

MEMORANDUM OF UNDERSTANDING

Between the Central Bank of Cyprus and the Central Bank of Jordan in the field of banking supervision

The Central Bank of Cyprus and the Central Bank of Jordan, 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 organisations in their respective countries, have agreed as follows:

1. For the purposes of this Memorandum:

"countries" are the Republic of Cyprus and the Hashemite Kingdom of Jordan;

the "banking supervision authorities" are the Central Bank of Cyprus and the Central Bank of Jordan;

a "credit organisation" (a bank) is an entity which carries on banking business (general or specialised) 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. Supervisory information shall not include information about transactions, accounts and deposits of customers.

"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 Basle Committee on Banking Supervision:

a "branch" of a credit organisation (a branch) is an operating entity which does not have a separate legal status and is thus an integral part of a credit organisation incorporated in one of the countries;

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

a "representative office" is an office through which the interests of a credit organisation are promoted or assisted but at which no banking business is carried on;

"home country" is the country of incorporation of a credit organisation which has set up a branch or a subsidiary bank or a representative office in the other country ("host country").

2. To maintain reliability and efficiency of the national banking systems, the Parties shall co-operate in banking supervision over the activities of credit organisations on the basis of the provisions of this Memorandum, subject to the national 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 banking / regulatory system and the development thereof.

4. The Parties shall regularly provide, on a reciprocal basis, information on the applicable national banking legislation, banking supervision standards and 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 credit organisations.

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 national statutory 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 national legislation or that it may harm important national interests, or on grounds of public interest or when disclosure would interfere with an ongoing investigation. In such 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 credit organisation incorporated in one of the countries (home country) applies to the Party in the other country (host country) for a licence (permission) to open a branch, a subsidiary bank or a representative office (cross-border establishment), the host country Party shall consider such application within the time-limits and in accordance with the procedures established by its national banking legislation or regulations;
- 11.1.2. The host country Party receiving an application, as referred to in 11.1.1. above, shall notify the home country Party of the details of such an application and obtain the latter Party's outward authorisation as provided by the rules established by the Basle Committee on Banking Supervision.
- 11.1.3. 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.
- 11.1.4. 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.
- 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 host country Party shall notify the home country Party in writing about its decision with regard to the granting of a licence (permission) to a credit organisation 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 analysing financial and statistical reports submitted by cross-border establishments set up in one country by credit organisations incorporated in the other country the Parties agree that:

11.2.1. the banking supervision authorities of the host country shall exercise prudential supervision over the activities of cross border establishments in accordance with the national banking legislation or regulations;

11.2.2. the banking supervision authorities of the host country 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 country.

11.2.3. The two Parties undertake to use their best endeavours to provide relevant information to their counter part 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 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. 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;

11.3.2. 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, as referred to in 11.3.1. above, and shall give the banking supervision authorities of the home country access to supervisory information, as defined in article 1, which they may need to conduct banking supervision;

11.3.3. 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, an exchange of views may take place between the examination team and the host banking supervisory authorities.

11.4. In connection with the supervision of credit organisations 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 organisations referred to above, such as restrictions to the range of permitted banking operations, suspension or modification or revocation of a licence, appointment of a provisional administrator and re-organisation or liquidation of any such credit organisation.

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 or if the Party that has provided them does not want them to be made public. ~~The extent of the confidentiality of supervisory information and documents shall be determined by the Party that provides the 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.

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 endeavours 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 countries.

16. This Memorandum shall come into force as from the date of its signing by both Parties and it shall be effective until 31/12/2003.

The term of this Memorandum shall be considered automatically extended for each subsequent calendar year unless either Party submits a notice of termination by September of each year.

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

Date: 1 December, 2003

On Behalf of the
Central Bank of Jordan



Dr. Umayya Toukan
Governor

Date: 1 December, 2003

On Behalf of the
Central Bank of Cyprus



Christodoulos Christodoulou
Governor