

Memorandum of Understanding (MOU) between the Central Bank of Jordan (CBJ) and the Central Bank of Egypt (CBE) in the field of Banking Supervision

Both the Central Bank of Jordan and the Central Bank of Egypt (the two parties) express their willingness and their interest in enhancing their bilateral relations in the field of banking supervision, and their willingness to achieve a common understanding on issues related to the exchange of information and regulatory legislations in accordance with the recommendations and decisions of the Basel Committee on Banking Supervision (BCBS) with a view to facilitate cooperation between them in the consolidated supervision of Jordanian and Egyptian banking institutions that have a cross-border establishment in both the Hashemite Kingdom of Jordan and the Arab Republic of Egypt, and to facilitate the two parties' performance of their respective duties in ensuring the safety and soundness of the positions of the banking institutions operating in the two countries.

Article (1): For the purposes of this Memorandum, the two parties agree on the following:-

- The two **countries** are the “Hashemite Kingdom of Jordan” and the “Arab Republic of Egypt”.
- The **supervisory authorities** are the “Central Bank of Jordan” and the “Central Bank of Egypt”.
- **Banking institutions** are the institutions that accept deposits from the public and use them in whole or in part, to grant credit or conduct any other operations approved by the supervisory authorities.
- **Supervisory information** is the information sent to the supervisory authorities or obtained by the supervisory authorities during the execution of the banking supervision process, or exchanged by the supervisory authorities among themselves or obtained through the inspection process on banking institutions in line with what is stated in this Memorandum.
- The **cross-border establishment** of banking institutions includes:
 - a. The Branch.
 - b. The Subsidiary Banking Institution.
 - c. The Representative Office.
 - d. Any other cross-border establishment, which by common consent gives rise to the need for consolidated supervision.

In consistence with the definitions of the Basel Committee on Banking Supervision and for the purposes of this Memorandum thus:

- **“The branch of the banking institution”** (the Branch) is an operating banking unit that has no independent legal personality, thus is inseparable from the banking institution operating in the other country.
- **“The subsidiary banking institution”** (or Subsidiary Bank) is a legally independent institution, fully owned by another banking institution or mostly owned by another banking institution or the other banking institution has an effective control over it, which enables it

to control it administratively or control its general policies, and the other banking institution operates in another country different from the country where the subsidiary banking institution operates.

- “The **home country**” is the country in which a banking institution, that has a cross-border establishment in the form of a branch, a subsidiary banking institution or a representative office in the “**host country**”, operates.

Article (2): To maintain the integrity and soundness of the banking system in both countries, the two parties will cooperate in banking supervision of the activities of banking institutions in line with the terms contained in this Memorandum and in a manner that does not contradict with banking legislations and the international obligations of each party.

Article (3): The two parties express their willingness to exchange information related to the issuance of banking and supervision bylaws in both countries and the emerging developments thereof.

Article (4): The two parties shall periodically, and in a parallel manner, provide each other with the banking system legislations, standards and supervisory requirements in force in each of the two countries, in addition to any emerging substantial developments thereof.

Article (5): The two parties agree to hold meetings with each other, if the interest so requires, to discuss matters of common interest and methods of developing supervision over the activities of banking institutions.

Article (6): Cooperation within the framework of this Memorandum will be in the form of any party's initiative or request for assistance in relation with the banking supervision matters.

Article (7): The request for assistance in supervision matters must be submitted in writing. Other means of communication can also be used to deliver this request temporarily.

Article (8): Providing regulatory information in the context of this Memorandum must be consistent with the legislations in force for both parties, including those related to disclosure. Accordingly, requesting assistance in obtaining regulatory information from the other party may not be completed in full or in part if the other party is not convinced that the fulfillment of the request of the requesting party contradicts the legislations or instructions in force or could harm the national interest or public interest, or if the disclosure of the information interferes with an existing investigation. In the event that the request is rejected, the refusing party must explain to the requesting party the reasons for the refusal in a written form.

Article (9): The two parties shall take all necessary means to respond to each other's requests in a complete and prompt manner. They shall also inform each other of any circumstances that may prevent or delay the execution of the request or the provision of assistance.

Article (10): Each of the two parties signing this Memorandum shall bear the expenses and costs resulting from the application of the Memorandum, unless otherwise agreed between the two parties.

