

Cross-Border Agreement (CBA)

on Crisis Management and Resolution

between

**the Finance Ministries, Central Banks and Financial Supervisory Authorities
of**

Austria

Bulgaria

Czech Republic

Hungary

Romania

Slovakia

Slovenia

TABLE OF CONTENTS

INTRODUCTION	2
DEFINITIONS	2
OBJECTIVE AND NATURE OF THE AGREEMENT	4
GENERAL PROVISIONS	5
ORGANISATION AND TASKS OF CROSS-BORDER STABILITY GROUPS (CBSG)	5
COOPERATION IN FINANCIAL CRISIS SITUATIONS	7
PUBLIC COMMUNICATION	8
CONFIDENTIALITY	9
EXTENDING THE AGREEMENT	9
ENTRY INTO EFFECT	9
ANNEX A	10

INTRODUCTION

1. This agreement is based on the following considerations:
 - a. The Ministries responsible for Financial Affairs (hereinafter referred to collectively as “Finance Ministries”), Central Banks and Financial Supervisory Authorities of Austria, Bulgaria, Czech Republic, Hungary, Romania, Slovakia and Slovenia (the *Parties*) recognise that there (is) are (a) common *financial group(s)* with significant activities in their countries. The *Parties* further recognise that they therefore have common financial stability concerns stemming from potential systemic inter-linkages between their respective countries, justifying enhanced cooperation in financial crisis prevention, management and resolution.
 - b. This agreement is specifically designed to facilitate the management and resolution of cross-border systemic crises, potentially affecting the stability of the financial sectors in their respective countries. The ultimate objective of such cooperation is safeguarding the smooth functioning of the financial system and minimizing overall costs of such a *financial crisis*. Financial problems of a purely domestic nature and no cross-border impact are not covered by this agreement.
 - c. This agreement is in accordance with the responsibilities specified in the *MoU*. Furthermore, the present agreement does not change the content of the *MoU* but builds on it and expands it where special circumstances so require.
 - d. This agreement is non-binding and does not override the respective institutional responsibilities. In this context it is understood that a flexible response to *financial crisis situations* is necessary, in particular regarding burden sharing arrangements.

DEFINITIONS

2. For the purpose of this agreement, the following definitions are used:
 - a. ***College of Supervisors:*** permanent, although flexible, structure for the cooperation and coordination among supervisors responsible for and involved in the supervision of cross-border *financial groups*;
 - b. ***Cross-Border Coordinator:*** a *party* from the *home country* which is responsible for the overall coordination of actions in a particular cross-border context, and which may vary according to the nature and stage of the *financial crisis*;

- c. **Cross-Border Stability Group (CBSG):** is the joint platform of the *DSGs* of the *signatory countries* and consists of representatives from the *Parties*, with the objective to enhance preparedness in normal times and facilitate the management and resolution of a cross-border *financial crisis*;
- d. **Domestic Standing Group (DSG):** a group which consists of the competent Financial Supervisory Authorities, Central Banks, Finance Ministries at the national level, with the objective to enhance preparedness in normal times and facilitate the management and resolution of a *financial crisis*. Such a group should be extendable to other relevant bodies if necessary;
- e. **Financial crisis:** a situation starting from the emergence of a disturbance and significant deterioration of financial indicators, regardless of its origin, affecting the stability of the financial system in one or more *signatory countries* with a potential cross-border systemic impact in other *signatory countries* and involving at least one *financial group*, infrastructure or market which (i) has substantial cross-border activities; (ii) is facing severe problems which are expected to trigger systemic effects in at least one *signatory country*; and (iii) is assessed to be at risk of becoming insolvent;
- f. **Financial group:** any financial institution, including a bank, a banking group, an insurance undertaking, an insurance group, a financial conglomerate or an investment firm, which may be important in more than one country due to subsidiaries or branches in *host countries*, that would be considered significant according to Directive 2006/48/EC as amended by Directive 2009/111/EC;
- g. **Heat Map:** the analytical framework for the assessment of the systemic impact of the crisis of the relevant *financial group*, as included in Annex 2 to the *MoU*, where the assessment will include information on:
 - (i) the impact of the *financial crisis* on the relevant *financial group*;
 - (ii) the potential systemic implications for the domestic financial system;
 - (iii) the systemic impact on other countries' financial systems as well as on the EU 's financial markets as a whole;
 - (iv) the specific channels of contagion of the *crisis* to institutions, markets and market infrastructures;
 - (v) the consideration of other relevant economic implications of the *financial crisis* situation;
 - (vi) any constraints to the implementation of policy measures.
- h. **Home country:** the *signatory country* responsible for the supervision on a consolidated basis;

