

Parakstīt 09.03.2001.

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE BANK OF LATVIA, THE FINANCIAL AND CAPITAL MARKET COMMISSION OF THE
REPUBLIC OF LATVIA AND THE NATIONAL BANK OF THE REPUBLIC OF BELARUS

The Bank of Latvia, the Financial and Capital Market Commission of the Republic of Latvia (hereinafter, "the Latvian authority") and the National Bank of the Republic of Belarus (hereinafter, "the Belarus authority"), all hereinafter also jointly referred to as "the Latvian and Belarus authorities",

Referring to the Basle Concordat and Document No. 30, "Core Principles for Effective Banking Supervision", and Document No. 27, "The Supervision of Cross-Border Banking", provided by Basle Committee on Banking Supervision (hereinafter, "the Basle Documents"),

Understanding that no foreign banking establishment should escape from supervision and that the supervision should be adequate,

Willing to facilitate the performance of their respective duties and to promote safe and sound functioning of cross-border credit institutions in their countries,

Desiring to promote and expand mutually beneficial co-operation and exchange of information between their countries on the basis of equality and non-discrimination,

Convinced that the exchange of information will contribute to increased mutual understanding and co-operation between the respective Latvian and Belarus authorities,

Conscious of the exchange of information being an essential element of the bilateral relationship between the Latvian and Belarus authorities,

Having agreed to supervise the credit institutions transacting cross-border business in Latvia and Belarus, as well as the financial institutions that are members of their respective consolidation groups, according to the legal framework applicable in Latvia and Belarus in the spirit of close collaboration and mutual trust,

The Latvian and Belarus authorities deem it necessary for the purpose of fruitful co-operation to create a common basis for finding practical arrangements for the procedures laid down in their legislation concerning the supervision of credit institutions and their cross-border establishments and to translate those arrangements into clear directions to their employees.

For the purposes of this Memorandum, the Latvian and Belarus authorities have agreed to use the following definitions:

'cross-border establishment' – any branch, subsidiary and representative office of credit institution from the home country situated in the host country;

'credit institution' operates in Latvia as a bank, credit union or a branch of a foreign bank;

'credit institution' operates in Belarus as a unitary bank, bank – joint-stock company, non-bank financial intermediary.

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I GENERAL PROVISIONS

- General framework

By this Memorandum, the Latvian and Belarus authorities commit themselves to co-operate on a best-effort basis on all prudential matters pertaining to cross-border banking establishments.

The Bank of Latvia shall supervise the activities of banks and other credit institutions that have been granted a license by the Bank of Latvia. The Bank of Latvia shall supervise and inspect banks and other credit institutions and shall ensure that mandatory regulations issued by it are observed.

The National Bank of the Republic of Belarus exercises control over activities of banks and other credit institutions that have obtained a license from the National Bank of the Republic of Belarus, inspects them, and ensures their compliance with binding resolutions issued by it.

In Latvia, the laws of Latvia shall govern the activities of cross-border establishments, unless otherwise provided for in the international agreements concluded by Latvia. A cross-border establishment shall be obliged to respond to actions brought into Latvian courts and to comply with any decisions and orders of the Latvian authorities.

In Belarus, the laws of the Republic of Belarus shall govern the activities of cross-border establishments, unless otherwise provided for in the international agreements concluded by Belarus. A cross-border establishment shall be obliged to respond to actions brought into Belarus courts and to comply with any decisions and orders issued by the Belarus authorities.

2 - Form and extent of co-operation

(i) Professional secrecy

Compliance with the obligation of professional secrecy by all employees receiving classified information in the course of their activities is absolutely necessary for successful co-operation between the Latvian and Belarus authorities.

Information received from either authority may be used for supervisory purposes only and shall be disclosed solely to the competent authorities provided for in the legislation of the country of the other authority. Beyond that it may not be given to third parties without the prior consent of the Latvian or Belarus authority, respectively.

(ii) Exchange of information

The functions of the host country authority shall include the duty of promptly informing the home country authority of any event involving a cross-border establishment which comes to its knowledge and might jeopardize the stability of the credit institution as a whole. The Latvian and Belarus authorities recognize that, according to the Basle Documents, the home country authority is entitled to gather information from the cross-border establishment.

