



سلطة النقد الفلسطينية  
PALESTINE MONETARY AUTHORITY

# **MEMORANDUM OF UNDERSTANDING**

**Between**

**The Central Bank of Jordan**

**And**

**Palestine Monetary Authority**

**In the Field of Banking Supervision**

A Memorandum of Understanding between the Central Bank of Jordan and Palestine  
Monetary Authority in the Field of Banking Supervision

The Central Bank of Jordan and the Palestine Monetary Authority, hereinafter referred to as “the Parties”, express their mutual willingness and interest in establishing and promoting bilateral ties in banking supervision, and their wish to achieve a common understanding on issues related to the exchange of supervisory information and regulations in accordance with the Basel Committee Accord on Banking Supervision; in order to facilitate cooperation for effective consolidated supervision on Jordanian and Palestinian banking institutions that have cross- border establishments in both the Hashemite Kingdom of Jordan and the State of Palestine, and facilitate their performance of their respective duties in ensuring the safety and soundness of the positions of the banking institutions operating in their respective countries.

**Article (1):**

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

- “Countries” are the Hashemite Kingdom of Jordan and the State of Palestine.
- The “supervision authorities” are the Central Bank of Jordan and the Palestine Monetary Authority.
- “Banking institutions” are the institutions that accept deposits from the public and use them in whole or in part to grant credit or carry out any other business agreed upon by the supervision authorities.
- “Supervisory information” is the information sent to, 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.
- “Cross- border establishment” for banking institutions includes:
  - a. Branches.
  - b. Subsidiaries.
  - c. Representative offices.
  - d. Any other Cross-border establishment, which by common consent gives rise to the need for consolidated supervision.

In accordance with the definitions used by the Basel Committee on Banking Supervision and for the purposes of this Memorandum:

- A “branch of the banking institution” (the branch) is an operating banking entity, which does not have a separate legal status and is, thus, an integral part of the banking institution operating in the home country.

- A “subsidiary banking institution” (a subsidiary bank) is a legally independent institution that is either wholly owned or owned by more than 50% of its capital by another banking institution, or where the other banking institution has an effective interest that allows it to control the subsidiary’s management or its general policies. The other banking institution is operating in a country other than that of the subsidiary.
- “Home country” is the country of origin, registration, and licensing of a banking institution which has set up an external establishment in the form of a branch or a subsidiary banking institution, or a representative office in the other country (“host country”).
- “Host country” Is the country in which the activity of each of the branch, the representative office, or the subsidiary banking institution of another banking institution licensed in another country "home country" is practiced.

**Article (2):**

To maintain the safety and soundness of the banking system in both countries, the parties shall co-operate in banking supervision on the activities of the banking institutions in accordance with the conditions set forth in this Memorandum, subject to the valid legislations and the international obligations of each Party.

**Article (3):**

The parties express their readiness to exchange information regarding the supervisory and banking systems and the development thereof in both countries.

**Article (4):**

The parties shall provide each other, on a reciprocal and regularly basis, with the valid banking legislations, banking supervision standards and requirements, and everything that emerges in this regard in both countries, and any major changes in them.

**Article (5):**

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

**Article (6):**

The Parties agree to establish a committee composed of representatives of the parties with the aim of promoting formal or informal co-operation between

them. The Committee shall meet periodically once a calendar year and, if necessary, at the request of one of the parties to discuss any developments in order to ensure that each team fulfills its responsibilities and achieves its objectives.

**Article (7):**

Co-operation within the framework of this Memorandum shall be implemented at the initiative of any party or their request for assistance in issues related to banking supervision. The request for assistance in supervisory matters shall be made in writing. Means of communication such as e-mail and fax may be adopted for the temporary transfer of this request. The parties shall agree on the detailed procedures necessary to implement the requirements of this agreement.