- i. **Host country:** for the purpose of this agreement, the *signatory countries* where the *relevant financial group* has subsidiaries or branches;
- j. **MoU:** EU-wide Memorandum of Understanding on Cooperation between the Financial Supervisory Authorities, Central Banks and Finance Ministries of the European Union on Cross-Border Financial Stability of June 2008;
- k. **Parties:** Institutions that have signed this agreement according to their national competencies;
- l. **Relevant Colleges of Supervisors:** *Colleges of Supervisors* of the *financial groups* listed in Annex A;
- m. **Relevant Parties:** a cross-border sub-set of the *parties* whose policy-making functions may be significantly affected by a specific *financial crisis*;
- n. **Relevant financial group:** a *financial group* included in Annex A;
- o. **Signatory Country:** a country whose Finance Ministry, Central Bank and/or Financial Supervisory Authorities are *parties* to this agreement.

OBJECTIVE AND NATURE OF THE AGREEMENT

- 3. The *Parties* have signed this agreement in recognition of the fact that a *financial crisis* involving (one of) the *relevant financial group(s)* could pose a threat to the stability of the financial system in more than one of the signatory countries.
- 4. The objective of this agreement is to ensure that the *Parties* are prepared to deal with *financial crisis* situations by agreeing in advance on procedures for cooperation, assessments and information sharing for the cross-border crisis management as well as the resolution of cross-border crises, thereby using the CBSG as common platform of their *DSGs*.
- 5. While recognising that the responsibility for the management and resolution of *financial crises* remains with the individual authorities, the *Parties* will, as far as possible, voluntarily coordinate their decisions and actions and take account of each others' needs and problems.
- 6. This agreement is not legally binding. Therefore its provisions may not give rise to any legal claim on behalf of any *Party* or third parties in the course of their practical implementation.
- 7. The provisions of this agreement do not prejudice or assume that any particular decisions or remedies should be taken.
- 8. Cooperation among the *Parties* will take place in accordance with, and without prejudice to, their responsibilities under national and Community legislation. This agreement does not override the respective institutional responsibilities of the

different *Parties* or restrict their capacity for independent and timely decision-making in their respective fields of competence, notably with regard to the conduct of day-to-day ministry, central banking and supervisory tasks.

9. The *Parties* recognise the different responsibilities of Financial Supervisory Authorities, Central Banks and Finance Ministries and their roles at different stages of a *financial crisis*. Depending on the nature and severity of the *financial crisis*, cooperation may therefore require the intervention of different authorities of *signatory countries*.
10. The *Parties* recognise that certain *financial crises* may require international cooperation with authorities from third countries. When needed, such cooperation will be agreed upon on a case by case basis.

GENERAL PROVISIONS

11. The *Parties* agree that the common principles for cross-border crisis management as included in the *MoU* should guide their actions in any crisis management and resolution.
12. The *Parties* agree to cooperate closely, e.g. through exchange of relevant information including, but not limited to, assessments, with the aim of reaching an efficient and coordinated management and resolution of a crisis.
13. The *Parties* agree to discuss relevant criteria for possible burden sharing. Net budgetary costs should be shared among affected *signatory countries* on the basis of equitable and balanced commonly agreed criteria, taking into account the economic impact of the *financial crisis* in the countries affected and the framework of home and host countries' supervisory powers.
14. The *Parties* agree that, if any public costs are shared as a consequence of a *financial crisis*, such costs will be shared when incurred. Any benefits accruing from subsequent asset sales or similar resolution actions will also be shared accordingly.

ORGANISATION AND TASKS OF CROSS-BORDER STABILITY GROUPS (CBSG)

15. The *Parties* will establish a cooperation structure to handle common stability issues with the aim to prepare for the resolution of potential *financial crisis*.
16. In order to enhance the cooperation procedures to deal with a cross-border and systemic crisis affecting one or more *relevant financial groups*, the *Parties* will form a

CBSG, composed of one representative of sufficient seniority from each of the *Parties*. The representatives should be members of, or at least be nominated by the *DSGs*. The *DSGs* shall also nominate a high-level alternate, who may replace the representative in case the representative is prevented from attending. The functions and tasks of the *CBSG* complement those of other cooperative structures.