The Latvian and Belarus authorities shall closely collaborate with each other both on a regular basis and whenever a particular case so requires. Persons entrusted with home or host supervisory functions may at any time seek the advice of their peers from the other country. Whenever particular supervisory issues call for clarification, all available communication measures shall be taken and *ad hoc* meetings may be arranged. Information visits shall strengthen the mutual ties of co-operation.



The Latvian and Belarus authorities shall notify each other of any substantial change in their domestic supervisory regimes and policies in general. They shall inform each other of administrative penalties imposed or other actions taken in relation to cross-border establishments if they consider such information to be of possible importance to the other authority.

In addition, the Latvian and Belarus authorities agree that home and host country authorities shall inform each other upon request and to the extent reasonable on other prudential issues.

II ESTABLISHMENT OF A CROSS-BORDER ESTABLISHMENT

- Licensing requirements

In the spirit of the Basle Documents, the Latvian and Belarus authorities agree that consent for the creation of a cross-border establishment can be given by the host country authority only after it has been given by the home country authority. Particularly, there shall be prior consultation with the competent authorities of the other country involved in the authorization of a cross-border establishment that is:

- a subsidiary of a credit institution authorized in the other country, or
- a subsidiary of the parent undertaking of a credit institution authorized in the other country, or
- controlled by persons, whether natural or legal, who also control a credit institution authorized in the other country. (For the Belarus authority, «control» means holding an equity stake or participation share that determines decisions made by the organization).

Before granting the authorization for a cross-border establishment, the home country authorities shall ensure that the credit institution fulfils adequate standards, including the following:

- fitness and properness of the management;
- accounting standards;
- requirements as regards internal controls;
- own funds;
- supervision of capital adequacy;
- supervision of risks arising out of open positions in markets;
- large exposures;
- qualifying holdings;
- owner control;
- all other requirements provided for in the domestic legislation.

The home country authorities shall inform the host country authorities about these issues.

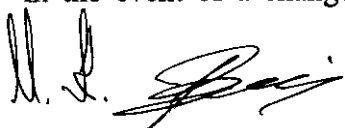
The host country authorities, before granting the authorization, shall ensure that the home country authorities have given their consent for the cross-border establishments.

The home country authorities shall see that a credit institution with several places of business established in the host country specifies one place of business as the head office, the managers of which are obliged to answer to the host country authorities.

The host country authorities shall have free discretion to require the head office to file a written notice of any place of business to be established in their territory.

2 - Notices of change

In the event of a change in any of the particulars communicated pursuant to the programme of



operations setting out, inter alia,

the types of business envisaged and the structural organization of a cross-border establishment,
the names of those responsible for the management of the cross-border establishment,
and the deposit-guarantee scheme which is intended to ensure the protection of depositors in the cross-border establishment,

the home country authority assures that the host country authority shall be informed of the changes at least one month before making the change.

If the notice refers to a change in the management of the cross-border establishment, the Latvian and Belarus authorities shall use the one-month interim period between the notice and the occurrence of the change to exchange information on the fitness and properness of the designated manager of the cross-border establishment.

III CO-OPERATION IN THE FIELD OF SUPERVISION

- Co-operation in special fields of supervision

(i) Market Risks

The Latvian and Belarus authorities shall consult each other regarding the prudential assessment of market risks if the situation in the financial markets of the host country gives rise to particular concern. They shall inform each other about any crisis emerging with the potential to affect the domestic financial market as a whole (e.g., such as requiring the closing down of stock exchanges or a general moratorium on the banking industry), as soon as and to the extent legally possible.

The host country authority shall inform the home country authority of a cross-border establishment in breach of market rules if such information could be important to the home country authority. If necessary, the home country authority shall inform the host country authority of any measures taken on the basis of such information.

Foreign exchange operations and positions of the cross-border establishment are a joint responsibility of the home and host country authorities. In particular:

foreign exchange operations and positions of the branches are under the supervision of the home country authority;

foreign exchange operations and positions of subsidiaries are under the supervision of the authority of the country of incorporation on a solo basis and under the supervision of the home country authority on a consolidated basis.

(ii) Liquidity

a) Branches

The home country 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.

The Latvian and Belarus authorities shall regularly ascertain whether, in their role as host supervisors, they could avoid duplication of work in the area of liquidity supervision and restrict their activities in



that field to informing the home supervisors as regards liquidity crunches emerging in their own financial markets.

