Policies

There are no restrictions, limitations or delays involved in converting or transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments, or lease payments) into other currencies at market rates. There is no limit on dividend distributions as long as they correspond to a company's official earnings records. If a foreign company ceases to operate in Estonia, all its assets may be repatriated without restriction. These policies are long-standing; there is no indication that they will be altered in the future. Foreign exchange is readily available for any purpose.

According to the 2015 International Narcotics Control Strategy Report (INCSR) on Money Laundering and Financial Crimes Country Database, Estonia is not listed as a country of concern (<http://www.state.gov/j/inl/rls/nrcrpt/2015/vol2/index.htm>) Estonia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Estonia_en.asp.

3. Expropriation and Compensation

Private property rights are observed in Estonia. The government has the right to expropriate for public interest related to policing the borders, public ports and airports, public streets and roads, supply to public water catchments, etc. Compensation is offered based on market value. Cases of expropriation are extremely rare in Estonia, and the Embassy is not aware of any expropriation cases involving discrimination against foreign owners.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Estonia's commercial law has proven extremely effective and is often cited as one of the most successful components of Estonia's economic reforms. The Commercial Code, the central part of the overall commercial law system, is consistently applied. The Law of Obligation Act, enacted in 2002, is the basis for all commercial agreements. A Bankruptcy Act was adopted in 2004. The full text of these laws can be found at <https://www.riigiteataja.ee/tutvustus.html?m=3>

The legal system in Estonia is based on the Continental European civil law model and has been influenced by the German legal system. In contrast to common law countries, Estonia has detailed codifications.

Estonian law is divided into private and public law. Generally private law consists of civil law and commercial law. Public law consists of international law, constitutional law, administrative law, criminal law, financial law and procedural law.

Estonian arbitral tribunals can decide in cases of civil matters that have not previously been settled in court. Arbitration is usually employed because it is less time consuming and cheaper than court settlements. The following disputes can be settled in arbitral tribunals:

- Labor disputes;
- Lease disputes;
- Consumer complaints arguments;

- Insurance conflicts;
- Public procurement disputes;
- Commercial and industrial disputes.

Bankruptcy

The Bankruptcy Act was adopted in 2004. The full text of these laws can be found at <https://www.riigiteataja.ee/tutvustus.html?m=3>

More info on bankruptcy procedures: <http://www.lawyersestonia.com/bankruptcy-procedures-in-estonia>

EBRD assessment on insolvency legal framework in Estonia:
<http://assessment.ebrd.com/insolvency-office-holders/2014/country-profiles/estonia.html>

Investment Disputes

Investment disputes concerning U.S. or other foreign investors in Estonia are rare.

International Arbitration

The Arbitration Court of the Estonian Chamber of Commerce and Industry is a permanent arbitration court which settles disputes arising from contractual and other civil law relationships, including foreign trade and other international economic relations. More info: <http://www.lawyersestonia.com/arbitration-in-estonia>

Recognition of court rulings of EU Member States is regulated by EU legislation. More: [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/509988/IPOL_STU\(2015\)509988_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/509988/IPOL_STU(2015)509988_EN.pdf)

The Embassy is not aware of any claims under Estonia's Bilateral Investment Treaty (BIT) with the United States.

ICSID Convention and New York Convention

Estonia has been a member of the International Center for the Settlement of Investment Disputes (ICSID) since 1992 and a member of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards since 1993, meaning local courts are obliged to enforce international arbitration awards that meet certain criteria

Duration of Dispute Resolution – Local Courts

It takes approximately 425 days to obtain a resolution on an investment/commercial dispute in Estonian courts system.

More:

<https://www.oecd.org/eco/growth/Civilpercent20Justicepercent20Policypercent20Note.pdf>

Estonia's judiciary is independent and insulated from government influence; however, some business leaders complain the courts are overburdened and too slow. Property rights and contracts are enforced by the courts.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Estonia has been a member of WTO since 1999.

Estonia treats all FDI on the same footing as local investments and has no Trade-Related Investment Measures (TRIMS).

Investment Incentives

A fundamental principle of Estonia's economic policy is equal treatment of foreign and domestic capital. No special investment incentives are available to foreign investors, nor is any favored treatment accorded them.

