



## **MEMORANDUM OF UNDERSTANDING**

**Between**

**Dubai Financial Services Authority**

**And**

**The Central Bank of Jordan**

**In the field of banking supervision**

## Recitals

- A. The Central Bank of Jordan is the banking supervisor for the Hashemite Kingdom of Jordan and operates pursuant to the Central Bank of Jordan Law Number 23 of 1971. Its objectives are to maintain monetary stability in the Kingdom, to ensure the convertibility of the Jordanian Dinar, and to promote the sustained growth of the Kingdom's economy in accordance with the general economic policy of the government.
- B. Dubai Financial Services Authority (DFSA) is a body established by the government of the Emirate of Dubai under Dubai law No.(9) of 2004. It is responsible for the supervision and regulation of financial services firms that conduct regulated activities in or from the Dubai International Financial Centre (DIFC).

The Regulatory Authority's objectives are, amongst other things:

- (a) To foster and maintain fairness, transparency and efficiency in the financial services industry (namely, the financial services and related activities carried on) in the DIFC;
  - (b) To foster and maintain confidence in the financial services industry in the DIFC;
  - (c) To foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk;
  - (d) To prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the financial services industry in the DIFC, through appropriate means including the imposition of sanctions;
  - (e) To protect direct and indirect users and prospective users of the financial services industry in the DIFC;
  - (f) To promote public understanding of the regulation of the financial services industry in the DIFC; and
  - (g) To pursue any other objectives as the Ruler may from time to time set under DIFC Law.
- C. The Central Bank of Jordan and the DFSA, hereinafter referred to as " the Parties ", expressing their mutual interest and willingness in establishing and promoting bilateral ties in banking supervision and wishing to achieve a common understanding on issues related to the sharing of supervisory information and banking regulation in order to facilitate co-operation for effective consolidated supervision of cross-border establishments and performance of their respective duties for the safe and sound functioning of credit organizations in their respective jurisdictions, have agreed as follows:

## Operative Part

1. For the purposes of this Memorandum:

“Jurisdictions” are the Dubai International Financial Centre and the Hashemite Kingdom of Jordan and; the “banking supervision authorities” are Dubai Financial Services Authority and the Central Bank of Jordan;

a “bank” (or credit organization) is an entity which carries on banking business (general or specialized) and whose activities are subject to licensing and banking supervision under the laws of the jurisdictions;

“Supervisory information” is the information received or obtained in the process of fulfilling its supervisory functions, as well as through the exchange of information or through the conduct of on-site inspections in accordance with this Memorandum, by either of the banking supervision authorities.

“Cross-border establishment” is defined to include a branch, a subsidiary or a representative office or any other structure within the jurisdiction, which, by common consent, gives rise to the need for consolidated supervision.

In accordance with definitions used by the Basel Committee on Banking Supervision:

A “branch” of a bank is an operating entity which does not have a separate legal status and is thus an integral part of a credit organization incorporated in one of the jurisdictions;

A “subsidiary bank” (or a subsidiary credit organization) is a legally independent institution wholly-owned or majority-owned by a bank or an institution in which a bank holds an effective interest that allows it to control its management or general policies, and this bank is incorporated in the country other than that of the subsidiary;

A “representative office” is an office through which the interests of a bank are promoted or assisted but at which no banking business is carried on;

“home jurisdiction” is the jurisdiction of incorporation of a bank which has set up a branch or a subsidiary bank or a representative office in the other jurisdiction (“host jurisdiction”).

2. To maintain reliability and efficiency of their respective banking systems, the Parties shall co-operate in banking supervision over the activities of banks on the basis of the provisions of this Memorandum, subject to the applicable legislation and the international obligations of each Party.
3. The Parties express their readiness to regularly exchange information on the state of each other's / regulatory system and the development thereof.

4. The Parties shall regularly provide, on a reciprocal basis, information on the applicable banking legislation, banking supervision standards, requirements, and any major changes in them.
5. The Parties agree to hold, if necessary, meetings between them to discuss issues of mutual interest and ways to improve banking supervision over the activities of banks.
6. Co-operation within the framework of this Memorandum shall be implemented at the initiative or on the basis of requests for assistance in banking supervision from either Party.
7. A request for assistance shall be made in writing. Contemporary means of telecommunication may be used to transmit a request.
8. Information within the framework of this Memorandum shall be provided to the extent reasonable and subject to legislative provisions including those restricting disclosure. A request for assistance may be, thus, denied wholly or partially, if the requested Party believes that the fulfillment of the request will run counter to its applicable legislation or that it may harm important national or other interests, or on grounds of public interest or when disclosure would interfere with an ongoing investigation. In such a case, the requesting Party shall be notified about the denial and given the reasons for it in writing.
9. The Parties shall take all necessary measures in order to provide a prompt and as full a reply as possible. They shall also notify one another about the circumstances preventing or delaying the fulfillment of a request for assistance.
10. Each Party shall independently bear the expenses involved in the implementation of this Memorandum, unless a different procedure is agreed upon.
11. The Parties agree to co-operate in supervising cross-border establishments as follows:
  - 11.1. In licensing banking activities, the Parties agree that:
    - 11.1.1. If a bank incorporated in one of the jurisdictions (home jurisdiction) applies to the Party in the other jurisdiction (host jurisdiction) for a license (permission) to open a branch, a subsidiary bank or a representative office (cross-border establishment), the Party in the host jurisdiction shall consider such applications within the time-limits and in accordance with the procedures established by its applicable banking legislation or regulations;

