

MoU concerning consultation, cooperation and the exchange of information related to the supervision of AIFMD entities between the Securities Commission of The Bahamas and the Finanšu un kapitāla tirgus komisija (Latvia)

In view of the growing globalization of the world's financial markets and the increase in cross-border operations and activities of Managers of alternative investment funds, the Securities Commission of The Bahamas and the Finanšu un kapitāla tirgus komisija (Latvia) have reached this Memorandum of Understanding (MoU) regarding mutual assistance in the supervision and oversight of Managers of alternative investment funds, their delegates and depositaries that operate on a cross-border basis in the jurisdictions of the signatories of these MoU. The Authorities express, through this MoU, their willingness to cooperate with each other in the interest of fulfilling their respective regulatory mandates, particularly in the areas of investor protection, fostering market and financial integrity, and maintaining confidence and systemic stability.

Article 1. Definitions

For the purpose of this MoU:

- a) "Authority" means a signatory to this MoU or any successor.
- b) "Requested Authority" means the Authority to whom a request is made under this MoU; and
- c) "Requesting Authority" means the Authority making a request under this MoU.
- d) "EU competent authority": means any authority appointed in an EU Member State in accordance with Article 44 of the AIFMD for the supervision of Managers, delegates, depositaries and, where applicable, Covered Funds.¹
- e) "AIFMD" means the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.
- f) "Manager" means a legal person whose regular business is managing one or more Covered Funds in accordance with the AIFMD or in accordance with Regulation 7 of the Investment Funds Regulations, 2003.
- g) "Covered Fund" means a collective investment undertaking, including investment compartments thereof, which: (i) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (ii) is not a UCITS;
- h) "UCITS" means an undertaking for collective investment in transferable securities authorised in accordance with Article 5 of Directive 2009/65/EC.
- i) "Delegate" means an entity to which a Manager delegates the tasks of carrying out the portfolio management or risk management of one or more Covered Funds under its management in accordance with Article 20 of the AIFMD or in accordance with the Laws of The Bahamas.

¹ Some EU Member States have more than one competent authority designated to carry out the duties provided under the AIFMD.

- j) "Depository" means an entity appointed to perform the depository functions of a Covered Fund in accordance with Article 21 of the AIFMD or in accordance with Regulation 13 of the Investment Funds Regulations, 2013.
- k) "Operate on a cross-border basis" means the following situations: when a) EU Managers manage non-EU Covered Funds, b) EU Managers market non-EU Covered Funds in an EU Member State, c) non-EU Managers market EU and/ or non-EU Covered Funds in an EU Member State, d) EU Managers marketing non-EU Covered Funds in the EU with a passport, e) non-EU Managers managing EU Covered Funds in the EU, f) non-EU Managers marketing EU Covered Funds in the EU with a passport, g) non-EU Managers marketing non-EU Covered Funds in the EU with a passport and h) EU Managers marketing Covered Funds in The Bahamas. Insofar as there is a link to the activity of the Managers and the Covered Funds, the MoU also covers delegates and depositaries as defined in letters i) and j) of this Article.
- l) "Covered Entity" means a Manager, Covered Fund where applicable, and, insofar as there is a link to the Manager and the Covered Fund, delegates and depositaries as defined in letters i) and j) of this Article, including the persons employed by such entities.
- m) "Cross-border on-site visit" means any regulatory visit by one Authority to the premises of a Covered Entity located in the other Authority's jurisdiction, for the purposes of on-going supervision.
- n) "Governmental Entity" means the Ministry of Finance, the Central Bank and any other national prudential authority in the jurisdiction of the relevant Authority.
- o) "Local Authority" means the Authority in whose jurisdiction a Covered Entity operates.
- p) "Emergency Situation" means the occurrence of an event that could materially impair the financial or operational condition of a Covered Entity, AIF investors, or the markets, independently from a decision of the European Council within the meaning of Article 18 of the ESMA Regulation (Regulation 1095/2010/EU).

Article 2. General provisions

- 1) This MOU is a statement of intent to consult, cooperate and exchange information in connection with the supervision and oversight of Covered Entities that operate on a cross-border basis in the jurisdictions of the signatories, in a manner consistent with, and permitted by, the laws and requirements that govern the Authorities. The Authorities anticipate that cooperation will be primarily achieved through on-going, informal, oral consultations, supplemented by more in-depth, ad hoc cooperation. The provisions of this MoU are intended to support such informal and oral communication as well as to facilitate the written exchange of non-public information where necessary.
- 2) This MoU does not create any legally binding obligations, confer any rights, or supersede domestic laws. This MoU does not confer upon any person the right or ability directly or indirectly to obtain, suppress, or exclude any information or to challenge the execution of a request for assistance under this MoU.
- 3) This MoU does not intend to limit an Authority to taking solely those measures described herein in fulfilment of its supervisory or oversight functions. In particular, this MoU does not affect any right of any Authority to communicate with, or obtain information or documents from, any person or Covered Entity subject to its jurisdiction that is established in the territory of the other Authority.