Estonia has a long-standing system of low, simple, flat-rate taxes, including a flat 21 percent income tax. To encourage companies to expand their operations in Estonia, all reinvested profits are exempted from corporate income tax. However, any distributed profits, such as dividends, are taxed at 21 percent. This tax strategy was designed to promote business and accelerate economic growth by making additional funds available for investment.

Generally, the government does not impose "offset" requirements on major procurements.

Research and Development

Foreign entities registered in Estonia have the same access to government financed research and development programs as the local companies. More on R&D here:

<http://researchinestonia.eu/funding/>

Performance Requirements

There are no specific performance requirements for foreign investments that differ from those required of domestic investments. Estonia continues to refine its immigration policies and practices. Amendments which entered into force on January 1st 2016 make it easier for employers to bring in highly qualified workforce from abroad. This simpler process is intended to motivate more foreign specialists to move to Estonia with their families. More info on working in Estonia: <https://www.politsei.ee/en/teenused/working-in-estonia/>

U.S. citizens are exempt from the quota regulating the number of immigration and residence permits issued, as are citizens of the EU and Switzerland.

Data Storage

There are no requirements for foreign IT service providers to turn over source code and/or provide access to surveillance (e.g., backdoors into hardware and software or turning over keys for encryption) or to maintain a certain amount of data storage in Estonia. There is no general requirement to register data processing activities in Estonia. Registration is required only if the data processor handles sensitive personal data.

Estonian Data Protection Inspectorate

19 Väike Ameerika St., 10129 Tallinn, Estonia

Telephone (+372) 627 4135

Email info@aki.ee

www.aki.ee

Estonia has implemented the EU Data Protection Directive 95/46 EC through the Estonian Personal Data Protection Act 2007 (EPDPA). The EPDPA applies to both the public and private sector but is not applicable where personal data is processed by natural persons for personal purposes or where personal data is transmitted through Estonian territory without any other processing of the data in Estonia.

Restrictions on transfer of data offshore:

Transfer of personal data from Estonia is permitted only to a country which has a sufficient level of data protection. Members of the EEA and White Listed countries are deemed to provide a sufficient level of data protection. Data can therefore be transferred within these areas without restriction. More info: <http://www.aki.ee/en/guidelines/transfer-personal-data-foreign-country>

Personal data may also be transferred to US data importers with EU/US Safe Harbor certificates. This does not require the authorization of the Estonian Data Protection Inspectorate.

Data can be exported to a third country outside the EEA, the White Listed countries and organizations with US Safe Harbor certification if: the data subject explicitly consents to the transfer or the Estonian Data Protection Inspectorate authorizes the transfer.

6. Protection of Property Rights

Real Property

Secured interests in property are recognized and enforced. Mortgages are quite common for both residential and commercial property and leasing as a means of financing is widespread and efficient.

The legal system protects and facilitates acquisition and disposition of all property rights, including land, buildings, and mortgages. As of 1 October 2011, land reform in Estonia was almost complete. Restitution and privatization of lands commenced in 1991, but in almost every municipality there remain several complicated cases to be settled. In total, about 10percent of the Estonian territory (waterbodies included) remains to be reformed.

Foreign individuals and companies are allowed to acquire real estate with the permission of the local authorities. There are legal restrictions on acquiring agricultural and woodland of 10 hectares or more, and permission from the county governor is needed. Foreign individuals are not allowed to acquire land located on smaller islands, or listed territories adjacent to the Russian border.

More info: <http://www.globalpropertyguide.com/Europe/Estonia/Buying-Guide>
<http://www.doingbusiness.org/data/exploreeconomies/estonia/registering-property/>

Intellectual Property Rights

Companies should recognize that IP is protected differently in Estonia than in the U.S., and U.S. trademark and patent registrations will not protect IP in Estonia. Registration of patents and trademarks is on a first-in-time, first-in-right basis, so companies should consider applying for trademark and patent protection even before selling products or services in the Estonian market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in

Estonia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Estonian law.

