

Memorandum of Understanding

between

INSURANCE SUPERVISION AGENCY OF SLOVENIA

and

NATIONAL BANK OF SERBIA

concerning their cooperation in the field of
insurance supervision

The Insurance Supervision Agency of Slovenia (hereinafter: ISA), on one side and the National Bank of Serbia (hereinafter: NBS), on the other side, express their willingness to co-operate on the basis of mutual trust and understanding and agree to base their co-operation in the field of insurance supervision (companies and intermediaries) on the principles and procedures outlined in this Memorandum of Understanding (hereinafter: Memorandum).

In the following text of the Memorandum, the ISA and the NBS will be called "Authorities" or "Supervisors".

The general framework of this Memorandum are the Insurance Core Principles for Effective Insurance Supervision issued by the International Association of the Insurance Supervisors (hereinafter: Core Principles).

Competent authorities

1. The ISA is responsible for insurance supervision under the Insurance Act (Official Gazette of the Republic of Slovenia, No. 13/00 and following) and other special laws.

| The NBS is responsible for insurance supervision in accordance with the Insurance Law ("RS Official Gazette" Nos. 55/2004, 61/2005, 101/2007 and 107/2009) and other special laws.

Definitions

2. For the purposes of this Memorandum, the following expressions shall have the following meaning:

Cross-Border Establishment: a Branch or Subsidiary authorised in Slovenia of a parent insurance undertaking which is authorised in Serbia, or

a Branch or Subsidiary authorised in Serbia of a parent insurance undertaking which is authorised in Slovenia.

Branch: the organisational unit of an insurance undertaking (head office), incorporated in Slovenia or in, Serbia which has been granted a licence in the respective other country.

Subsidiary: an insurance undertaking incorporated in Slovenia or Serbia, which is controlled by a (parent) insurance undertaking in the respective other country.

Home Country Supervisor: the authority supervising in the case of a Branch

the head insurance undertaking, or in the case of Subsidiary the (parent) insurance undertaking.

Host Country Supervisor: the authority supervising a Branch or a Subsidiary within their respective jurisdiction.

Professional Secrecy

3. Compliance with the obligations of professional secrecy by all employees and officials who receive information from the respective other country in the course of their activities is a necessary condition for successful co-operation between the Authorities.

Each authority will keep confidential:

- any request for information made under the Memorandum and any matters arising in the course of its operation, unless such disclosure is necessary to carry out the request;
- any information passed under the Memorandum unless it is disclosed in furtherance of the purpose for which it was requested.

The Authorities will not disclose any confidential information to third parties without the prior written consent of the party that has provided this confidential information.

If the disclosure of confidential information to a home government agency (e.g. The Court, Tax Administration etc.) is required by Slovenian or Serbian law, the Authorities will promptly notify each other.

Exchange of information

4. The Authorities endorse a broad principle of exchange of information between each other to support and facilitate their respective supervisory tasks. The Authorities underline the willingness to share the information on events concerning Cross-Border Establishments and also their parent insurance undertaking regulated by the Supervisors.

In broad terms this means that there will be contact, in writing or orally, whenever the Home or Host Country Supervisor considers this useful or necessary on the basis of relevant facts or developments for his own or each other's supervisory purposes. In particular, the Host Country Supervisor will alert the Home Country Supervisor promptly of any event concerning the Branch or Subsidiary which might jeopardise the stability of the insurance undertaking as whole. They will inform each other of administrative penalties imposed or other actions taken on a Branch or Subsidiary or an insurance undertaking as a whole, in so far as they are aware and the penalty or other actions can be deemed to be of a material importance.

In addition, there will be communications between Authorities regarding any substantial changes in the respective domestic supervisory regulations and policies.

Licensing and owner control

5. If an insurance undertaking incorporated in one of two countries applies to the Supervisors of the other country to establish Branch, the latter shall inform the Home Country Supervisor without delay. If the adequacy of home supervision is a statutory prerequisite which the Host Country Supervisor needs to address in the licensing procedure, it would contact the home-country authority to settle any question in this regard.

The Home Country Supervisor authority informs the Host Country Supervisor of the amount of own funds and the solvency ratio of the parent insurance undertaking, and whether it is fully subject to and complies with the domestic insurance regulation, and whether it is expected in the light of its administrative structure and internal control to run the cross-border establishment in an orderly and proper manner. The Home Country Supervisor discloses any piece of information available to the Host Country Supervisor which might give rise to doubts as to the fit- and proneness of the prospective managers of the cross-border establishment.

6. The Supervisors shall consult before granting authorisation to a subsidiary of an insurance undertaking authorised in the other country or assessing any acquisition of a holding in a domestic insurance undertaking through an insurance undertaking within the jurisdiction of the other Authority.

