

Memorandum of Understanding
between
the Central Bank of the Russian Federation
(the Bank of Russia)
and
the Estonian Financial Supervision Authority (EFSA)

The Central Bank of the Russian Federation (Bank of Russia) and the Estonian Financial Supervision Authority, hereinafter referred to as the "Supervisory Authorities" have reached an understanding on the need to exchange information for the effective fulfillment of their functions and assist the reliability and stability of banking systems in their countries. This understanding also meets the Basel Committee recommendations on the principles of conducting consolidated and comprehensive supervision and co-operation between Supervisory Authorities.

1. The Powers of the Supervisory Authorities

1.1. The Russian Federation

Under the legislation of the Russian Federation the Bank of Russia is a body of banking regulation and banking supervision. It constantly monitors the compliance by credit institutions and banking groups (banking holdings) with banking legislation, the Bank of Russia's regulations and mandatory standards. To fulfill its regulatory and supervisory functions, the Bank of Russia conducts on-site inspections of credit institutions and their branches, sends them compulsory prescriptions to eliminate the shortcomings discovered in their work and takes measures to credit institutions established by the Federal Law on the Central Bank of the Russian Federation (the Bank of Russia).

1.2. The Republic of Estonia

Under the Estonian legislation, the Financial Supervision Authority (EFSA) conducts financial supervision in the name of the state. It constantly analyses and monitors the compliance of subjects of financial supervision with the requirements for financial soundness and own funds, and other obligations prescribed in the legislation as well as guides and directs subjects of financial supervision in order to ensure sound and prudent management; applies measures prescribed by legislation to protect the

interests of clients and investors; applies administrative coercion on the basis, to the extent and pursuant to the procedure prescribed by legislation; makes proposals for the establishment and amendments to legislation concerning the financial sector and related supervision, and participates in the drafting of such legislation; co-operates with international financial supervision organisations and foreign financial supervision authorities and other competent foreign authorities and persons; performs other functions arising from law which are necessary to fulfil the objectives of financial supervision.

2. For the Purposes of this Memorandum

2.1. Supervised Institution: a legal entity authorised to conduct banking operations, whose activities are subject to licensing and banking supervision in accordance with the legislation of the Russian Federation or the Republic of Estonia.

2.1.1. In the Russian Federation:

Credit institution is a legal entity which, for the purpose of deriving profit as the principal objective of its activity, has the right on the basis of a special permission (license) of the Bank of Russia to conduct banking operations stipulated by the Federal Law on Banks and Banking Activities. A credit institution is established on the basis of any form of ownership as a business entity.

Bank is a credit institution that has the exclusive right to conduct the following banking operations in their entirety: to take funds on deposit from private individuals and legal entities, lend such funds on its own behalf and at its own expense on the condition that they are returned after a specified period of time with an interest, open and keep individual and corporate bank accounts.

Non-bank credit institution is a credit institution that has the right to conduct individual banking operations stipulated by the Federal Law on Banks and Banking Activities. The permissible combinations of banking operations are established for non-bank credit institutions by the Bank of Russia.

2.1.2. In the Republic of Estonia:

A credit institution is a company the principal and permanent economic activity of which is to receive cash deposits and other repayable funds from the public and to grant loans for its own account and provide other financing. Credit institutions may operate as public limited companies or associations and the provisions of law regarding public limited companies or savings and loan associations apply thereto unless otherwise provided by the Credit Institutions Act.

2.2. Supervised Parent Institution: a supervised institution, which has a Cross-Border Establishment (a branch, a subsidiary or a representative office), located in the other state.

2.3. Cross-Border Establishment

2.3.1. The Russian Federation

In the Russian Federation, foreign banks may establish subsidiaries – residents of the Russian Federation or in another form participate in the authorised capital of a credit institution – resident of the Russian Federation and also open representative offices. Activities of credit institutions with participation of foreign capital are subject to licensing under the Russian Federation laws.

Under the Russian Federation legislation:

A subsidiary credit institution is a legal entity in which another credit institution has majority interest and in accordance with an agreement concluded between them or otherwise can determine the decisions taken by the subsidiary credit institution.

