

8 April 2005

Memorandum of Understanding concerning financial supervision between Danmarks Nationalbank, the Danish Ministry of Finance and the Danish Ministry of Economic and Business Affairs (Department and Danish Financial Supervisory Authority)

Objective of the Memorandum and the cooperating parties' areas of responsibility

1. The objective of the Memorandum shall be to confirm the informal and pragmatic cooperation that has existed between the parties for many years.

The objective of the Memorandum shall also be to contribute to increased transparency regarding the division of work between the parties, as well as their cooperation.

2. In order to promote financial stability, Danmarks Nationalbank, the Danish Ministry of Finance and the Danish Ministry of Economic and Business Affairs (Department and Danish Financial Supervisory Authority) shall cooperate on the basis of and with all due respect for their own areas of responsibility.

3. This Memorandum shall not override the parties' respective areas of responsibility and competence; nor shall it limit their access to making independent decisions within their respective areas of responsibility.

4. Financial stability is a key condition for economic growth. The parties agree that their cooperation should also contribute to strengthening efficiency within financial enterprises and in the financial markets.

At the same time, their aim is to prevent the risk of duplicated work, including unnecessary administrative burdens on the financial sector.

Scope of the cooperation

5. The cooperation shall be aimed at maintaining financial stability and coordinating the handling of financial crises by the parties as appropriate.

Good framework conditions for financial enterprises and markets are essential in relation to financial stability. The framework conditions for financial activities, including regulation and supervision, shall therefore contribute to supporting financial stability.

In their ongoing cooperation, the parties shall pay special attention to:

- Collection of information
- Exchange of information

- Consultation on amendment of relevant rules or principles
- Cooperation within relevant committees
- Cooperation on international issues
- Exchange of services

6. Responsibility for the cooperation shall be anchored in a Coordination Committee on Financial Stability made up of representatives of Danmarks Nationalbank, the Danish Ministry of Finance and the Danish Ministry of Economic and Business Affairs (Department and Danish Financial Supervisory Authority). The Permanent Secretary of the Danish Ministry of Economic and Business Affairs shall chair the Committee.

The Coordination Committee shall meet at least every six months and otherwise as required, including in connection with events of significant importance to financial stability.

Fixed items on the agenda of the Committee shall be:

- ◆ the situation and development in the financial sector
- ◆ relevant development trends in the international markets
- ◆ the development in international cooperation on financial regulation, particularly within the EU

The Department of the Danish Ministry of Economic and Business Affairs shall handle secretariat functions. Individual cases shall be prepared with due observance of applicable confidentiality requirements, including rules on the special confidentiality obligations of the Danish Financial Supervisory Authority.

Procedures and instruments for crisis management

7. If the financial situation within a financial enterprise or in a financial market is deemed to entail significant risks to financial stability, the issue shall be discussed by the Coordination Committee on Financial Stability as soon as possible.

The solution to the relevant problem shall depend on the specific circumstances. With a view to supporting future financial stability, the four parties to the agreement shall seek to find solutions whereby owners of base capital and the board and management themselves bear the responsibility to the greatest possible extent.

The parties shall regularly maintain a list of contacts to ensure that the Committee can meet at short notice.

The parties to the agreement may conduct crisis management exercises.

8. In connection with the collapse of financial enterprises or markets, or after situations with an imminent risk of such a collapse, the Coordination Committee on Financial Stability shall subsequently perform an assessment of whether the situation has revealed shortcomings or inexpediciencies in the framework conditions for financial activities.

If this is found to be the case, the competent authority shall be responsible for initiating the necessary changes.

9. If, in exceptional cases, a solution requires public financial commitments, e.g. guarantees with a view to providing emergency financing, the parties agree that they shall then promote the procedures enabling the fastest possible cost-effective solution with a view to the continuity of financial activities. Where such public commitments are made, they shall be authorised by the competent authority. In this regard too, Danmarks Nationalbank shall independently make any decision concerning its own participation.

Such issues shall be coordinated, as required, with other responsible institutions, including in particular the Guarantee Fund for Depositors and Investors and the Guarantee Fund for Non-Life Insurance Companies.

Separate cooperation between Danmarks Nationalbank and the Danish Financial Supervisory Authority

10. Danmarks Nationalbank and the Danish Financial Supervisory Authority are regularly faced with operational tasks in relation to financial stability and have therefore concluded a separate cooperation agreement comprising, *inter alia*, the stability of the financial system. Where relevant, issues discussed in this context are presented to the Coordination Committee on Financial Stability.

Respect for international cooperation

11. The cooperation takes place with due respect for relevant international agreements.

Involvement of other authorities

12. The Coordination Committee on Financial Stability may invite other relevant authorities to participate in discussions, e.g. Statistics Denmark concerning collection of information.

Decision-making and amendments to the Memorandum

13. The Coordination Committee on Financial Stability shall solely perform tasks of an advisory and coordinating nature.

14. The present Memorandum shall be assessed at least every two years, or at the request of one of the parties with a view to its possible revision.