17. The *CBSG* will be chaired by the representative of the *Cross-Border Coordinator* taking into account its legal competencies and the specificities of the crisis situation, and designated in accordance with the stipulations of the *MoU*. The *Cross-Border Coordinator* will organise the work as well as the meetings of the *CBSG*.
18. The *CBSG* may convene in various formats – in full composition including all *Parties* or in restricted composition with the *Relevant Parties* – as convoked by the *Cross-Border Coordinator*.
19. In normal times, the *CBSG* will meet regularly, at least yearly. Restricted multilateral or bilateral meetings may be convened by the *Cross-Border Coordinator* at any time when the situation so requires. Any of the *Parties* may ask for extraordinary ad hoc meetings providing supporting evidence for its necessity. Summary results of all meetings will be circulated by the *Cross-Border Coordinator* to all *Parties of the respective meeting*. The *Cross-Border Coordinator* will forward all summary results to the *Relevant Colleges of Supervisors* and will require the *Relevant Colleges of Supervisors* to provide their input in advance of *CBSG* meetings.
20. In a crisis situation the functioning and composition of the *CBSG* should be flexible depending on the specific features and stages of the *financial crisis*. The *CBSG* should contribute to the management of a crisis, when deemed necessary according to specific circumstances, taking into account the roles of the other existing channels of cross-border cooperation among authorities.
21. The *Cross Border Coordinator* may establish permanent or ad hoc Discussion-Groups to deal with specific stability and financial crisis management issues, whereby the *Cross Border Coordinator* can invite representatives from *signatory countries* as well as experts from *signatory countries* and third countries to participate in the work of a Discussion-Group. Participants not subject to equivalent confidentiality requirements shall be sworn to confidentiality at the meeting.
22. The main task of the *CBSG* is to foster an efficient and sufficiently detailed process for cooperation that enables the *Parties* to handle and resolve any potential *financial crisis*. In particular the *CBSG* shall:
 - a. maintain an updated list of the *relevant financial groups* listed in Annex A,
 - b. agree, prepare and maintain an updated list with full contact details of representatives and alternates of each of the *Parties*,
 - c. keep up to date the necessary database for financial or other relevant information regarding the *relevant financial groups* including the following publicly available items: (i) a concise description of ownership, legal

structure, management structure and key business areas, (ii) a list of all the relevant major payment, clearing and settlement systems to which the *relevant financial group* is a participant; and (iii) the financial position of at least the last five years,

- d. *discuss the heat maps* as prepared by *DSGs* and aim at developing a cross border *heat map* for the *relevant financial groups*;
 - e. discussing non-binding common principles as well as criteria and models for possible burden sharing (e.g. net budgetary costs of Finance Ministries or emergency liquidity assistance of Central Banks);
 - f. draw up an inventory of the crisis management competences and powers of the *Parties*, investigate and, as far as possible, work towards removing any national legal or other constraints there may be to efficient cross-border crisis management solutions;
 - g. establish and test common procedures for coordinating public communications;
 - h. establish procedures for cooperation of the *CBSG* with third countries, where the *relevant financial groups* have significant activities;
 - i. initiate, organise and evaluate joint crisis simulations exercises, including burden sharing discussions, and stress tests on a regular basis aimed at enhancing the preparedness of the *Parties* for tackling a *financial crisis*;
 - j. document its work and suggestions in an adequate and appropriate manner; and
 - k. agree on the topics of any *CBSG* Discussion-Groups and monitor their results.
23. Subject to the confidentiality obligations as specified in Articles 44 to 52 of Directive 2006/48/EC, the *Cross Border Coordinator* shall exchange information with the *Relevant Colleges of Supervisors*, in particular, by providing them with summary results of the meetings and asking them to provide input in advance of *CBSG* meetings.

COOPERATION IN FINANCIAL CRISIS SITUATIONS

24. *Parties* shall make sure that their *DSGs* and *Colleges of Supervisors* cooperate closely with the *CBSG* and provide all the information necessary for the fulfilment of its tasks.
25. The *Party* that first identifies a potential *financial crisis* shall:

