

Memorandum of Understanding

between

China Banking Regulatory Commission

and

Finansinspektionen

The China Banking Regulatory Commission (“CBRC”) and Finansinspektionen, the Swedish Financial Supervisory Authority (FI) have reached the following understanding in order to establish an arrangement for the sharing of supervisory information and the enhancing of cooperation in the area of banking supervision.

I. INTRODUCTION

1. The Functions of the Banking Supervisory Authorities

(a) The China Banking Regulatory Commission

Under the Law of the People’s Republic of China (PRC) of China on Banking Regulation and Supervision adopted in December 2003, the CBRC is responsible for the regulation and supervision of financial institutions taking public deposits, issuing loans, arranging settlement of accounts and engaging in other business in accordance with the Commercial Banking Law of the PRC and the Company Law of the PRC. The CBRC was established in April 2003 by the Decision on the Exercise of Regulatory and Supervisory Functions by the China Banking Regulatory Commission in place of the People’s Bank of China adopted at the First Session of the Standing Committee of the Tenth National People’s Congress.

(b) Finansinspektionen

Under the Banking and Financing Business Act (2004:297) adopted in July 2004, the supervision of credit institutions (including banks) in Sweden is undertaken by a single competent authority, FI. Banks and credit institutions are authorized by FI. FI was established in 1991 as a result of merger of the former Bankinspektionen (the Bank Inspection Board) and Försäkringsinspektionen (the Insurance Inspection Board).

2. The CBRC and FI agree to work to:

- (a)** ensure that the operation of the cross-border branches, representative offices and subsidiaries of banking organisations under their respective jurisdictions are prudently conducted;
- (b)** ensure that the head offices and parent banking organisations exercise adequate and effective control over the operations of their cross-border branches and subsidiaries; and
- (c)** ensure that their respective ongoing supervision of banking organisations effectively covers cross-border banking establishments on a consolidated basis and assist each other in performing such function.

II. DEFINITIONS

3. For the purpose of this Memorandum:

(a) “banking organisation” shall mean in the PRC, an enterprise legal person which is established to take public deposits, issue loans, arrange settlement of accounts and engage in other business in accordance with the Commercial Banking Law of the People’s Republic of China and the Company Law of the People’s Republic of China, and shall mean in Sweden, an enterprise whose business is to pursuit banking or financing business in accordance to the Banking and Financing Business Act of Sweden.

(b) “cross-border establishment” shall mean the cross-border establishment of branches, representative offices or subsidiaries by their home head office or parent banking organisation;

(c) “Authorities” shall mean the CBRC and FI;

(d) “jurisdiction” shall mean the country, state or other territory, as the case may be, in which the CBRC or FI has legal authority, power and/or jurisdiction by law;

(e) “Home Authority” shall mean the authority of the country where the parent banking organisation is established;

(f) “Host Authority” shall mean the authority of the country where cross-border establishments are established;

(g) “law” shall mean any national legislation within the Authorities jurisdictions;

(h) “Requested Authority” shall mean the authority to whom a request is made pursuant to this Memorandum of Understanding; and

(i) “Requesting Authority” shall mean the authority that makes a request pursuant to this Memorandum of Understanding.

III. PRINCIPLES

4. This Memorandum is a statement of intent and does not, and is not intended to, create any legally binding obligations on either Authority.

5. The performance of the provisions of this Memorandum shall be consistent with laws, regulations and conventions within the respective Authorities jurisdictions and shall not be contrary to the public interests of the country of the Requested Authority.

IV. INFORMATION SHARING

6. The Authorities recognize the importance and desirability of mutual assistance and exchange of information. Information should be shared to the extent reasonable and subject to any relevant statutory provisions, including those restricting disclosure.
7. Information-sharing includes contact during the authorisation and licensing process, relating to supervision of on-going activities and handling of problem situations.
8. In connection with the authorisation process:
 - (a) the Host Authority should notify the Home Authority, without delay, of applications for approval to establish a cross-border establishment;
 - (b) upon request, the Home Authority should inform the Host Authority whether the applicant banking organisation is in substantial compliance with applicable laws and regulations and whether it may be expected, given its administrative structure and internal controls, to manage the cross-border establishment in an orderly manner. The Home Authority should also, upon request, assist the Host Authority by verifying or supplementing any information submitted by the applicant banking organization;
 - (c) upon request, the Home Authority should inform the Host Authority about the nature of its regulatory system and extent to which it will conduct consolidated or group-wide supervision of the applicant banking organisation. Similarly, the Host Authority should indicate the nature of its regulatory system and the extent to which it will supervise the cross-border establishments of the applicant banking organization; and
 - (d) to the extent permitted by law, the Home and Host Authorities should share information on the fitness and propriety of prospective managers of a cross-border establishment.
9. In connection with the ongoing supervision of cross-border establishments, the Authorities intend to:
 - (a) provide relevant information to their counterpart regarding material developments or material supervisory concerns in respect of the operations of a cross-border establishment;
 - (b) respond to requests for information on their respective national regulatory systems and inform each other about major changes, in particular those which have a significant bearing on the activities of cross-border establishments;
 - (c) inform their counterpart of material administrative penalties imposed, or other formal

