

MEMORANDUM OF UNDERSTANDING

between

**RAHOITUSTARKASTUS IN FINLAND AND FINANCIAL AND  
CAPITAL MARKET COMMISSION OF LATVIA (FCMC)**

regarding cooperation in the supervision of Nordea Bank Finland Plc's  
branch in Latvia

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# MEMORANDUM OF UNDERSTANDING

between the Financial Supervision Authority in Finland (hereinafter - Rahoitustarkastus) and the Financial and Capital Market Commission of Latvia (hereinafter - FCMC) regarding cooperation in the joint supervision of the Nordea Bank Finland Plc's branch in Latvia.

The present Memorandum of Understanding regulates the cooperation and responsibilities of the authorities in the banking supervision according to the Directive relating to the taking up and pursuit of the business of credit institutions (2000/12/EC) especially as regards the principles and technical instruments for prudential supervision of the branch, reflecting also CEBS Guidelines for co-operation between consolidating and host supervisors.

By this Memorandum, the parties lay down the principles and procedures applicable to the supervision of the branch, which is an inseparable part of the Bank.

The Memorandum covers the following areas:

1. Structure and operations of the Nordea Bank Finland Plc in broad outline
2. Objectives of the cooperation
3. Supervisory responsibility of individual competent supervisory authority
4. Specific forms of cooperation
5. Crisis management
6. Revision of the Memorandum of Understanding
7. Languages of the Memorandum of Understanding
8. Other conditions

## 1 Structure and operations of the Nordea Bank Finland Plc in broad outline

Nordea Bank Finland Plc (hereinafter referred to as the "Bank") is a banking company which belongs to the Nordea group and operates in the banking and securities sectors in Finland and through branches, including a branch in Latvia (hereinafter referred to as the "Branch").

The parent company of Nordea Bank Finland Plc is the Swedish bank Nordea Bank AB (Publ), which has its domicile in Sweden.

The legal structure of the Nordea group is described in an annex to this memorandum.

## 2 Objectives of the cooperation

By this Memorandum, the parties lay down the principles and procedures for supervision of the Branch. The supervision covers the Bank's various business areas in Latvia in accordance with the business structure of the Bank.

The aim is to guarantee effective and comprehensive supervision of the Bank and to promote financial stability in Latvia.

### 3 Supervisory responsibility of the individual competent supervisory authorities

#### 3. Legal supervisory responsibility of Rahoitustarkastus

In line with Directive 2000/12/EC, it is confirmed that Rahoitustarkastus is the home country supervisor of the Bank. The main tasks of the home country supervisor are defined in Article 26 of Directive 2000/12/EC.

Rahoitustarkastus is responsible for the prudential supervision of the Bank and its branch in Latvia. Prudential supervision of the Branch is subject to cooperation between Rahoitustarkastus and FCMC as stipulated in this document following CEBS's guidelines on effective cooperation.

#### 3.2 Legal supervisory responsibility of FCMC

In line with Directive 2000/12/EC, it is confirmed that FCMC is the host country supervisor and its main tasks are defined in Article 27 of the Directive.

FCMC is responsible for the supervision of the liquidity of the Bank's Branch in Latvia. The supervision of market risks is subject to close cooperation between Rahoitustarkastus and FCMC.

### 4 Specific forms of cooperation

Rahoitustarkastus and FCMC confirm in unison that the branch is important for the stability of the financial market in Latvia. For that reason it is important to pay special attention to the deepening of cooperation between authorities. However, this does not affect the legal responsibilities of the parties.

#### Exchange of information

The cooperation between Rahoitustarkastus and FCMC should aim at ensuring an efficient exchange of information.

The exchange of information should be proportionate and risk-focused to avoid an unnecessary information flow. It should be as spontaneous as possible, allowing any supervisor to take initiative, and it should be provided on a timely basis.

Information shall be regarded as essential to be exchanged in both ways if it could materially influence the assessment of the financial soundness of the Bank's Branch in Latvia or the solidity of the Bank.

Rahoitustarkastus, as the home country supervisor of the Bank, shall provide the FCMC, as a host supervisor of the Branch, with all relevant information on the Bank, including any possible changes in the plans and strategies of the Bank with regard to its activities on the Latvian market. In order to ascertain the liquidity of the Branch FCMC is entitled to carry out on-site examinations in the Branch.

In addition to this, Rahoitustarkastus and FCMC shall, to the extent possible, assist each other in the collection of information from the Branch required by another supervisory authority for the exercise of effective supervision.

### **On-site supervision**

Upon prior notification of FCMC, Rahoitustarkastus may verify on-site the correctness of information specified in Directive 2000/12/EC by itself or by using intermediaries designated for this specific purpose.

FCMC may also check on site the liquidity of the Branch, the correctness of information specified in the Directive 2000/12/EC and financial statements.

### **Risk identification and assessment**

Rahoitustarkastus and FCMC need to fully understand the risks of the branch. Rahoitustarkastus produces a risk assessment based on its own knowledge and the possible input from FCMC on risks in the Latvian markets. FCMC will provide information for the annual risk assessment of the Bank. Rahoitustarkastus communicates the annual risk assessment of the Bank after it has been finalized

By the request of Rahoitustarkastus as the home country supervisor, FCMC shall communicate to Rahoitustarkastus the assessment of market developments which might have influence on the group, liquidity assessment of the branch and other statutory reporting assessments.

