

tax treaty investors pay no income tax on capital gains. Domestic investors pay 26% on capital gains.

Estonia has formalised tax treaties with Belorussia, Canada, China, Czech Republic, Denmark, Finland, Germany, Iceland, Ireland, Latvia, Lithuania, Moldavia, Netherlands, Norway, Poland, Sweden, Ukraine and the United Kingdom.

In January 2000, the amendment into the tax law came into force, according to which corporate income tax on reinvestments has been abolished.

Market surveillance

State supervisor of the securities market is the Securities Inspectorate, operating under the Ministry of Finance. In a bid to make the supervision more effective, the government plans to create a consolidated financial sector watchdog, by merging securities market, insurance and banking sector supervisors into one body, during the next years.

The major supervisory body for the Exchange is the Surveillance Committee of the TSE, which conducts strict supervision of market participants to ensure compliance with the TSE Rules and Regulations.

Insider trading

The strength of a market is often predicated on the degree of transparency evident in market actions. Under penalty of law and the Rules and Regulations of the TSE, no person in possession of confidential information is allowed to make transactions or give recommendations based on confidential information.

The Rules and Regulations of the TSE forbid company insiders, defined as the members of the council, the board and management, the auditors and the people connected to them, from engaging in any transactions in the issuer's securities between one week before the end of a relevant accounting period to one day after disclosure on the financial reports.

Disclosure of information

The Exchange has built an effective information distribution channel, which distributes issuer announcements electronically via the stock exchange trading system and makes simultaneously available to the public via the Internet. Issuers must submit financial statements, information on corporate events, mergers and acquisitions, major deals, the annual general meeting, extraordinary general meetings and other material information to the Exchange for distribution.

Information on the TSE is also available via Reuters, Bloomberg, Bridge Telerate, Datastream, Internet Securities, Telekurs, Talentum, Baltic News Service, Estonian Mobile Telephone, and local media channels.

Real-time trading information of the Exchange and historical trading statistics of the Exchange and OTC market are available free of charge on the Internet homepage of TSE and ECDS.

Investor protection

The Exchange member firms, their employees and members of the supervisory bodies are required to follow the principles of fair and equitable trading, to act knowledgeably and with care, giving priority to the interests of their clients. A member firm is required to execute a client order at the best possible price available at the time of transaction and without unreasonable delay.

Any potential conflict of interest must be immediately disclosed to the client. The firm is prohibited from executing a client's order when the member firm or a member of the supervisory body or an employee of the member firm is a party to the transaction and the transaction is detrimental to the interests of the client.

A substantial gap in minority investor protection regulations was closed with the establishment of take-over rules as a part of TSE Rules and Regulations. Take-over rules are based on the principles of the relevant European Union draft

directive and they provide a regulatory framework for take-overs of listed companies. The rules aim to ensure transparency and legal certainty for minority shareholders, offerors and offerees, thus enhancing investor confidence in securities market as a whole. The fundamental principle of the rules is to provide equal treatment to all shareholders in regard to offer conditions and information availability. In January 2000 the Parliament resolved to add the take-over rules chapter also to the Securities Market Act.

Dispute resolution

If a dispute between the Exchange member firm and its client arises, the member firm is required to use the following procedures:

- all complaints about the activity of the member firm shall be registered by the member firm. The member firm is required to inform the Exchange of all complaints raised;
- all complaints by clients shall be considered by the member firm;
- the member firm shall issue a written report to both the client and the Exchange on its consideration of the complaint and any corrective action taken.

If the client remains unsatisfied by the action taken or resolution offered by the member firm, the client has recourse to the independent Court of Arbitration of the TSE and must be informed of this right by the member firm.

Securities Inspectorate

The Securities Inspectorate, under the authority of the Ministry of Finance, regulates and supervises the Estonian securities market. It has the legal authority to conduct inspections of stock exchange, central securities depository, banks, and other enterprises to ensure that they are in compliance with the law and that they are conforming to their own operating regulations.

The Securities Inspectorate also registers public securities issues, ensures compliance with legislation governing securities transactions and certifies securities specialists.

