

MEMORANDUM OF UNDERSTANDING

between

FINANSSIVALVONTA IN FINLAND AND
FINANTSINSPEKTSIOON IN ESTONIA

regarding cooperation on supervision of Nordea Bank Finland Plc's branch in
Estonia

1	STRUCTURE AND OPERATIONS OF NORDEA BANK FINLAND PLC IN BROAD OUTLINE	1
2	OBJECTIVES OF THE COOPERATION.....	1
3	SUPERVISORY RESPONSIBILITY OF THE INDIVIDUAL COMPETENT SUPERVISORY AUTHORITY	2
3.1	LEGAL SUPERVISORY RESPONSIBILITY OF FINANSSIVALVONTA.....	2
3.2	LEGAL SUPERVISORY RESPONSIBILITY OF FINANTSINSPEKTSIOON.....	2
4	SPECIFIC FORMS OF COOPERATION	2
1.1	EXCHANGE OF INFORMATION.....	2
1.2	ON-SITE SUPERVISION.....	3
1.3	LIQUIDITY OF THE BRANCH	3
1.4	RISK IDENTIFICATION AND ASSESSMENT.....	4
1.5	PLANNING OF SUPERVISORY ACTIVITIES	4
1.6	PERFORMANCE OF SUPERVISORY TASKS	4
1.7	ON-GOING SUPERVISION	4
1.8	CONTACTS WITH OTHER SUPERVISORY AUTHORITIES	4
1.9	REGULAR MEETINGS	5
1.10	OTHER PROVISIONS.....	5
5	CRISIS MANAGEMENT.....	5
6	REVISION OF THE MEMORANDUM OF UNDERSTANDING	5
7	LANGUAGES OF THE MEMORANDUM OF UNDERSTANDING	5
8	OTHER CONDITIONS.....	6

MEMORANDUM OF UNDERSTANDING

between Finnish Financial Supervisory Authority (hereinafter Finanssivalvonta or FIVA) and the Estonian Financial Supervision Authority in Estonia (hereinafter Finantsinspektsioon or EFSA) regarding cooperation on the joint supervision of the Nordea Bank Finland Plc's branch (hereinafter Branch) in Estonia.

The supervisory responsibility of the competent authorities is defined in the Memorandum according to the lines and principles of the EU legislation¹) relating to the taking up and pursuit of the business of credit institutions, reflecting also CEBS guidelines for co-operation between consolidating and host supervisor.

The Memorandum further clarifies the division of supervisory responsibilities under the EU legislation²) on the markets of financial instruments to secure adequate level of investor protection and adherence to the general EU legislation rules.

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

The Memorandum covers the following areas:

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

Nordea Bank Finland Plc (hereinafter referred to as the “Bank”) is a banking company of the Nordea Group, which operates in the banking and securities sectors in Finland and through branch in Estonia (hereinafter referred to as the “Branch”).

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

2 Objectives of the cooperation

¹ Directive 2006/48/EC
² Directive 2004/39; 2006/73

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

3 Supervisory responsibility of the individual competent supervisory authority

3.1 Legal supervisory responsibility of Finanssivalvonta

For the purposes of this MoU and in line with EU legislation relating to the taking up and pursuit of the business of credit institutions, Finanssivalvonta is the home country supervisor of the Bank 3).

Finanssivalvonta is responsible for the prudential supervision of the Bank and its Branch in Estonia. Prudential supervision is subject to co-operation between Finanssivalvonta and Finantsinspektion as stipulated in this document in accordance with the CEBS's guidelines on effective cooperation.

3.2 Legal supervisory responsibility of Finantsinspektion

In line with EU legislation relating to the taking up and pursuit of the business of credit institutions 4), it is hereby acknowledged that Finantsinspektion is the host country supervisor with the exception of the supervision of liquidity, that shall be the responsibility of Finanssivalvonta.

The supervision of market risks is subject to close cooperation between Finanssivalvonta and Finantsinspektion.

According to the exceptions 5) to the capacities of the home country supervision, the responsibility for supervision will partly be allocated to the host. Finantsinspektion hereby does not assume the exclusive responsibility to assure the legitimate operation of the Branch, but rather provides assistance to Finanssivalvonta by carrying out on-site inspections when it deems necessary from the point of view of either Finanssivalvonta or Finantsinspektion.

4 Specific forms of cooperation

Finanssivalvonta and Finantsinspektion confirm in unison that the Branch is systemically important for the stability of the financial market in Estonia. Therefore, it is important to pay special attention to enhancement of co-operation between the two authorities without prejudice to their respective legal responsibilities.

1.1 Exchange of information

3 2006/48; Art 40

4 2006/48, Art. 41

5 2004/39 Art. 32 (7), Art. 19, 21, 22, 25, 27, 29.

The co-operation between Finanssivalvonta and Finantsinspektsioon should aim at ensuring an efficient exchange of information.

The exchange of information should be proportionate and risk-focused to avoid needless flow of information. It should be as spontaneous as possible allowing any supervisor to take initiative, with information 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 Estonia or the solidity of the Bank.

Finanssivalvonta, as the home country supervisor of the Bank, shall provide the Branch's supervisors with all relevant information on the Bank, including any possible change in the plans and strategies of the Bank respecting its activities on the Estonian market.

Furthermore, the supervisory authorities should, to the extent possible, assist each other, *inter alia* by means of on-site inspection, in the collection of information from the Branch required by the other supervisory authority for the exercise of effective supervision.

