

Paraksts
April 2 2001

MEMORANDUM OF UNDERSTANDING



between

FINANSINSPEKTIONEN

and the

BANK OF LATVIA

concerning their cooperation in the field of banking supervision

MEMORANDUM OF UNDERSTANDING

Finansinspektionen (hereinafter "the Swedish authority") and the Bank of Latvia (hereinafter "the Latvian authority) and both hereinafter also referred to jointly as "the Swedish and Latvian authorities"

agree to base their cooperation in the field of cross-border banking supervision in both countries on the principles and procedures laid down in this memorandum. The authorities shall define a cross-border establishment to be any branch, representative office or subsidiary of a credit institution from the other country. The agreement also includes acquisitions which are of important extent.

I Supervisory bodies

Sweden

In Sweden, supervision of credit institutions is undertaken by a single competent authority, Finansinspektionen. Banks are authorised by Finansinspektionen or, if the authorisation is of material importance, by the Government. Finansinspektionen is responsible for the licensing of all other credit institutions.

Latvia

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

The securities and/or insurance business of credit institutions is regulated and supervised by two independent supervisory authorities: the Securities Market Commission and Insurance Supervision Inspectorate.

II Professional secrecy /Confidentiality

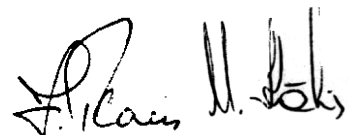
Compliance with the obligation of professional secrecy by all employees who receive classified information as a result of this agreement in the course of their activities is essential for successful cooperation between the Swedish and Latvian authorities.

Information received from either authority may be used for supervisory purposes only, and shall be disclosed solely to the competent authorities.

III Cross-border establishments

Sweden

In accordance with Swedish law, a foreign bank may



1. conduct business from a branch following an authorisation by Finansinspektionen or
2. following a notification to Finansinspektionen conduct business that mainly consists of representation and offering banking activities from an office (representative office).

A licence to conduct activities from a branch shall be granted if it is anticipated that the business will fulfil the demands of a sound banking business and if deposits at the branch are guaranteed in accordance with the act (1995:1517) on the deposit guarantee scheme or by a foreign guarantee. In the legislative history it is also pointed out that as a condition for an authorisation the credit institution in the home country must be subject to satisfactory supervision and that the laws and regulations are equivalent to those in Sweden, particularly concerning capital adequacy requirements and other restrictions.

Latvia

A credit institution in the Republic of Latvia shall operate as a bank or as a credit union, or a branch of a foreign bank. Credit institutions, their branches and representative offices shall only be entitled to start their activity after they have received a licence (permit) issued by the Bank of Latvia and have been registered in due course of law. The Bank of Latvia shall specify the procedure for granting licences (permits) to credit institutions and shall establish restrictions on banking activities.

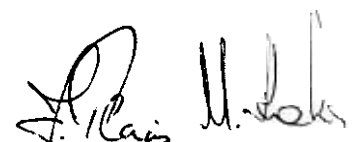
The authorities will provide each other with the necessary information when dealing with applications for authorisations.

IV Cooperation in the field of supervision

The Swedish and Latvian authorities declare their willingness to exchange information, experience and know-how in order to support and facilitate the effectiveness of their supervision. In broad terms, this means there will be contact, either in writing or orally, whenever the home or host supervisor considers this useful or necessary on the basis of the relevant facts or developments for the supervisory purposes of one or both parties. Furthermore any additional information may be exchanged upon request.

Responsibility for the supervision of cross-border establishments rests with the host country. Each authority declare its willingness to exchange information regarding cross-border establishments which are supervised by the host country.

When a credit institution acquires shares in a credit institution in the host country, the home country has no responsibility for supervision of the credit institution in the host country. The authorities shall inform each other when necessary, and when the acquisition is of an important extent. The host country declares its willingness to provide adequate information to the home country when required by the home country for supervision on a consolidated basis.



Crisis situations; breaches of host country legislation

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

A crisis which affects credit institutions indirectly shall also be subject to such an exchange of information.

In either case, the host country authority shall cooperate 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.

The Swedish and Latvian authorities shall inform each other when they become aware that the activities of a branch are in breach of the applicable law of the host country or of the legal rules adopted in the interest of the general good, to the extent that such breaches are of significance in supervisory terms. This is without prejudice to any measures which the host country may take in a crisis situation to institute proceedings for the reorganisation or winding up of a branch in accordance with its national law.

