

MEMORANDUM OF UNDERSTANDING

Between



The Central Bank of Jordan

And



The Banque du Liban

In the Field of Banking Supervision

The Central Bank of Jordan and the Banque du Liban, 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 accordance with the recommendations and resolutions of the Basel Committee on Banking Supervision in this regard; and 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 countries.

Article (1) For the purpose of this Memorandum the two parties agree on the following:

- “Countries” are the Hashemite Kingdom of Jordan and the Republic of Lebanon and;
- The “Banque du Liban” (BDL) is the central bank of Lebanon.
- The “banking supervision authorities” are the Central Bank of Jordan and the Banking Control Commission in Lebanon.
- A “ credit organization” (a bank) 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 countries.
- “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 the defined to include a branch, a subsidiary or a representative office or any other structure within the country, 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 credit organization (a branch) 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 countries.
 - A “ subsidiary credit organization” (a subsidiary bank) is a legally independent institution wholly-owned or majority-owned by a credit organization or an institution in which a credit organization holds an effective interest that allows it to control its management or general policies, and this credit organization is incorporated in the country other than that of the subsidiary.
 - A “representative office” is an office through which the interests of a credit organization are promoted or assisted but at which no banking business is carried on.

- “Home country” is the country of incorporation of a credit organization, which has set up a branch or a subsidiary bank or a representative office in the other country (“host country”).

Article (2) To maintain reliability and efficiency of their respective banking systems, the Banking Control Commission in Lebanon, after informing the Governor of the BDL, and the Central Bank of Jordan shall co-operate in banking supervision over the activities of credit organizations on the basis of the provisions of this Memorandum, subject to the applicable legislation and the international obligations of each Party.

Article (3) The banking supervision authorities express their readiness to regularly exchange information on the state of each other’s / regulatory system and the development thereof.

Article (4) The banking supervision authorities shall regularly provide, on a reciprocal basis, information on the applicable banking legislation, banking supervision standards, requirements, and any major changes in them.

Article (5) If the status of any of the concerned banks requires a special supervisory concern on major issues and calls for a remedial action, the Central Bank of Jordan and the Banque du Liban shall endeavor to co-operate with each other prior to taking the appropriate action; and if prior co-operation is not possible, the concerned party shall inform the other of the action taken when possible.

Article (6) The banking supervision authorities agree to hold, if necessary, meetings between them to discuss issues of mutual interest and ways to improve banking supervision over the activities of credit organizations.

Article (7) 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 banking supervision authority.

Article (8) A request for assistance shall be made in writing. Contemporary means of telecommunication may be used to transmit a request.

Article (9) Information within the framework of this Memorandum shall be provided to the extent reasonable and subject to legislative provisions including banking secrecy laws and laws relating to the fighting of money laundering and terrorism financing. A request for assistance may be, thus, denied wholly or partially, if the requested banking supervision authority 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 case, the requesting banking supervision authority shall be notified about the denial and given the reasons for it in writing.

Article (10) The banking supervision authorities 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.

Article (11) Each Party shall independently bear the expenses involved in the implementation of this Memorandum, unless a different procedure is agreed upon.

Article (12) The Parties agree to co-operate in supervising cross-border establishments as follows:

12.1 In licensing banking activities, the Parties agree that:

12.1.1 If a credit organization incorporated in the Hashemite Kingdom of Jordan (home country) applies to the Banque du Liban in Lebanon (host country) for a license (permission) to open a branch, a subsidiary bank or a representative office (cross-border establishment), the BDL shall consider such applications in accordance with the procedures established by its applicable banking legislation or regulations.

If a credit organization incorporated in the Republic of Lebanon (home country) applies to the Central Bank of Jordan in the Hashemite Kingdom of Jordan (host country) for a license (permission) to open a branch, a subsidiary bank or a representative office (cross-border establishment), the Central Bank of Jordan shall consider such applications in accordance with the procedures established by its applicable banking legislation or regulations.

12.1.2 The host countries Party receiving an application, as referred to in 12.1.1. above, shall notify the home countries Party 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.

12.1.3 Upon request, the home country party shall inform the host country party 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.

12.1.4 The home country party will inform the host country party about the nature and extent to which it will conduct consolidated supervision over the applicant bank and the host country party will inform the home country party of the scope of its supervision and indicate any features that may give rise to the need for special arrangements.

12.1.5 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.

- 12.2 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 country by credit organizations incorporated in the other country the Parties agree that:
- 12.2.1 The banking supervision authorities of the host country shall exercise prudential supervision over the activities of cross border establishments in accordance with the banking legislation or regulations.
- 12.2.2 The banking supervision authorities of the host country shall not prevent the entities mentioned in 12.2.1. 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 country.
- 12.2.3 The banking supervision authorities shall share relevant information regarding results of the on-site inspections carried out by the banking supervision authorities of the host country.
- 12.3 Should it become necessary for the parties to conduct on-site inspections:
- 12.3.1 The banking supervision authorities of the home country shall notify the banking supervision authorities of the host country about their intention to inspect a cross border establishment indicating the purpose and scope of the inspection.
- 12.3.2 The banking supervision authorities of the host country shall express readiness to provide, at the request of the other party, any available supervisory information related to the conduct of on-site inspections.
- 12.3.3 The banking supervision authorities of the host country shall not prevent the banking supervision authorities of the home country from carrying out on-site inspections.
- 12.3.4 Representatives of the banking supervision authorities of the host country have the right to be present during the on-site inspections conducted by the representatives of the banking supervision authorities of the home country. Following the inspection, and exchange of views should take place between the examination team and the host banking supervisory authorities.
- 12.4 In connection with the supervision of credit organizations incorporated in one country which have cross border establishments in the other country, 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.

Article (13) 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. The extent of the confidentiality of supervisory information and documents. In this regard, employees of both Parties shall generally be bound to hold confidential all information obtained in the course of their duties.

Article (14) 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.

Article(15) 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.

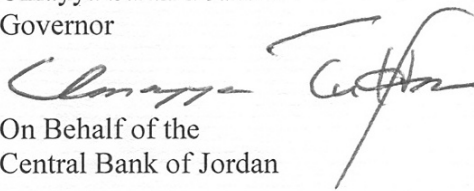
Article(16) The banking supervision authorities express their willingness to promote their co-operation through visits for information purposes and exchange of staff especially in the field of training aiming to reinforce sound banking supervisory practices in both countries.

Article(17) This Memorandum of understanding is a statement of intent of the Central Bank of Jordan and the Banque du Liban and does not create any binding legal obligations.

Article(18) This Memorandum of understanding shall come into force as from the date of its signing by both Parties and it shall be effective until 2008.

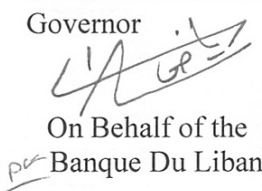
Article(19) The term of Memorandum of understanding shall be considered automatically extended for each subsequent calendar year unless either Party submits a notice of termination by 3 months of each year.

Umayya Salah Toukan
Governor


On Behalf of the
Central Bank of Jordan

Date:

Riad Toufic Salame
Governor


On Behalf of the
Banque Du Liban

Date: 16-01-2008