enforcement action taken, against a cross-border establishment. Prior notification shall be made, as far as practicable and subject to applicable laws; and

(d) facilitate the transmission of any other relevant information that might be required to assist with the supervisory process.

10. The term “material supervisory concern” encompasses a matter relating to (a) whether the operations of a banking organisation are conducted in a safe and sound manner and substantially in conformity with applicable prudential standards; (b) whether there has been evidence of a material violation of law; or (c) events that would have a material adverse effect on the financial stability of banking organisations in the jurisdiction of the other authority. A material supervisory concern as described herein would include concerns that arise from actions of cross-border establishments of the banking organisation.
11. Where remedial action is called for to address a material supervisory concern as described above, each authority will endeavour to notify the other authority prior to it taking the appropriate action or, as circumstances dictate, as soon thereafter as practicable.
12. The Authorities shall co-operate and share relevant information in the process of decision-making with regard to granting permission (consent) to acquiring shares (stakes) by financial institutions registered in one country of a banking organisation registered in the other country. The term “acquisition” shall mean the acquisition of a participatory interest in the authorized capital of a banking organization registered within the PRC or Sweden in the amount that requires, under national legislation, preliminary permission (consent) from the appropriate banking supervisory authority;

V. ON-SITE EXAMINATIONS

13. The Host Authority is responsible for On-Site Examinations of cross-border subsidiaries and branches.
14. To the extent permitted by national law, joint on-site examinations may be conducted upon receiving a request from the Home Supervisor. A request for joint on-site examination shall be made in advance and shall contain information about the purpose of the joint on-site examination and of any subject matter with particular concern of interest. The authorities will endeavour to establish the basis and terms upon which such examinations are to be conducted.
15. The Home Authority executes its responsibilities in the area of supervision in the manner relevant to the stipulations of the host country legislation and, if needed, with consultations and assistance from the Host Authority.

16. The Authorities will notify each other in advance of any On-Site Examination of a cross-border establishment, giving details of the names of the auditors and/or examiners, the purpose of the inspection and its expected duration.
17. The Authorities will keep each other informed on the results of the examinations to the extent reasonable and permitted by the national legislation and in a timely manner. If the Authorised Parent Institution has been examined along with its cross-border establishment in the other jurisdiction, the Home Supervisor will endeavor to provide the Host Authority with information relevant to the cross-border establishment, in order to assist the Host Authority in exercising its functions.
18. In addition to the procedures outlined in chapter IV, upon written request signed by an authorized official of the Requesting Authority, the Requested Authority may, to the extent permitted by law, provide the Requesting Authority with information contained in reports of examinations or inspections concerning the cross-border establishment that is obtained as part of the supervisory process. Such information normally would not include customer account information unless this is of particular relevance only to the supervisory concern prompting the request.

VI. CRISIS MANAGEMENT

19. When a PRC or a Swedish banking organisation facing serious financial difficulties that could have a material adverse impact on the operations of such banking organisation in the respective host jurisdiction, the Authorities shall, as soon as practicable, alert their counterpart and recognize that close liaison between them would be mutually advantageous. The Authorities will endeavour to communicate such information as would be appropriate in the particular circumstances, taking into account all relevant factors, including the status of efforts by the Home Authority to resolve the bank's difficulties and restore confidence in the bank.
20. In connection with cross-border cooperation on crisis management:
 - (a) for a cross-border establishment and its head office or parent banking organisation affected by crisis, the Home and Host Authorities should consider together possible issues and barriers that may arise in cross-border cooperation, and seek potential solutions.
 - (b) the Home Authority is entitled to hold special meetings about a specific cross-border establishment and its head office or parent banking organisation of concern as appropriate. The Host Authority may propose to hold special meetings about a specific cross-border establishment and its head office or parent banking organisation of concern as appropriate.