2. Cooperation in the field of on-site controls

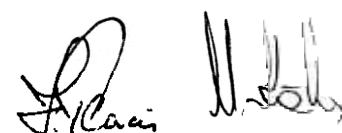
The Swedish and Latvian authorities agree that cooperation is particularly useful in carrying out on-site inspections of cross-border establishments.

The Swedish and Latvian authorities will permit their respective representatives to accompany any such on-site inspection carried out either by the Swedish and Latvian authorities themselves, or by the auditors commissioned by the Swedish and Latvian authorities. The host country supervisory authority shall notify the home country supervisory authority following completion of an on-site inspection in a cross-border establishment. The Swedish and Latvian authorities shall inform each other of the results of the inspection in a manner determined separately.

3. Cooperation concerning ownership control

If any natural or legal person proposes to acquire, directly or indirectly, a qualifying holding in a credit institution authorised in the other country, there should be prior consultation between the Latvian and Swedish authorities.

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 permits the exercise of significant influence over the management of the undertaking in which a holding exists. There must also be prior consultation between the Latvian and Swedish authorities if a natural or legal person as referred to in the previous paragraph proposes to increase his qualified holdings so



that the proportion of capital or the voting rights held by him would amount to or exceed 20 per cent, 33 per cent or 50 per cent, or so that the credit institution would become his subsidiary. The Latvian and Swedish authorities should also notify each other, if the holder of a qualifying holding intends to reduce the holding below a level specified in previous sentence.

V Technical arrangements

1. Language; exchange of lists

Unless this memorandum or subsequent agreements provide otherwise, the Swedish and Latvian authorities will correspond with each other in English. As regards meetings and other occasions, the language used will be decided on a case by case basis.

The Swedish and Latvian authorities shall provide each other with organograms setting out the allocation of responsibilities between officers in their respective supervisory bodies.

The Swedish and Latvian authorities shall also exchange, on a regular, basis the following lists of

-the credit institutions which they have authorised and which transact business within the territory of the other country through cross-border establishments;

-the credit institutions which they have authorised in which enterprises incorporated in the other state have direct holdings of more than 20 %;

-the branches in their respective countries of credit institutions authorised in the other state;

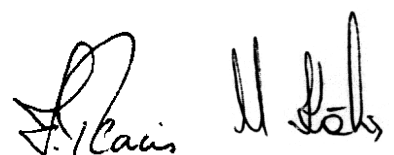
-the credit institutions which they have authorised and which have representative offices in the other state;

-substantial changes in the domestic supervisory regulations and policies.

2. Regular meetings

The Swedish and Latvian authorities agree that there should be regular meetings to discuss this memorandum and various questions regarding the credit institutions which are established in the countries and the supervision for which the authorities are responsible. In principle, these meetings are to take place on an annual basis. Each year, the authorities shall consider whether such a meeting is necessary. Additional meetings may take place in the intervening period, if requested.

The Swedish and Latvian authorities are aware that changes in this memorandum will be necessary, due to the future development of domestic legislation and based on experience of supervision of the institutions.




J. Cain U. Pöhl


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

This Memorandum of Understanding was drafted on March 7, 2001 in English.

For Finansinspektionen


Claes Norgren
Director General

For the Bank of Latvia


Einars Repše
Governor
Bank of Latvia

March 22, 2001


April 2, 2001

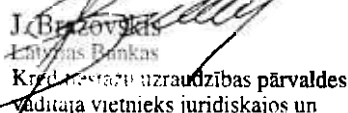


C. R.

I. Lešinska
Latvijas Bankas
tikas redaktore
8.03.01

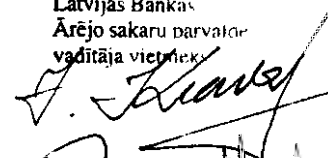
G. Cerbulis
Latvijas Bankas
Kreditistāžu uzraudzības pārvaldes
Juridiskās un licencēšanas daļas vadītājs
27.03.2001.


R. Jakovļevs
Latvijas Bankas
Juridiskās pārvaldes vadītājs
30.03.2001.


J. Brazdovčis
Latvijas Bankas
Kreditistāžu uzraudzības pārvaldes
Vadītāja vietnieks juridiskajos un
licencēšanas jautājumos
24.30.1001.

29.03.2001

J. Kravāns
Latvijas Bankas
Ārējo sakaru pārvalde
Vadītāja vietnieks






M. Kelle
Latvijas Bankas
galvenais grāmatvedis
28/03/2001