

KREDITILSYNET

The Financial Supervisory Authority of Norway

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Translated by Government Authorised Translator Peter Thomas.

This translation is for information purposes only. Legal authenticity remains with the official Norwegian version as published in Norsk Lovtidend.

Regulations on Responsibility for Internal Control and on Documentation and Confirmation of Internal Control

Laid down by Kredittilsynet on 2 April 2001 pursuant to the Act on Supervision of Credit Institutions, Insurance Companies and Securities Trading etc (Financial Supervision Act, No. 1 of 7 December 1956) section 4 and the Stock Exchange Act (No. 80 of 17 November 2000) section 3-4 first paragraph second sentence. Amended on 6 March 1998 no. 301, 2 April 2001 no. 366 (incl. legal basis), 16 December no. 1650, 15 April no. 465.

Chapter 1

Section 1-1 Scope of the regulations

These regulations apply to:

- 1 Commercial banks
- 2 Saving banks
- 3 Non-life insurance companies
- 4 Life insurance companies
- 5 Finance companies and mortgage companies, cf. Act on Financing Activity and Financial Institutions (Financial Institutions Act, No. 40 of 10 June 1988) section 3-1
- 6 Stock exchanges and authorised market places
- 7 Investment firms
- 8 Management companies for securities funds
- 9 Private, municipal and regional pension funds and pension schemes
- 10 Clearing houses in accordance with the Securities Trading Act (No. 79 of 19 June 1997)
- 11 Securities registers
- 12 E-money institutions

Chapter 2 Responsibility for internal control

Section 2-1 The board of directors' responsibility for internal control

The board of directors shall ensure the establishment of adequate and effective internal control in the institution. To this end the board of directors shall

- establish internal control principles in the various areas of activity
- ensure the establishment of internal control in accordance with laws and regulations, statutes, instructions from Kredittilsynet and guidelines given by the board to the administration
- ensure compliance with, and monitoring of, internal control
- ensure that the internal control system is documented in the various business areas in accordance with these regulations

- decide whether the institution shall have an internal audit function, cf section 4-2.

Section 2-2 The chief executive officer's responsibility for internal control

The chief executive officer shall, based on an evaluation of relevant risks, ensure the establishment of an adequate internal control system in accordance with guidelines given by the board of directors. The chief executive officer shall ensure the adequacy of the documentation of, compliance with and monitoring of internal control.

Chapter 3 Documentation of internal control

Section 3-1 Overview of internal control

For all major parts of the institution's areas of activity updated documentation shall exist of established control measures with reference to any instructions, authorisations and job descriptions. The overview shall be concise and itemised, and structured in a systematic and uniform manner for all parts of the institution's business. In the event of changes in or establishment of products and routines of material significance, such an overview shall be to hand before the activity starts.

Section 3-2 Review of risk and protective measures

A review shall be undertaken at least once a year of material risks and of internal control measures designed to protect against such risks. Documentation shall be available showing that such a review has been satisfactorily completed. A summary with conclusions regarding the risk situation shall be submitted to the board of directors.

Chapter 4 Confirmation of internal control

Section 4-1 Confirmation from management

Senior personnel in the institution shall, in their respective areas of responsibility, report to their superiors on whether internal control has been implemented as required by the established internal control arrangements. The reports shall give the chief executive officer and the board of directors sufficient information to enable them to assess whether internal control is adequately attended to. Such confirmation or reporting shall be carried out as frequently as decided by the company, but not less than once a year.

Section 4-2 Internal audit

Institutions as mentioned in section 1-1 first paragraph no. 6, 10 and 11 shall establish an internal audit function in accordance with recognised standards. The same applies to institutions other than those mentioned in section 1-1 first paragraph which have aggregate total assets for own account and clients' account in excess of NOK 10 billion or which form part of a financial group with aggregate total assets in excess of this figure. Responsibility for appointing and dismissing the head of the internal audit unit rests with the board of directors. The internal audit unit shall report to the board of directors, shall be entitled to attend meetings of the board of directors, and shall submit a report on the internal control system at least once a year. The board of directors shall approve the internal audit unit's resources and plans on an annual basis.

At institutions where an internal audit function has not been established, the board of directors shall see to it that a body outside the operative organisation issues confirmation in

connection with the provisions of these regulations. Such confirmation shall be submitted to the board of directors on an annual basis and shall contain a statement on:

- whether a systematic review of significant risks has been undertaken at the institution and how the internal control system is structured to manage these risks
- whether the implementation of the internal control system that has been built up to manage the risks is monitored and whether failures are reported to the management in a systematic manner
- whether the required documentation is to hand.

Chapter 5 Duty to report to Kredittilsynet

Section 5-1 Retention and reporting to Kredittilsynet

Documentation that is presented to the board of directors shall be retained for at least 3 years and be submitted to Kredittilsynet upon request. Other documentation shall be retained by such means as ensure that Kredittilsynet can readily familiarise itself with it in connection with on-site inspections.

Chapter 6 Dispensation

Section 6-1 Dispensation

Kredittilsynet may, in the individual case, give dispensation from the requirements of these regulations.

Chapter 7 Commencement

Section 7-1 Commencement etc

These regulations enter into force on 1 August 1997. From the same date Regulations no. 1255 of 15 January 1994 for commercial banks and savings banks on responsibility for internal control and on documentation and confirmation of internal control, and Regulations no. 492 of 5 April 1995 for life insurance companies and non-life insurance companies on responsibility for internal control and on documentation and confirmation of internal control, are revoked.

The requirements contained in these regulations shall have been implemented in banks and insurance companies by the commencement date. In the case of management companies for securities funds and investment firms the requirements contained in these regulations shall be complied with in the course of 1997, and the documentation required by the regulations shall be available no later than at the end of the current year.

The Central Securities Depository and clearing houses subject to the provisions of the Securities Trading Act chapter 6 shall comply with the requirements of these regulations by 31 August 1998.