

**A Memorandum of Understanding**  
**Between Central Bank of Jordan**  
**And**  
**Central Bank of Iraq**  
**In the field of Banking and Money Exchange Supervision**

The Central Bank of Jordan and The Central Bank of Iraq (the parties) express their willingness and interest in strengthening their bilateral ties in banking supervision in order to facilitate cooperation for effective consolidated supervision on Jordanian and Iraqi banking institutions, which have a cross- border establishment in the Hashemite Kingdom of Jordan and the Republic of Iraq, on issues related to sharing supervisory information and legislations in accordance with the recommendations and decisions of Basel Committee Accord on Effective Banking Supervision. This cooperation also aims at facilitating the role the parties perform to ensure the safety and soundness of the positions of such institutions operating in their respective countries, in addition to promoting cooperation in the field of sharing information related to money exchange companies' activities and their consistency with the relevant effective regulations and the law on combating money laundering and financing terrorism.

Article (1):

For the purposes of this Memorandum, the parties agree on the following:

- "The Two Countries" are The Hashemite Kingdom of Jordan and The Republic of Iraq.
- The "banking supervision authorities" are the Central Bank of Jordan and the Central Bank of Iraq/ Exchange and Credit Monitoring Directorate.
- A "banking institution" (a bank) is an institution which accepts deposits from public and uses them completely or partially to grant credit or to carry out any other business agreed upon by the supervision authorities.
- "Supervisory information" is the information sent to or obtained by the supervisory authorities in the process of performing banking and money exchange supervision or through conducting on- site inspection in accordance with this Memorandum.
- "Money Exchange Institution" is an institution licensed to practice money exchange business activities in accordance with the provisions of the home country law.
- "Cross- border establishment" of banking institutions includes:
  - A branch.
  - A subsidiary banking institution.
  - A representative Office.
  - Any other establishment within the country which, by common consent, gives rise to the need for consolidated supervision and as follows:
- A "branch" of a banking institution (a branch) is an operating banking entity which does not have an independent legal status and is, thus, an integral part of a banking institution operating in the home country.
- A "subsidiary banking institution" (a subsidiary bank) is a legally independent institution that is owned either totally or by more than (50%) of its capital by another banking institution, or where the other banking institution holds an effective interest that allows it to control its management or its general public policies, and this other banking institution is operating in a country other than that of the subsidiary.

- A “representative office” (The Office) is an entity that meets the needs of a mother banking institution and helps it in performing its tasks without having the right to exercise banking business.
- “Home country” is the country of origin, registration, and licensing of a banking institution, which has set up a cross- border establishment in the form of a branch, a subsidiary banking institution, or a representative office in the other country (“host country”).
- “Host country” is the country where the activities of the branch, subsidiary banking institution, or representative office of a banking institution licensed in another country (home country) are practiced.

Article (2):

The parties shall cooperate in the banking and money exchange supervision over the activities of banking institutions and money exchange companies to maintain the safety and soundness of the banking and money exchange systems in each of the countries on the basis of the provisions of this Memorandum, and subject to the banking and money exchange legislations valid in each of the two countries and the international obligations of each party.

Article (3):

The parties express their readiness to exchange information related to banking, money exchange, and supervisory systems in their countries, as well as to the developments thereof.

Article (4):

The parties shall regularly provide, on a reciprocal basis, valid banking and money exchange legislations, supervisory standards and requirements of each country, and any major changes on them.

Article (5):

The parties agree to hold, whenever necessary, meetings between them to discuss issues of mutual interest and ways to improve banking supervision over the activities of banking institutions and money exchange companies.

Article (6):

Co- operation within the framework of this Memorandum shall be implemented at the initiative of or on the basis of requests for assistance in banking and money exchange supervision matters from either party. A request for assistance in supervisory matters shall be made in writing and contemporary means of telecommunication, such as e- mail or fax, may be used to pass a request.

Article (7):

Provision of supervisory information within the framework of this Memorandum shall be in accordance with legislations adopted by both parties including those relating to the laws on banking and money exchange information secrecy, disclosure, and combating money laundering and financing terrorism. The basis for this memorandum is that the parties shall cooperate in obtaining supervisory information unless one party and/ or both is convinced that the exchange of information will run counter to the valid legislations or instruction, may harm national or

public interest, or would interfere with an ongoing investigation. In the case of declining a request for supervisory information, the requesting party shall be notified, in writing, about the detailed denial reasons by the denying party.

Article (8):

The parties shall take all measures necessary to provide each other with a full and prompt reply. They shall also notify one another about the circumstances preventing or delaying the fulfillment of a request for assistance.

Article (9):

Each party shall independently bear the expenses and costs involved in the implementation of this Memorandum, unless a different procedure is agreed upon.