Article (11): Both parties agree to cooperate in the field of banking supervision on Jordanian and Egyptian banking institutions that have a cross-border establishment in either country, as follows:

- a. With regard to the licensing of banking institutions, the two parties agree on the following:
 1. In case a licensed banking institution in either country (the home country) submits an application for a license for executing banking activities in the other country (host country) in any form of cross-border establishment (branch, subsidiary banking institution, representative office, or whatever the two parties agree to consider as a cross-border establishment), then the host country must study this request within the time frame, legislations and banking instructions applicable in the host country.
 2. The supervisory authority in the host country and after receiving the request referred to in (a./1) shall inform the supervisory authority in the home country regarding the details of the request, and seek approval on the request, as it is stated in the BCBS' decisions in this regard.
 3. At the request of the supervisory authority in the host country, the supervisory authority in the home country shall inform the supervisory authority in the host country whether the banking institution requesting the license is effectively compliant with the banking laws and instructions in force in the home country, and whether the administrative structure of the aforementioned institution and its internal control systems qualify it to adequately manage the cross-border establishment.
 4. The supervisory authority in the home country shall inform the supervisory authority in the host country regarding the nature and extent of the consolidated supervision that will be applied to the banking institution submitting the request.
 5. The two parties agree to exchange information related to capabilities, experiences and credibility of the proposed managements for any form of cross-border establishment, to the extent permitted by the legislations in each of the two countries.
 6. The supervisory authority in the host country shall inform the supervisory authority in the home country, in writing, of its decision to grant the license (allowing) the requesting banking institution to engage in banking activity through any form of cross-border establishment.
- b. When conducting on-site supervision through collecting the information, studying and analyzing the reports, financial and statistical data provided by any form of cross-

border establishment for any banking institution in the other country, both sides agree on the following:

1. The supervisory authority in the host country shall exercise banking supervision over the activities of any form of cross-border establishment in accordance with the banking legislations and instructions in the host country.
 2. The supervisory authority in the host country shall permit the institutions mentioned in clause (b/1) above, which represent cross-border establishments, to provide information and reports to their head offices or the banking institution to which they are affiliated, in order to enable the banking institution in the home country to submit and publish consolidated reports on the activities of the banking institution in line with the requirements of the supervisory authority in the home country.
 3. Supervisory authorities shall exchange information related to the results of the inspection that the supervisory authority conducts in the host country on the cross-border establishment.
- c. In the event of the need to conduct an inspection of the cross-border establishment, the two parties agree on the following:
1. The supervisory authority in the home country shall inform the supervisory authority in the host country of its intention to conduct inspection on the cross-border establishment of any banking institutions licensed by it, and inform the supervisory authority in the host country about the scope and objective of the inspection.
 2. The supervisory authority in the host country shall express its readiness to provide the supervisory authority in the home country with any supervisory information related to the inspection process upon its request.
 3. The supervisory authority in the host country shall allow the supervisory authority in the home country to conduct inspection and obtain the supervisory information that is necessary to complete the inspection process.
 4. The representatives of the supervisory authority in the host country are entitled to attend the inspection carried out by the supervisory authority in the home country. After completion of the inspection process, opinions regarding the results of the inspection can be exchanged between the two parties.
- d. With regard to the supervision of banking institutions located in any of the two countries and which have a cross-border establishment in the other country, the two parties agree to provide each other, in a parallel manner, with the supervisory information relating to any substantial developments related to banking institutions, or any significant supervisory problems, or any administrative penalties or mandatory measures taken against the banking institution, or any suspension, modification or cancellation of the licensing granted to it, or assigning a committee to manage the banking institution, or restructuring or liquidating the banking institution.

Article (12): Each party is obligated, according to what the laws in its country allow, to maintain the confidentiality of the supervisory information and any documents it receives from the other party related to the banking supervision activities if this

information or documents should be restricted to the supervisory authorities, or if the supervisory authority that submitted it requested that this information and documents must not be circulated outside the scope of the supervisory authorities in the two countries. The degree of confidentiality of the supervisory information and documents is determined by the supervisory authority that submits it to the other supervisory authority. In this context, the employees of the supervisory authorities in both countries shall maintain the confidentiality of the information they obtain while practicing their duties.

Article (13): The supervisory information obtained by any party must not be used without the consent of the party which provided it for any purpose outside the scope of legal banking supervision and/or the purposes for which this information has been provided.

Article (14): Unless the disclosure of supervisory information is legally binding, it is not permissible to give any supervisory information obtained in the context of this Memorandum to a third party without consulting and consent of the party which provided this information, and in case that the party which received this information is legally obligated to disclose it, it must consult the other party who provided it with information regarding the information that must be disclosed, moreover, it must commit to maintaining the confidentiality of this information to the extent permitted by law.

Article (15): The two parties express their readiness to enhance cooperation between them in the field of banking supervision, through the exchange of visits and the provision of experts and training, with the aim of achieving effective banking supervision in both countries.

Article (16): This Memorandum enters into force on the date of its signature by both parties, and remains effective until December 31, 2004. The terms of this Memorandum shall be renewed annually and automatically, unless any party submits a request to terminate it before the month of October of each year.

Central Bank of Jordan

Dr. Umayya Toukan

Governor

Central Bank of Egypt

Dr. Farouk el-Oqda

Governor