1.2 On-site supervision

Finanssivalvonta may carry out on-site supervision specified in the EU legislation either personally or through an authorised intermediary appointed for this specific purpose. Finanssivalvonta gives a prior notice about the planned on-site inspection to Finantsinspektsioon.

If necessary and to prior consent from Finanssivalvonta, Finantsinspektsioon is entitled to conduct on-site inspections also in other fields of prudential and business conduct supervision (including, but not limited to the issues respecting the prevention of money laundering and terrorist financing).

With regard to the supervisory duties under EU legislation on the markets of financial instruments⁶) Finantsinspektsioon is entitled to carry out on-site inspections on its own initiative without prejudice to the right of Finanssivalvonta to carry out similar inspections. Finanssivalvonta shall at all times remain responsible for performing sufficient supervision over the Branch.

After an on-site inspection, Finanssivalvonta and Finantsinspektsioon shall inform each other of the findings.

No payment is made between Finanssivalvonta or Finantsinspektsioon on any supervisory work or assistance dealing with this bilateral cooperation.

1.3 Liquidity of the Branch

Finanssivalvonta and Finantsinspektsioon have agreed that Finanssivalvonta has the responsibility on the liquidity supervision of the Branch. Being responsible for the liquidity supervision of the Branch, Finanssivalvonta shall communicate to Finantsinspektsioon all the

⁶ 2004/39 Art. 32 (7) and (8)

relevant information on the Branch' parent bank liquidity conditions and developments, including also possible emergency situations and their resolution process.

1.4 Risk identification and assessment

Finanssivalvonta and Finantsinspektsioon need to identify all the risks of the Branch. Finanssivalvonta should produce a risk assessment based on its own knowledge and the possible input from Finantsinspektsioon regarding the risks on the Estonian markets. Finanssivalvonta communicates an overall assessment of the Bank. Finantsinspektsioon should send an annual contribution for the annual risk assessment of the Bank.

Upon request of Finanssivalvonta, being the home country supervisor, Finantsinspektsioon should communicate to Finanssivalvonta the assessment of market developments which might affect the group, liquidity assessment of the Branch and other statutory reporting assessments.

If any other supervisory activity is conducted by Finantsinspektsioon (e.g. on-site inspection) the latter should communicate to Finanssivalvonta any other important information before such activity is carried out.

1.5 Planning of supervisory activities

Finanssivalvonta and Finantsinspektsioon shall co-ordinate planning of the supervisory activities in order to avoid spending resources for excessive work. Whenever it deems necessary Finanssivalvonta and Finantsinspektsioon consider whether to undertake to fulfil tasks on behalf of the counterpart. Such assistance will not bring about any responsibility; each authority shall retain full authority and responsibility for such supervisory decisions and actions.

1.6 Performance of supervisory tasks

Finanssivalvonta collates the findings of Finantsinspektsioon, draws conclusions and reports the outcome of the work to Finantsinspektsioon and the Bank. Finantsinspektsioon may contact the Bank directly with the consent of Finanssivalvonta. As regards issues of local relevance or emergencies situations Finantsinspektsioon may contact the Branch without authorisation from Finanssivalvonta and inform Finanssivalvonta of such measures at the earliest opportunity.

Finantsinspektsioon will report to Finanssivalvonta the results of any task beyond local relevance completed in relation to the Branch when due and as appropriate.

1.7 On-going supervision

Finanssivalvonta should inform any matter of significance and relevance for Finantsinspektsioon arising during on-going supervision of the Branch. Finanssivalvonta should plan, coordinate and organise possible supervisory activities and inform these to Finantsinspektsioon regularly, and in case it deems necessary, also on *ad hoc* basis.

1.8 Contacts with other supervisory authorities

Finanssivalvonta is responsible for maintaining contact and correspondence with the Swedish Supervisory Authority beyond the scope of this Memorandum concerning the matters reviewed.

1.9 Regular meetings

The parties strive to hold annual meetings to enhance co-operation and ensure efficient exchange of information.

Finanssivalvonta will present to Finantsinspektsioon the annual risk assessment of the Bank as soon as it has been finalized. Subject to the prior agreement of the parties, Finanssivalvonta may request that Finantsinspektsioon provide certain inputs to the Bank's annual risk assessments.

1.10 Other provisions

Finanssivalvonta should, together with Finantsinspektsioon, compile a list of contact persons who are in charge of handling issues related to the Bank's Branch. The list should set out the names, telephone and fax numbers, e-mail addresses and areas of responsibility of such persons.

5 Crisis management

The authorities concerned shall immediately notify the other parties of any material event, which has come to their knowledge and may affect the Bank or its Branch, 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 thereof as soon as possible to ensure appropriate co-ordination 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 the co-operation in the supervision of the Bank and its Branch.

The responsibility of Finanssivalvonta in the exercise of the supervision also extends to include 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 required by another competent authority to exercise supervisory responsibilities under the sectoral rules.

6 Revision of the Memorandum of Understanding

The parties recognise that the organisational structure of both the Bank and its Branch and the supervisory authorities may change and that such changes may necessitate the 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 has been drafted in English and the language of co-operation shall be English.

8 Other conditions

This Memorandum of Understanding shall supersede and void the Memorandum of Understanding on cooperation of Nordea Bank Finland Plc's branch in Estonia in 2006.

On behalf of Finansivalvonta

Date: *September 27, 2011*



Anneli Tuominen
Director General

On behalf of Finantsinspektsioon

Date: *October 26, 2011*



Raul Malmstein
Director General