

**MEMORANDUM
OF
UNDERSTANDING**

Between
The Estonian Financial Supervision Authority
and
The State Insurance Supervisory Authority under the Ministry of Finance of the Republic
of Lithuania

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

2003

I. Introduction

1. The Estonian Financial Supervision Authority (hereinafter referred to as the EFSA) has been established with the Estonian Financial Supervision Authority Act. EFSA supervises in the name of the state over the subjects of state financial supervision and the activities provided for in the relevant legislation.
2. The State Insurance Supervisory Authority (hereinafter referred to as the 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 EFSA and the SISA.
4. The EFSA and the SISA, recognizing the increasing international activities in the insurance market and the corresponding need for mutual cooperation between the relevant authorities, after friendly consultation, have reached the following understanding:

II. PRINCIPLES

1. The purpose of this MoU shall be 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, regulations and requirements.
2. This MoU shall serve as a basis of cooperation between the Authorities and shall not create any binding international legal obligations. It shall not affect any arrangements under other MoUs.
3. The fulfillment 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 shall 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 each other 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) Identifying operations, which might be related with financial crime activities, in supervised institutions. Financial crimes are recognized as they are identified in the domestic legislation of either country. EFSA and SISA shall share information on financial crime concerning respective institutions, which carry out cross-border activities in the other state or which could affect the other state to the extent allowed under their legislation.
- h) Technical cooperation and assistance;
- i) Other matters agreed upon by the Authorities.

IV. REQUESTS AND EXECUTION

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

2. Requests shall 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 deadline 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 shall hold consultations on the further proceedings and the exact kind of information to be possibly communicated to the requesting Authority.

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

5. Each request shall 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 shall consider whether there is any relevant information that can be provided.

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

- a) whether the request relates to the breach of laws or regulations not being parallel to the ones in the country of the requested Authority;
- b) whether broadly equivalent assistance is available from the requesting Authority;
- c) whether the request involves an assertion of a jurisdiction not recognized by the requested Authority;
- d) whether it is contrary to the legislation and public interests of the requested Authority.

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

7. One Authority shall inform other Authority about the latter insurance companies, which pursue their business in the territory of former Authority. The Authorities shall inform each other on the problem and insolvency of those companies.

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. COOPERATION IN THE FIELD OF ON-SITE INSPECTIONS

1. Authorities shall remain free to determine their own auditing standards. Neither the host country authority nor the involved insurance company may object without reasonable grounds to an inspection in a cross-border establishment (including subsidiaries, branches

and representative offices) instituted by the home country authority. The home country authority shall be always entitled to participate in the on-site inspection of a cross-border establishment initiated by the host country authority.

2. The home country authority shall inform in advance the host country authority about a planned on-site inspection in the cross-border establishment. The notification shall comprise the name of inspector(s), name of the cross-border establishment, objective of the inspection, expected date of commencement and duration of the inspection. The host country authority shall be always entitled to participate in the on-site inspection initiated by the home country.

3. Prior to the on-site inspection in a cross-border establishment the host country authority shall notify the home country authority of it and, if necessary, consult with the home country supervision authorities. After consultations, the host country authority shall perform on-site inspection on its own or in co-operation with the home country authority in case the home country authority is interested.

4. EFSA and SISA shall provide each other with assistance in organizing and performing on-site inspections in the cross-border establishments.

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

6. After completion of an on-site inspection in a cross-border establishment either by home or host country authority, EFSA and SISA, upon request of the other party or if they consider it necessary shall provide each other with the copy of the inspection act or its abbreviated version in English as soon as it is possible within one month after the inspection has been finished, at the latest.

VII. 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. The EFSA and the SISA, in providing each other with confidential written materials pursuant to this Memorandum, shall mark every page of the material provided with a legend reading substantially as follows:

“Confidential -- provided pursuant to EFSA/SISA Memorandum of Understanding”.

3. Each Authority shall, to the extent permitted according to the legislation, observe confidentiality of any request made under this MoU as well as of any matter arising in the course of its operation.

4. To the extent permitted according to the legislation, the requesting Authority shall observe at least the same degree of confidentiality with respect to all information communicated to it under this MoU.

5. Information or assistance provided under the MoU shall not be disclosed by the requested Authority to any third parties prior to the written consent of the Authority providing the assistance or information, except for the execution of the request.

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

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

VIII. 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 Estonia and the Republic of Lithuania.

IX. CONSULTATION

1. The Authorities shall 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 shall conduct consultations and discussions on the implementation of the MoU when necessary.

X. ENTRY INTO EFFECT

This MoU shall be concluded for an unlimited period and come into force when signed by both Authorities – the EFSA and the SISA- and hereby shall repeal the Agreement of Mutual Co-operation concluded on 20 April 1998 to the extent it applies to relationships between the EFSA and the SISA.

XI. TERMINATION

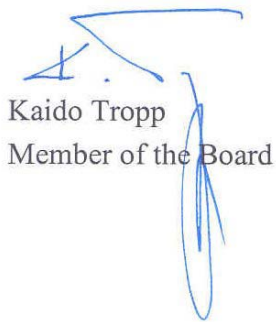
Either Authority upon giving thirty days' written notice to the other Authority may terminate this MoU. This MoU shall continue to have effect with respect to all requests for assistance that are made before the effective date of termination.

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.

Tallinn, October 4, 2003
Representative of the
Estonian Financial
Supervision Authority



Andres Trink
Chairman of the Board



Kaido Tropp
Member of the Board

Vilnius, 01 October 2003
Representative of the State
Insurance Supervisory Authority
under the Ministry of Finance
of the Republic of Lithuania



Mr Edvinas Vasilis-Vasiliauskas
Director

Annex A

CONTACT PERSONS

Estonian Financial Supervision Authority:
General Supervision Department
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Estonia

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State Insurance Supervisory Authority under the Ministry of Finance of the Republic of
Lithuania:

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