

A Memorandum of Understanding
Between Central Bank of Jordan
And
Central Bank of Syria
In the field of Banking Supervision

Central Bank of Jordan and Central Bank of Syria (the parties) express their willingness and interest in strengthening their bilateral ties in banking supervision as well as their interest in reaching to a common understanding of issues related to the exchange of information and banking supervisory legislations in accordance with Basel Committee Accord on Banking Supervision, in order to facilitate cooperation for effective consolidated supervision on Jordanian and Syrian banking institutions which have cross- border establishment in both the Hashemite Kingdom of Jordan and Syrian Arab Republic, and facilitate the performance of their respective roles in ensuring the safety and soundness of the position 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 Syrian Arab Republic and The Hashemite Kingdom of Jordan.
- The “supervision authorities” are the Central Bank of Syria and the Central Bank of Jordan.
- “Banking institutions” are institutions which accept deposits from public and use 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 supervision authorities in the process of performing their banking supervisory functions, or the information exchanged between them in accordance with this Memorandum.
- “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.

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

- 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 the banking institution operating in one of the countries.
- A “subsidiary banking institution” (a subsidiary bank) is a legally independent institution that is wholly or mostly owned by another banking institution, or in which the other banking institution holds an effective interest that allows it to control its management or its general policies, and this other banking institution is operating in a country other than that of the subsidiary.
- “Home country” is the country where a banking institution, which has set up an external establishment in the form of a branch or a subsidiary bank or a representative office in the host country, operates.

Article (2): To maintain safety and soundness of their respective banking systems in each of the countries, the parties shall co-operate in banking supervision over the activities of banking institutions on the basis of the provisions of this Memorandum, subject to the valid banking legislations and the international obligations of each party.

Article (3): The parties shall express their readiness to exchange information related to the state of each other's supervision and banking systems and the developments thereof.

Article (4): The parties shall regularly provide regularly, on a reciprocal basis, information on the valid banking legislations, supervision standards and requirements, and any major changes on them.

Article (5): The parties agree to hold, if interest necessitates so, meetings between them to discuss issues of mutual interest and ways to improve supervision over the activities of banking institutions.

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 supervision matters from either party.

Article (7): A request for assistance in supervisory matters shall be made in writing, and other contemporary means of telecommunication may be used to pass a request.

Article (8): Provision of information within the framework of this Memorandum shall be in accordance with legislations adopted by the parties including those relating to disclosure as per International Financial Reporting Standards and Basel Committee Accords on Banking Supervision. A request for assistance in obtaining supervisory information from the other party may be, thus, denied wholly or partially if this other party believes that the fulfillment of the request will run counter to its effective legislations or instructions, may harm national or public interests, or would interfere with an ongoing investigation. In such a case, the requesting party shall be notified, in writing, by the denying party of the detailed reasons for denial.

Article (9): The parties shall take all necessary measures in order to provide a full and prompt reply. They shall also notify one another of the circumstances preventing or delaying the fulfillment of a request for assistance.

Article (10): Each of the parties signing this memorandum shall independently bear the expenses and costs involved in the implementation of this Memorandum, unless a different procedure is agreed upon.

Article (11): The parties agree to co-operate in banking supervision of Jordanian and Syrian banking institutions that have cross-border establishments 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 to operate in the other country (host country) in any form of cross-

border establishment (a branch, a subsidiary banking institution, a representative office, or whatever the parties approve as an external banking establishment), the host country shall consider such an application in accordance with its enforced timeframe and banking instructions and legislations.

2. The supervision authority of the host country shall, after receiving an application as referred to in (a/1), notify the supervision authority of the home country of the details of such an application and obtain the latter party's approval on the application as provided by the rules established by the Basel Committee Accords on Banking Supervision.
 3. 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 and of whether the mentioned institution may be qualified, given its administrative structure and internal controls, to manage the cross- border establishment in an orderly manner.
 4. The supervision authority of the home country will inform the supervision authority of the host country of the nature and extent of consolidated supervision it will conduct over the applicant banking institution.
 5. The parties will share information on the capability, integrity, and experience of the prospective managements of any form of the cross- border establishment, to the extent reasonable and permitted by their respective laws.
 6. The supervision authority of the host country will inform the supervision authority of the home country in writing of its approval on granting a license (permission) for the banking institution requesting the practice of banking activity in any form of cross- border banking establishment.
- b. In exercising ongoing off- site supervision through collecting information and examining and analyzing financial and statistical reports and data submitted by any form of cross- border banking establishments of any banking institution in the other country, the parties agree that:
1. The supervision authority of the host country shall exercise banking supervision over the activities of any form of cross- border establishments in accordance with its banking legislations and instructions.
 2. The supervision authority of the host country shall permit the entities mentioned in (b/1) above, which represent a cross- border establishment, from submitting information and other reports to their parent banking institution to enable the latter to compile and publish consolidated reports on the activities of the banking institution in accordance with the requirements of the supervision authority in the home country and in accordance with the banking legislations and regulations of each party.

3. The supervision authorities shall share general information regarding results of the on-site inspections carried out by the supervision authority of the host country over the cross-border establishment.
- c. Should it become necessary to conduct on-site inspections, the parties shall agree to the following:
 1. The supervision authority of the home country shall notify the supervision authority of the host country of their intention to inspect a cross-border establishment indicating the purpose and scope of the inspection, as well as setting a suitable date for the parties.
 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 their request.
 3. The supervision authority of the host country shall permit the supervision authority of the home country from carrying out on-site inspections and obtaining supervisory information necessary to complete their mission in accordance with the banking legislations of both countries.
 4. Representatives of the supervision authority of the host country shall have the right to be present during the on-site inspections conducted by the supervision authority of the home country. Following the inspection, views of the concluded results may be exchanged between the parties.
- d. Regarding the supervision of banking institutions existing in any of the two countries and which have a cross-border establishments in the other country, the parties agree to provide, on regular and reciprocal basis, external auditors reports and supervisory information about any substantial developments pertaining to the banking institutions referred to above, any major supervisory problems, any administrative penalties or binding procedures taken against the banking institution, any restrictions to the range of permitted activities, the suspension or modification or revocation of a license, the appointment of a provisional administrator, restructuring the banking institution, or the liquidation of it.

Article (12): To the extent permitted by the laws in the pertinent country, each party shall always ensure the confidentiality of supervisory information and documents received from the other party related to practicing banking supervision if such information or documents are to be exclusive to supervision authorities or if the supervision authority that provided such information or documents requested that such remains within the scope of supervision authorities. 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 both parties shall generally be bound to hold confidential all information obtained in the course of practicing their duties.

Article (13): Obtained supervisory information shall not be used by any party 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(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 will use its best endeavors to preserve the confidentiality of the information to the extent permitted by the Law.

Article(15): The parties express their willingness to promote their co- operation in the field of banking supervision through the 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 come into force as from the date of its signing by both parties and it shall be effective until 31/12/2004.

Article(17): The term of this Memorandum of understanding shall be considered automatically extended for each subsequent calendar year unless either party submits a notice of termination before October of each year.

Name	Central Bank of Jordan	Central Bank of Syria
Title	Dr. Umayya Salah Toukan Governor	Dr. Mohammed Bsharah_Kabbarak Governor