A representative office of a credit institution is a separate division thereof, situated outside the seat of the credit institution that represents and protects its interests. A representative office of a credit institution has no right to conduct banking operations. A representative office of a credit institution is not a legal entity and conducts its activities on the basis of the regulations established by the credit institution that created it.

2.3.2. The Republic of Estonia

Foreign credit institutions may operate in the Republic of Estonia in the form of a subsidiary, a branch or a representative office.

A subsidiary is a company in which another company has a majority voting interest or in which another company (parent undertaking) has control as a partner or shareholder, on the basis of an agreement or without an agreement.

A branch of a credit institution is a structural unit which has no legal personality, the address of which is different from the address of the credit institution in the commercial register and which concludes one or more of the transactions or performs one or more of the acts for which the credit institution has been authorised.

A representative office of a credit institution is a structural unit which is located separately from the seat of the credit institution and the purpose of the activities of which is to represent the credit institution and protect the interests thereof in a

particular territory. Representative offices of credit institutions are prohibited from engaging in commercial activities.

2.4. Home country: the country, in which a Supervised Parent Institution is registered.

2.5. Host country: the country, in which a Cross-Border Establishment is registered and/or operating.

2.6. On-site inspection: the inspection carried out at a Cross-Border Establishment by duly authorised representatives of the Home Supervisor.

3. Exchange of Information

3.1. To ensure and enhance the efficiency of supervision over Supervised Institutions and their Cross-border Establishments, the Supervisory Authorities express their wish to co-operate and exchange information in the following areas: licensing, owner control, on-going supervision (off-site monitoring and on-site inspections), anti-money laundering and counter terrorist financing.

The Supervisory Authorities shall exchange information on the state and development of the national banking sector, the principal banking supervision standards and requirements and significant changes therein.

3.2. In the Russian Federation the procedure of information-sharing with foreign supervisory authorities is regulated by the Federal Law "On the Central Bank of the Russian Federation (Bank of Russia)". According to Article 51 of the Federal Law "On the Central Bank of the Russian Federation (Bank of Russia)" the Bank of Russia is entitled to inquire the central bank and the banking supervision authority of a foreign state for information and documents received from credit institutions in the course of the discharge of the supervisory functions, and also has the right to submit to the banking supervision authority of a foreign state the above information or documents which do not contain data on the operations of credit institutions and of their clients, under the condition that the said banking supervision authority guarantees the regime for the preservation of information that corresponds to the demands for the provision of the security of information made on the Bank of Russia which are established by the legislation of the Russian Federation. As for the information and the documents received from the central banks and banking supervisory bodies of foreign states, the Bank of Russia is obliged to meet the requirements for revealing information and for submitting the documents established by the legislation of the Russian Federation, with an account for the requirements established by the legislation of these foreign

states.

3.3. In the Republic of Estonia procedure for sharing information with foreign financial supervisors is regulated in the Financial Supervisory Authority Act stating that EFSA shall co-operate with foreign financial supervision authorities and other competent foreign bodies or persons, has the right to send confidential information necessary for the performance of its functions to the subjects of co-operation and obtain such information therefrom and exchange such information therewith. Information sent, received or exchanged in this manner is deemed to be confidential. Information received as a result of such co-operation may be disclosed in the cases provided *expressis verbis* in the legislation if a corresponding agreement has been entered into with the foreign financial supervision authority or other competent foreign authority or person.

3.4. Co-operation within the framework of this Memorandum shall be conducted both on the initiative of one of the Supervisory Authorities on the basis of a request for assistance (further – request) as well as unilaterally, i.e. providing the other Authority with information that according to the estimation of the providing Authority may deem necessary to the receiver for the supervisory purposes.

3.5. A request shall be made in writing. Any type of communication facilities may be used to transmit a request. If a request is transmitted by phone, fax or e-mail, the signed original request should be sent by registered mail within two business days.