Estonia maintains a robust IPR regime. The quality of IP protection in legal structures is strong, enforcement is good and infringements and theft are uncommon. Estonia is not listed in USTR's Special 301 report or in the Notorious Market report. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>

IP rights, except for copyright, must be registered and enforced in Estonia under local laws. Estonia adheres to the Berne Convention, WIPO and TRIPS, the Rome Convention, and the Geneva Convention on the Protection of the Rights of Producers. Estonian legislation fully complies with EU directives granting protection to authors, performing artists, record producers, and broadcasting organizations. Equal protection against unauthorized use is provided via international conventions and treaties to foreign and Estonian authors. Since July 2015 Estonia is a member of Global Patent Prosecution Highway. The level of IP enforcement has not changed in the past year.

Estonian Customs tracks and reports periodically on seizures of counterfeit goods. In 2015, the Estonian Tax and Customs Board seized 22,989 items of counterfeit goods. 95 percent of infringement cases were detected during customs procedures implemented on postal and courier services. The largest trademark infringed commodity groups were watches, followed by footwear, clothing, handbags and wallets. One of the notable cases in 2015 included 3060 infringed bulbs for car lights. Counterfeit goods are not prevalent in the local market.

Estonia has been undertaking significant structural IPR reform which involves re-codification of all IPR laws. The draft language of the new Copyright and Related Rights Acts and the Industrial Property Act has been completed, but the law's approval process has been put on hold to incorporate expected upcoming major changes from new EU directives. The last amendment to the existing Copyright Law was adopted in March 2016 on collective rights management and multi-territorial licensing of rights in musical works for online users – transposition of the EU Directive 2014/26/EU. Adhering to all international treaties and EU directives, the new laws will improve protection of IP rights in Estonia.

Amendments to the penal code to adopt proportionality and avoid over-criminalization for minor IP offenses, entered into force in January 2015.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/details.jsp?country_code=EE

Resources for Rights Holders

Contact at Mission:

Nicole Johnson
Economic/Commercial Officer
+372 6688107
JohnsonNG@state.gov

General reference list of attorneys is available on the embassy website at http://estonia.usembassy.gov/local_attorneys.html

American Chamber of Commerce in Estonia
Tallinn Business Center - Harju 6 10130 Tallinn Estonia
Phone: +372 6-310-522
E-mail: amcham@amcham.ee

7. Transparency of the Regulatory System

The Government of Estonia has set transparent policies and effective laws to foster competition and establish "clear rules of the game." However, due to the small size of Estonia's commercial community, instances of favoritism are not uncommon despite regulations and procedures designed to limit these practices.

Accounting, legal, and regulatory procedures are transparent and consistent with international norms. Financial statements should be prepared in accordance with either:

- accounting principles generally accepted in Estonia; or
- International Financial Reporting Standards (IFRS) as adopted by the EU.

Listed companies and financial institutions are required to prepare financial statements in accordance with IFRS as adopted by the EU.

The Estonian Generally Accepted Accounting Principles (GAAP) are written by the Estonian Accounting Standards Board (EASB). Estonian GAAP, effective since 2013, is based on IFRS for Small and Medium-sized Entities (IFRS for SMEs) with limited differences from IFRS for SMEs with regard to accounting policies as well as disclosure requirements. More info: <http://www.koda.ee/en/services/accounting-and-audit-requirements/accounting/>

All proposed laws and regulations are published for public comment on the website <http://eelroud.valitsus.ee>. Also, the public can comment on draft laws and propose changes to government regulations at www.osale.ee.

Estonia's widely-praised "e-governance" solutions and other bureaucratic procedures are generally far more streamlined and transparent than those of other countries in the region and are among the easiest to use globally.

International institutions and organizations give Estonia's economic policies high marks. The U.S.-based Wall Street Journal/Heritage Foundation's 2016 Index of Economic Freedom ranked Estonia 9th in the world. The index is a composite of scores in monetary policy, banking and finance, black markets, wages and prices. Estonia scores highly on this scale for investment freedom, fiscal freedom, financial freedom, property rights, business freedom, and monetary freedom. More:

<http://rulemaking.worldbank.org/data/exploreeconomies/estonia/2014>

8. Efficient Capital Markets and Portfolio Investment

Estonia's financial sector is modern and efficient. Credit is allocated on market terms and foreign investors are able to obtain credit on the local market. The private sector has access to an expanding range of credit instruments similar in variety to those offered by banks in Estonia's Nordic neighbors Finland and Sweden.