- 4) This MoU complements, but does not alter the terms and conditions of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMoU), to which the Authorities are signatories, which also covers information-sharing in the context of enforcement investigations; and any of the existing arrangements concerning cooperation in securities matters between the signatories.
- 5) The Authorities will, within the framework of this MoU, provide one another with the fullest cooperation permissible under the law in relation to the supervision and oversight of Covered Entities. Following consultation, cooperation may be denied:
 - a) Where the cooperation would require an authority to act in a manner that would violate domestic law;
 - b) Where a request for assistance is not made in accordance with the terms of the MoU; or
 - c) On the grounds of the national public interest.
- 6) No domestic banking secrecy, blocking laws or regulations should prevent an Authority from providing assistance to other Authority.
- 7) The Authorities will periodically review the functioning and effectiveness of the cooperation arrangements between the Authorities with a view, inter alia, to expanding or altering the scope or operation of this MoU should that be judged necessary.
- 8) To facilitate cooperation under this MoU, the Authorities hereby designate contact persons as set forth in Appendix A.

Article 3. Scope of cooperation

- 1) The Authorities recognize the importance of close communication concerning Covered Entities, and intend to consult at the staff level where appropriate regarding: (i) general supervisory issues, including with respect to regulatory, oversight or other program developments; (ii) issues relevant to the operations, activities, and regulation of Covered Entities; and (iii) any other areas of mutual supervisory interest.
- 2) Cooperation will be most useful in, but is not limited to, the following circumstances where issues of regulatory concern may arise:
 - a) The initial application of a Covered Entity for authorization, registration or exemption from registration in another jurisdiction;
 - b) The on-going oversight of a Covered Entity; or
 - c) Regulatory approvals or supervisory actions taken in relation to a Covered Entity by one Authority that may impact the operations of the entity in the other jurisdiction.
 - d) Enforcement actions taken against a Covered Entity
- 3) *Notification.* Each Authority will inform the other Authority as soon as practicable of
 - a) Any known material event that could adversely impact a Covered Entity; and

(d) when the Requesting Authority has adopted any type of measure to ensure that Covered Entities established in the jurisdiction of the Requested Authority continue to comply with the requirements of the AIFMD and its implementing measures or the Securities Laws of The Bahamas. In this situation, and at the request of the Requesting Authority, the Requested Authority should provide information that would allow the Requesting to verify whether the addressee observes the measure adopted by the Requesting Authority;

(e) when, in the interest of the investors or of the public, the Requesting Authority has required the suspension of the issue, repurchase or redemption of units or shares of Covered Funds established in the jurisdiction of the Requested Authority. In this situation, and at the request of the Requesting Authority, the Requested Authority should provide information that would allow the Requesting to verify that the Covered Fund complies with the request of suspension.

- 2) The assistance referred to in this Article should be provided in accordance with the provisions of the IOSCO MMoU concerning consultation and cooperation and the exchange of information of 2002

Article 7. Permissible uses of information.

- 1) The Requesting Authority may use non-public information obtained under this MoU solely for the purpose of supervising Covered Entities and seeking to ensure compliance with the laws or regulations of the Requesting Authority, including assessing and identifying systemic risk in the financial markets or the risk of disorderly markets.
- 2) This MoU is intended to complement, but should not alter the terms and conditions of the existing arrangements between Authorities concerning cooperation in securities matters, including the IOSCO MMoU. The Authorities recognize that while information is not to be gathered under this MoU for enforcement purposes, subsequently the Authorities may want to use the information for law enforcement purposes. In such cases, further use of the information should be governed by the terms and conditions of the IOSCO MMoU or another MoU providing an equivalent degree of cooperation in enforcement matters.

Article 8. Confidentiality and onward sharing of information.