- a. activate their *DSG*, with the purpose inter alia, to reach a joint assessment of the impact of the crisis on the financial system; and
 - b. request a meeting of the CBSG or a subset thereof including the *Relevant Parties*.
26. Upon the request as per clause 24 above, the *Cross-Border Coordinator* shall inform the *Relevant Parties* of the CBSG and decide on a meeting of the CBSG, or a subset thereof, to be held as soon as possible.
27. In the event of a *financial crisis* or an emerging *financial crisis*, the *Relevant Parties* will, as far as practical,
 - a. use the relevant *heat maps* with the aim of producing a joint assessment or a common view on the *relevant financial group(s)* and current situation;
 - b. aim at a coordinated response to the crisis; and
 - c. inform and consult each other before taking any measure, which may have a significant cross-border impact.
28. In the event of a *financial crisis* or an emerging *financial crisis*, the CBSG, or a Discussion-Group may have an advisory and supportive function to the extent deemed appropriate by the *Relevant Parties*. Specifically, the CBSG may:
 - a. be instrumental in the fulfilment of the tasks in paragraph 22;
 - b. prepare the crisis resolution discussions between the *Parties*; and
 - c. assist in the implementation of the outcome of any financial crisis resolution discussions.
29. The responsibility for the management and resolution of any *financial crisis* as well as for any decisions taken, however, rests with the individual *Parties*.

PUBLIC COMMUNICATION

30. The *Relevant Parties* agree to inform each other, as early and fully as possible, before issuing any public statements related to this agreement or on issues covered by it which could have significant impact in the Home country or any of the Host countries. If the communication relates to any public support to (a) *relevant financial group(s)*, the *Relevant Parties* also agree to coordinate such communication with this *financial group(s)*.
31. The *Relevant Parties* agree to aim for jointly drafted public statements even in cases where only one *Party* makes the statement. Only in cases of overriding and sudden public need will any *Party* be expected to make separate statements before consulting all other *Parties*.

CONFIDENTIALITY

32. The *Parties* agree that any information exchanged and received by virtue of the application of the provisions of this agreement is subject to conditions of confidentiality and professional secrecy as provided in Community and national legislation. The *Parties* will ensure that all persons dealing with, or having access to, such information are bound by the obligation of professional secrecy.
33. The *Parties* will maintain, vis-à-vis third parties, the confidentiality of any request for information made under this agreement, the contents of such requests, the information received, and the matters arising in the course of cooperation without prejudice to relevant Community and national provisions.
34. Prior to providing information to any expert in the course of a Discussion-Group established in accordance with para. 21, the *Cross Border Coordinator* will ensure that the participant to the Discussion-Group is able and will treat all information received in the course of the Discussion-Group interaction as strictly confidential.

EXTENDING THE AGREEMENT

35. The *Parties* agree that this agreement may need to be extended. If the activities of the relevant *financial group(s)* become(s) significant in another country and provided that this country takes part in the *Relevant College of Supervisors* and the country's confidentiality requirements are deemed equivalent to those of the *Parties*, the *Cross Border Coordinator* may invite the relevant authorities of that country to take part in the agreement.
36. This agreement shall be amended only in writing by mutual consent of the *Parties*.

ENTRY INTO EFFECT

37. This agreement shall enter into effect on the date of its signing by all Authorities, thus becoming *Parties* as defined in para. 2 lit. k. The agreement will be effective as to additional Authorities as of the date of that Authority's signing.

ANNEX A

This agreement is relevant for the following *financial group(s)*:

Financial Group	Home Country	Host Countries *)
ERSTE GROUP BANK AG	AUSTRIA	BOSNIA-HERZEGOVINA CROATIA <u>CZECH REPUBLIC</u> <u>HUNGARY</u> MALTA <u>ROMANIA</u> SERBIA <u>SLOVAKIA</u> <u>SLOVENIA</u> UKRAINE
RAIFFEISEN BANK INTERNATIONAL AG	AUSTRIA	ALBANIA BELARUS BOSNIA-HERZEGOVINA BULGARIA CROATIA <u>CZECH REPUBLIC</u> <u>HUNGARY</u> KOSOVO MALTA POLAND <u>ROMANIA</u> RUSSIA SERBIA <u>SLOVAKIA</u> <u>SLOVENIA</u> UKRAINE
ÖSTERREICHISCHE VOLKSBANKEN AG	AUSTRIA	BOSNIA-HERZEGOVINA CROATIA <u>CZECH REPUBLIC</u> <u>HUNGARY</u> MALTA <u>ROMANIA</u> SERBIA <u>SLOVAKIA</u> <u>SLOVENIA</u> SRPSKA UKRAINE
HYPO-ALPE ADRIA-BANK INTERNATIONAL AG	AUSTRIA	BOSNIA-HERZEGOVINA CROATIA ITALY MONTENEGRO SERBIA <u>SLOVENIA</u> SRPSKA

*) Highlighted (underlined) are those EU Member States that are signatories to the MoU 2008 and where the respective banking group has a significant market share (i.e. > 5%).