**Article (8):**

Provision of supervisory information within the framework of this Memorandum shall be in accordance with legislations adopted by the parties including those regarding Confidentiality and Disclosure. The principle is to cooperate in obtaining supervisory information between the parties, except if one party and/ or both believes that the exchange of this information contradicts the valid instructions or legislations, may harm national or public interest, or if this disclosure would interfere with an ongoing investigation. In the event of declining a request for providing supervisory information, the declining party shall clarify in writing the reasons for such to the requesting party.

**Article (9):**

The parties shall exchange information concerning the managers of the financial institutions in the event that their previous experience is within the supervision and jurisdiction of the other party.

**Article (10):**

The parties shall take all necessary measures in order to provide a full and prompt reply as possible. They shall also notify each another in writing about the circumstances preventing or delaying the fulfillment of a request for assistance.

**Article (11):**

Each Party shall 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 of Jordanian and Palestinian banking institutions that have cross-border establishments in both countries as follows:

- a. In licensing banking institutions, the parties agree that:
  1. If a banking institution licensed in any country (home country) applies for a license in the other country (host country) to operate any form of cross-border establishment (a branch, a subsidiary bank, a representative office or whatever the parties agree to consider a cross-border establishment), the host country shall study such an application within the time frame and in accordance with its effective banking legislations and instructions, and inform the host regulatory authority of its decision in this regard.
  2. The supervision authority in the host country after receiving an application, as referred to in (12/a/1) above shall notify the supervision authority in home country of the details of such an application and obtain its consent to the request.
  3. Upon the request of the supervision authority in the host country, the supervisory authority in the home country shall inform the supervision authority in the host country in writing of whether the applicant banking institution is in substantial compliance with banking laws and regulations enforced in home country, including clarification of the solvency of the applicant's capital and whether the administrative structure and internal controls of the mentioned institution qualify it to manage the cross-border establishment appropriately.
  4. The supervisory authority in the home country will inform the supervisory authority in the host country of the nature and extent of consolidated supervision that will be conducted over the applicant banking institution.
  5. To the extent reasonable and permitted by their respective legislations, the parties will share information on the capability, integrity, and experience of the prospective managers of any form of cross-border establishment.
  6. All branches and offices currently operating in both countries are deemed to have a license as if their license had been made in accordance with the terms of this Memorandum
- b. In exercising on going off-site supervision through collecting supervisory information and examining and analyzing financial and statistical reports and data submitted by any form of cross-border establishments set up in one country by banking institutions incorporated in the other country, the parties agree that:

1. The supervision authority in the host country shall exercise banking supervision over the activities of any form of the cross-border establishments in accordance with the banking legislations and regulations in the host country.
  2. The supervision authority of the host country shall allow the institutions mentioned in (1) above which represent a cross-border establishments to provide regulatory information and reports to their Head Offices or parent banking institutions, in order to enable the banking institution in the home country to submit and publish consolidated reports of the banking institution's activities in accordance with the requirements of the supervision authority in the home country.
  3. The supervision authorities shall share information regarding results of the on-site inspections carried out by the supervision authority of the host country on the cross-border establishments, by sending a brief report on the most important violations and monitoring observations, provided that the communication shall be formal in urgent cases.
- c. Should it become necessary to conduct on- site inspections over the cross-border establishment, the parties agree that:
1. The supervision authority of the home country shall notify the supervision authority of the host country about their intention to inspect a cross-border establishment to any of the banking institutions licensed by them. The supervision authority of the home country shall also inform the supervision authority of the host country well in advance, as per their agreement, of the purpose, scope, and duration of the inspection, as well as obtain a written approval from the supervision authority of the host country.
  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 supervision authority of the home country upon the request of the latter.
  3. The supervision authority of the host country shall allow the supervision authority of the home country to carry out on-site inspections, either directly or through the commission of a third party - approved by the supervision authority of the host country- and to obtain the supervisory information necessary for the completion of the inspection, in a manner that does not contradict the laws in force in both countries.
  4. Representatives of the supervision authority of the host country shall have the right to coordinate, cooperate, and participate actively in the inspection process carried out by the supervision authority in the home country. After the completion of the inspection, the results of the inspection shall be discussed between the parties and the final reports on the inspection round shall be exchanged.