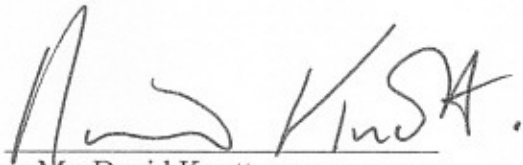
- 11.1.2. The Party in the host jurisdiction receiving an application, as referred to in 11.1.1. above, shall notify the Party in the home jurisdiction of the details of such an application and obtain the latter Party's outward authorization as provided by the rules established by the Basel Committee on Banking Supervision.
- 11.1.3. Upon request, the Party in the home jurisdiction shall inform the Party in the host jurisdiction whether the applicant bank is in substantial compliance with banking laws and regulations and whether the bank may be expected, given its administrative structure and internal controls, to manage the cross-border establishment in an orderly manner.
- 11.1.4. The Party in the home jurisdiction will inform the Party in the host jurisdiction about the nature and extent to which it will conduct consolidated supervision over the applicant bank and the Party in the host jurisdiction will inform the Party in the home jurisdiction of the scope of its supervision and indicate any features that may give rise to the need for special arrangements.
- 11.1.5. To the extent reasonable and permitted by their respective laws, the Parties will share information on the capability, integrity or experience of the prospective managers of a cross-border establishment.
- 11.1.6. The Party in the host jurisdiction shall notify the Party in the home jurisdiction in writing about its decision with regard to the granting of a license (permission) to a bank to open a cross border establishment, which has applied to it, as provided in 11.1.1 above.
- 11.2. In exercising on going off-site supervision through collecting information and examining and analyzing financial and statistical reports submitted by cross-border establishments set up in one jurisdiction by banks incorporated in the other jurisdiction the Parties agree that:
  - 11.2.1. The Party in the host jurisdiction shall exercise prudential supervision over the activities of cross border establishments in accordance with the banking legislation or regulations;
  - 11.2.2. The Party in the host jurisdiction shall not prevent the entities mentioned in 11.2.1. above from submitting information and other reports to their home jurisdiction supervisory authority.



- 11.2.3. The Party in the host jurisdiction shall not prevent the entities mentioned in 11.2.1. above from submitting information and other reports to their Head Offices or parent banks necessary to compile consolidated reports in accordance with the forms established in the home jurisdiction.
- 11.2.4. Each Party undertakes to use its best endeavors to provide relevant information to its counterpart regarding material developments or material supervisory concerns in respect of the operations of a cross border establishment as well as of any material administrative penalties or other formal enforcement action taken against a cross-border credit establishment.
- 11.3. Should it become necessary for the Parties to conduct on-site inspections:
- 11.3.1 The Party in the home jurisdiction shall notify the Party in the host jurisdiction about their intention to inspect a cross border establishment indicating the purpose and scope of the inspection. The Party in the host jurisdiction shall express readiness to provide, at the request of the other Party, any available supervisory information related to the conduct of on-site inspections;
- 11.3.2. The Party in the host jurisdiction shall not prevent the Party in the home jurisdiction from carrying out on-site inspections, as referred to in 11.3.1. above, and shall give the Party in the home jurisdiction access to supervisory information, as defined in article 1, which they may need to conduct banking supervision;
- 11.3.3. Representatives of the Party in the host jurisdiction have the right to be present during the on-site inspections conducted by the representatives of the Party in the home jurisdiction. Following the inspection, and exchange of views should take place between the examination team and the Party in the host jurisdiction.
- 11.4. In connection with the supervision of banks incorporated in one jurisdiction which have cross border establishments in the other jurisdiction, the Parties agree to provide, on a reciprocal basis, supervisory information about any substantial changes pertaining to the credit organizations referred to above, such as restrictions to the range of permitted banking operations, suspension or modification or revocation of a license, appointment of a provisional administrator and re-organization liquidation of any such credit organization.

12. To the extent permitted by the Law, each Party shall always ensure the confidentiality of supervisory information and documents received from the other Party as a result of the executions of supervisory functions, if such information and documents are not to be made public. With regard to the confidentiality of supervisory information and documents, employees of both Parties shall generally be bound to hold confidential all information obtained in the course of their duties.
13. Supervisory information received shall not be used without the consent of the Party that provided it for any purposes, other than lawful supervisory purposes and/or for those purposes for which it was requested and provided.
14. Unless disclosure is legally compelled, no supervisory information received by either Party in accordance with this Memorandum shall be passed to a third Party without the prior consultation and consent of the Party that provided this information. In the event that the Party that received such information is legally compelled to disclose it, this Party shall consult with the Party that originated the information indicating what information it is compelled to release and, if so required by the latter Party, will use its best endeavors to preserve the confidentiality of the information to the extent permitted by the Law.
15. The two Parties express their willingness to promote their co-operation through visits for information purposes and exchange of staff especially in the field of training aiming to reinforce sound banking supervisory practices in both jurisdictions.
16. This Memorandum of understanding is a statement of intent of the Dubai Financial Services Authority and the Central Bank of Jordan and does not create any binding legal obligations.
17. This Memorandum takes effect from the date it is signed by the Parties and will continue to have effect until terminated by either of the Parties giving at least 30 days' advance written notice to the other Party. It may be amended by agreement in writing.
18. Termination of this Memorandum does not affect obligations under this Memorandum relating to confidentiality of information, which shall continue to have effect.

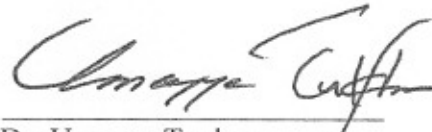
Done on exchange of letters in two copies in the English language both copies being original.



Mr. David Knott  
Chief Executive

On Behalf of the  
Dubai Financial Services Authority

Date: 21-8-2007



Dr. Umayya Toukan  
Governor & Chairman of the Board

On Behalf of the  
Central Bank of Jordan

Date: 21-8-2007

