

**MEMORANDUM OF UNDERSTANDING**  
**BETWEEN**  
**EESTI PANK**  
**AND**  
**LATVIJAS BANKA**  
**AND**  
**LIETUVOS BANKAS**  
**AND**  
**THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**  
**AND**  
**NORDIC INVESTMENT BANK**  
**IN RESPECT OF**  
**THEIR CO-OPERATION FOR**  
**REGIONAL COMMERCIAL PAPER MARKET DEVELOPMENT**  
**IN THE BALTICS**

**MEMORANDUM OF UNDERSTANDING** (hereinafter referred to as the “**Memorandum**” or the “**MoU**”) among **Eesti Pank, Latvijas Banka, Lietuvos Bankas** (hereinafter separately referred to as a “**Participant**” and jointly referred to as the “**Participants**”), the **European Bank for Reconstruction and Development** (the “**EBRD**”) and the **Nordic Investment Bank** (“**NIB**”) (EBRD and NIB hereinafter jointly referred to as the “**Banks**”);

**WHEREAS** the MoU for the regional Commercial Paper (“CP”) market development in the Baltic States builds on the continuous policy dialogue among the Participants related to access to short-term finance for corporates and shortage of short-term financial investment vehicles available to investors;

**WHEREAS** the MoU aims to facilitate investment into the Baltic States through the creation of a common CP market by combining the strengths of the Baltic States in terms of innovation and overcoming the constraints faced due to the fragmented markets. The initiative is in line with the European Commission’s (“EC”) action plan for creating the Capital Markets Union (“CMU”) and recently reinforced by the [High Level Forum on CMU report](#);

**WHEREAS** the Participants recognise the importance of developing regional CP market in the Baltic States and intend to analyse and facilitate implementation of reforms that would increase the capacity of regional CP market to address short-term funding gap and bring sustainable economic growth;

**WHEREAS** the Participants recognise the support from the Banks in terms of facilitating policy dialogue and potential follow-on investments by the Banks via a bespoke pan-Baltic CP Framework;

**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 and the Banks have come to the following understanding:

#### **Article 1 – Background & Objectives**

This Memorandum supersedes and replaces the Memorandum of Understanding dated 28 October 2020 between the Participants and EBRD in respect of their co-operation for regional commercial paper market development in the Baltics.

Participants and the Banks recognise the importance of the development of the CP market to address the short-term corporate financing needs at a regional level by mobilizing investment funds from the institutional investor sector. This is further supported by the [Memorandum of Understanding](#) signed in 2017 among the Ministries of Finance of the Baltic States to jointly work on the capital markets development, an initiative backed by the EBRD and the EC and now also by NIB.

The development of a vibrant regional CP market is crucial to long-term financial stability as it allows for raising short-term capital and provides liquidity in a safe manner without reliance on a single source of financing from the banking sector and supports a better price discovery for funding costs.

The Participants and the Banks desire to co-operate in developing a deeper and more efficient regional CP market in line with the European Central Bank (“ECB”) Short-Term European Paper (“[STEP](#)”) best practices that feature:

- CPs are money market instruments that must be freely transferable and capable of being traded over-the-counter (“OTC”). This requirement for free transferability also aims to align with the collateral

eligibility requirement by the ECB for financial instruments by being admitted to trading on acceptable trading venues, which are: (i) regulated markets in the EU; or (ii) a non-regulated market accepted by the Euro-system;

- The need for an instrument which provides an alternative source of financing to bank financing is illustrated by a recent [ECB survey](#). Such an instrument should address the acute liquidity needs for safeguarding day-to-day operations caused by temporary external factors, like for instance the COVID-19 pandemic;
- Promoting the regional CP market will contribute to: (i) diversifying financing sources to improve corporates liquidity management processes, especially in the current uncertain environment where the need for access to liquidity is elevated; (ii) supporting the development of tradable securities and improving the still underdeveloped regional debt capital market; and (iii) mobilising funds from institutional investors that otherwise would not be able to participate in addressing the short term funding needs of corporates;
- The proposed regional CP initiative complements well existing regional projects implemented by the EBRD in close partnership with the local authorities and the EC to increase the supply of investable capital market instruments as well as complementing NIB's mandate to promote financing sources for sustainable growth within its member states.

## **Article 2 - Co-operation & Creation of the Action Plan**

The Participants will confirm their commitment to developing the regional CP market in the Baltics and facilitate the involvement of the competent regulatory authorities depending on the supervisory market structure. This is to ensure that the regional CP instrument is enabled and any potential legal and regulatory obstacles are mitigated.

The Participants and the Banks will create a Steering Committee 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.

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 and the Banks.