3.6. Assistance within the framework of this Memorandum may be refused wholly or in part if the requested Supervisory Authority believes that the fulfillment of the request contravenes its national legislation or runs counter to the interests of the state. In this case, the requesting Supervisory Authority shall be notified in writing and given the reasons for the refusal.

3.7. Each Supervisory Authority shall do everything to ensure a prompt and fullest possible reply to the request of the other Supervisory Authority or it shall notify the latter about the circumstances that prevent or delay the fulfillment of the request.

4. Ensuring the Confidentiality of Information

4.1. The Supervisory Authorities shall take appropriate measures to ensure the confidentiality of information or documents in keeping, using and passing it to each other, including the transmission of information by any type of communication facilities.

4.2. Confidential information provided within the framework of this Memorandum shall not be passed to third parties without the consent of the Supervisory Authority that provided it if other is not established by the legislation of the host country of this Supervisory Authority.

4.3. Confidential information or documents may be passed to a third party if there is a written permission to do so from the Supervisory Authority that has provided confidential information, except for the cases, when obligation to provide information is stipulated by law.

4.4. Should this Memorandum be terminated, the supervisory information received within the framework of this Memorandum shall remain confidential.

5. Licensing

5.1. Application of a Supervised Institution to the Host Supervisor regarding issuing of license (permission) to open a Cross-border Establishment (hereinafter – “application”) is considered within the time periods and in compliance with the requirements set by the national legislation.

5.2. Upon the receipt of the application, the Host Supervisor shall inform the Home Supervisor about its contents, and after consideration of the application shall inform in writing about its results.

5.3. The Home Supervisor shall inform the Host Supervisor on the basis of a relevant request whether the applicant Supervised Institution complies with the national legislation, as well as about the state of corporate governance, risk management and internal control system of the applicant Supervised Institution. The Home Supervisor shall also inform the Host Supervisor on beneficial owners of the applicant Supervised Institution. The Home Supervisor also informs the Host Supervisor on compliance with qualification requirements of the prospective managers of the Cross-Border Establishment.

5.4. The Home Supervisory Authority shall inform the Host Supervisory Authority - beforehand, if possible - of any intentions to revoke the license of a Supervised Parent Institution. The Host Supervisory Authority shall inform the Home Supervisory Authority – beforehand, if possible - of any intention to revoke the license of a Cross-border Establishment.

5.5. The Supervisory Authorities may also exchange information on beneficial owners of supervised institutions conducting cross-border operations with supervised institutions in the Russian Federation or the Republic of Estonia, respectively.

6. Co-operation concerning owner control

6.1. The Supervisory Authorities shall consult before granting permission with regard to the acquisition of shares (stakes) by a legal entity or private individual or a group of legal entities and (or) private individuals in a Supervised Institution registered in the other country.

6.2. For the purposes of this Memorandum, an acquisition signifies the purchase and (or) acquisition in trust management of a stake in the authorised capital of a Supervised Institution registered in the Russian Federation or in the Republic of Estonia, of a size that will require, under the national legislation, preliminary agreement with the respective Supervisory Authority.

7. Co-operation in the off-site supervision of Cross-Border Establishments

7.1. The Supervisory Authorities will inform each other about concerns about the financial soundness of Supervised Institutions having Cross-Border Establishments in the respective other country. They will also notify each other as soon as possible of actions which they have taken in respect of such a Cross-Border Establishment as the Host Supervisor or on the Supervised Parent Institution as the Home Supervisor if the information in their judgement is likely to be important to the other Supervisory Authority to assist that other Supervisory Authority in the exercise of its functions.

