

**MEMORANDUM
OF
UNDERSTANDING**

Between
The Financial and Capital Market Commission of the Republic of Latvia
and
The State Insurance Supervisory Authority under the Ministry of Finance of the Republic
of Lithuania

**ON THE EXCHANGE OF INFORMATION AND
CO-OPERATION**

2002

INTRODUCTION

1. The Financial and Capital Market Commission (hereinafter referred to as the FCMC) has been established in compliance with the Law on the Financial and Capital Market Commission as an independent authority in charge of supervising and regulating the national financial and capital market and its participants, including the insurance market and its participants in the Republic of Latvia.
2. The State Insurance Supervisory Authority (hereinafter referred to as SISA) has been established with the approval of the Government of the Republic of Lithuania as the authority in charge of supervising and regulating the national insurance market in Lithuania.
3. In this Memorandum of Understanding (hereinafter referred to as the MoU), the "Authorities" shall mean the FCMC and the SISA.
4. The FCMC and the SISA, recognizing the increasing international activities in the insurance market and the corresponding need for mutual cooperation between the relevant authorities have, after friendly consultation, reached the following understanding:

II. PRINCIPLES

1. The purpose of this MoU is to protect policyholders and potential policyholders of insurance companies, and to promote the integrity, stability and efficiency of the insurance industry by providing a framework for cooperation, including channels of communication, increasing mutual understanding, the exchange of information and assistance to the extent permitted by laws, regulation and requirements.
2. This MoU serves as a basis of cooperation between the Authorities and does not create any binding international legal obligations. It does not affect any arrangements under other MoUs.
3. The fulfilment of the provisions of this MoU shall be consistent with domestic laws, regulations and conventions of the respective countries of the Authorities and, within the availability of respective resources of the Authorities, and shall not be contrary to the public interests of the countries of the Authorities concerned.

4. To the extent permitted by the applicable laws and regulations, each Authority will use reasonable efforts to provide the other Authority with any information discovered, which gives rise to a suspicion of a breach, or an anticipated breach, of the regulatory requirements or laws pertaining to the insurance market administered by the other Authority.

III. SCOPE

1. The Authorities agree to promote mutual assistance and the exchange of information to assist them in performing their respective functions in relation to the following areas:

- a) The legislative provisions dealing with proposals for the establishment, acquisition and take-over of insurance companies;
- b) The enforcement of financial and other eligibility requirements for key issues of responsibility in insurance companies including ownership;
- c) The continuing monitoring, auditing, inspection and examination of compliance of insurance companies with prudential, financial reporting and other supervisory requirements;
- d) The conduct of specific inquiries into the activities of individual insurance companies;
- e) Ensuring the compliance of insurance products with disclosure and marketing requirements for insurance products;
- f) Fraudulent practices in relation to the offer, purchase or sale of insurance products;
- g) Technical cooperation and assistance;
- h) Other matters agreed upon by the Authorities.

IV. REQUESTS AND EXECUTION

1. Requests will be made in writing in the English language to the contact persons listed in Annex A. In urgent cases, requests may be made in summary form to be followed as soon as possible by a full request.

2. Requests should specify:

- a) the information requested;
- b) a description of the conduct or suspected conduct which gives rise to the request;
- c) the purpose for which the information is sought (including details of the laws and regulatory requirements pertaining to the matter which is the subject of the request);
- d) the link between the specific laws or regulatory requirements and the regulatory functions of the requesting Authority;
- e) the persons believed by the requesting Authority to possess the information sought, or the place where such information may be obtained, if the requesting Authority is knowledgeable thereof;
- f) to whom, if anyone, onward disclosure of information is likely to be necessary and the reason for such disclosure;
- g) the desired time period for the reply.

3. If the requesting Authority makes a request for information pertaining to the area covered by the MoU on behalf of another authority of the same country, this shall be indicated in the request. The Authorities will hold consultations on the further proceedings and the exact kind of information to be possibly communicated to the requesting Authority

4. The requested Authority will deal with the request within a reasonable time.

5. Each request will be assessed by the requested Authority to determine whether the information requested can be provided under the terms of this MoU. In any case where the request cannot be accepted completely, the requested Authority will consider whether there is any relevant information that can be provided.