If the branch fails to comply with the liquidity requirements of the host country, the following procedure shall be invoked:

1. The host country authorities shall ask the credit institution to comply.
2. If the institution concerned fails to take the necessary measures to boost its liquidity to the legally required level, the host country authority shall inform the home country authority. The latter shall take the necessary measures to induce compliance and shall communicate the nature of such measures to the host country authority.
3. If, however, the liquidity problem of the branch cannot be resolved, it shall be assumed that the credit institution faces a solvency problem, which is a matter to be handled by the home country authority.

Notwithstanding the aforesaid, the host country authorities shall retain the power to take such measures as, according to the respective legislation, are necessary and appropriate in respect of the branch and shall keep the authorities of the home country informed of all its activities.

b) Subsidiaries

The primary responsibility to supervise liquidity rests with the authorities of the place of incorporation.

(iii) Capital adequacy

a) Branches

The primary responsibility to supervise capital adequacy rests with the home country authority. The host country authority has the general responsibility to monitor the financial soundness of foreign branches.

b) Subsidiaries

Supervision of capital adequacy is a joint responsibility of both the host and home country authorities. The host country authority supervises the subsidiary as a separate entity and the home country authority on a consolidated basis.

2 - Reporting obligations; supervisory reporting

The host country shall retain the right to impose reporting obligations on cross-border establishments, either in the interest of the general good or in those areas in which it retains supervisory control.

3 - Prevailing laws of the host country

The supervision of a subsidiary shall remain within the jurisdiction of the country of incorporation. The authorities of the country of incorporation shall be free to consult, whenever necessary, the supervisory authorities of the parent credit institution, which shall, to the extent reasonable, provide the information requested to support the supervisory assessment of the condition of its subsidiary. In order to facilitate supervision on a consolidated basis, supervisory authorities of the parent credit institution shall have the same consultation and information rights.



The host country has the power to take appropriate measures to prevent or punish irregularities that are contrary to the legal rules it has adopted. This shall include the power to prevent offending cross-border establishments from initiating any further transactions within its territory.

If the activities of a cross-border establishment violate the legislation of the host country or offend against legislation, the host country shall proceed as follows:

1. The host country authorities point out the irregularity to the cross-border establishment, advise it of the legal situation and request compliance with the rules.
2. If the cross-border establishment does not comply with the request, the host country authorities shall advise the home country authorities. The latter shall take the necessary measures to have the cross-border establishment management meet the request and conduct its activities according to those rules.

Moreover, the host country shall retain the power to prevent or punish a breach of law within its territory.

4 - Bank customer complaints

Complaints about a particular cross-border establishment providing services lodged by customers with the host country authorities shall be handled by the latter on their own responsibility. They shall be free to correspond directly with the cross-border establishment. They shall, if necessary, pass on their findings to the home country authorities. The host country authorities are free to turn over to the home country authorities complex cases calling for the special expertise and knowledge of the latter.

Complaints lodged with the home country authorities shall be handled by the latter. If the particular conditions in the host country are of relevance, the home country authorities shall consult with the host country authorities, and eventually advise them of their decision.

5 - Crisis; bankruptcy; winding-up

The Latvian and Belarus authorities shall inform each other, without delay, if they become aware of a pending crisis concerning particular credit institutions with cross-border establishments in the other country or if the crisis is limited to the particular cross-border establishment.

In either case, the host country authority shall collaborate with the home country authority if supervisory countermeasures are to be taken by the latter. Moreover, the host country maintains the right to apply its own procedures concerning the winding up and reorganization of cross-border establishments that are on the verge of bankruptcy.

Before taking the actions stipulated in the national legislation against the cross-border establishment, the Latvian and Belarus authorities undertake to follow, when possible, the procedure agreed on in item III (3).

In serious cases the Latvian and Belarus authorities have the right to act immediately, if necessary.

IV CO-OPERATION IN THE FIELD OF ON-SITE INSPECTIONS

The Latvian and Belarus authorities intend to carry out on-site inspections, either by their own staff or commissioned auditors. As host country authorities they do not intend to carry out on-site inspections



on behalf of the home country authority. The host country authorities shall have the right to assist the inspector.

The Latvian and Belarus authorities shall remain free to determine their own auditing standards and to appoint and assign commissioned auditors as well as their own staff of inspectors. Neither the host country authorities, nor the involved credit institution may object to an inspection instituted by the home country authority.