On-site inspections and audits

7. Recognising the importance of consolidated supervision, the Authorities agree that their co-operation is particularly useful in assisting each other in carrying out on-site inspections of Cross-Border Establishments.

The Host Country Supervisor will allow the Home Country Supervisor to carry out inspections of Branches and Subsidiaries in host country. The Host Country Supervisor will allow that upon advanced notification of the purpose of these inspections, its expected inception and duration and the institutions and details of the persons performing it.

The Host Country Supervisor has the right to have representatives accompany any such on-site inspections. As agreed, The Host Country Supervisor will be kept informed on the results of such on-site inspection to a reasonable extent and in a timely manner.

Laws and regulations

8. The Authorities advise each other upon request on any aspect of their regulatory system and notify each other of any major change in their domestic rules and regulations, in particular about those changes which have significant bearing on the activities of Cross-Border Establishments, on the operation of laws and regulations that concern the insurance sector, and other information about insurance sector developments in Slovenia and Serbia.

Information will be exchanged between the Authorities in writing or orally, without request or upon request, as well as during consultation sessions between the Authorities' senior officials and other designated staff.

Ongoing supervision and corrective action

9. The Supervisors inform each other, in good time and to the extent reasonable, about any event which has the potential to endanger the stability of insurance undertaking having Cross-Border Establishments in the respective other country. That is in particular:

- incipient crisis, any serious violation of the laws and regulations of prudential insurance, a decline in capital to under the minimal limit set by Authorities on solo and consolidated basis, the carrying out of business in a way that impairs the interests of the policyholder of the insurance undertaking or threatens the safety and stability of the insurance system, or other information of serious nature;

They also notify each other of administrative penalties which they have imposed or any other action which they have taken on Cross-Border Establishment as Host Country Supervisor or on the parent insurance undertaking as Home Country Supervisor, if the information on their judgement is possibly important to the Authorities, in particular:

- limiting and cancelling some activities stated in the license;
- requesting changes in the management or supervisory board of the insurance undertaking;
- establishing appropriate amounts of provisions and reserves;
- lowering the initial capital of the insurance undertaking;
- implementing forced administration;
- revoking license and
- other measures of supervision of serious nature.

Supervisors discuss between each other any significant information on insurance undertakings having Cross-Border Establishments in Slovenia or Serbia. Representatives of the Authorities convene ad-hoc meetings to promote the resolution of supervisory problems concerning a Cross-Border Establishment in Slovenia or in Serbia, whenever one party deems necessary.

Cooperation on financial crime

10. The Authorities agree to cooperate closely if they identify suspected financial crime in supervised institutions and financial transactions. For the purpose of this agreement, "financial crime" is in particular: money laundering and the financing of terrorism. They also include unauthorised insurance business.

To the extent allowed by the law, the Authorities will share their financial information on financial crime concerning the relevant supervised institutions which carry out cross-border activities under the other jurisdiction, or which might affect the other jurisdiction. They may pass on received information for regulatory or law enforcement purposes, with the prior consent of the other authority, to other authorities under national jurisdiction.

Applicability

11. This Memorandum serves as a basis for cooperation between the Authorities. Neither does it intend to create any legally binding obligations, nor supersede any laws or regulatory requirements in force in Slovenia or in Serbia. This Memorandum does not create any rights enforceable by third parties.

The enforcement of the provisions of this Memorandum shall be consistent with the national laws and regulations of the respective countries of the Authorities and shall not be contrary to the public interest of the country of any of the Authorities.

Each Party shall bear the costs arising from any form of cooperation and assistance based on this Memorandum. However, any Party can cover financial costs of other Party, based on its voluntary decision and with respect to their national legislation, if these costs were created by cooperation on the basis of this Memorandum.

Miscellaneous

12. This Memorandum comes into force and effect and becomes binding upon the signing of all signatories.

After the signing of this Memorandum, the Authorities shall exchange lists of authorised personnel with full contact details. The list of authorised personnel will be updated on regular basis or if the list is changed.

After the signing of this Memorandum, the Supervisors will exchange lists of licensed insurance undertakings in their jurisdictions. These lists of licensed insurance undertakings will be updated on a regular basis or if the list is changed.

The Authorities agree that there should be regular meetings to discuss various questions relating to prudential supervision of insurance undertakings established in both countries and on developments of their regulatory and supervising systems on annual basis.

13. This Memorandum shall remain in existence until one of the signatories notifies the other in writing its wish to revise, amend or withdraw from the Memorandum. One month notice of any such action will be given. In the event of termination of this Memorandum, information obtained under this Memorandum will continue to be treated confidentially.

SIGNED in 4 (four) copies

Perman

For the Insurance
Supervision Agency of Slovenia
Mihael Perman, Ph.D.

Date: 4. 10. 2011

For the National Bank
of Serbia
Governor, Dejan Šoškić, Ph.D.



*Date: 26. 10. 2011

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