6. In deciding whether to accept or decline a request, the requested Authority will consider

- a) whether the request relates to the breach of laws or regulations which has no close parallel in the country of the requested Authority;
- b) whether broadly equivalent assistance would be available from the requesting Authority;
- c) whether the request involves an assertion of a jurisdiction not recognized by the requested Authority;
- d) whether it would be contrary to the public order of the requested country.

Any document or other materials provided in response to a request under this MoU and any copies thereof must be returned to the requested Authority upon request.

7. The Authorities inform each other on the problem and insolvent insurance companies which issue compulsory motor vehicle insurance policies in the country of the other Authority

V. UNSOLICITED INFORMATION

Where one Authority has information which will assist the other Authority in the performance of its regulatory functions, the former may provide such information, or arrange such information to be provided, to the extent permitted by law, on a voluntary basis even though the other Authority has made no request.

VI. PERMISSIBLE USE AND CONFIDENTIALITY

1. The requesting Authority may use information obtained solely for the purpose stated in the request with respect to ensuring compliance with or enforcement of the legal provisions specified in the request as well as for the purpose of conducting administrative proceedings instituted as a result of a violation of the provisions specified in the request. If the requesting Authority intends to use the furnished information for any other purpose, it must obtain prior consent of the requested Authority, which may subject the information to certain conditions.

2. Each Authority will, to the extent permitted by law, observe confidentiality of any request made under this MoU as well as of any matter arising in the course of its operation.

3. To the extent permitted by law, the requesting Authority will observe at least the same degree of confidentiality with respect to all information communicated to it under this MoU.

4. Information or assistance provided under the MoU will not be disclosed by the requested Authority to any third parties without the prior written consent of the Authority providing the assistance or information, except for the execution of the request.

5. While disclosing the information obtained pursuant to this MoU to third parties, the requesting Authority will undertake to keep the information confidential and not divulge it to other third parties.

6. If either Authority becomes aware that information passed under this MoU may be subject to a legally enforceable demand to disclose, it will, to the extent permitted by law, inform the other Authority of this situation. The Authorities will then discuss and determine the appropriate course of action.

VII. TECHNICAL COOPERATION

The respective Authorities intend to work together to identify and address, subject to the availability of personnel and resources, the training and technical assistance required to facilitate the development of the regulatory framework for the insurance market in both the Republic of Latvia and the Republic of Lithuania.

VIII. CONSULTATION

1. The Authorities will consult in the event of a dispute over the meaning of any term used in this MoU.

2. The Authorities may consult, at any time, about a request or proposed request.

3. The Authorities may consult and revise the terms of the MoU in the event of a substantial change in the laws, regulations or practices affecting the operation of the MoU.

4. To improve the cooperation under this MoU, the Authorities will conduct consultations and discussions on the implementation of the MoU when necessary.

IX. ENTRY INTO EFFECT

This MoU will be effective as of the date when signed by both Authorities – the FCMC and the SISA- and hereby will repeal the Agreement of Mutual Co-operation concluded on 20 April 1998 to the extent it applies to relationships between the FCMC and the SISA.


X. TERMINATION

This MoU may be terminated by either Authority upon giving thirty days' written notice to the other Authority. This MoU will continue to have effect with respect to all requests for assistance that are made before the effective date of termination.


SIGNED in duplicate in the Lithuanian and English languages, all versions being equally authentic. In the event of any discrepancy between different versions of this MoU, the English language version shall prevail.

Riga, October 23, 2002

Representative of the
Financial and Capital
Market Commission of
the Republic of Latvia

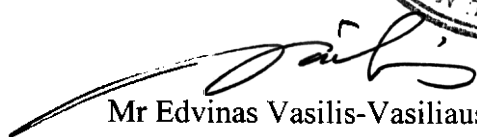

Mr Uldis Cerps
Chairman

*L. Gauģe Gauģe
Regulējošo prasību
daļas juridiskā nodaļa
23.10.2002.*



Guntis Cerbulis
FKTK
Juridiskā un licencēšanas departamenta
Juridiskās daļas vadītājs 7
23.10.2002.

Vilnius, 16 October, 2002

Representative of the
State Insurance Supervisor
Authority of
the Republic of Lithuania


Mr Edvinas Vasilis-Vasiliauskas
Director




Ludmila Vojevoda
FKTK
Regulējošo prasību un statistikas
departamenta direktore

23.10.2002

Velga Vilne *7. P. l. ku 23.10.2002*
FKTK
Regulējošo prasību un statistikas departamenta
Regulējošo prasību daļas vadītāja