The home country authorities shall notify in writing the host country authorities 15 days in advance of any inspection of a cross-border establishment instituted by themselves. The notification shall comprise the name of the inspector, name of the cross-border establishment, objective of the inspection, expected date of commencement and duration of the inspection.

In serious cases meetings may be arranged in the course of an inspection at the request of the inspector or either authority. Either authority may request a discussion of the findings.

The home country supervisory authority, upon completion of an on-site inspection in a cross-border establishment, shall notify the host country supervisory authority of the results. The Latvian and Belarus authorities shall inform each other of the results of the inspection.

V CO-OPERATION CONCERNING OWNER CONTROL

If any natural or legal person proposes to acquire, directly or indirectly, a participation share in a credit institution which requires informing the relevant supervisory authorities or obtaining permission from them (a qualifying holding) while operations of such credit institution are authorized in the other country, there should be prior consultation between the Latvian and Belarus authorities.

If the acquirer of holdings referred to in paragraph 1 is a credit institution authorized in the other country or the parent undertaking of a credit institution authorized in the other country and if, as a result of that acquisition, the institution in which the acquirer proposes to acquire a holding becomes a subsidiary or subject to the control of the acquirer, the authorities must hold prior consultation on the assessment of the acquisition.

In this context a qualifying holding is defined as a direct or indirect holding in an undertaking which represents 10 per cent or more of the capital or the voting rights or which makes it possible to exercise significant influence over the management of the undertaking in which a holding exists. There must also be prior consultation between the Latvian and Belarus authorities if a natural or legal person as referred to in the previous paragraph proposes to increase his qualified holding so that the proportion of capital or the voting rights held by him would reach or exceed 20, 33, 50 per cent or so that the credit institution would become his subsidiary. Also, the Latvian and Belarus authorities shall notify each other if the holder of a qualifying holding intends to reduce the holding below an extent described in previous sentence.

The Latvian and Belarus authorities shall provide each other with information upon request and to the extent reasonable on domestic enterprises, which own one or more credit institutions incorporated in the other country. The information shall include all relevant facts pertaining to the shareholding enterprise itself and to the ownership structure as a whole.



VI TECHNICAL ARRANGEMENTS

1 - Language; exchange of lists

Unless this memorandum or later agreements provide for otherwise, the Latvian and Belarus authorities shall correspond with each other in English. As regards meetings and other occasions, the language of use shall be decided case by case.

The Latvian and Belarus authorities shall provide each other with a list of all those entities or individuals with whom cross-border establishments incorporated in their countries have "close links" either in the form of a list or a group organogram. The lists will be updated regularly. The definition of «Close links» used in this memorandum conforms the one used in European Parliament and Council Directive 95/26/EC.

The Latvian and Belarus authorities shall also exchange on a regular basis lists of the following:

- the credit institutions which they have authorized and which transact business within the territory of the other country through cross-border establishments; the lists should also include information concerning head offices as defined in Chapter II and managers of the cross-border establishments;
- the credit institutions which they have authorized and in which enterprises incorporated in the other country have direct holdings of more than 10%;
- the cross-border establishments in their respective countries of credit institutions authorized in the other country;
- the credit institutions, authorized by them, with representative offices in the other country; and
- the list of statistical reports by the Latvian and Belarus authorities.

The lists shall be updated for the annual meeting at the latest.

2 - Exchange of staff

The Latvian and Belarus authorities shall promote their mutual co-operation through visits for informational purposes and by arranging traineeships for each other's staff. If the duration of the training period exceeds three months, the tasks of the trainee shall be as similar as possible to those performed by the staff of the authority arranging the traineeship.

3 - Regular meetings

The Latvian and Belarus authorities agree that it is desirable to hold regular meetings in order to discuss the implementation of this memorandum and questions relating to the different credit institutions established in both countries and under their respective supervision and other relevant issues. The Latvian and Belarus authorities shall aim to hold such a meeting once a year. The employees who have a part in the co-operation should convene once a year in such meetings to discuss fundamental issues so as to enhance the quality of co-operation. Such meetings shall provide a forum to analyze problematic cases, identify options and prepare proposals to the decision-making bodies of the Latvian and Belarus authorities, and to settle disputes between them. Between such meetings ad-hoc meetings can be arranged as needed.