By the request of FCMC as the host country supervisor, Rahoitustarkastus shall communicate FCMC for all information necessary to ensure effective supervision of the liquidity of the Branch.

### **Planning of supervisory actions**

Rahoitustarkastus may consider the possibility of requesting FCMC to undertake work or provide assistance in the supervision of the Branch. Rahoitustarkastus will retain responsibility for the planning on such actions.

If requested by Rahoitustarkastus, FCMC shall consider whether to undertake work on its behalf. This assistance will not lead to any statutory responsibilities, Rahoitustarkastus will retain full authority and responsibility for supervisory decisions and actions.

### **Performing supervisory tasks**

Rahoitustarkastus collates the findings of FCMC, draws conclusions and reports the outcome of the work to FCMC and to the Bank. FCMC communicates directly with the Bank with the consent of Rahoitustarkastus and independently with the Branch with regard to issues limited to the local importance.

FCMC will report the findings of any task related to the Branch going beyond the mere local importance to Rahoitustarkastus on a timely basis and in accordance with agreed principles.

### **Ongoing supervision**

Rahoitustarkastus shall report any significant matters that arise during the ongoing supervision of the branch that may be relevant to FCMC. Rahoitustarkastus shall plan, coordinate and organise possible supervisory actions and communicate these regularly to FCMC.

Rahoitustarkastus shall communicate to FCMC if further work is planned concerning the branch.

### **Contacts with other supervisory authorities**

Rahoitustarkastus is responsible for the maintenance of contacts and correspondence with the Swedish Supervisory Authority which fall outside the scope of the present Memorandum concerning the matters reviewed.

### **Regular meetings**

The parties strive to arrange annual meetings for intensifying their cooperation and ensuring an efficient exchange of information.

Rahoitustarkastus will present to FCMC the annual risk assessment of the Bank after it has been finalized.

### **Other provisions**

Rahoitustarkastus, together with FCMC, shall be responsible for compiling a list of contact persons handling issues related to the Bank's Branch. The list shall indicate names, telephone and fax numbers, e-mail addresses and areas of responsibility.

Rahoitustarkastus shall be responsible for updating the organisational chart representing the the consolidating group of the Bank and its branches, representative offices and information on the exercise of the freedom of providing services. The chart shall be submitted to the FCMC annually and whenever a major change occurs.

## **5 Crisis management**

The authorities concerned shall immediately notify the other parties of any material events affecting the Bank or its Branch in any way that they become aware of, such as an imminent crisis.

Should either of the authorities intend to impose sanctions or take any other substantial action against the Bank or its Branch, the other authority shall be notified of such intention as early as possible to ensure appropriate coordination of such measures, preferably before the action is taken.

The provisions of the Memorandum of Understanding on high-level principles of co-operation between the banking supervisors and central banks and ministries of finance of the European Union in crisis management situations shall also apply to cooperation in the supervision of the Bank and its Branch.

The responsibility of Rahoitustarkastus in the exercise of the supervision also comprises coordination of the collection and provision of relevant or essential information both on a continuous basis and in crisis situations, including the provision of information which is important for another competent authority's exercise of supervisory responsibilities under the sectoral rules.

## 6 Revision of the Memorandum of Understanding

The parties recognise that the organisational circumstances of both the Bank and its Branch and the supervisory authorities may change and that such changes may necessitate modification of the present Memorandum. Similarly, the Memorandum may have to be revised to account for new legislation, or for any other reason.

## 7 Languages of the Memorandum of Understanding

This Memorandum of Understanding is drafted in English.

## 8 Other conditions

The previous Memorandum of Understanding dealing with the cooperation of banking supervision and dated 23.8.1999 shall be deemed as void.

Rahoitustarkastus and FCMC do not oppose making this Memorandum publicly available at their websites.

On behalf of Rahoitustarkastus


Date: Dec - 22, 2005



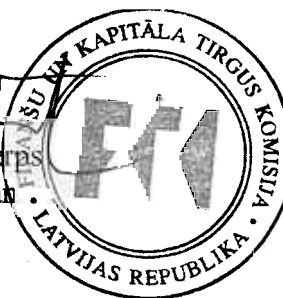
Kaarlo Jännäri  
Director General

On behalf of FCMC

Date:



Uldis Cerps  
Chairman



**Nordea Bank AB (publ)**  
Sweden

<b>Nordea Bank Danmark A/S</b> Denmark	<b>Nordea Bank Finland Plc</b> Finland	<b>Nordea Bank Norge ASA</b> Norway	<b>Nordea Bank Polska SA</b> Poland	<b>Nordea Asset Management AB</b> Sweden	<b>Nordea Life Holding Finland Ltd</b> Finland	<b>Nordea Life Holding A/S</b> Denmark
Various subsidiaries	Various subsidiaries	Various subsidiaries	Various subsidiaries	Various subsidiaries	<b>Nordea Life Assurance Finland Ltd</b> Finland	
					<b>Nordea Life Assurance I Sweden AB (publ)</b> Sweden	<b>Nordea Life &amp; Pension Assurance Sweden AB (publ)</b> Sweden
					<b>Nordea Pension Danmark livsforsikringselskab A/S</b> Denmark	<b>Nordea Liv Holding Norge AS</b> Norway
					Various subsidiaries	Various subsidiaries
					<b>Nordea Życie SA</b> Poland	Various subsidiaries

