

Parakstīts
19.07.2000.

AGREEMENT

between LIETUVOS BANKAS and LATVIJAS BANKA

on co-operation in the area of credit institutions' supervision

Lietuvos bankas and Latvijas Banka (each hereinafter referred to as "the Party" or "supervisory authority" and both hereinafter referred to jointly as "the Parties" or "supervisory authorities"), declaring mutual interest in establishing and developing bilateral relations in the area of credit institutions' supervision, seeking mutual understanding on the issues relating to the regulation of activities of credit institutions and the interaction in the supervision of credit institutions registered on the territories of the countries of the Parties, have agreed on the following:

I. GENERAL PROVISIONS

1. For the purposes of this Agreement:

'credit institution' shall mean an enterprise, which accepts deposits and other repayable funds from the public, extends loans, and holds the licence issued according to the procedure determined by the Party to perform said activities, and is supervised by the Party of the Agreement;

'cross-border branch' shall mean a branch of the home country credit institution established in the host country;

'cross-border subsidiary' shall mean a subsidiary of the home country credit institution established in the host country.

2. The Parties are willing to exchange information on a regular basis on the state and development of the banking system in the country of either Party.

3. The Parties shall, on the basis of mutual confidence, exchange information on the supervision standards and requirements for credit institutions currently in effect, as well as on any essential changes in banking sector. In addition, the Parties shall, upon written request, inform each other on other prudential regulations. The information described in this paragraph shall be provided no later than 30 days after the receipt of the request.

4. In case of necessity, under individual prior agreements, the Parties shall arrange meetings at the level of managers of supervisory authorities (subdivisions) and/or experts to discuss the issues of mutual interest, including those for the improvement of trends of proper supervision of credit institutions and methodology, in order to maintain the credibility and effectiveness of the systems of credit institutions of the Parties.



5. All data on credit institutions, their branches and subsidiaries obtained by one Party from the other upon execution of supervisory functions shall be strictly confidential, cannot be provided to third persons and shall be used by the Parties only for the purposes of execution of supervisory functions. In this paragraph data, considered confidential, may be conveyed to other public institutions, but only in the event if this is provided for in the national legislation of the Parties and if the confidentiality of the data conveyed is ensured.

II. ESTABLISHMENT OF CREDIT INSTITUTION CROSS-BORDER BRANCHES AND SUBSIDIARIES

6. When a credit institution authorised in the home country applies for a permission (licence) in the host country to establish a credit institution cross-border branch or subsidiary, the host country supervisory authority shall consider such applications only upon a written consent of the home country supervisory authority.

7. When adopting decisions on the issue of permissions (licences) to establish in the host country a cross-border branch or subsidiary of a credit institution authorised in the home country, the Parties shall be guided by the requirements provided for in the respective national legislative acts and shall take into consideration the information received from the other supervisory authority.

8. When one Party is considering the application of a credit institution authorised in the country of the other Party regarding the establishment of a branch or subsidiary and/or participation in the share capital of a credit institution, the Parties, on the basis of mutual confidence, shall furnish each other with additional information necessary to adopt the final decision.

9. The Parties shall inform each other in writing on the decision adopted concerning the issue of permission (licence) to establish a cross-border branch or subsidiary of a credit institution authorised in the country of the other Party.

III. BLOCK OF SHARES AND OWNER CONTROL

10. Within the present Agreement a block of shares is defined as a part of the share capital or voting rights provided for in the national legislation of the country of each Party.

11. In case a credit institution or a parent company of a credit institution authorised in the home country or a natural or legal person controlling the credit institution authorised in the home country applies for permission to acquire or manage a block of shares in a credit institution authorised in the host country, the Parties shall inform each other about the said and, upon request, shall



provide each other with the necessary information. Prior consultations between the Parties shall be held in case the earlier mentioned credit institution or a parent company of a credit institution, or the earlier mentioned person applies for a permission to increase the block of shares or voting rights to the level when the laws in the country of a respective Party provide for a notice to or a permission of the credit institutions' supervisory authority.

12. There shall be prior consultations between the Parties held regarding granting permission to a credit institution, which is:

- a subsidiary of a credit institution authorised in the country of the other Party,
- a subsidiary of the parent undertaking of a credit institution authorised in the country of the other Party,
- controlled by natural or legal persons who also control another credit institution authorised in the country of the other Party.

IV. COOPERATION IN THE FIELD OF SUPERVISION

13. The home country supervisory authority shall perform off-site monitoring of the credit institution branches established both in the home country and the host country according to the regularly provided accountability and in conformity with the laws and other legal acts regulating the activities of the home country credit institutions. The home country supervisory authority shall supervise the liquidity of the institution as a whole including its branches in the host country. The liquidity of a branch shall be subject to host country supervision as well as to home country supervision.

14. The host country supervisory authority shall perform off-site monitoring of the credit institution branches in accordance with the laws and other legal acts regulating the activities of the host country credit institutions.

15. The host country supervisory authority, on identification of non-compliance by the cross-border branches with the laws and other legal acts regulating the activities of credit institutions in the host country, shall advise these branches on violations made, notify them of the legal requirements and require compliance with appropriate legal acts, as well as inform the home country supervisory authority. The latter shall take adequate measures to ensure the compliance with the requirements and inform the host country supervisory authority on the nature of such measures. Notwithstanding the above mentioned, the host country supervisory authority shall preserve the power to take adequate measures vis-a-vis that cross-border branch.