Mutual information on the following issues shall be updated for the annual meeting at the latest

- substantial changes in the domestic country authority regimes and policies (legislation);

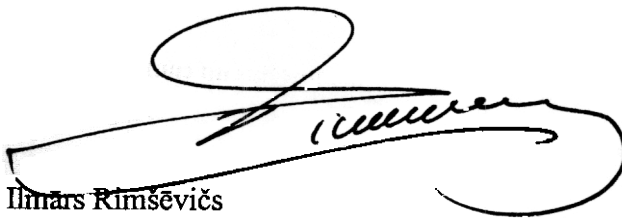


provisions which make it possible to extend and promote the efficiency of co-operation of the authorities.

The Latvian and Belarus authorities hereby undertake to revise this memorandum of understanding in accordance with changes in national legislation or if the supervision of credit institutions so requires.

The Latvian and Belarus authorities agree to delegate the powers and rights of this Memorandum of Understanding to their successors, giving a written notice one month prior to the enforcement of the relevant decision.

On behalf of the Bank of Latvia



Ilmārs Rīmšēvičs
Chairman of the Executive Board

Riga, March 9, 2001

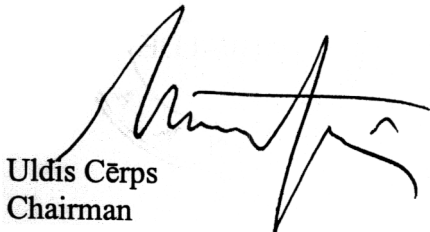
On behalf of the National Bank of the Republic of Belarus



Pavel V. Kallaur
First Deputy Board Chairman

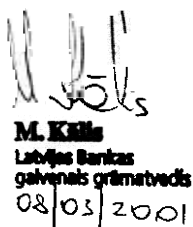
Riga, March 9, 2001

On behalf of the Financial and Capital Market
Commission of the Republic of Latvia

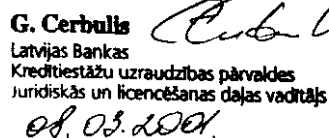


Uldis Cērps
Chairman

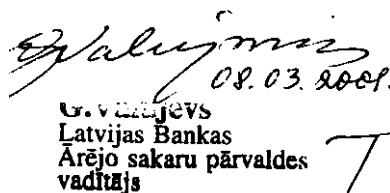
Riga, March 9, 2001



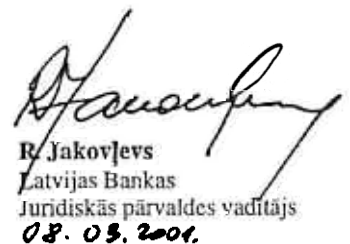
M. Kāls
Latvijas Bankas
galvenais grāmatvedis
08/03/2001



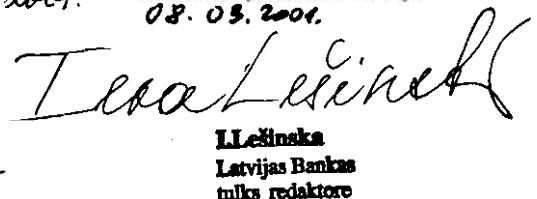
G. Cerbulis
Latvijas Bankas
Kreditinstitūtu uzraudzības pārvaldes
juridiskās un licencēšanas daļas vadītājs
08.03.2001.



G. Valtajevs
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Ārējo sakaru pārvaldes
vadītājs
08.03.2001.



R. Jakovļevs
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Juridiskās pārvaldes vadītājs
08.03.2001.



I. Leļinskā
Latvijas Bankas
tulkas redaktore
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J. Ilcin



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5.03.2001 № 11-14/395
на № _____ ад _____

ДОВЕРЕННОСТЬ

Город Минск. Пятое марта две тысячи первого года.

Настоящей доверенностью Национальный банк Республики Беларусь в лице Председателя Правления Национального банка Республики Беларусь Прокоповича Петра Петровича, действующего на основании Устава Национального банка Республики Беларусь, уполномочивает первого заместителя Председателя Правления Национального банка Республики Беларусь **Каллаура Павла Владимировича** на подписание от имени Национального банка Республики Беларусь Меморандума о взаимопонимании между Банком Латвии и Национальным банком Республики Беларусь.

Подпись первого заместителя Председателя Правления Национального банка Республики Беларусь **Каллаура Павла Владимировича** _____ удостоверяю.

Настоящая доверенность выдана сроком на один месяц

Председатель Правления



П.П.Прокопович