Legal, regulatory, and accounting systems are transparent and consistent with international norms.

The Security Market Law complies with EU requirements and enables EU securities brokerage firms to deal in the market without establishing a local subsidiary. The NASDAQ OMX stock exchanges in Tallinn, Riga and Vilnius form the Baltic Market, which facilitates cross-border trading and attracting more investments to the region. This includes sharing the same trading system and harmonizing rules and market practices, all with the aim of reducing the costs of cross-border trading in the Baltic region.

The Estonian capital markets are rather inactive as both stock and bond market liquidity have been in a downward trend for the past ten years.

Estonian financial services market overview:

https://www.fi.ee/public/201506_Estonian_financial_services_marekt_2015_06_inglis.pdf

Money and Banking System, Hostile Takeovers

Estonia's banking system has consolidated rapidly. Total assets of the commercial banks were approximately EUR 22.7 billion in early 2016. The banking sector is dominated by two major commercial banks, Swedbank and SEB, owned by Swedish banking groups. These two banks control approximately 62 percent of the financial services market. The third largest bank is an affiliate of the Finnish Nordea group and the fourth largest bank is an affiliate of the Danish Danske Bank. There are no state-owned commercial banks or other credit institutions. More information is available at:

<http://statistika.eestipank.ee/?lng=en#listMenu/2090/treeMenu/FINANTSSEKTOR/147/645>

The Scandinavian-owned Estonian banking system is modern and efficient, encompassing the strongest and best-regulated banks in the region. These provide both domestic and international services (including internet and mobile banking) at very competitive rates. Both local and international firms provide a full range of financial, insurance, accounting, and legal services. Estonia has a highly advanced internet banking system: currently 98 percent of banking transactions are conducted via the internet.

The Central Bank and the government hold no shares in the banking sector.

Opening a bank account for investors: <http://www.lawyersestonia.com/opening-a-bank-account-in-estonia>.

Takeovers in Estonia are regulated by the EU Takeover Directive 2004/25/EC.

9. Competition from State-Owned Enterprises

In Estonia SOEs are primarily engaged in the provision of services of strategic importance.

In 2015, the Republic of Estonia held an interest in 32 companies of which 25 were solely owned by the state. The full list of SOEs is available at:

https://www.eesti.ee/eng/contacts/riigi_osalusega_ariuhingud_1/riigi_osalusega_ariuhingud_2 Public enterprises operate on the same legal basis as private enterprises, without any advantages.

Aggregated data on SOEs in Estonia can be found at: http://www.keepeek.com/Digital-Asset-Management/oezd/finance-and-investment/the-size-and-sectoral-distribution-of-soes-in-oezd-and-partner-countries_9789264215610-en#page32

Competition and public procurement of SOEs is subject to EU law. All SOEs are subject to external audits. The audits are overseen by the Estonian state.

Estonia is covered by the Agreement on Government Procurement (GPA). More: http://export.gov/europeanunion/build/groups/public/@eg_eu/documents/webcontent/eg_eu_089245.pdf

OECD Guidelines on Corporate Governance of SOEs

SOE Management in Estonia report to independent supervisory boards consisting of government officials, politically-affiliated individuals and also prominent members of the business community.

The OECD has a positive overall view of Estonia's corporate governance framework in relation to the core corporate governance features and to the recommendations in both the OECD Corporate Governance Principles and OECD Guidelines for State-owned Enterprises. More info: <https://www.oecd.org/daf/ca/corporategovernanceofstate-ownedenterprises/48455108.pdf>

Sovereign Wealth Funds

There are no sovereign wealth funds in Estonia.

10. Responsible Business Conduct (RBC)

The majority of OECD Guidelines for Multinational Enterprises are incorporated into Estonian legislation. The non-profit organization, Responsible Business Forum in Estonia, aims to further CSR in Estonia, and is a partner in the CSR360 Global Partner Network. CSR360 (www.csr360gpn.org) is a network of independent organizations, which work as the interface of business and society to mobilize business for good. More info on CSR in Estonia: <http://www.csr.ee/estonian-context/>.