Tallinn Stock Exchange (TSE)

The Tallinn Stock Exchange is a self-regulated organisation, issuing and enforcing its own rules and regulations consistent with standard exchange operating procedures. Licensed by the Ministry of Finance, under the Securities Market Act, and supervised by the Ministry's Securities Inspectorate, the TSE is the only registered secondary securities market in Estonia.

The TSE's shareholders are primarily banks and brokerage firms, but also include the Central Bank of Estonia and the Ministry of Finance. The Exchange was founded in 1995 and began trading on May 31, 1996.

The Supervisory Board, elected by the general meeting of shareholders, provides oversight for the TSE. The Supervisory Board nominates and is responsible for the Management Board, which in turn provides leadership on operational issues. The Supervisory Board also nominates the members of the Listing Committee, which is responsible for listing decisions, and the Surveillance Committee, which conducts supervision over market participants to ensure compliance with TSE Rules and Regulations.

Disputes between the Exchange, its members and their clients are settled by the independent permanent Court of Arbitration. Members to the council of the court are elected by the Securities Inspectorate and TSE shareholders.

Estonian Central Depository for Securities (ECDS)

The Estonian Central Depository for Securities (ECDS) keeps the main register of the state and oversees the deposit of dematerialised securities, the registration of security ownership, loans and pledges, and the processing and clearing of security transactions.

The ECDS arranges and controls the entries, and guarantees the accuracy of information, possessed by the securities register. The services of the ECDS, including informational services, are provided to account operators, issuers and state

authorities. Indirect access is provided for financial intermediaries who are not recognised as account operators.

Investors communicate with the ECDS only via account operators. Estonian investors must open a securities account with the ECDS in his/her own name, only non-residents holding the respective license have the right to open nominee accounts. The whole Estonian registry of securities accounts is based on the single-level accounting, managed by the ECDS.

Registered companies have access to services provided by the ECDS, including central management for the issuance of shares, fund units or bonds, paying agent services, and the arranging shareholders meetings. The ECDS provides its services to issuers on a contractual basis.

The ECDS was founded in 1994 by seven commercial banks, the Central Bank of Estonia, Ministry of Finance and Hüvitusfond (State Compensation Fund).

The Supervisory Board, elected by the general meeting of shareholders, is responsible for providing leadership for the ECDS. The Supervisory Board's six members are each elected for three-year terms. A four-member Management Board, elected by the Supervisory Board for a one-year term, oversees the daily operations of the ECDS.

Listing

All securities listed on the TSE must be dematerialised, freely negotiable and registered with the Securities Inspectorate and the depository. The Listing Committee of the Exchange decides whether a security meets the requirements for listing. The listing requirements, set out in the TSE Rules and Regulations, ensure that investors get full and adequate information regarding the issuer and its financial health.

Securities listed on the TSE are divided between five different lists: the Main List, the Secondary List, the Funds' List, the Bonds' List and the Free Market.

The minimum market capitalisation requirement for the Main List securities is EEK 300 million. Upon listing, the company must present the audited annual reports for the preceding three years. The shares must be distributed to at least 300 investors.

The minimum market capitalisation requirement for the Secondary List securities is EEK 10 million and the shares must be distributed to at least 100 investors. The company must present the audited annual reports for the preceding two years.

The total market value of each bond issue to be listed on the Bonds' List must be at least EEK 10 million and the application must cover all bonds, ranked *pari passu*. The issuer must present the audited annual reports for the preceding two years, and have earned a net profit for the previous year.

The minimum market capitalisation requirement of the securities on the Funds' List is EEK 5 million. The issuer has to demonstrate to the Listing Committee that the fund manager has adequate expertise and experience and the fund adheres to adequate risk diversification principles.

The Free Market is a pre-list of the Exchange, established for trading securities which do not qualify for listing, or for which an issuer has not yet applied for listing. Securities can be listed there for a period of one year, after which time they have to apply for official listing or be removed from the Free Market. To be admitted to the Free Market, the securities must fulfil basic listing requirements and be distributed between a minimum of 100 investors.