(c) the Home and Host Authorities should inform their counterparts, on a timely basis, of the arrangements for crisis management developed for a specific cross-border establishment and its head office or parent banking organisation.

The Authorities should share, at minimum, the following information:

- assessments on systemic impact, liquidity, solvency and contingency funding plans of a specific cross-border establishment and its head office or parent banking organisation;
- other contingency arrangements; and
- contingency liquidation arrangements developed by a cross-border establishment in the event of bankruptcy.

(d) the Authorities should provide their counterparts, on a timely basis, with information pertaining to deposits protection arrangements for a specific cross-border branch under their respective jurisdictions.

(e) to assist the Host Authority responsible for a specific cross-border branch, the Home Authority, where necessary, shall require the head office of the branch to provide, on a timely basis, its liquidity support measures and solutions for the branch.

To assist the Host Authority responsible for a specific cross-border subsidiary, the Home Authority, where necessary, shall require the parent banking organisation of the subsidiary to provide, on a timely basis, its initiatives and solutions for liquidity assistance to as well as other supporting measures for the subsidiary.

(f) where permitted by legal frameworks and confidentiality arrangements, the Home and Host Authorities should provide their counterparts with the aforesaid information within a prescribed time period. In cases where the Requested Authority fails to provide relevant information on a timely basis, the Requesting Authority is entitled to, at its discretion, take special supervisory measures to safeguard its domestic financial market as appropriate.

VII. CONFIDENTIALITY

21. Any confidential information shared pursuant to this Memorandum shall be used only for lawful supervisory purposes.
22. To the extent permitted by law, the Authorities shall hold confidential all information received from each other pursuant to this Memorandum and will not otherwise disclose such information other than in accordance with such conditions (if any) attached by the other Authority to the provision of such information and as necessary to carry out its

lawful supervisory responsibilities.

23. Subject to the provisions of paragraphs 21-22 above, if the CBRC or FI is legally compelled to disclose any confidential information provided pursuant to this Memorandum, the CBRC or FI, as the case may be, will promptly notify the Authority that originated the information and will co-operate in seeking to preserve the confidentiality of such information.
24. The sharing of confidential information pursuant to this Memorandum is done in reliance on the foregoing assurances and shall not constitute a waiver of any legally cognizable privilege.
25. The CBRC and FI, in providing confidential written materials pursuant to this Memorandum, should mark every page of the materials provided with a legend reading substantially as follows:

**“CONFIDENTIAL - PROVIDED PURSUANT TO CBRC/FI MEMORANDUM
OF UNDERSTANDING”**

VIII. REQUESTS

26. Requests made according to this Memorandum should normally be made in writing in the English language and addressed to the contact persons listed in Annex A. However, when there is a need for expedited action, requests may be initiated in any form, including orally, but should be confirmed subsequently in writing. The authority receiving such requests will endeavor to deal with the request as quickly as possible.
27. A request under this Memorandum may be denied (a) where compliance would require the CBRC or FI to act in a manner that would violate applicable law or any agreement entered into before the date of this Memorandum; (b) when compliance with a request or provision of information would interfere with an investigation in circumstances where the prejudice to the investigation is likely to outweigh the adverse effects of denying the information; or (c) on grounds of public interest or national security.

IX. MEETINGS OF THE AUTHORITIES

28. Representatives of the Authorities intend to hold meetings in case of necessity to discuss general developments in banking organisations, which maintain operations in both the PRC and Sweden. In addition, every effort shall be made to encourage continuous and informal contacts between the staff of the Authorities.

X. ENTRY INTO EFFECT

29. This Memorandum shall be effective from the date of its signing. It shall continue in effect for a period of one year from the latest date entered below and shall automatically be renewed each year subject to modification by the mutual consent of the Authorities, provided, however, that the provisions set forth under the headings “Confidentiality” and “Principles” are to continue with respect to any information provided or actions taken under this Memorandum prior to its termination.

XI. TERMINATION

30. This Memorandum may be terminated by either Authority by giving thirty days’ written notice to the other Authority. This Memorandum will continue to have effect with respect to all requests for assistance that are made before the effective date of termination.

XII. MISCELLANEOUS

31. This Memorandum is made in two copies in English.

32. Annex A contains a list over designated contact officers, which shall be updated as necessary.

This Memorandum is signed in Stockholm on 25 June 2014.

On behalf of the China Banking Regulatory
Commission

On behalf of the Swedish Financial
Supervisory Authority

SHANG Fulin
Chairman

Martin Andersson
Director General

Annex A

DESIGNATED CONTACT OFFICERS

China Banking Regulatory Commission

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