The Estonian Ministry of Economy and Communication works closely with CSR on educating private businesses and SOEs on responsible business conduct, recognizing best practices, and factoring RBC policies or practices into its procurement decisions.

The American Chamber of Commerce in Estonia also maintains a Corporate Social Responsibility committee.

Government in general enforces the labor, human rights, employment rights, consumer protection, and environmental protection related laws effectively and these requirements cannot be waived to attract foreign investment.

Estonia has adhered to the OECD Guidelines for Multinational Enterprises since 2001. The National Contact Point can be accessed here: <https://mneguidelines.oecd.org/ncps/estonia.htm>

Natural resource extraction related revenues, including mining licenses, are less than 0.6 percent of government budget revenues and less than 0.3 percent of the GDP. The revenues are reflected in the national budget.

Here you can find a summary of the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain:

<http://www.doingbusiness.org/data/exploreeconomies/estonia/protecting-minority-investors/>

11. Political Violence

Civil unrest generally is not a problem in Estonia, and there have been no incidents of terrorism. Large public gatherings and demonstrations may occur on occasion in response to political issues, but these have proceeded, with few exceptions, without incident in the past.

12. Corruption

Estonia has laws, regulations, and penalties to combat corruption and while corruption is not unknown, it has generally not been a major problem faced by foreign investors. Both offering and taking bribes are criminal offenses which can bring imprisonment of up to five years. While "payments" that exceed the services rendered are not unknown, and "conflict of interest" is not a well-understood issue, surveys of American and other non-Estonian businesses have shown the issue of corruption is not a serious concern.

In 2015, Transparency International (TI) ranked Estonia 23th out of 168 countries on its Corruption Perceptions Index.

Anti-corruption policy and implementation are coordinated by the Ministry of Justice and the strategy is implemented by all ministries and local governments.

The Security Police Board is capable to deal with corruption offences and criminal misconduct, leading to the conviction of several high-ranking state officials.

Estonia co-operates in fighting corruption at the international level and is a member of GRECO (Group of States Against Corruption). Estonia is a party to both the Council of Europe (CoE) Criminal Law Convention on Corruption and the Civil Law Convention. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia.

More info on the corruption level in different sectors in Estonia can be found at:

<http://www.business-anti-corruption.com/country-profiles/europe-central-asia/estonia/snapshot.aspx>

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The UN Anticorruption Convention entered into force in Estonia in 2010. Estonia has been a full participant in the OECD Working Group on Bribery in International Business since 2004; the underlying Convention entered into force in Estonia in 2005. The Convention obligates Parties to criminalize bribery of foreign public officials in the conduct of international business. The

United States meets its international obligations under the OECD Anti-bribery Convention through the U.S. Foreign Corrupt Practices Act.

Resources to Report Corruption

Government agency contacts responsible for combating corruption:

+372 6121500 Security Police corruption hotline or

+372 6123657 Central Criminal Police corruption hotline

Or e-mail: korrupsioonivihje@politsei.ee

Transparency International in Estonia:

http://www.transparency.org/whoweare/contact#O_nc_estonia

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Estonia has investment promotion and protection agreements with the Belgium-Luxembourg Economic Union, Azerbaijan, China, Czech Republic, Denmark, Finland, Greece, Israel, Italy, Jordan, Latvia, Lithuania, Moldova, Montenegro, Netherlands, Norway, Poland, Spain, Sweden, Switzerland, Turkey, Ukraine, UK and the United States, etc. More info:

<http://investmentpolicyhub.unctad.org/IIA/CountryBits/66#iialInnerMenu>

More info on bilateral agreements with US: <http://www.vm.ee/en/countries/united-states-america?display=relations#agreements>

Bilateral Taxation Treaties

A Bilateral Taxation Treaty with the U.S. came into force on January 1, 2000. The U.S. and Estonia signed a Foreign Account Tax Compliance Act (FATCA) agreement in April 2014.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Estonia's Customs Act permits the government to establish free trade zones. Goods in a free trade zone are considered to be outside the customs territory. VAT, excise, import and export duties (as well as possible fees for customs services) do not have to be paid on goods brought into free trade zones for later re-export.

