



Memorandum of Understanding

between

De Nederlandsche Bank

and the

Estonian Financial Supervision Authority

concerning their co-operation and exchange of information

in the field of prudential supervision of banks and their

cross-border establishments



1. De Nederlandsche Bank (DNB) and the Estonian Financial Supervision Authority (EFSA), hereinafter referred jointly as the Authorities, have reached an understanding in order to establish an arrangement for the sharing of supervisory information and for carrying out on-site inspections to facilitate the performance of their respective duties and to promote the safe and sound functioning of banks in their respective countries.
2. This Memorandum of Understanding (hereafter 'Memorandum') also demonstrates the commitment of the Authorities to the principles of consolidated comprehensive supervision and co-operation among banking regulators as laid down in the Basle Concordats on the Supervision of Cross Border Banking and on the Core Principles for effective banking supervision.
3. The Memorandum serves as a basis for co-operation between the Authorities. It is not considered to be an international agreement in the meaning of the Estonian or Dutch laws. Consequently it neither establishes any legally binding obligations nor supersedes any laws and regulations in force either in the Netherlands or in Estonia. The Memorandum does not establish any right enforceable by the parties hereto or third parties, nor does it affect any provisions adopted in other Memoranda of Understanding.
4. The Authorities express, through the Memorandum, their willingness to co-operate with each other on the basis of mutual trust and understanding in the supervision of cross-border establishments of banks licensed in the Netherlands and in Estonia. A cross-border establishment may operate as a branch, a subsidiary or a joint venture.

Sharing of Information

5. The Authorities recognise that information should be shared in support of the objective to facilitate and meet requirements for effective consolidated supervision of internationally operating banks. Information sharing would include contact during the authorisation process, including both issuance and revocation of any license, as well as contact regarding the supervision of the ongoing activities of cross-border establishments. Consequently, the two Authorities intend to:



- a) Notify the home supervisor, without delay, of applications for approval to establish offices in one country by banks from the other country. In addition, upon request, the home supervisor would inform the host supervisor whether the applicant bank is in substantial compliance with banking laws and regulations and whether the bank may be expected, given its administrative structure and internal controls, to manage the cross-border establishment in an orderly manner. The Authorities shall consult in the course of the licensing procedure to grant authorisation to a subsidiary or branch of a bank authorised in the other country as well as in the course of an acquisition of an important share or interest in a domestic bank within the jurisdiction of the other authority.
- b) Share information that may reflect adversely on the capability, integrity, or experience of the prospective managers of a cross-border establishment. Prior to the actual appointment of managers of cross-border establishments, to the extent reasonable and consistent with law, on request, the home country Authority discloses available information to the host-country that might be useful in assessing the ability and professional skills of potential candidates for management positions. The home country Authority also provides available information that might give rise to doubts as to the fit- and properness of the prospective managers of the cross-border establishments.
- c) Notify the home supervisor and provide relevant information regarding any material developments or supervisory concerns in respect of the local operations of a cross-border establishment in the host country.
- d) Respond to requests for information on any aspects of their respective national regulatory systems and inform each other about any major changes, in particular about those that have a significant bearing on the activities of cross-border establishments by banks incorporated in the respective other country.
- e) Endeavour to inform the host supervisor, in a timely manner and to the extent reasonable, about any event which has the potential to endanger the stability of banks with cross-border establishments in the respective other country.



- f) Inform the supervisor in the other country of administrative penalties imposed, or any other formal enforcement action taken, on a cross-border establishment (as host supervisor) or on the bank (as home supervisor), the latter only as far as the home supervisor judged the information as possibly important to the host supervisor as it may relate to the operation of the cross-border establishment.