7.2. The Supervisory Authorities will discuss with each other any significant information on Supervised Institutions having Cross-Border Establishments in the other country which is likely to be relevant to the other Supervisory Authority to assist that other Supervisory Authority in the exercise of its functions. Relevant matters are in particular: concerns about the financial soundness of a Supervised Institution (failure to meet capital adequacy or other financial requirements, significant losses, rapid decline in profits or a deterioration in profitability), concerns relating to banking supervision both on a solo and consolidated basis, concerns arising from the results of inspections, or reports from and meetings or other communications with a Supervised Institution, concerns arising from late and/or unreliable reporting, information about the breaches of anti-money laundering and counter terrorist financing legislation made by Supervised Parent Institutions and Cross-border Establishments

8. Co-operation in Conducting On-site Inspections

8.1. The Supervisory Authorities agree that co-operation is particularly useful in assisting each other in carrying out On-Site Inspections of Cross-Border

Establishments. The Home Supervisor may conduct an inspection visit to a Cross-Border Establishment in co-ordination with the Host Supervisor. The Supervisory Authorities will provide possible full informational and consultative support to each other in such inspections. The Home Supervisor shall regulate on its own the relations with Cross-Border Establishments in respect to the access of his authorised representatives for the purpose of On-Site Inspection.

8.2. The Supervisory Authorities will notify each other in advance about the intention to conduct On-Site Inspection, giving the name of a Cross-border Establishment, the names of the inspectors, the purpose of the inspection and its expected duration, the procedure for providing the inspection results to the Host Supervisor. Such advance notice will be given at least 10 days beforehand. In case of emergency shorter deadlines of advance notice will be acceptable.

8.3. The Supervisory Authorities shall inform each other on the results of the On-site inspections to the extent reasonable and permitted by the national legislation.

9. Co-operation on Anti-Money Laundering and Counter Terrorist Financing

9.1. The Supervisory Authorities to fulfill their supervision duties shall exchange the information:

- on national laws and regulations in the field of anti-money laundering and counter terrorist financing;
- on the practice of identifying and monitoring clients and beneficiaries;
- on the observance by Supervised Parent Institutions and their Cross-border Establishments of the national legislation in the field of anti-money laundering and counter terrorist financing;
- on typical money laundering and terrorist financing schemes.

10. Other Provisions

10.1. The Supervisory Authorities will endeavour to ensure that they make available either electronically or by other means the relevant lists of licensed Supervised Institutions subject to supervision.

10.2. If necessary, the Supervisory Authorities shall meet to discuss and settle matters relating to supervision of Cross-border Establishments. The issues relating to the implementation of this Memorandum may also be discussed at such meetings.

10.3. Each Supervisory Authority shall bear the expenses that may arise in implementing this Memorandum unless a different procedure is agreed upon.

10.4. To ensure the practical implementation of co-operation after this Memorandum comes into force, the Supervisory Authorities shall exchange lists of contact persons (with full names, job titles, telephone and fax numbers and e-mail addresses).

10.5. Information on the Bank of Russia, banking system, laws and regulations of the Russian Federation may be found on the Bank of Russia website at www.cbr.ru.

Information on the Financial Supervision Authority of the Republic of Estonia, banking system, laws and regulations of the Republic of Estonia is available on the website of the EFSA at www.fi.ee.

The Bank of Russia and the EFSA shall not object to placing this Memorandum on their websites.

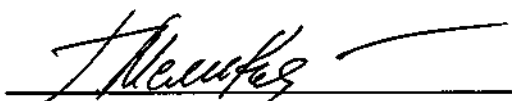
10.6. This Memorandum shall come into force as of its signing and it will remain effective until one of the Authorities notifies in advance the other in writing about its decision to terminate it. In this case, this Memorandum shall remain in effect for 30 days after the notification date. Requests for assistance made before that date shall be fulfilled by the Supervisory Authorities in compliance with the terms and conditions of this Memorandum.

10.7. This Memorandum is done in two copies, in the English language.

For the Central Bank
of the Russian Federation

G.G. Melikyan

First Deputy Chairman
of the Central Bank
of the Russian Federation

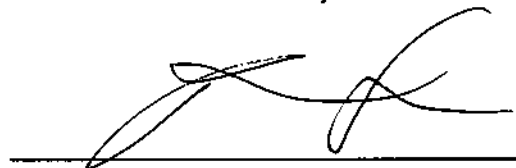


August, 26 2008

For the Estonian
Financial Supervision Authority

Raul Malmstein

Chairman of the Management Board
of the Estonian Financial Supervision
Authority



August, 26 2008