In Estonia, there are four free trade zones: Muuga port (near Tallinn), Sillamae port (northeast Estonia), Paldiski north port (northwest Estonia) and in Valga (southern Estonia). All free trade zones are open for FDI on the same terms as Estonian investments.

The main supervisory authority responsible for monitoring the movement of goods in or out of free trade zones is the Estonian Tax and Customs Board (governed by the Ministry of Finance). There are ID requirements for companies and individuals using the zone. The U.S. Department of Homeland Security (Coast Guard) has inspected Estonia's ports and determined that the Republic of Estonia has substantially implemented the International Ship and Port Facility Security (ISPS) Code at all facilities visited.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2015	22,700	2014	26,485	http://data.worldbank.org/indicator/NY.GDP.MKTP.CD
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2015	410	2014	145	http://www.bea.gov/iTable/index_MNC.cfm
Host country's FDI in the United States (\$M USD, stock positions)	2015	96	2014	-5	http://www.bea.gov/iTable/index_MNC.cfm
Total inbound stock of FDI as percent host GDP	2015	85	2012	84.5	http://ec.europa.eu/eurostat/tgm/table.do?tab=table&int=1&language=en&pcode=tec00047&plugin=1

*http://statistika.eestipank.ee/?lng=en#treeMenu/MAKSEBIL_JA_INVPOS/146

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	19280	100%	Total Outward	6180	100%
Sweden	4846	25%	Cyprus	1343	22%
Finland	4356	23%	Lithuania	1341	22%
Netherlands	1867	10%	Latvia	1141	18%
Russia	936	5%	Finland	440	7%
Norway	755	4%	Ukraine	314	5%

"0" reflects amounts rounded to +/- USD 500,000.

Source: Data is consistent with the Bank of Estonia data (data is in euros):
http://statistika.eestipank.ee/?lng=en#treeMenu/MAKSEBIL_JA_INVPOS/146

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	6,855	100%	All Countries	3,226	100%	All Countries	3,629	100%
Luxembourg	1,658	24%	Luxembourg	1,055	33%	Luxembourg	603	17%
Ireland	777	11%	Ireland	749	23%	Netherlands	498	14%
Finland	530	8%	Finland	380	12%	Germany	340	9%
Netherlands	502	7%	U.S.	289	9%	France	326	9%
France	430	6%	Sweden	127	4%	International Organizations	236	6%

Source: IMF Coordinated Portfolio Investment Survey

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

civil law system

International organization participation:

Australia Group, BA, BIS, CBSS, CD, CE, EAPC, EBRD, ECB, EIB, EMU, ESA (cooperating state), EU, FAO, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFC, IFRC, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, NATO, NIB, NSG, OAS

(observer), OECD, OIF (observer), OPCW, OSCE, PCA, Schengen Convention, UN, UNCTAD, UNESCO, UNHCR, UNTSO, UPU, WCO, WHO, WIPO, WMO, WTO

Exchange control

There are no exchange controls in Estonia.

