

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE NATIONAL BANK OF SERBIA
AND
THE CENTRAL BANK OF THE RUSSIAN FEDERATION
(BANK OF RUSSIA)
IN THE FIELD OF BANKING SUPERVISION

The National Bank of Serbia and the Central bank of the Russian Federation (Bank of Russia), hereinafter referred to as the “banking supervisory authorities,” expressing their mutual interest in establishing and promoting bilateral ties in the field of banking supervision and seeking to achieve mutual understanding on issues relating to the sharing of supervisory information and banking regulation for the purpose of expanding co-operation for effective consolidated supervision of cross-border establishments and the fulfilment of the corresponding duties in maintaining stability of the banking systems and protecting the interests of creditors and depositors in the respective countries, have agreed as follows:

1. For the purposes of this Memorandum:

1.1. The “countries” are the Republic of Serbia and the Russian Federation;

“a credit institution” is a legal entity recognised as a credit institution under national legislation. A credit institution may be set up on the basis of any form of ownership as an economic entity;

“a parent credit institution” is a credit institution registered in one country and having cross-border establishments in the other country or requesting permission to open them;

“a cross-border establishment” is a branch, subsidiary or representative office of a credit institution registered in one country, which are registered in the other country, and which by common consent and in accordance with national legislation and regulations, gives rise to the need for consolidated supervision;

“supervisory information” is information obtained by either banking supervisory authority in carrying out its supervisory duties and sharing information or in the process of conducting inspections in compliance with the provisions of this Memorandum.

1.2. Under the legislation of the Republic of Serbia:

“Foreign bank” is a legal entity headquartered outside the Republic of Serbia which is founded and entered in the register of the competent authority as a bank, in compliance with regulations of the home country, which has the operating license granted by the regulatory authority of such country, and which performs credit and deposit activities.”

“A representative office” means an organizational part of a bank abroad or a foreign bank in the Republic of Serbia which does not have the status of a legal entity, which cannot conduct activities that may be conducted by banks, but activities related to market research, and which represents the bank and/or the foreign bank which part it is.

1.3. In the Russian Federation, foreign credit institutions may set up subsidiaries or participate in the other form in the authorized capital of a resident credit institution and also open representative offices. The activities of credit institutions with foreign interest are subject to licensing in compliance with the requirements of the Russian legislation.

Under the legislation of the Russian Federation:

“A subsidiary credit institution” is a legal entity in which the parent credit institution can determine decision-making due to holding a controlling stake in its authorized capital or under an agreement concluded between them or otherwise.

“A representative office” of a credit institution is its separate division located at an address other than that of the credit institution. 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 operates on the basis of the regulations approved by the credit institution that established it.

1.4. The “home country” is the country in which a parent credit institution or other financial sector person has been established and granted the operating license.

1.5. The “host country” is the country in which a cross-border establishment is registered.

2. The banking supervisory authorities shall co-operate within the framework of this Memorandum on the basis of reciprocity.
3. The banking supervisory authorities shall exchange information on the state and development of the banking sector and the requirements of the national banking supervision laws and changes therein.
4. The banking supervisory authorities agree to hold, when necessary, meetings to discuss issues of mutual concern and ways to improve the banking supervision of the credit institutions.
5. Co-operation within the framework of this Memorandum shall be conducted on the basis of a request for assistance by the banking supervisory authority.
6. A request for assistance shall be made in writing. Any means of communication may be used to convey a request.
7. Information within the framework of this Memorandum shall be provided to the extent reasonable and subject to national statutory provisions including those restricting disclosure. A request for assistance may be, thus, denied wholly or partially, if the requested banking supervisory authority believes that fulfilment of the request will run counter to its national legislation or that it may harm national interests, or on grounds of public interest or when disclosure would interfere with an ongoing supervision. In such case, the requesting banking supervisory authority shall be notified about the denial and

given the reasons for it in writing and within a reasonable time period.

8. The banking supervisory authorities shall do everything to ensure the fullest possible response to a request at short notice. They shall also notify each other about the circumstances preventing or delaying the fulfilment of the request for assistance. Information provided within the framework of this Memorandum shall not contain data on operations conducted by credit institutions and their clients.

9. Each banking supervisory authority shall cover the expenses involved in the implementing this Memorandum on its own unless another procedure is agreed upon.

10. The banking supervisory authorities have agreed to cooperate in banking supervision of cross-border establishments in the following areas:

10.1. In the licensing of banking activities the banking supervisory authorities have agreed that:

10.1.1. If a credit institution incorporated in one of the countries (home country) applies to the banking supervisory authority in the other country (host country) for a licence (permission) to open a branch, a subsidiary bank or a representative office (cross-border establishment), the host country banking supervisory authority shall consider such application within the time-limits and in accordance with the procedures established by its national banking legislation or regulations. The banking supervisory authorities shall keep each

other informed on the results of the consideration of the request. The host country banking supervisory authority shall notify the home country banking supervisory authority in writing about its decision with regard to the granting of a license (permission) to a credit institution to open a cross-border establishment, which has applied to it, as provided above.

10.1.2. The banking supervisory authorities have agreed that when considering such a request, the home country supervisory authority shall provide at the request of the host country supervisory authority the following information on the parent credit institution:

- the date of state registration,
- operations conducted by the credit institution under the banking license it holds,
- the internal control system ensuring control of the cross-border establishment by the parent credit institution, including information on the internal control system for the purpose of countering the legalization (laundering) of criminally obtained incomes and the terrorist financing,
- the management structure of the parent credit institution and information on shareholders (members), subsidiaries, branches, representative offices and affiliated persons,
- information on candidates for managerial positions in the cross-border establishment, including their business reputation and experience, to the extent to which it is

possible within the framework of the information available and permitted by national legislation,

- information on the compliance by the parent credit institution with home country legislation, including banking supervision requirements,
- information on the observance by the parent credit institution of the legislation on countering the legalization (laundering) of criminally obtained incomes and the terrorist financing.