Trading system of TSE

The TSE has developed an electronic online interactive trading system Trade 2000 that enables remote access by linking the database server of the Exchange with the terminals of its members. The brokers display real-time quotes for listed stocks and enter new orders, whereas all transactions are negotiated over the telephone before they are entered into the trading system. The system also distributes issuers' announcements, transactions executed, statistics and other relevant trading data.

Two trading models are in use, the quote-driven Dealer Market System (DMS) and the order-driven Public Order Book (POB), which are both continuous trading models. Member firms are obligated to execute client trades at the best available market price.

DMS is the main trading model and requires that a security have at least two recognised dealers (market makers), who are required to give bid and offer quotations on a continuous basis. Transactions are made at the best-displayed bid or offer price.

The POB trading model is used for transactions dealing with less liquid securities and/or securities on the Free Market. Exchange members can enter limit orders for a security that is traded in the POB system and must enter limit orders from clients immediately. Intermediaries are required to check for matching orders in order to foster the immediate execution of a client's order.

The Exchange will transfer a security from the public order book to the dealer market if at least two recognised dealers register as market makers for that security.

Guarantee Fund

In order to guarantee the fulfilment of the transactions, the TSE has established a Guarantee Fund, which is made up of payments by member firms of the Exchange. The Guarantee Fund, deposited with the Central Bank of Estonia, can be used to cover expenses incurred by the

Exchange in settling transactions that a member fails to settle.

Trading fees

Final transaction fees for investors for Exchange trades, charged by brokers, generally range from 0.4% to 1% of the transaction volume. It includes the fee of 35 EEK per transaction charged by the Exchange, out of which ECDS fee is 5 EEK per account operator's confirmation.

The ECDS charges account operators 10 EEK for off-exchange DVP trades and 25 EEK for FOP transactions of both sides.

Index

The TSE index TALSE is a market capitalisation-weighted index. It reflects the movements of all shares listed on the Main and Secondary Lists. The base value of TALSE is 100 and the base date is 3 June 1996.

Trading Hours

Monday through Friday from 10 AM to 2 PM

National holidays

1999	
New Year's Day	January 1
Independence Day	February 24
Good Friday	April 2
Victory Day	June 23
Midsummer Day	June 24
Day of Restoration of Independence	August 20
2000	
Independence Day	February 24
Good Friday	April 1
May Day	May 1
Victory Day	June 23
Christmas Day	December 25
Boxing Day	December 26

Over-the-counter market (OTC)

All securities registered with ECDS can be traded on the OTC market. OTC trades can be either delivery versus payment trades (DVP) or free of payment trades (FOP). In case of a DVP trade the securities are transferred on gross basis and the funds are cleared on the basis of bilateral netting via the clearing department of the Central Bank of Estonia. In-house DVP trades of account operators can also be executed on real-time basis. In case of FOP trade the real-time transfer on gross basis is effected.

OTC trading statistics is published on the homepage of the ECDS at <http://www.depo.ee>

Derivatives

Offered by the major market participants in the off-exchange market, the derivatives market has been active in Estonia since 1997. The primary derivative products are equity options and currency options for investors and companies seeking high yields and hedging operating risks.

Clearing and settlement

Settlement of Exchange and OTC trades is managed by the ECDS, clearing is done via the Central Bank of Estonia.

Exchange member firms must report all Exchange transactions immediately, but no later than five minutes after the conclusion of the transaction to the TSE which will then publish the transaction. Member firms are also required to forward the TSE a Settlement Details Report containing all pertinent account and investor information.

ECDS, which is connected to the system of the TSE, carries out settlement of all Exchange transactions on the basis of DVP at T+3. TSE member firms are responsible for the execution of all transactions they have reported.

OTC buy and sell trades are executed either as free of payment delivery (FOP) or as delivery versus payment (DVP). DVP transactions on the OTC market are settled according to the investor's

order on the day between T+0 to T+30, where T is matching date.

Default procedures of Exchange transactions

The ECDS checks the settlement details sent by Exchange member firms on transactions effected for their own account and of their clients. A transaction is considered a failed transaction if:

- member firm does not have the securities to cover the transaction;
- client of a member firm does not have the securities to cover the transaction;
- member firm has effected a transaction for the account of a client beyond the powers granted by the client;
- account operator has not given the confirmation to the transaction.

