

Cooperation Agreement
between the National Bank of Ukraine and the Financial and Capital
Market Commission of the Republic of Latvia in the Field of
Supervision of the Activities of Credit Institutions

The National Bank of Ukraine and the Financial and Capital Market Commission of the Republic of Latvia, hereinafter referred to as "the Parties", expressing their mutual interest in establishing and promoting bilateral relations in banking supervision in order to reach mutual understanding with regard to issues related to credit institution supervision and to foster cooperation in acting against legalization of proceeds derived by criminal activity (money laundering) and against financing of terrorism, have agreed as follows:

Supervisory bodies are

Ukraine

The National Bank of Ukraine keeps the State register of banks, issues permits to open subsidiary banks, branches and representative offices in the territory of Ukraine, issues licenses for the banking activity, and which is a banking regulator and a supervisor of credit institutions.

Latvia

The Financial and Capital Market Commission regulates and supervises financial market participants, including issuers, investors, credit institutions, insurers, private pension funds, brokerage companies, insurance brokers, stock exchanges, depositaries, investment companies and investment consultants. The Financial and Capital Market Commission is an independent supervisory body.

2. Definitions for the purposes of this Agreement

Credit institution - a business venture (bank) that has been established to accept deposits and other repayable funds from the public, to grant loans on its own behalf or carry out other financial services permitted by law and whose activities are subject to licensing and supervision of the Parties.

Representative office - an office that serves to support or assist in protecting the interests of a credit institution but carries out neither banking nor commercial business.

Branch of a credit institution - a structural unit of a credit institution that has been territorially or otherwise separated, does not have the status of a legal entity and operates on behalf of the credit institution situated in the country of the other Party.

"Subsidiary credit institution" (subsidiary) - a legally independent entity, wholly or mostly owned by a credit institution.

"Home country" - the country of incorporation of a credit institution that has set up a branch, a subsidiary or a representative office in another country ("host country").

3. In order to ensure the stability and efficiency of the national banking sector, the Parties shall co-operate in supervising the activities of credit institutions on the basis of the provisions of

this Agreement and in accordance with the national legislation and international obligations of each Party.

4. The Parties shall, within their competence and pursuant to legislation of their countries, cooperate in the field of mutual exchange of information concerning the actual state of the banking sectors and counteraction to money laundering and financing of terrorism.

5. The cooperation within the framework of this Agreement shall be put into practice by the Parties through the exchange of information regarding:

- the general position of the banking sector of each of the countries and its development;
- the position of a credit institution that has branches or subsidiaries in the territory of the other Party as well as of respective branches, subsidiaries or representative offices;
- the practical experience in work and applied research in the field of combating money laundering and financing of terrorism.

At the same time, the Parties shall observe the professional secrecy (banking secrecy) requirements as defined by national laws of the Parties.

6. In case of necessity, the Parties may extend their professional contacts to discuss issues of mutual interest in order to efficiently improve their professional experience and to exchange analytical papers, statistics and information related to the issues of combating money laundering and financing of terrorism.

7. The Parties can get acquainted with the effective legal framework of banking laws on the following Web sites: www.fktk.lv and www.bank.gov.ua.

8. Cooperation within the framework of this Agreement shall be implemented upon request of a Party of the Agreement for information concerning supervision or on the initiative of either Party that considers such information to be useful for the other Party.

A request for information shall be sent in writing to the contact persons listed in Annex A.

9. The Parties shall take all necessary measures to provide a prompt and, as far as possible, full reply to the request. They shall also notify each other of the circumstances preventing or delaying the reply to the request.

10. The Parties shall, by mutual consent, come to an agreement regarding joint actions in supervising the activities of subsidiary credit institutions and branches situated in the territory of the host Party, in controlling the owners of qualifying holdings in a bank and also in appointing directors and managers of subsidiary credit institutions, branches or representative offices established by credit institutions situated in the territory of the other Party, videlicet:

10.1. In licensing of banking activities, the Parties have agreed that:

10.1.1. If a credit institution incorporated in the territory of the home Party applies to obtain a license/permit to open branches, representative offices and subsidiary credit institutions, and a permit to acquire a qualifying holding in a bank licensed in the host country, the host Party shall consider such applications after the home Party has given its written consent within the time limit and in accordance with the procedures established by its national banking laws or appropriate enactments on the banking activity regulation. In Ukraine a representative office should be incorporated in accordance with the legislative requirements of Ukraine. In Latvia a Ukrainian credit institution should notify the Financial and Capital Market Commission of the opening of its representative office;

10.1.2. The Parties shall, within a one-month period, inform each other of licenses/permits issued to credit institutions incorporated in the home country to open branches and subsidiaries, and permits issued to acquire a qualifying holding in a bank as well as of the opening of a representative office in the host country;

10.1.3. The Parties shall exchange information concerning the compliance of directors and managers of subsidiary credit institutions or branches established by credit institutions situated in the territory of the other Party's country, with the requirements of the applicable national legislation;

10.1.4. Each Party expresses its consent, at the request of the other Party, to provide information concerning the financial position of a parent credit institution, the compliance of this institution with prudential supervision requirements and the availability of sufficient parent credit institution control over the activities of its subsidiaries and branches. Other information necessary to make a decision on the establishment of subsidiaries, branches or representative offices, as well as on the acquisition of a qualifying holding in a bank in the territory of the other Party may be provided in reply to a request of the relevant Party;

10.1.5. When taking a decision to issue licenses/permits to open branches, representative offices or subsidiaries, permits for the acquisition of a qualifying holding in a bank and to perform directors' and managers' duties, the Parties shall be guided by the national legislation requirements and take into account information received from the respective Party's banking supervisory authority;

10.2. When carrying out off-site analysis of financial and statistical reports submitted by operating subsidiaries or branches established by credit institutions incorporated in the territory of the other Party, the Parties have agreed that:

10.2.1. The Parties shall exercise prudential supervision over the activities of subsidiaries or branches in compliance with the Parties' national laws or applicable banking regulatory enactments;

10.2.2. The Parties shall not prevent the entities referred to in Paragraph 10.2.1 from submitting information and other reports intended for the compilation of consolidated reports in accordance with the reporting forms established in the home country to their head offices or parent banks;

10.2.3. The Parties shall submit additional information necessary to supervise the activities of a parent credit institution on a consolidated basis in accordance with the legislation of the Parties.

10.2.4. The Parties shall expeditiously inform each other of the emergence or plausibility of emergence of considerable problems related to the functioning and financial position of credit institutions authorized by one of the Parties, and conduct, if necessary, consultations indispensable for taking coordinated steps to solve emerging problems.

10.3. When exercising on-site inspections:

10.3.1. Prior to commencing the inspection (in the event of necessity to conduct on-site inspections of the subsidiaries or branches situated in the territory of the other Party), the Parties shall have an obligation to inform in writing the other Party at least 15 days in advance. The banking supervisory authority of the host country is entitled to participate in such an inspection. The home Party shall submit to the host Party an information letter about the results of the inspection and its translation into the English language.

10.4. When exercising the control over the compliance of credit institutions authorized in the territory of countries of the Parties with the requirements issued by the banking supervisory authorities to eliminate drawbacks discovered in the activities of these organizations, the Parties:

10.4.1. shall, within a two-week period, provide information concerning substantial changes related to a credit institution having subsidiaries or branches authorized in the other Party's country, videlicet: gross violations of the banking laws, restrictions on the range of banking operations,

restrictions on the performance of specific operations or revocation of licenses, appointment of an authorized proxy in order to control the fulfillment of the requirement specified in accordance with the intensified supervision procedure, appointment of temporary administration to manage the organization in question, adoption of a resolution on the reorganization or liquidation of the credit institution or on insolvency proceedings.

11. Supervision of qualifying holdings in a bank shall be carried out in accordance with the applicable national laws of the Parties.

12. The Parties ensure that all information received shall be used only for banking supervision and shall not be passed outside the banking supervision authority.

13. The exchange of information shall be made in English.

14. The Parties realize that amendments to this Agreement might be made as a result of changes in their respective legislation and legal framework.

15. Unless otherwise agreed by the Parties, each of the Parties shall cover the expenses related to the fulfillment of provisions of this Agreement.

16. In order to implement the provisions of this Agreement, the Parties shall enter into contact directly, which does not exclude the use of diplomatic channels.

17. This Agreement shall come into force on the date of its signing by both Parties. This Agreement may be terminated by either Authority upon giving thirty days' written notice to the other Authority.

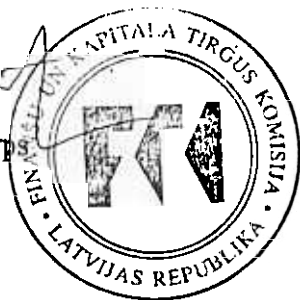
18. The Parties do not oppose making this Agreement publicly available on the respective Party's web site.

Done in two copies in the English and Ukrainian language. All copies have equal legal power. In the event of any discrepancy between the English and Ukrainian version of this Agreement, the English version shall prevail.

Riga 19 December 2003

For and on behalf
of the Financial and Capital
Market Commission of the Republic of Latvia

Mr. Uldis Cērnis
Chairman



Kyiv 9 December 2003

For and on behalf
of the National Bank
of Ukraine

Mr. Sergiy Tigipko
Governor

CONTACT PERSONS

Financial and Capital Market Commission of the Republic of Latvia:

Liga Gange
Legal Adviser
Regulations Division
Regulations and Statistics Department
e-mail - Liga.Gange@fktk.lv
1 Kungu Street
LV- 1050 Riga
Republic of Latvia
Tel: +371 777 4800
Fax: +371 722 5755

The National Bank of Ukraine:

Natalia Ivanenko
Deputy Director
General Banking Supervision Department
e-mail – nvi@bank.gov.ua
9 Instytutska Street
Kyiv, 01008
Tel: + 38 044 230 1888 Fax: + 38 044 230 1991