The Participants acknowledge and welcome the steps taken by the Banks towards the implementation of the respective CP Framework as a beneficial initiative for the Baltic capital markets and economies. There is an expectation that while at least initially the first issuers of CP are likely to be the larger corporates in each of the Baltics States, based on the experience of other developed CP markets over time mid-sized and smaller companies are likely to also utilise this funding option.

The Participants encourage the Banks to proceed with such CP Framework along key partners, participating bank(s) and other investors.

Conditional to market developments and characteristics of particular CPs, the Participants might also consider participating in the market subject to their respective mandates.

The Participants may also apply for technical assistance/co-operation to assist with the implementation of the necessary measures to facilitate the regional CP market development, including from third parties

such as the EC, the EBRD or any other relevant institutions.

For the requests to the EC, the Participants understand that the EC will assess requests for technical support in line with the Structural Reform Support Programme of DG REFORM.

The Participants encourage the Banks to participate in and support other public or private initiatives in the Baltic States that share the goal of developing capital markets in the region.

The participants and the Banks will aim to ensure that the development of the regional CP market in the Baltic States will be aligned with other programmes that aim to develop capital markets in the Baltic States.

### 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, EBRD or NIB may designate by notice to the other Participants:

**For Eesti Pank:**

Address: Estonia pst 13, 15095 Tallinn, Estonia  
Attention of: Fabio Filipozzi (Financial Markets Department)  
Email: [info@eestipank.ee](mailto:info@eestipank.ee)

**For Latvijas Banka:**

Address: K.Valdemara 2A, Riga, Latvia  
Attention of: Raivo Vanags (Market Operations Department)  
Email: [info@bank.lv](mailto:info@bank.lv)

**For Lietuvos Bankas:**

Address: Gedimino pr. 6, LT-01103 Vilnius, Lithuania  
Attention of: Jonas Kanapeckas (Banking Service Department)  
Email: [info@lb.lt](mailto:info@lb.lt)

**For the EBRD:**

Address: One Exchange Square, London EC2A 2JN, UK  
Attention of: Ian Brown (Head of Baltics)  
Email: [browni@ebrd.com](mailto:browni@ebrd.com)

**For NIB:**

Address: Fabianinkatu 34, 00171 Helsinki, Finland  
Attention of: Gunnar Okk  
Email: [info@nib.int](mailto:info@nib.int)

### Article 4 - Final Provisions

This Memorandum reflects the views and intentions of the Participants and the Banks 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 or claim 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 any Participant or the Banks to finance all or part of any activity or project

identified in or pursuant to this Memorandum.

Nothing in this Memorandum shall be construed as a waiver, renunciation or other modification of any immunities, privileges or exemptions of EBRD accorded under the Agreement Establishing the European Bank for Reconstruction and Development, international convention or any applicable law or of NIB under the Agreement regarding the establishment of the Nordic Investment Bank, international convention or any applicable law.

Nothing in this Memorandum will limit the right of, or prevent the Participants, the EBRD, and NIB from entering into memoranda or arrangements with other persons 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 Participants and the Banks and will remain in effect until any Participant or either of the Banks notifies the other parties to this Memorandum 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 other parties to this Memorandum.

IN WITNESS WHEREOF, the Governor of Eesti Pank, the Governor of Latvijas Banka, the Governor of Lietuvos Bankas, the Vice President of the EBRD, and Gunnar Okk Vice President and Heikki Cantell General Counsel of NIB each acting through its duly authorised representative, have signed this Memorandum of Understanding in five [5] originals, in the English language.

**FOR EESTI PANK:**

**FOR LATVIJAS BANKA:**

**FOR LIETUVOS BANKAS:**

**FOR THE EBRD:**

VITAS VASILIAUSKAS



**FOR THE NIB:**

**IN RESPECT OF**  
**THEIR CO-OPERATION FOR**  
**REGIONAL COMMERCIAL PAPER MARKET DEVELOPMENT**  
**IN THE BALTICS**

Effective as of 5 March 2021

**IN WITNESS WHEREOF**, the Governor of Eesti Pank, the Governor of Latvijas Banka, the Governor of Lietuvos Bankas, the Vice President of the EBRD, and Gunnar Okk Vice President and Heikki Cantell General Counsel of NIB each acting through its duly authorised representative, have signed this Memorandum of Understanding in five [5] originals, in the English language.

**FOR EESTI PANK:**

**FOR LATVIJAS BANKA:**

**FOR LIETUVOS BANKAS:**

**FOR THE EBRD:**



**Alain Pilloux**  
Vice President

**FOR THE NIB:**

**IN RESPECT OF**

**THEIR CO-OPERATION FOR**

**REGIONAL COMMERCIAL PAPER MARKET DEVELOPMENT**

**IN THE BALTICS**

*Effective as of 5 March 2021*