Supervisory Co-operation

6. The Authorities agree that co-operation is particularly useful in assisting each other in carrying out on-site inspections or examinations of cross-border establishments in the host country.
7. DNB is allowed to carry out inspections or examinations of branches and subsidiaries of Dutch authorised banks in Estonia. At the same time EFSA is allowed to carry out inspections or examinations of branches and subsidiaries of Estonian authorised banks operating in the Netherlands. The Authorities undertake to notify the other Authority of plans to inspect or to examine a cross-border establishment usually 60 days before its beginning, indicating the purpose of the visit and the aspects of the establishment they wish to explore. The date of the visit should be determined in a co-ordinated manner between the two Authorities.
8. A cross-border establishment may, in accordance with the relevant laws and regulations of the host country, provide all kinds of information that might be relevant for the purpose of consolidated supervision, to the home supervisor.
9. The Authorities will inform each other without delay if they learn of an incipient crisis relating to any bank supervised by either which has cross-border establishments or parent banks in the respective country, provided this crisis would have an important impact on a cross-border establishment or on the parent bank.
10. The Authorities will cooperate when they identify financial crime activities in supervised banks. For the purpose of this Memorandum, 'financial crimes' are, in particular, money laundering and all violations of law on financial markets. This includes unauthorised banking business. The Authorities shall share information on financial crime concerning the relevant



banks which carry out cross-border activities in the other country, or which might affect the other country to the extent allowed under their laws.

11. The Authorities will conduct meetings as often as appropriate to discuss issues concerning banks which maintain cross-border establishments in the respective other country. Whenever appropriate, ad hoc meetings could be arranged to resolve serious supervisory problems concerning a cross-border establishment.

Professional Secrecy

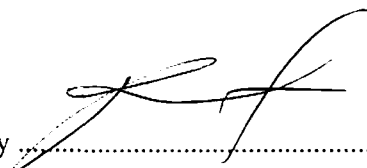
12. Information will be shared to the extent reasonable and subject to any relevant statutory provisions, including those restricting disclosure. In addition, the provision of, or request for, information under the Memorandum may be denied on grounds of public interest or national security or when disclosure would interfere with an ongoing investigation.
13. The Authorities consider that any information obtained in accordance with the principles of the Memorandum should be used exclusively for lawful supervisory purposes as determined in the relevant laws.
14. Each Authority is liable in accordance with the relevant laws and regulations to keep confidential any information related to requests made under the Memorandum, the contents of such requests, and the information obtained pursuant to the Memorandum as well as any related matters, in particular consultations between the Authorities. The requesting Authority will not disclose any such information unless it is necessary for carrying out its supervisory responsibilities and will not pass on any information to third parties without the prior consent of the requested Authority. The Authorities will, if it receives any legally enforceable demand for information received from the other Authority, promptly notify the other Authority and will co-operate in seeking to preserve the confidentiality of such information.
15. It is recognised that employees of both Authorities are bound to hold confidential all information obtained in the course of their duties.



General Provisions

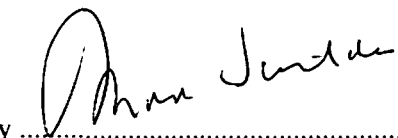
16. Whenever a specific request is made in the framework of the Memorandum, these requests shall, in principle, be formulated in written form and addressed to the International department of the other Authority.
17. The Authorities may promote their co-operation through visits for informational purposes.
18. The Memorandum is concluded for an indefinite period of time. The Memorandum will be reviewed from time to time in the light of the mutual experiences and future developments in legislation and may be terminated by either of the Authorities with 30 days written notice, provided that the Authorities have consulted this matter in advance. Termination of the Memorandum does not discharge the Authorities of their obligations and liabilities derived from articles 13, 14 and 15 of the Memorandum.

Signed for and on behalf of the Estonian Financial Supervision Authority:

by 
Mr. Raul Malmstein
Chairman of the Management Board

Date: 18. 10. 2007

Signed for and on behalf of De Nederlandsche Bank N.V.:

by 
Prof. Arnold Schilder
Executive Director

Date: 18 October 2007