- 1) Except for disclosures in accordance with the MoU, including permissible uses of information under the previous points, each Authority will keep confidential to the extent permitted by law information shared under this MoU, requests made under this MoU, the contents of such requests, and any other matters arising under this MoU. The terms of this MoU are not confidential.
- 2) To the extent legally permissible, the Requesting Authority will notify the Requested Authority of any legally enforceable demand from a third party for non-public information that has been furnished under this MoU. Prior to compliance with the demand, the Requesting Authority intends to assert all appropriate legal exemptions or privileges with respect to such information as may be available.
- 3) In certain circumstances, and as required by law, it may become necessary for the Requesting Authority to share information obtained under this MoU with other Governmental Entities in its jurisdiction. In these circumstances and to the extent permitted by law:
 - a) The Requesting Authority will notify the Requested Authority.

- b) Prior to passing on the information, the Requested Authority will receive adequate assurances concerning the Governmental Entity's use and confidential treatment of the information, including, as necessary, assurances that the information will not be shared with other parties without getting the prior consent of the Requested Authority.
- 4) Except as provided in paragraph 2, the Requesting Authority must obtain the prior consent of the Requested Authority before disclosing non-public information received under this MoU to any non-signatory to this MoU. If consent is not obtained from the Requested Authority, the Authorities will discuss the reasons for withholding approval of such use and the circumstances, if any, under which the intended use by the Requesting Authority might be allowed.
- 5) The Authorities intend that the sharing or disclosure of non-public information, including but not limited to deliberative and consultative materials, pursuant to the terms of this MoU, will not constitute a waiver of privilege or confidentiality of such information.

Article 9. Special rules on onward sharing of information in the EU internal market.

- 1) Article 8 paragraph 4 does not apply in all cases where the EU competent authorities are required to share information with other EU competent authorities as defined in Article 1(d), the ESRB and ESMA under the AIFMD. In particular, Article 8 paragraph 4 does not apply in the following circumstances:
 - a. In accordance with Article 25(2) of the AIFMD, an EU competent authority may need to share information received from the Securities Commission of The Bahamas with other EU competent authorities where a Manager under its responsibility or a Covered Fund managed by that Manager could potentially constitute an important source of counterparty risk to a credit institution or other systemically relevant institutions in other EU Member States.
 - b. In accordance with Article 50(4) of the AIFMD, the EU competent authority of the Member State of reference of a non-EU Manager² shall forward the information received from the Securities Commission of The Bahamas in relation to that non-EU Manager to the competent authority of the host Member States, as defined in Article 4(1)(r) of the AIFMD.
 - c. In accordance with Article 53 of the AIFMD, an EU competent authority shall communicate information to other EU competent authorities, the ESRB or ESMA, where this is relevant for monitoring and responding to the potential implications of the activities of individual Manager or Managers collectively for the stability of systemically relevant financial institutions and the orderly functioning of markets on which the Managers are active.
- 2) In the cases mentioned in paragraph 1, the following conditions would apply:
 - a. In accordance with Article 47 (3) of the AIFMD, all the information exchanged between the EU competent authorities, the ESRB and ESMA shall be considered confidential, except where the Requested Authority states at the time of communication that such information may be disclosed or where such disclosure is necessary for legal proceedings.

² The Member State of reference is the EU Member State in charge of the authorisation of a non-EU Manager in accordance with Article 37 of the AIFMD.

- b. The EU competent authorities, ESMA and the ESRB shall only use the information for the purposes envisaged in the AIFMD and in accordance with the founding regulations of ESMA and the ESRB.

Article 10. Termination of the MoU; Successor authorities

- 1) If a signatory wishes to terminate the MoU, it shall give written notice to the counterparty. ESMA would coordinate the action of EU authorities in this regard. Cooperation in accordance with this MoU will continue until the expiration of 30 days after an Authority gives written notice to the others. If either Authority gives such notice, cooperation will continue with respect to all requests for assistance that were made under the MoU before the effective date of notification until the Requesting Authority terminates the matter for which assistance was requested. In the event of termination of this MoU, information obtained under this MoU will continue to be treated in a manner prescribed under Article 7 to 9.
- 2) Where the relevant functions of a signatory to this MoU are transferred or assigned to another authority or authorities, the terms of this MoU shall apply to the successor authority or authorities performing those relevant functions without the need for any further amendment to this MoU or for the successor to become a signatory to the MoU. This shall not affect the right of the successor authority and its counterparty to terminate the MOU as provided hereunder if it wishes to do so.

Article 11. Entry into force

This MoU enters into force on 22 July 2013.

Signatures

Finanšu un kapitāla tirgus komisija (Latvia)

Securities Commission of The Bahamas

The image shows two handwritten signatures. The signature on the left is written in black ink and appears to be 'Lapins H. CB.'. The signature on the right is also in black ink and is more stylized, possibly reading 'J. ...'. There are some additional scribbles and marks below the signatures, including the letters 'ZUB'.