Treaty and non-treaty withholding tax rates

Estonia has signed 57 agreements (57 DTC agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Albania	DTC	5 Apr 2010	25 Nov 2010	Unreviewed	No	
Armenia	DTC	14 Apr 2001	23 Jan 2003	Unreviewed	No	
Austria	DTC	5 Apr 2001	12 Nov 2002	Yes	No	
Azerbaijan	DTC	30 Oct 2007	27 Nov 2008	Unreviewed	No	
Bahrain	DTC	12 Oct 2012	not yet in force	Yes	Yes	
Belarus	DTC	21 Jan 1997	22 Jul 1998	Unreviewed	No	
Belgium	DTC	5 Nov 1999	15 Apr 2003	Yes	No	
Bulgaria	DTC	13 Oct 2008	30 Dec 2008	Unreviewed	No	
Canada	DTC	2 Jun 1995	28 Dec 1995	Yes	No	
China	DTC	12 May 1998	8 Jan 1999	Yes	No	
Croatia	DTC	3 Apr 2002	12 Jul 2004	Unreviewed	No	
Cyprus	DTC	15 Oct 2012	not yet in force	Yes	Yes	
Czech Republic	DTC	24 Oct 1994	26 May 1995	Yes	No	
Denmark	DTC	4 May 1993	30 Dec 1993	Yes	No	
Finland	DTC	23 Mar 1993	30 Dec 1993	Yes	No	
Former Yugoslav Republic of Macedonia	DTC	20 Nov 2008	21 May 2009	Yes	Yes	
France	DTC	28 Oct 1997	1 May 2001	Yes	No	
Georgia	DTC	18 Dec 2006	27 Dec 2007	Unreviewed	No	
Germany	DTC	29 Nov 1996	29 Dec 1998	Yes	No	
Greece	DTC	4 Apr 2006	1 Aug 2008	Yes	No	
Hungary	DTC	11 Sep 2002	5 Jul 2004	Yes	No	
Iceland	DTC	16 Jun 1994	10 Nov 1995	Yes	No	
India	DTC	19 Sep 2011	20 Jul 2012	Yes	Yes	
Ireland	DTC	16 Dec 1997	23 Dec 1998	Yes	No	
Isle of Man	DTC	6 Aug 2009	21 Dec 2009	Yes	Yes	
Israel	DTC	29 Jun 2009	28 Dec 2009	Yes	No	
Italy	DTC	20 Mar 1997	22 Mar 2000	Yes	No	
Jersey	DTC	21 Dec 2010	30 Dec 2011	Yes	Yes	
Kazakhstan	DTC	1 Mar 1999	19 Jul 2000	Unreviewed	No	
Korea, Republic of	DTC	23 Sep 2009	25 May 2010	Yes	No	
Latvia	DTC	11 Feb 2002	21 Nov 2002	Unreviewed	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Lithuania	DTC	21 Oct 2004	8 Mar 2006	Yes	No	
Luxembourg	DTC	23 May 2006	23 Jan 2007	Yes	No	
Malta	DTC	3 May 2001	22 Jan 2003	Yes	No	
Mexico	DTC	19 Oct 2012	not yet in force	Yes	Yes	
Moldova, Republic of	DTC	23 Feb 1998	21 Jul 1998	Unreviewed	No	
Netherlands	DTC	14 Mar 1997	8 Nov 1998	Yes	No	
Norway	DTC	14 May 1993	30 Dec 1993	Yes	No	
Poland	DTC	9 May 1994	9 Dec 1994	Yes	No	
Portugal	DTC	13 May 2003	23 Jul 2004	Yes	No	
Romania	DTC	23 Oct 2003	29 Nov 2005	Unreviewed	No	
Russian Federation	DTC	5 Nov 2002	not yet in force	Yes	No	
Serbia	DTC	24 Sep 2009	14 Jun 2010	Unreviewed	Yes	
Singapore	DTC	18 Sep 2006	27 Dec 2007	Yes	Yes	
Slovakia	DTC	21 Oct 2003	29 Mar 2006	Yes	No	
Slovenia	DTC	13 Sep 2005	26 Jun 2006	Yes	No	
Spain	DTC	3 Sep 2003	28 Dec 2004	Yes	No	
Sweden	DTC	5 Apr 1993	30 Dec 1993	Yes	No	
Switzerland	DTC	11 Jun 2002	12 Jul 2004	No	No	
Thailand	DTC	25 Oct 2012	not yet in force	Unreviewed	No	
Turkey	DTC	25 Aug 2003	21 Feb 2005	Yes	No	
Turkmenistan	DTC	28 Dec 2011	15 Mar 2013	Unreviewed	Yes	
Ukraine	DTC	10 May 1996	30 Dec 1996	Unreviewed	No	
United Arab Emirates	DTC	20 Apr 2011	29 Mar 2012	Yes	Yes	
United Kingdom	DTC	12 May 1994	19 Dec 1994	Yes	No	
United States	DTC	15 Jan 1998	30 Dec 1999	Yes	No	
Uzbekistan	DTC	2 Oct 2012	not yet in force	Unreviewed	Yes	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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Any questions or queries should be addressed to: -

Gary Youinou

Via our [Contact Page](#) at KnowYourCountry.com