If a member firm does not have the necessary securities on its account, the Exchange has the right to use automatic lending to fulfil the settlement of transactions. The member firm, against whom automatic lending is used, is required to return the securities by at least the 5th trading day following the automatic lending transaction (T+5). The Exchange has the right to effect a buy-in against the defaulting member firm. The collateral held by the Exchange, and if necessary, the Guarantee Fund, is used to pay for the bought-in securities.

If a transaction has failed due to a lack of money on the member firm's account, the Exchange can use the Guarantee Fund to settle the transaction and transfer the securities to the Exchange account. In the event that the member firm does not repay the money by the end of the 3rd trading day following the transaction, the Exchange has the right to sell out the securities held by it as collateral or realise the bank guarantee issued to the Exchange on behalf of the member firm.

Managing Bodies of TSE

Supervisory Board

Peeter Saks (chairman)	Suprema Securities	Suprema Securities
Tarmo Jüristo	Lõhmus Haavel & Viisemann	Lõhmus Haavel & Viisemann
Rain Lõhmus	Lõhmus Haavel & Viisemann	Lõhmus Haavel & Viisemann
Helo Meigas	Eesti Pank	Central Bank of Estonia
Tarmo Pedjasaar	ICI Trust	ICI Trust
Priit Põldoja	Hansapank	Hansabank
Kalev Tanner	Balti Cresco Investeeringigrupp	Baltic Cresco Investment Group
Toomas Tsopp	Eesti Ühispank	Union Bank of Estonia

Management Board

Gert Tiivas (chairman)	Tallinna Väärtpaberibörs	Tallinn Stock Exchange
Jaanus Erlemann	Eesti Väärtpaberite Keskdepositoorium	Estonian Central Depository for Securities

Listing Committee

Riho Rasmann (chairman)	Tallinna Sadam	Port of Tallinn
Mart Habakuk	PriceWaterhouseCoopers	PriceWaterhouseCoopers
Toomas Luman	EE-Grupp	EE-Group
Kalle Norberg	Optiva Pank	Optiva Bank
Henn Oit	Eesti Pank	Central Bank of Estonia
Erkki Raasuke	Hansapank	Hansabank
Indrek Rahumaa	Balti Cresco Investeeringigrupp	Baltic Cresco Investment Group
Sten Soosaar	Suprema Securities	Suprema Securities
Roy Vaimand	KPMG Estonia	KPMG Estonia

Surveillance Committee

Kilvar Kessler (chairman)	Advokaadibüroo Tark & Co	Law Office Tark & Co
Ago Haabpiht	Eesti Pank	Central Bank of Estonia
Urmas Kaarlep	PriceWaterhouseCoopers	PriceWaterhouseCoopers
Andres Kurgpõld	Pangainspeksioon	Banking Supervision Department, Central Bank of Estonia
Marek Mägi	Väärtpaberiinspeksioon	Securities Inspectorate
Gert Tiivas	Tallinna Väärtpaberibörs	Tallinn Stock Exchange
Kaido Tropp	Kindlustusinspeksioon	Insurance Inspectorate

Court of Arbitration

Raino Paron (chairman)	Advokaadibüroo Raidla & Partnerid	Law Office Raidla & Partners
Joel Aasmäe	Lõhmus Haavel & Viisemann	Lõhmus Haavel & Viisemann
Taivo Kivistik	Hansatee Grupp	Hansatee Group
Veiko-Joel Kokk	Eesti Pank	Central Bank of Estonia
Sten Luiga	Advokaadibüroo Luiga & Mugu	Law Office Luiga & Mugu
Võteli Maran	Optiva Pank	Optiva Bank
Urmas Peiker	Väärtpaberiinspeksioon	Securities Inspectorate
Liivia Toomik	Eesti Ühispank	Union Bank of Estonia