- d. In connection with the supervision of banking institutions incorporated in any country, which have cross-border establishment in the other country, as well as with Crisis Management:
1. The Parties agree to provide each other, on a reciprocal and regular basis, with supervisory information related to any substantial developments regarding the banking institutions, any significant regulatory problems, any administrative penalties, any significant mandatory measures taken against any of these banking institutions, or any restrictions on activities permitted to be exercised by them, even if not requested.
  2. The Parties agree to consult and coordinate before taking the decision to suspend, amend, or revoke the license granted to banking institutions; appoint a committee to manage any of these banking institutions; or to restructure or liquidate the banking institution.
  3. Prior consultation and coordination should be taken in the event of a decision to liquidate the banking institution, coordination and follow-up between the parties in the liquidation proceedings related to the cross-border establishments and the obligations of the parent bank towards the depositors in the host country in a manner that does not contradict the provisions of the legislations of both parties.

**Article (13):**

To the extent permitted by the laws of the pertinent country, each Party shall abide by maintaining the confidentiality of supervisory information and of any documents received from the other Party pertaining to the execution of banking supervisory functions, if such information or documents are to be excluded only to the supervision authorities or if the submitting supervision authority requested not to deal with such information or documents beyond the scope of the supervisory authorities in the two countries. The degree of confidentiality of such information and documents shall be determined by the supervision authority that present such to the other supervisory authority. In this regard, employees of both Parties shall abide by maintaining the confidentiality of all supervisory information obtained in the course of practicing their duties. Employees will be subject to the relevant legal penalties in case of violating this article by the competent authorities

**Article (14)**

Obtained supervisory information shall not be used by any party without the written 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 written 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 will use its best endeavors to preserve the confidentiality of the information to the extent permitted by the law, and the provisions of this Memorandum.

**Article (16)**

The parties shall cooperate in order to combat the crime of money laundering in accordance with the laws in force in both countries and in accordance with international norms in this field.

**Article(17)**

The parties express their readiness to promote their co-operation in banking supervision in the spirit of full mutual trust and complete openness through exchanging visits and providing experts and training with the aim of achieving an effective banking supervision in both countries.

**Article (18)**

This Memorandum shall be amended by agreement of the Parties at the request of either of them.

**Article (19)**

In any event, none of the provisions of this Memorandum shall be implemented if it contradicts with the legislations, laws, regulations, and instructions governing banking secrecy. In cases of contradiction, the other party shall be notified of the non-enforceability of the information. Any person who is provided with information as per this Memorandum shall abide by maintaining the confidentiality of the provided supervisory information, and by not disclosing it except in accordance with the law or upon the written consent of the other party. The confidentiality of the mutual supervisory information shall be complied with, whether in the case of the validity of the memorandum of understanding or in the case of cancellation or termination of the memorandum between the parties.

**Article (20)**

This Memorandum shall come into force as from the date of its signing by both Parties, and shall be considered automatically extended for each subsequent calendar year unless either Party submits a notice of termination 3 months prior to the end of each year.



**Article (21)**

Pursuant to the provisions of this Memorandum, the Memorandum of Understanding signed between the Parties on the application of the provisions of the Monetary and Banking Agreement of 21 March 1995 shall be repealed.

**Article (22)**

Pursuant to the provisions of this Memorandum, the Memorandum of Understanding signed between the Parties on 7/5/2009 shall be repealed.

**Article (23)**

This agreement was issued on 11/9/2014 in two original copies, and each party was given a copy of it.

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Central Bank of Jordan  
Dr. Ziad Farez  
Governor

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Palestine Monetary Authority  
Dr. Jihad Alwazeer  
Governor