

AGREEMENT BETWEEN THE COMPETENT AUTHORITY OF THE UNITED STATES OF AMERICA AND THE COMPETENT AUTHORITY OF THE KINGDOM OF SPAIN TO UPDATE ANNEX II OF THE AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND THE KINGDOM OF SPAIN TO IMPROVE INTERNATIONAL TAX COMPLIANCE AND TO IMPLEMENT FATCA

Annex II of the Agreement between the United States of America and the Kingdom of Spain to Improve International Tax Compliance and to Implement FATCA, signed on May 14, 2013, (the “IGA”) provides: “This Annex II may be updated by a mutual agreement entered into between the Competent Authorities of Spain and the United States: (1) to include additional entities, accounts, and products that present a low risk of being used by U.S. Persons to evade U.S. tax and that have similar characteristics to the entities, accounts, and products identified in this Annex II as of the date of entry into force of the Agreement....” The Competent Authority of the United States of America and the Competent Authority of Spain (the “Competent Authorities”) hereby enter into the following agreement (the “Agreement”). Terms used in this Agreement that are not defined herein have the same meanings as in the IGA.

1. The Competent Authorities agree to update Annex II of the IGA by adding new subsections “C” and “D” to Section II (Deemed-Compliant Financial Institutions) of Annex II of the IGA to include additional entities as Non-Reporting Spanish Financial Institutions that are treated as deemed-compliant FFIs for purposes of section 1471 of the Internal Revenue Code.

**C. Sponsored Investment Entity and Controlled Foreign Corporation.** A Financial Institution described in subparagraph C(1) or C(2) of this section having a sponsoring entity that complies with the requirements of subparagraph C(3) of this section.

1. A Financial Institution is a sponsored investment entity if (a) it is an Investment Entity established in Spain that is not a qualified intermediary, withholding foreign partnership, or withholding foreign trust pursuant to relevant U.S. Treasury Regulations; and (b) an Entity has agreed with the Financial Institution to act as a sponsoring entity for the Financial Institution.
2. A Financial Institution is a sponsored controlled foreign corporation if (a) the Financial Institution is a controlled foreign corporation<sup>1</sup> organized under the laws of the Kingdom of Spain that is not a qualified intermediary, withholding foreign partnership, or withholding foreign trust pursuant to relevant U.S. Treasury

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<sup>1</sup> A “controlled foreign corporation” means any foreign corporation if more than 50 percent of the total combined voting power of all classes of stock of such corporation entitled to vote, or the total value of the stock of such corporation, is owned, or is considered as owned, by “United States shareholders” on any day during the taxable year of such foreign corporation. The term a “United States shareholder” means, with respect to any foreign corporation, a United States person who owns, or is considered as owning, 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation, or 10 percent or more of the total value of shares of all classes of stock of such foreign corporation.

Regulations; (b) the Financial Institution is wholly owned, directly or indirectly, by a Reporting U.S. Financial Institution that agrees to act, or requires an affiliate of the Financial Institution to act, as a sponsoring entity for the Financial Institution; and (c) the Financial Institution shares a common electronic account system with the sponsoring entity that enables the sponsoring entity to identify all Account Holders and payees of the Financial Institution and to access all account and customer information maintained by the Financial Institution including, but not limited to, customer identification information, customer documentation, account balance, and all payments made to the Account Holder or payee.

3. The sponsoring entity complies with the following requirements:
  - a) The sponsoring entity is authorized to act on behalf of the Financial Institution (such as a fund manager, trustee, corporate director, or managing partner) to fulfill applicable registration requirements on the IRS FATCA registration website;
  - b) The sponsoring entity has registered as a sponsoring entity with the IRS on the IRS FATCA registration website;
  - c) If the sponsoring entity identifies any U.S. Reportable Accounts with respect to the Financial Institution, the sponsoring entity registers the Financial Institution pursuant to applicable registration requirements on the IRS FATCA registration website on or before the date that is 90 days after such a U.S. Reportable Account is first identified;
  - d) The sponsoring entity agrees to perform, on behalf of the Financial Institution, all due diligence, withholding, reporting, and other requirements that the Financial Institution would have been required to perform if it were a Reporting Spanish Financial Institution;
  - e) The sponsoring entity identifies the Financial Institution and includes the identifying number of the Financial Institution (obtained by following applicable registration requirements on the IRS FATCA registration website) in all reporting completed on the Financial Institution's behalf; and
  - f) The sponsoring entity has not had its status as a sponsor revoked.