Managing Bodies of ECDS

Supervisory Board

Rein Parelo (chairman)	Eesti Ühispank	Union Bank of Estonia
Eimar Astok	Eesti Krediidipank	Estonian Credit Bank
Arvo Juhkami	Optiva Pank	Optiva Bank
Lelo Liive	Rahandusministeerium	Ministry of Finance
Sven Meimer	Eesti Pank	Central Bank of Estonia
Siiri Sonntak	Merita Pank	Merita Bank
Kristel Talvar	Hansapank	Hansabank

Management Board

Jaanus Erlemann (chairman)	Eesti Väärtpaberite Keskdepositoorium	Estonian Central Depository for Securities
Ahto Kink	Eesti Väärtpaberite Keskdepositoorium	Estonian Central Depository for Securities
Jaak Madis	Eesti Väärtpaberite Keskdepositoorium	Estonian Central Depository for Securities
Gert Tiivas	Tallinna Väärtpaberibörs	Tallinn Stock Exchange

TSE Member Firms as of 31-Dec-1999

Name	Address	City, zip	Telephone	Fax	WWW	E-mail
Cresco Väärtpaberid	Tartu St. 14	Tallinn 10117	+372 6 108 787	+372 6 108 799	www.cresco.ee	cresco@cresco.ee
Eesti Krediidipank	Narva St. 4	Tallinn 15014	+372 6 405 000	+372 6 616 302	www.krediidipank.ee	markets@ekp.ee
Eesti Ühispank	Tornimäe 2	Tallinn 15010	+372 6 655 300	+372 6 655 302	www.eyp.ee	postkast@eyp.ee
Hansapank	Liivalaia 8	Tallinn 15040	+372 6 131 670	+372 6 131 545	www.hansa.ee	hansa@hansa.ee
ICI Trust	Ülikooli 12	Tartu 51003	+372 7 305 901	+372 7 305 902	-	ene@ici.ee
Kawe Kapital	Pärnu St. 15	Tallinn 10141	+372 6 651 700	+372 6 651 701	www.kawe.ee	kawe@kawe.ee
Optiva Pank	Narva St. 11	Tallinn 15015	+372 6 302 100	+372 6 302 200	www.optiva.ee	bank@optiva.ee
Preatoni Pank	Roosikrantsi 2	Tallinn 10119	+372 6 110 510	+372 6 110 501	-	info@preatonibank.ee
Sthenos Grupp	Pärnu St. 16	Tallinn 10141	+372 6 314 274	+372 6 314 277	www.sthenos.ee	sthenos@sthenos.ee
Suprema Securities	Pärnu St. 10	Tallinn 10148	+372 6 405 700	+372 6 405 701	www.suprema.ee	mail@suprema.ee
Trigon Securities	Pärnu St. 15	Tallinn 10141	+372 6 679 230	+372 6 679 231	www.trigon.ee	trigon@trigon.ee
Väärtpaberiparitsnikud*	Narva St. 11e	Tallinn 10151	+372 6 118 350	+372 6 118 351	-	-

*membership suspended

ECDS Account Operators as of 31-Dec-1999

Name	Address	City, zip	Telephone	Fax	WWW	E-mail
Eesti Krediidipank	Narva St. 4	Tallinn 15014	+372 6 405 000	+372 6 616 302	www.krediidipank.ee	markets@ekp.ee
Eesti Ühispank	Tornimäe 2	Tallinn 15010	+372 6 655 300	+372 6 655 302	www.eyp.ee	postkast@eyp.ee
Hansapank	Liivalaia 8	Tallinn 15040	+372 6 310 310	+372 6 310 410	www.hansa.ee	hansa@hansa.ee
Merita Pank*	Hobujaama 4	Tallinn 10151	+372 6 283 300	+372 6 283 201	www.merita.ee	tallinn@merita.ee
Optiva Pank	Narva St. 11	Tallinn 15015	+372 6 302 100	+372 6 302 200	www.optiva.ee	bank@optiva.ee
Preatoni Pank	Roosikrantsi 2	Tallinn 10119	+372 6 110 510	+372 6 110 501	-	info@preatonibank.ee

*not active

Companies Listed on TSE as of 31-Dec-1999

Name	Address	City, zip
Main List		
Eesti Telekom	Roosikrantsi 2	Tallinn 10122
Eesti Ühispank	Tornimäe 2	Tallinn 15010
Hansapank	Liivalaia 8	Tallinn 15040
Merko Ehitus	Tule St. 21	Saue 76505
Norma	Laki 14	Tallinn 10621
Optiva Pank	Narva St. 11	Tallinn 15015
Tallinna Kaubamaja	Gonsiori 2	Tallinn 10143
Secondary List		
Baltika	Veerenni 24	Tallinn 10135
EMV	Madara 25	Tallinn 10612
Estiko	Tehase 16	Tartu 50050
Fakto	Osmussaare Rd. 10	Tallinn 13811
Harju Elekter	Paldiski St. 31	Keila 76606
Kalev	Pärnu St. 139	Tallinn 11317
Klementi	Akadeemia St. 33	Tallinn 12618
Leks Kindlustus	Narva St. 59	Tallinn 10152
Pro Kapital	Narva St. 13	Tallinn 10151
Rakvere Lihakombinaat	Näpi	Rakvere 44305
Reval Hotelligrupp	Narva St. 30	Tallinn 10152
Saku Õlletehas	Saku	Harjumaa 75501
Tallinna Farmaatsiatehas	Tondi 33	Tallinn 11316
Tallinna Külmoone	Peterburi Rd. 42	Tallinn 11415
Viisnurk	Suur-Jõe 48	Pärnu 80042
XXL.EE	Tartu St. 87d	Tallinn 11112
Bonds' List		
Hüvitusfond	Pärnu St. 15	Tallinn 10141
Funds' List		
Hansa Asset Management	Liivalaia 8	Tallinn 15038

Telephone	Fax	WWW	E-mail
+372 6 311 212	+372 6 311 224	www.telekom.ee	mailbox@telekom.ee
+372 6 655 300	+372 6 655 302	www.eyp.ee	postkast@eyp.ee
+372 6 310 310	+372 6 310 410	www.hansa.ee	hansa@hansa.ee
+372 6 105 105	+372 6 105 106	www.merko.ee	merko@merko.ee
+372 6 500 444	+372 6 563 134	-	norma@norma.ee
+372 6 302 100	+372 6 302 189	www.optiva.ee	bank@optiva.ee
+372 6 400 200	+372 6 400 205	www.kaubamaja.ee	kaubamaja@kaubamaja.ee
+372 6 302 731	+372 6 302 814	www.baltika.ee	baltika@baltika.ee
+372 6 403 300	+372 6 403 301	-	emv@emv.ee
+372 7 476 964	+372 7 476 864	www.estiko.ee	estiko@estiko.ee
+372 6 389 200	+372 6 389 201	www.nissan.ee	info@fakto.ee
+372 6 747 400	+372 6 747 401	www.harjuelekter.ee	he@he.ee
+372 6 283 710	+372 6 283 810	www.kalev.ee	kalev@kalev.ee
+372 6 710 700	+372 6 710 709	www.klementi.ee	klementi@klementi.ee
+372 6 658 200	+372 6 658 201	www.leks.ee	info@leks.ee
+372 6 144 920	+372 6 144 929	www.ilmarise.ee	prokapital@prokapital.ee
+372 3 229 211	+372 3 229 300	www.rlk.ee	andrit.heidov@rlk.ee
+372 6 274 444	+372 6 274 445	www.reval.ee	reval@reval.ee
+372 6 508 400	+372 6 508 401	www.saku.ee	saku@online.ee
+372 6 120 201	+372 6 120 330	www.tft.ee	farma@tft.ee
+372 2 212 161	+372 6 380 050	-	e.karu@online.ee
+372 4 478 323	+372 4 478 320	www.viisnurk.ee	mail@viisnurk.ee
+372 6 053 765	+372 6 053 761	group.xxl.ee	info@xxl.ee
+372 6 651 800	+372 6 651 801	www.hf.ee	hf@hf.ee
+372 6 310 336	+372 6 131 636	www.hansa.ee	ham@hansa.ee

