

**MEMORANDUM OF UNDERSTANDING (MOU)
BETWEEN THE
NATIONAL BANK OF BELGIUM
AND
THE STATE BANK OF PAKISTAN
CONCERNING MUTUAL COOPERATION**

Whereas:

- A. the National Bank of Belgium (NBB) and the State Bank of Pakistan (SBP) (collectively, the Authorities) have reached the following understanding in order to establish an arrangement for the sharing of information to facilitate the performance of their respective duties and to promote the safe and sound functioning of banks with cross-border establishments in their respective countries (hereafter referred to as the "banking organizations");
- B. the Authorities express, through this understanding, their willingness to cooperate with each other on the basis of mutual trust and understanding in the supervision of cross-border establishments within their respective jurisdictions. A cross-border establishment is defined as a branch, a subsidiary or any other entity of a bank supervised by one Authority (the host Authority), which gives rise to the need for consolidated or group-wide supervision by the other Authority (the home Authority);
- C. the SBP and the NBB agree to cooperate with each other on the basis of mutual trust and understanding in the supervision of cross-border establishments within their respective Jurisdictions. In this respect they intend to work towards the following outcomes:
 - i. the operations of the cross-border establishments of banking organisations under their respective Jurisdictions are prudently conducted,
 - ii. the head offices and parent banking organisations exercise adequate and effective control over the operations of their cross-border branches and subsidiaries, and
 - iii. their respective ongoing supervision of banking organisations effectively covers cross-border banking establishments on a consolidated basis and assists each other in performing such function.

Article I
The Authorities

1. The NBB is responsible for the supervision of financial institutions, among which Banking organisations, in accordance with the law of 22 February 1998 establishing the organic statute of the NBB and specific laws governing the supervision of these establishments. The NBB subscribes and is committed to the principles of effective consolidated supervision and cooperation between banking supervisors and its responsibilities as set out in the Basel Committee's Concordat and Core Principles for Effective Banking Supervision.
2. The State Bank of Pakistan (SBP) is a statutory body created under the State Bank of Pakistan Act 1956 and regulates the banking system of Pakistan. As the central bank of the country, the SBP has a number of policy, regulatory and fiduciary responsibilities aimed at strengthening the financial system of the country and providing an enabling framework for the financial industry that fosters economic growth. These responsibilities include regulation of the domestic monetary and credit system through an efficient monetary policy, securing monetary and exchange rate stability and ensuring financial stability through effective regulation and supervision of the banking sector in particular and the financial industry in general.

Article II

Definitions

For the purpose of this MOU:

- a. "Authorities" shall mean the SBP and the NBB;
- b. "banking organisation" shall mean (i) in Pakistan, an institution licensed by the SBP, and (ii) in Belgium, an institution licensed by the NBB pursuant to the Law of 25 April 2014 on the legal status and supervision of credit institutions whose activities include banking business and the business of taking deposits from general public and for the supervision of which the NBB is responsible;
- c. "cross-border establishment" shall mean a branch, representative office or subsidiary of a banking organisation in each case which is established in the Jurisdiction other than that of its head office or parent banking organisation, which is supervised by the relevant Authority in that Jurisdiction, and which gives rise to the need for consolidated supervision;
- d. "jurisdiction" shall mean the country, state or other territory, as the case may be, in which the SBP or the NBB has legal authority, power and/or jurisdiction by law;
- e. "home authority" shall mean the Authority of the Jurisdiction where the head office or parent banking organisation of a cross-border establishment is established;
- f. "host authority" shall mean the Authority of the Jurisdiction where the cross-border establishment is established;
- g. "material supervisory concern" encompasses a matter relating to (a) whether the operations of a banking organisation are conducted in a safe and sound manner and substantially in conformity with applicable prudential standards; (b) whether there has been evidence of a material violation of law; or (c) events that would have a material adverse effect on the financial stability of banking organisations in the jurisdiction of the other Authority. A material supervisory concern as described herein will include concerns that arise from actions of cross-border establishments;
- h. "Requesting Authority" shall mean the Authority that makes a request pursuant to this MOU.
- i. "Requested Authority" shall mean the Authority to whom a request is made pursuant to this MOU; and

Article III

Scope and General Principles

1. The provisions of this Memorandum of Understanding are not intended to create legally binding obligations or supersede domestic laws.
2. The Authorities will, within the framework of this Memorandum of Understanding, provide each other with the fullest assistance possible to promote the safe and sound functioning of financial institutions, as per the applicable laws of the country where the authority is established.

