

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE MINISTRY OF FINANCE OF THE REPUBLIC OF ESTONIA

AND

THE MINISTRY OF FINANCE OF THE REPUBLIC OF LATVIA

AND

THE MINISTRY OF FINANCE OF THE REPUBLIC OF LITHUANIA

IN RESPECT OF

THEIR CO-OPERATION FOR

REGIONAL CAPITAL MARKET DEVELOPMENT

IN THE BALTICS

MEMORANDUM OF UNDERSTANDING (hereinafter referred to as the “**Memorandum**”) among the Ministry of Finance of the Republic of Estonia (the “**Estonian Ministry**”), the Ministry of Finance of the Republic of Latvia (the “**Latvian Ministry**”), the Ministry of Finance of the Republic of Lithuania (the “**Lithuanian Ministry**”), hereinafter separately referred to as a “**Participant**” and jointly referred to as the “**Participants**”.

WHEREAS the European Commission's top priority is to strengthen the EU economy and stimulate investment to create jobs, through the Capital Markets Union it will support economic and social convergence and help absorb economic shocks. This will be achieved by facilitating cross border investments and by breaking down investment barriers and harmonising member state capital markets;

WHEREAS the Participants recognise the importance of developing regional capital market in the Baltic states and are committed to analyse and implement reforms that would increase the capacity of regional capital market to engage in intermediate finance and bring sustainable economic growth;

WHEREAS the Participants recognise the support from the European Commission and the European Bank for Reconstruction and Development (the "EBRD") under the Structural Reform Support Programme ("SRSP") and Local Currency and Capital Market Development ("LC2") Initiative respectively;

WHEREAS the Participants are acting within their respective competences and in accordance with the international obligations of their States and legislation valid in the territory of their States;

The Participants have come to the following understanding:

Article 1 - Objectives

The Estonian Ministry, the Latvian Ministry and the Lithuanian Ministry recognise the importance of the development of the capital market and a stronger institutional framework to handle the cross border challenges in the Baltic States.

The development of a vibrant regional capital market is crucial to long-term financial stability as it allows for raising capital and providing liquidity in a safe manner without reliance on a frequently constrained financial sector.

The Participants desire to co-operate in developing a deeper and more efficient regional capital market.

Article 2 - Co-operation and creation of the Action Plan

The Participants will confirm their commitment to developing the regional capital markets in the Baltics through strengthened co-operation with each other.

The Participants will co-operate on design and implementation of measures for the development of capital markets, including a supply side (for example new instruments like covered bonds and securitisation), a demand side and the market infrastructure.

The indicative and nonexclusive list of possible co-operation areas is specified in the Annex to this Memorandum. The Participants will further create a detailed Action Plan for the capital market development, based on the points identified in Annex 1, or any other priorities agreed by the Steering Committee.

The Participants will seek to prioritise these development actions and take specific steps for to implement the measures on key priorities, as agreed between Participants.

The Participants will create a Steering Committee representing the Estonian Ministry, the Latvian Ministry and the Lithuanian Ministry to roadmap the co-operation, and track its progress. The role of the Steering Committee will be twofold: (i) to oversee the progress of the implementation of this Memorandum; and (ii) to work on fostering its implementation and particular projects.

Such Steering Committee will meet once a year, as a minimum, and the meeting place shall alternate among the Participants. The time and details of the Steering Committee meetings and procedures will be set out by the Participants.

The Participants may apply for technical assistance/co-operation to assist with the implementation of the above-listed measures, including from third parties such as the European Commission, the EBRD or any other relevant institutions.

For the requests to the European Commission, the Participants understand that the European Commission will assess requests for technical support in line with the SRSP.

Article 3 - Communications

Any notice or other communication to be given or made under this Memorandum will be addressed and sent to the following contact points or to such other address as any Participant may designate by notice to the other Participants:

For the Estonian Ministry:

Address: Suur-Ameerika 1, Tallinn 10122, Estonia

Attention of: Kaarel Eller (Financial Markets Policy Department)

Fax: (+372) 611 3664

Email: info@rahendusministeerium.ee

For the Latvian Ministry:

Address: Smilšu iela 1, Rīga, LV- 1919, Latvia

Attention of: Imants Tiesnieks (Financial Markets Policy Department)

Fax: (+371) 6 709 5503

Email: pasts@fm.gov.lv

For the Lithuanian Ministry:

Address: Lukiškių Str. 2, 01512 Vilnius, Lithuania

Attention of: Lora Gogelytė (Financial Markets Policy Department)

Fax: (+ 370) 5 279 1481

Email: finmin@finmin.lt

Article 4 - Final Provisions

This Memorandum reflects the views and intentions of the Participants to co-operate on a non-exclusive basis, expressed in good faith but without the creation of any legal obligation or the incurrance of any liability on the part of any of them. Nor shall any third party obtain any legal benefit from this Memorandum.

It is understood and agreed that nothing in this Memorandum will constitute, or be construed as, an offer, promise or undertaking by either Participant to finance all or part of any activity or project identified in or pursuant to this Memorandum.

Nothing in this Memorandum will limit the right of, or prevent the Participants from entering into memoranda or arrangements with other Participants with respect to any activity, project or area of co-operation covered by this Memorandum.

Any dispute arising out of, or in connection with, the interpretation or application of any provision of this Memorandum will be settled amicably through consultations.

This Memorandum will become effective on the date it is signed by all of the three Participants and will remain in effect until any Participant notifies the other Participants in writing of its intention to terminate this Memorandum. In such case, this Memorandum will terminate ninety (90) days after receipt of such notice by the corresponding Participant.

IN WITNESS WHEREOF, the Estonian Ministry, the Latvian Ministry and the Lithuanian Ministry each acting through its duly authorised representative, have signed this Memorandum of Understanding in 3 originals, in the English language.

FOR THE MINISTRY OF FINANCE OF THE REPUBLIC OF ESTONIA:

By: _____

Name: Toomas Tõniste

Title: Minister of Finance of the Republic of Estonia

Date: 6. November 2017

FOR THE MINISTRY OF FINANCE OF THE REPUBLIC OF LATVIA:

By: _____

Name: Dana Reizniece-Ozola

Title: Minister of Finance of the Republic of Latvia

Date: 6. November 2017

FOR THE MINISTRY OF FINANCE OF THE REPUBLIC OF LITHUANIA:

By: _____

Name: Vilius Šapoka

Title: Minister of Finance of the Republic of Lithuania

Date: 6. November 2017

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Annex 1

Indicative and non-exclusive list of possible co-operation areas as set during the signing of the Memorandum. The below list is created for illustration purposes and can be amended by the Steering Committee as deemed necessary.

- Promoting the Pan-Baltic Asset Class.
- Developing a regional legal and regulatory framework for covered bonds and other structured products, like securitisation.
- Supporting the development of new capital market instruments - as an alternative to the banking sector - including equity, derivatives and other listed vehicles;
- Supporting and promoting access to capital market financing for small and medium sized enterprises including listing support and research coverage.
- Mobilising local investment: encouraging local capital market investment by pension funds and other Baltic institutional investors.
- Supporting the development of capital market innovations and new technologies with a consideration for regional FinTech solutions, e.g. distributed ledger technology.
- Creating a strategy to best address index labelling for the Baltic Region.