Article (10):

The parties agree to co- operate in the field of banking supervision over Jordanian and Iraqi banking institutions that have a cross- border banking establishments in any of the two countries as follows:

- a. In licensing banking institutions, the parties agree that:
  1. If a banking institution licensed in any of the two countries (home country) applies for a license (permission) to operate in the other country (host country) in any form of cross- border banking existence (a branch, a subsidiary banking institution, a representative office, or whatever the parties agree to consider a cross- border banking existence), the host country shall consider such an application in accordance with its timeframe and effective banking legislations and instructions. The supervisory authority of the host country shall be notified of the decision in this regard.
  2. Upon the request of the supervision authority of the host country, the supervision authority of the home country shall inform the supervision authority of the host country of whether the applicant banking institution is in substantial compliance with banking laws and instructions enforced in the home country including a clarification of its capital adequacy, and whether the mentioned institution may be expected, given its administrative structure and internal control systems, to manage the cross- border establishment in an orderly manner.
  3. The supervision authority of the home country will inform supervision authority of the host country of the nature and extent of consolidated supervision to be conducted over the applicant banking institution.
  4. The parties will share information on the capability, integrity, and experience of the prospective managers of any form of a cross- border banking establishment, to the extent reasonable and permitted by laws of their respective countries.
- b. In exercising ongoing off- site supervision through collecting supervisory information and examining and analyzing financial and statistical reports submitted by any banking institution that has a cross- border banking in the other country the parties agree that:

1. The supervision authority of the host country shall exercise banking supervision over the activities of the institution that has a cross- border establishments in accordance with its valid banking laws, legislations, and instructions.
  2. The supervision authority of the host country shall not prevent banking institutions that represent a cross- border establishments from submitting supervisory information and other reports to their parent banks in home countries to enable them to compile and publish consolidated reports of the banking institution in accordance with the requirements of the supervisory authority of the home country.
  3. The authorities shall share relevant supervisory information regarding results of the on-site inspections carried out by the supervision authority of the host country of the cross-border existence. This shall be done by submitting a summarized report including important supervisory breaches and notes, and communicated formally in case of urgent issues.
- c. Should it become necessary to conduct on- site inspections of the cross- border banking existence, the parties agree to the following:
1. The supervision authority of the home country shall coordinate with the supervision authority of the host country regarding its intention to inspect a cross- border banking establishment of any of the banking institutions licensed by it. The earlier should inform the latter of the scope, goal, and period of the inspection well in advance as per their agreement. The latter's written approval should be obtained.
  2. The supervision authority of the host country shall express readiness to provide any available supervisory information related to the conduct of on-site inspections to the supervisory authority of the home country upon their request.
  3. The supervision authority of the host country shall not prevent the supervision authority of the home country from, either directly or through assigning a third party, carrying out on- site inspections and obtaining supervisory information necessary to complete their mission in accordance with the effective laws of both countries.
  4. Representatives of the supervision authority of the host country shall have the right to coordinate, cooperate, and actively participate in the on- site inspections conducted by the representatives of the supervision authority of the home country. Following the inspection, results are to be discussed by the parties and final reports shall be exchanged.
- d. In connection with supervising banking institutions licensed in any of the two countries and which have a cross- border banking existence in the other country in cases of crisis management:
1. The parties agree to provide each other with the supervisory information that are related to any substantial developments of the banking institutions, any significant supervisory problems, any administrative penalties or material mandatory action plans conducted on such institutions, or any restricting measures on their activities. This shall be done even if no party asked for such information.

2. The parties shall conduct consultation and coordination before deciding to suspend, amend, or cancel the license granted to the banking institutions; appoint a committee to manage any of these banking institutions; restructure; or liquidate such institutions.
3. Prior consultation and coordination shall be conducted in case of liquidating a banking institution. There shall be also coordination and follow up of liquidation procedures of the cross- border banking establishment, as well as of the obligations of parent bank towards depositors in the host country in accordance with the provisions of legislations of the parties.

Article (11):

To the extent permitted by the laws of each country, each party shall always ensure the confidentiality of supervisory information and documents received from the other party related to the executions of banking and money exchange supervision, if such information and documents are to be exclusive to supervision authorities, or if the supervisory authority that presented them requested not to circulate such beyond the scope of the supervisory authorities of the two countries. The extent of the confidentiality of supervisory information and documents is determined by the supervision authority which provides such information and documents to the other party. In this regard, employees of supervision authorities in both countries shall generally be bound to hold confidential all supervisory information obtained in the course of practicing their duties, and they shall be subject to prosecutions in case of violating this article by competent authorities.

Article (12):

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 (13):

- a. No supervisory information received by either party in accordance with this Memorandum shall be passed to a third party without the prior written consent of the party that provided this information.
- b. 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 supervisory information indicating what information it is compelled to release, and will use its best endeavors to preserve the confidentiality of the information to the extent permitted by the law and as per this Memorandum of Understanding.

Article(14):

The parties shall cooperate to combat money laundering and financing terrorism crimes as per enforced laws in the two countries and in consistency with international practices in this regard.

Article(15):

The banking supervision authorities express their willingness to promote their co-operation in banking and money exchange supervision through exchange of visits, and provision of experts and training with the aim of achieving effective banking supervision in both countries.

Article(16):

This Memorandum of Understanding shall be amended by the approval of both parties upon a request raised by any of them.

Article(17):

In all circumstances, there shall be no exercise of any article of this Memorandum of Understanding where the execution would violate legislations, laws, regulations, and instructions regulating banking and money exchange secrecy. If there is a violation, the other party shall be informed of the inability to implement any of the articles. Everybody who obtains such information as per this Memorandum shall be bound to hold confidential all supervisory information that he received, and shall not disclose it unless permitted by the laws or by a prior written consent of the other party. Furthermore, the confidentiality of supervisory information shall be maintained as long as this Memorandum of Understanding remains valid, or gets cancelled or terminated.

Article(18):

This Memorandum of Understanding shall come into force as from the date of its signing by both parties and remains valid unless either party submits a notice of termination before (30) days of the date set for termination.

This Memorandum is written on 20/9/2015 in Arabic in two original copies, each of which was received by each party.

Name	Central Bank of Jordan	Central Bank of Iraq
Title	Dr. Ziad Fariz Governor	Dr. Ali Mohsen Ismaiel Acting Governor