10.1.3. The home country banking supervisory authority shall inform the host country banking supervisory authority on the principles of banking supervision of the parent credit institution under national legislation.

10.1.4. The banking supervisory authorities shall co-operate in making decisions on agreeing the acquisition by a legal entity or private individual or a group of legal entities and (or) private individuals of shares (stakes) in a credit institution registered in the other country.

10.1.5. For the purposes of this Memorandum, acquisition is a transaction as a result of which a stake is acquired in the capital of a credit institution registered in the Republic of Serbia or the Russian Federation, whose size requires under national legislation of the corresponding country prior approval of the corresponding banking supervisory authority.

10.2. When exercising banking supervision (collecting information, conducting inspections and analysing the financial and statistical reports presented by cross-border establishments), the banking supervisory authorities have agreed as follows:

10.2.1. The banking supervisory authority of the host country shall exercise banking supervision over the activities of cross-border establishments in accordance with the national banking legislation or regulations;

10.2.2. The host country banking supervisory authority shall not prevent cross-border establishments from presenting information and submitting reports to parent credit institutions for the compiling of consolidated reports in forms established in the home country unless this information contains banking secrets;

10.2.3. The banking supervisory authorities shall make every effort to inform each other about significant developments or material issues pertaining to banking supervision in respect to operations conducted by a cross-border establishment.

10.2.4. The banking supervisory authorities shall exchange the following information:

- on the financial standing of cross-border establishments and their parent credit institutions,

- on penalties or other formal enforcement actions taken with regard to a cross-border establishment by the host country

banking supervisory authority or with regard to a parent credit institution by the home country banking supervisory authority,

- on the revocation of licence, the appointment of a provisional administration or re-organisation or liquidation of a parent credit institution or cross-border establishment.

10.3. Should the banking supervisory authority decide to conduct an inspection of a cross-border establishment:

10.3.1. The home country supervisory authority shall notify the host country supervisory authority in advance about its intention to conduct an inspection, indicating the title of the cross-border establishment to be inspected, the purpose, subjects and duration of the inspection and the period to be inspected, and provide information about its representatives who will conduct the inspection.

10.3.2. The home country supervisory authority shall regulate on its own its relations with a cross-border establishment with regard to getting access for its representatives to conduct an inspection.

10.3.3. The supervisory authorities shall inform each other about the inspection results in time and within the limits set by their national legislation.

10.4. Within the framework of co-operation in countering the legalization (laundering) of criminally obtained incomes and terrorist financing, the banking supervisory authorities shall exchange information:

- on the requirements of their national legislation in the field of banking supervision and countering the legalization (laundering) of criminally obtained incomes and terrorist financing, which fall within the competence of the banking supervisory authorities, and any changes made in them,

- about the violations of legislation on countering the legalization (laundering) of criminally obtained incomes and terrorist financing committed by parent credit institutions and their cross-border establishments and sanctions taken against them,

- on the observance by credit institutions of national legislation directed against money laundering and terrorist financing,

- on the best practice procedures for identifying and studying customers and beneficiaries and detecting operations connected with the legalization (laundering) of criminally obtained incomes and terrorist financing,

- on typical schemes and methods used in legalizing (laundering) of criminally obtained incomes and terrorist financing.

11. To the extent permitted by its national legislation, each banking supervisory authority shall ensure the confidentiality of information and documents received from the other banking supervisory authority, if they are classified as restricted or if the banking supervisory authority that passes information considers its disclosure undesirable. Confidentiality of supervisory

information and documents is determined by the banking supervisory authority that passes information.

12. Supervisory information received by one banking supervisory authority from the other may only be used for the purposes of banking supervision established by law and for the purposes it was requested and provided for.

13. If law does not provide for the disclosure of information, information received by one banking supervisory authority under this Memorandum may not be passed to third persons without preliminary consultations and written consent by the banking supervisory authority that provided this information. Should the banking supervisory authority that has received this information be required by national legislation to disclose it, it shall hold consultation with the banking supervisory authority that has provided this information on what specific information must be disclosed and in compliance with the latter's requirements it will do everything to ensure confidentiality of information.


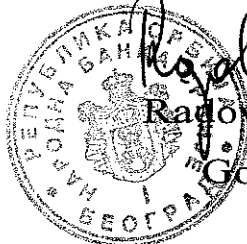
14. The banking supervisory authorities may promote their cooperation by holding meetings to discuss the current issues of banking supervision and exchange experts.

15. The banking supervisory authorities shall not object to this Memorandum being posted on their websites or published in any other form.

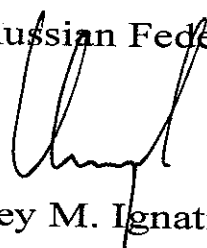
16. This Memorandum shall remain in existence until either party notifies the other in writing of its wish to revise, amend or withdraw from this Memorandum. One month's notice of any such action will be given.

Done in four copies, in English language, both parties will be given two copies each.

On behalf of
the National Bank of Serbia


Radovan Jelasic
Governor


On behalf of
the Central Bank
of the Russian Federation


Sergey M. Ignatiev
Chairman

Date: 19.6.2008.
Г.сп. 520411

Date: