

Memorandum of Understanding between the Central Bank of the Russian Federation and the Hungarian Financial Supervisory Authority concerning their cooperation and exchange of information in the field of supervision of banks and their cross-border establishments

1. The Central Bank of the Russian Federation (hereinafter Bank of Russia) and the Hungarian Financial Supervisory Authority (hereinafter HFSA), both hereinafter referred to jointly as the "Authorities", and each "an Authority" have reached an understanding on the need to exchange information for the effective fulfillment of their functions and to assist the reliability and stability of banking systems in their countries. This information exchange and cooperation includes banks and credit institutions and their banking consolidation groups (bank holdings).
2. This Memorandum of Understanding (hereinafter Memorandum) also demonstrates the commitment of the Authorities to the principles of consolidated comprehensive supervision and cooperation between supervisory authorities 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 cooperation between the Authorities. It is not considered to be an international agreement in the meaning of the Hungarian laws or the Russian laws. Consequently, it neither establishes any legally binding obligations nor supersedes any laws and regulations in force either in Hungary or in the Russian Federation. No provision of this Memorandum is intended to give rise to the right on the part of a third party (persons, entities or governmental authorities) to obtain any information or to challenge the execution of a request for information under this Memorandum. 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 cooperate with each other on the basis of mutual trust and understanding in the supervision of cross-border establishments of supervised institutions licensed in the Russian Federation and in Hungary. A cross-border establishment may operate as a subsidiary, a branch or a representative office of a supervised institution.

The Powers of the Authorities

5. Under the legislation of the Russian Federation, the Bank of Russia is a body of banking regulation and banking supervision. The Bank of Russia 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).
6. The HFSA is an independent legal entity of the Hungarian public administration under control of the Government, supervised by the Minister of Finance. The HFSA's function is to ensure the good and prudent functioning of the banking, capital and insurance markets as well as pension fund industries, to provide transparency and to promote fair and orderly competition on the market.

7. Definitions for the Purposes of this Memorandum:

- a) “Supervised Institution(s)”: a legal entity authorised to conduct banking operations, whose activities are subject to licensing and supervision in accordance with the legislation of the Russian Federation or Hungary.
- b) “Supervised Parent Institution(s)”: a supervised institution incorporated in one of the states, which has a Cross-Border Establishment located in the other state.
- c) “Cross-Border Establishment”: a subsidiary, a branch or a representative office of a Supervised Parent institution incorporated in one of the states and operating in the other state.
- d) “Home Supervisor”: the Authority located in the Russian Federation or in Hungary, respectively, in which a Supervised Parent Institution is registered.
- e) “Host Supervisor”: the Authority located in the Russian Federation or in Hungary, respectively, in which a Cross-Border Establishment is registered.

Exchange of Information

8. To ensure and enhance the efficiency of supervision over Supervised Parent Institutions and their Cross-Border Establishments, the Authorities express their willingness and commitment to cooperate and exchange information in the following areas: licensing (both issuance and revocation), on-going supervision, on-site inspections, owner control, fitness and properness of managers, unlawful banking practices, anti-money laundering and counter terrorist financing (AML/CTF), and crisis situations. The exchange of information includes information received in the course of the discharge of the supervisory functions and may include in accordance with the national legislation information covered by bank secrecy.

All essential information should be exchanged. Information shall be regarded as essential if it could materially influence the assessment of the financial soundness and integrity of the Supervised Institutions or which is likely to be relevant to the other Authority to assist that other Authority in the exercise of its duties.

In addition to the specific information on supervised institutions, the Authorities shall also exchange information on the state and development of the national banking sector, the principal banking supervision standards and requirements, on requirements of the national legislation in the field of AML/CTF, and significant changes therein.

9. 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 personal deals of credit institutions’ 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.

10. In Hungary, in accordance with Section 5 on international relationships of Act CXXIV of 1999 on the Hungarian Financial Supervisory Authority, the HFSA may enter into cooperation agreements

and exchange information with foreign financial supervisory organizations so as to improve facilities to carry out its duties, to achieve supervision on a consolidated basis and to promote integration programs.

In Hungary, pursuant to Article 96/— of Act CXII of 1996 on credit institutions and financial enterprises, at the request of the supervisory authority of a third country, the HFSA, having considered the availability of reciprocity or on the basis of a valid supervision cooperation agreement, may supply reports, data and information that may be necessary for exercising supervision on a consolidated basis to the third country supervisory authority if it is able to guarantee legal protection for the processing of such information that is equivalent to or better than the protection afforded under Hungarian law. At the request of the supervisory authority of a third country, the HFSA having considered the availability of reciprocity, may conduct on-site inspections or, if there is a valid supervision cooperation agreement, it may give its consent to the supervisory authority of the third country requesting consent, to an auditor or to another expert designated by it to conduct the inspections.

11. Cooperation within the framework of this Memorandum shall be conducted at the initiative of the Bank of Russia or the HFSA on the basis of a request for assistance.

A request for assistance shall be made in writing. Any type of communication facilities may be used to transmit a request.

Assistance within the framework of this Memorandum may be refused wholly or in part if the requested 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 Authority shall be notified in writing and given the reasons for the refusal.

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

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

Licensing

12. If a Supervised Parent Institution applies to the Authority of the other jurisdiction to establish a Cross-Border Establishment, the latter shall inform the Home Supervisor without delay. If the adequacy of home banking supervision is a statutory prerequisite which the Host Supervisor needs to address in the licensing procedure, it would contact the Home Supervisor to settle any question in this regard.

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

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.

The Home Supervisor shall inform the Host Supervisor whether the applicant complies with the national legislation, including the legislation in the field of AML/CTF and preventing unlawful banking practices, as well as about the state of corporate governance, fitness and properness of owners and managers, risk management and internal control system of the applicant Supervised Institution.

The Home Supervisor informs the Host Supervisor on the compliance with qualification requirements of the prospective candidates for managerial positions of the Cross-Border Establishment. The Home Supervisor shall also disclose to the Host Supervisor information on the beneficial owners in accordance with the national legislation.

Cooperation concerning owner control

13. The 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.

For the purposes of this Memorandum, an acquisition signifies the purchase of a stake in the capital of a Supervised Institution of a size that will require, under the national legislation, the supervisory permission of the respective Authority.

Cooperation in the ongoing supervision of Cross-Border Establishments

14. The Authorities will inform each other, in due time about concerns regarding the financial soundness of Supervised Parent Institutions and their Cross-Border Establishments. They will also notify each other beforehand, if possible, of actions against a Cross-Border Establishment as Host Supervisor or a Supervised Parent Institution as Home Supervisor if the information in their judgment is likely to be important to the other Authority to assist that other Authority in the exercise of its duties.

The Authorities will discuss with each other any significant information on Supervised Parent Institutions and their Cross-Border Establishments which is likely to be relevant to the other Authority to assist that other Authority in the exercise of its duties. Relevant matters are in particular: concerns about the financial soundness of a Supervised Parent Institution or its Cross-Border Establishment (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 Parent Institution or its Cross-Border Establishment, concerns arising from late and/or unreliable reporting.

Cooperation in Conducting li-Site Inspections

15. The Authorities agree that cooperation is particularly useful in assisting each other in carrying out On-Site Inspections of Cross-Border Establishments. The Authorities will provide full informational and consultative support to each other in such inspections. The Home Supervisor may conduct an inspection visit to a Cross-Border Establishment in coordination with the Host Supervisor. Information requests to the Supervised Parent Institution must be channeled via Home Supervisor. The Host Supervisor must be informed of information requests to the Cross-Border Establishment.

The Authorities will notify each other beforehand of plans to inspect a Cross-Border Establishment, giving the names of the inspectors and/or auditors, the purpose of the inspection and its expected duration.

The Home Supervisor shall regulate on its own the relations with Cross-Border Establishments in respect to the access of the inspectors and/or auditors for the purpose of On-Site Inspections.

A Cross-Border Establishment may, in accordance with the relevant laws and regulations of the host country, provide information resulting from the On-Site Inspection that might be relevant for the purpose of consolidated supervision, to the Home Supervisor.

Crisis situations

16. The Authorities shall inform each other without delay if they learn of an incipient crisis relating to a Supervised Parent Institution or its Cross-Border Establishments. The Authorities intend to cooperate if there is a need to adopt supervisory measures, which would affect the other Authority's area of supervision.

Ensuring the Confidentiality of Information

17. The Authorities ensure compliance with the obligation of professional and banking secrecy and confidentiality of information and documents by all employees who receive an access to such information or documents shared by the other Authority.

The Authorities agree that any confidential information shared through these arrangements will be used only for lawful supervisory purposes and in accordance with the national legislation.

Confidential information or documents may not be passed to a third party without obtaining a prior written consent of the Authority that has provided confidential information or documents.

When an Authority is obliged by national legislation to disclose such information or documents received from the other Authority to a third party (government, law enforcement body, etc.) it notifies without delay the other Authority and will cooperate in seeking to preserve so far as legally possible the confidentiality of such information.

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

Cooperation in Preventing Unlawful Banking Practices , Anti-Money Laundering and Counter Terrorist Financing

18. The Authorities intend to cooperate in prevention of unlawful banking practices, anti-money laundering and counter terrorist financing. The Authorities, to fulfill their supervisory duties, will exchange information on the observance by Supervised Parent Institutions and their Cross-Border Establishments of the national legislation in the field of AML/CTF and preventing unlawful banking practices.

The Authorities intend to exchange information also:

- on national laws and regulations in the field of AML/CTF;
- on the practice of identifying and scrutinizing clients and beneficiaries, as well as identification of operations related to the money laundering and terrorist financing;
- on typical money laundering and terrorist financing schemes;
- on violations by Supervised Parent Institutions and their Cross-Border Establishments of the banking legislation and the legislation in the field of AML/CTF.

Customer Complaints

19. Complaints made about a Supervised Parent Institution or its Cross-Border Establishment should be handled by the relevant Authority in accordance with the national legislation. If as a result any information comes to the attention of either the Home or the Host Authority which is relevant to the other Authority, the Home and Host Authority will ensure that this should be properly communicated.

Any complaint against institutions laid with the Authorities would only be examined in order to find out whether supervisory measures should be taken in accordance with the national legislation on the grounds that the queried activities of the institution showed deficiencies in the fit and properness of the management or even amounted to harmful tendencies in the banking industry.

Other Provisions

20. Should any changes be made to the laws of the Russian Federation and Hungary, the corresponding changes may be made to this Memorandum.

21. Whenever a specific request is made in the framework of the Memorandum, these requests should be formulated in written form and addressed to the HFSA International Department and to the External and Public Relations Department of the Bank of Russia.

To facilitate cooperation under this Memorandum, the Authorities will designate contact persons and exchange the list of contact persons with each other (names, positions, telephone, fax and e-mail connection). The Authorities shall agree that the list containing contact persons with necessary contact details will be regularly updated.

22. If necessary, the 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.

23. 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 HFSA, banking system, laws and regulations of Hungary may be found on the website at www.pszaf.hu.

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

25. This Memorandum shall come into force as of its signing and 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 Authorities in compliance with the terms and conditions of this Memorandum of Understanding. This Memorandum is done in two copies, in the English language on 28 March, 2008.

For the Central Bank of the Russian Federation	For the Hungarian Financial Supervisory Authority
S.M. Ignatiev	Istvan Farkas
Chairman of the Central Bank of the Russian Federation	Chairman of the Board

The contact persons of the Hungarian Financial Supervisory Authority defined in paragraph 21 of the Memorandum of Understanding are:

Dr. Arpad Kiraly

Head of European and International Affairs Department

E-mail: kiraly.arpad@pszaf.hu

Janos Toth

Senior Counsellor

European and International Affairs Department

E-mail: toth.ianos@pszaf.hu

The Hungarian Financial Supervisory Authority (HFSA)

Krisztina Imperial Plaza

Krisztina krt. 39. 1013 Budapest

Mailing address: 1535 Budapest, 114.Pf.:777

Telephone numbers:

Main Switchboard: 36-1-4899-100

European and International Affairs Dept.: 36-1-489-9281

Main Facsimile: 36-1-4899-102

European and International Affairs Dept.:36-1-489 9222

Homepage: www.pszaf.hu

The general e-mail address is: pszaf@pszaf.hu

The contact persons of the Bank of Russia defined in paragraph 21 of the Memorandum of Understanding are:

Alexey Simanovskiy

Member of the Board of Directors

Director

Banking Regulation and Supervision Department

E-mail: yom@cbr.ru

Leonid Demtchuk

Head

Organizational-Economic Division

Banking Regulation and Supervision Department

E-mail: dli@cbr.ru

Central Bank of the Russian Federation (Bank of Russia)

Address: 12 Neglinnaya Street, Moscow, 107016 Russia

Main Switchboard: + 7 495 771 9100

External and Public Relations Department: + 7 495 771 4046

Main Facsimile: +7 495 621 6465

External and Public Relations Department: +7 495 621 9147

Homepage: www.cbr.ru

The general e-mail address: webmaster@www.cbr.ru