16. The host country supervisory authority shall supervise cross-border subsidiaries of credit institutions in conformity with the laws and other legal acts regulating the activities of the host country credit institutions. The responsibility



to supervise the subsidiary rests with the supervisory authority of the host country.

17. The host country supervisory authority shall not hinder cross-border subsidiaries of home country credit institutions in communicating accountability to the parent credit institution necessary for the consolidated supervision to be made up according to the formats established in the home country, nor communicating accountability in case of an inquiry by the home country supervisory authority.

18. The host country supervisory authority, upon request of the home country supervisory authority, shall furnish additional information necessary to perform the supervision of the credit institution on a consolidated basis.

19. The Parties shall notify each other without delay of a pending crisis in a credit institution having branches or subsidiaries on the territory of the country of the other Party. The same applies if a crisis is limited to a branch but may lead the credit institution as a whole to insolvency. Prior to taking any actions provided for in the national legislation against a branch, the Parties shall be obliged, when possible, to apply the procedure established in Paragraph 15. When necessary, the Parties shall be entitled to act without delay.

20. The host country shall retain the right to impose reporting obligations on the branch in those areas where it retains supervisory control.

V. COOPERATION IN THE FIELD OF CREDIT INSTITUTIONS ON-SITE INSPECTIONS

21. 15 days prior to the on-site inspection in a cross-border branch, the host country supervisory authority shall in writing notify of such inspection the home country supervisory authority and, if necessary, consult with this authority. After the consultations, the host country supervisory authority shall perform on-site inspection on its own or in co-operation with the home country supervisory authority.

22. The host country supervisory authority shall not hinder and, if necessary (after separate consultations), shall provide assistance to the home country supervisory authority in organising and performing on-site inspections in the communicated cross-border branches.

23. The home country supervisory authority, upon completion of an on-site inspection in a cross-border branch, shall notify of the latter the host country supervisory authority. The Parties shall inform each other of the results of the inspection in the form agreed upon separately.

A handwritten signature in black ink, appearing to be 'B. B. B.', is located at the bottom left of the page.

24. Material about the inspection in a subsidiary or branch conducted by the host country supervisory authority can be passed over to the home country supervisory authority.

VI. CLIENTS COMPLAINTS

25. Credit institution clients' complaints about the cross-border branches or subsidiaries of a credit institution submitted to the host country supervisory authority shall be examined by the latter. If necessary, it will pass over its findings to the home country supervisory authority. The host country supervisory authority may pass over to the home country supervisory authority complicated cases requiring special investigation by the latter.

Credit institution clients' complaints submitted to the home country supervisory authority shall be examined by the latter. If necessary, it will consult with the host country supervisory authority and, finally, shall inform it about its decision.

26. The Parties shall notify each other on a regular basis of any changes in the conditions of deposit insurance schemes applicable to the clients of cross-border branches located in the host country and of the persons responsible for the management of a cross-border branch or subsidiary located in the country of the other Party.

VII. TECHNICAL ARRANGEMENTS

27. If not provided otherwise by subsequent agreements, the Parties shall correspond with each other in English. As to the language to be used during meetings and other arrangements, it shall be agreed upon each time on a separate basis.

28. Both Parties shall appoint at least one person responsible for keeping mutual contacts and solving the issues of concern who shall exchange the lists of contact persons indicating their language skills.

29. The Parties agree on a possibility of making amendments and supplements to the present Agreement in order to ensure compliance with national laws and other legal acts regulating the activities of credit institutions.

30. The Parties agree to assign the powers and rights of this Agreement to their successors, notifying in writing the other Party 15 days prior to such intention.

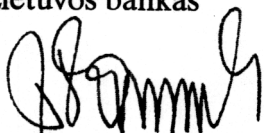
31. The present Agreement shall become invalid in the event of mutual decision by the Parties that the Agreement no longer satisfies its objectives, or if either Party of the Agreement declares that they will no longer fulfil the Agreement notifying the other Party of its intention six months prior to the date of non-fulfilment of this Agreement.

A handwritten signature in black ink, appearing to be 'M. J. [unclear]', is located at the bottom left of the page.

32. The present Agreement has been prepared in two originals in the Lithuanian and English language. In the event of disagreements on the interpretation of the text, the English version shall prevail.

The present Agreement shall be valid from the date of signing it by the Parties.

For Lietuvos bankas



Reinoldijus Šarkinas
Chairman of the Board

28. 06. 2000

For Latvijas Banka



Einars Repše
Governor of Latvijas Banka

19. 07. 2000




G. Cerbulis
Latvijas Bankas
Kreditīstāžu uzraudzības pārvaldes
juridiskās un licencēšanas daļas
licencēšanas eksperts
17. 07. 2000.



A. Šteinbergs
Latvijas Bankas
Kreditīstāžu uzraudzības
pārvaldes vadītājs



R. Jakovļevs
Latvijas Bankas
Juridiskās pārvaldes vadītājs



J. Bērziņš
Latvijas Bankas
Kreditīstāžu uzraudzības pārvaldes
vadītāja vietnieks juridiskajos un
licencēšanas jautājumos
17. 07. 2000.



V. Bidiņa
Latvijas Bankas
Kreditīstāžu uzraudzības pārvaldes
Juridiskās un licencēšanas daļas vadītāja
17. 07. 2000.