D. **Sponsored, Closely Held Investment Vehicle.** A Spanish Financial Institution satisfying the following requirements:

1. The Financial Institution is a Financial Institution solely because it is an Investment Entity and is not a qualified intermediary, withholding foreign partnership, or withholding foreign trust pursuant to relevant U.S. Treasury Regulations;

2. The sponsoring entity is a Reporting U.S. Financial Institution, Reporting Model 1 FFI<sup>2</sup>, or Participating FFI<sup>3</sup>, is authorized to act on behalf of the Financial Institution (such as a professional manager, trustee, or managing partner), and agrees to perform, on behalf of the Financial Institution, all due diligence, withholding, reporting, and other requirements that the Financial Institution would have been required to perform if it were a Reporting Spanish Financial Institution;
3. The Financial Institution does not hold itself out as an investment vehicle for unrelated parties;
4. Twenty or fewer individuals own all of the debt interests and Equity Interests in the Financial Institution (disregarding debt interests owned by Participating FFIs and deemed-compliant FFIs and Equity Interests owned by an Entity if that Entity owns 100 percent of the Equity Interests in the Financial Institution and is itself a sponsored Financial Institution described in this paragraph D); and
5. The sponsoring entity complies with the following requirements:
  - a) The sponsoring entity has registered as a sponsoring entity with the IRS on the IRS FATCA registration website;
  - b) The sponsoring entity agrees to perform, on behalf of the Financial Institution, all due diligence, withholding, reporting, and other requirements that the Financial Institution would have been required to perform if it were a Reporting Spanish Financial Institution and retains documentation collected with respect to the Financial Institution for a period of six years;
  - c) The sponsoring entity identifies the Financial Institution in all reporting completed on the Financial Institution's behalf; and

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<sup>2</sup> The term Reporting Model 1 FFI means a Financial Institution with respect to which a non-U.S. government or agency thereof agrees to obtain and exchange information pursuant to a Model 1 IGA, other than a Financial Institution treated as a Nonparticipating Financial Institution under the Model 1 IGA. For purposes of this definition, the term Model 1 IGA means an arrangement between the United States or the Treasury Department and a non-U.S. government or one or more agencies thereof to implement FATCA through reporting by Financial Institutions to such non-U.S. government or agency thereof, followed by automatic exchange of such reported information with the IRS.

<sup>3</sup> The term Participating FFI means a Financial Institution that has agreed to comply with the requirements of an FFI Agreement, including a Financial Institution described in a Model 2 IGA that has agreed to comply with the requirements of an FFI Agreement. The term Participating FFI also includes a qualified intermediary branch of a Reporting U.S. Financial Institution, unless such branch is a Reporting Model 1 FFI. For purposes of this definition, the term FFI Agreement means an agreement that sets forth the requirements for a Financial Institution to be treated as complying with the requirements of section 1471(b) of the U.S. Internal Revenue Code. In addition, for purposes of this definition, the term Model 2 IGA means an arrangement between the United States or the Treasury Department and a non-U.S. government or one or more agencies thereof to facilitate the implementation of FATCA through reporting by Financial Institutions directly to the IRS in accordance with the requirements of an FFI Agreement, supplemented by the exchange of information between such non-U.S. government or agency thereof and the IRS.

- d) The sponsoring entity has not had its status as a sponsor revoked.
2. The Competent Authority of the Kingdom of Spain shall update the guidance issued by the Spanish Tax Administration Agency regarding sponsored entities to incorporate the requirements for Sponsored Investment Entities and Controlled Foreign Corporations and Sponsored, Closely Held Investment Vehicles described in paragraph 1 of this Agreement.
  3. If an entity has met the requirements of a sponsored entity described in the Spanish Tax Administration Agency's guidance, including the requirements in the U.S. Treasury regulations incorporated into such guidance, at all relevant times prior to the date of this Agreement, the Competent Authority of the United States of America shall not determine that such entity is a Reporting Spanish Financial Institution that is in significant non-compliance with the IGA. For the avoidance of doubt, an entity has met the requirements described in the preceding sentence if, at all relevant times prior to the date of this Agreement, it is an entity that is eligible to be a sponsored investment entity under the U.S. Treasury regulations; the sponsoring entity performed, on behalf of the sponsored entity, all the due diligence, reporting, and other obligations that the sponsored entity would have been required to perform if it were a Reporting Spanish Financial Institution; and the sponsored entity and the sponsoring entity registered with the IRS.

Signed in duplicate in the English and Spanish languages, both texts being equally authentic, on [DATE].

For the Competent Authority of  
the United States of America:

For the Competent Authority of  
the Kingdom of Spain:

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Douglas W. O'Donnell  
Commissioner, Large Business &  
International, Internal Revenue Service

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Maria José Garde Garde  
Director General for Taxation  
Ministry of Finance

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Date

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Date