

**DECLARATION OF UNDERSTANDING REGARDING THE AGREEMENT
BETWEEN THE UNITED STATES OF AMERICA AND THE FEDERAL REPUBLIC
OF GERMANY TO IMPROVE INTERNATIONAL TAX COMPLIANCE AND WITH
RESPECT TO THE UNITED STATES INFORMATION AND REPORTING
PROVISIONS COMMONLY KNOWN AS THE FOREIGN ACCOUNT TAX
COMPLIANCE ACT**

At the signing today of the Agreement Between the United States of America and the Federal Republic of Germany to Improve International Tax Compliance and with respect to the United States Information and Reporting Provisions Commonly Known as Foreign Account Tax Compliance Act (hereinafter the “Agreement”), the representatives of the United States of America and the Federal Republic of Germany wish to confirm their understanding of the following:

With reference to Subparagraph 2(a)(3) of Article 2 of the Agreement

It is understood that the Federal Republic of Germany intends for each Reporting German Financial Institution to use a Global Intermediary Identification Number (“GIIN”) issued by the Internal Revenue Service as the identifying number referenced in Subparagraph 2(a)(3) of Article 2 of the Agreement.

With reference to paragraph 7 of Article 3 (Time and Manner of Exchange of Information) of the Agreement

It is understood that paragraph 1 sentences 3 through 5 of Article 26 of the Convention between the United States and the Federal Republic of Germany for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital and to Certain Other Taxes, signed at Bonn on August 29, 1989, as amended by the Protocol signed at Berlin on June 1, 2006, applies to all information exchanged under the Agreement and sentence 4 of that paragraph applies accordingly for all persons or authorities in case the exchanged information is disclosed in public court proceedings or in judicial decisions.

With reference to Subparagraph 1(c) of Article 4 of the Agreement

It is understood that the Federal Republic of Germany intends for German Financial Institutions to comply with the registration requirements applicable to Financial Institutions in Partner Jurisdictions by registering with the Internal Revenue Service and obtaining a GIIN from the Internal Revenue Service.

With reference to paragraph 1 of Article 10 (Term of Agreement) of the Agreement

The United States understands that the Government of the Federal Republic of Germany plans to present the Agreement to its parliament for its approval in 2013 together with draft legislation that is to implement the provisions of the Agreement with the goal of having the Agreement and the legislation enter into force not later than September 30, 2015. Based on this understanding, as of the date of signature of the Agreement, the United States Department of the Treasury intends to treat each German Financial Institution, as that term is defined in the Agreement, as complying with, and not subject to withholding under section 1471 of the U.S. Internal Revenue Code during such time as the Federal Republic of Germany is pursuing the necessary internal procedures for entry into force of the Agreement. The United States further understands that the Federal Republic of Germany's Ministry of Finance intends to contact the United States Department of the Treasury as soon as it is aware that there might be a delay in the German internal approval process for entry into force of the Agreement such that the Federal Republic of Germany would not be able to provide its notification under paragraph 1 of Article 10 of the Agreement prior to September 30, 2015. If upon consultation with the Federal Republic of Germany, the United States Department of the Treasury receives credible assurances that such a delay is likely to be resolved in a reasonable period of time, the United States Department of the Treasury may decide to continue to apply FATCA to German Financial Institutions in the manner described above as long as the United States Department of the Treasury assesses that the Federal Republic of Germany is likely to be able to send its notification under paragraph 1 of Article 10 by September 30, 2016. It is understood that should the Agreement enter into force after September 30, 2015, any information that would have been reportable under the Agreement thereafter (and prior to its entry into force) had the Agreement been in force by September 30, 2015, is owed on the September 30 next following the date of entry into force.

Signed in duplicate in the German and English languages

Berlin, May 31, 2013

For the

Federal Republic of Germany

Götz Schmidt-Bremme

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For the

United States of America

Philip D. Murphy