3. The Authorities recognise the importance and desirability of mutual assistance and exchange of information. Information will be shared to the extent reasonable and subject to any relevant statutory provisions, including those restricting disclosure. In addition, the provision of or request for information under this understanding may be denied on the grounds of national security or when disclosure is likely to interfere with an ongoing investigation. Where a request for assistance is denied, or where assistance is not available under domestic law, the Requested Authority may provide the reasons for not granting the assistance.
4. The requests for assistance will be made in writing by designated employees of the Requesting Authority and will be addressed to the Requested Authority's contact persons (Annex A). However, where the Authorities perceive a need for expedited action, requests may be initiated in any form but shall be confirmed subsequently in writing. The request for information will indicate the sensitivity of the information contained in the request. The request will also indicate the urgency of the request, or the desired time period for the reply.

Article IV

Sharing of information

1. The information-sharing includes contact during the authorisation and licensing process, in the supervision of the on-going activities of banking organizations and in the handling of problem institutions.
2. In connection with the licensing process and with the process of authorisation of acquisition:
 - a. the host Authority will notify the home Authority, without delay, of applications for approval to establish offices or make acquisitions in the host jurisdiction;
 - b. upon request, the home Authority will inform the host Authority whether the applicant banking organisation is in substantial compliance with applicable laws and regulations and whether it may be expected, given its administrative structure and internal controls, to manage the cross-border establishment in an orderly manner. The home Authority will also, upon request, assist the host Authority with verifying or supplementing any information submitted by the applicant;
 - c. upon request, the home Authority will inform the host Authority about the nature of its regulatory system and the extent to which it will conduct consolidated or group-wide supervision over the banking organization. Similarly, the host Authority should inform the home Authority about the nature of its regulatory system and the extent to which it will supervise the cross-border establishment of the applicant institution; and
 - d. to the extent permitted by law, the home and host Authorities will share information on the fitness and properness of prospective managers of a cross-border establishment.
3. In connection with the ongoing supervision of their cross-border establishments, the Authorities intend to:
 - a. provide relevant information to their counterpart regarding material developments or supervisory concerns in respect of the operations of a cross-border establishment;
 - b. respond to requests for information on their respective national regulatory systems and inform each other about major changes, in particular those

- which have a significant bearing on the activities of cross-border establishments;
- c. inform each other of material administrative penalties imposed, or other formal enforcement action taken, against a cross-border establishment. Prior notification will be made, as far as practicable and subject to applicable laws. Furthermore, the Authorities agree to collaborate, where appropriate, in cases where supervisory corrective measures are taken against a cross-border establishment; and,
 - d. facilitate the transmission of any other relevant information that might be required to assist with the supervisory process.
4. Where remedial action is called for to address a material supervisory concern, each Authority will endeavour to notify the other Authority prior to it taking the appropriate action or, as circumstances dictate, as soon thereafter as practicable, to the extent possible and appropriate.
 5. In carrying out the undertakings stipulated above in the case of a Belgian or a Pakistan banking organization, facing serious financial difficulties that could have a material adverse impact on the operations of such banking organisation in the respective host Jurisdiction, the Authorities recognise that close liaison between them will be mutually advantageous. The Authorities will endeavour to communicate such information as will be appropriate in the particular circumstances, taking into account all relevant factors, including the status of efforts by the home Authority to resolve the banking organisation's difficulties and restore confidence in the banking organisation.
 6. The Authorities shall co-operate and will endeavour to share relevant information in the process of decision-making with regard to granting permission (consent) to acquiring shares (stakes) by a person or institutions registered in one jurisdiction of a banking organisation registered in the other jurisdiction. The term "acquisition" shall mean the acquisition of a participatory interest in the capital of a Banking organization registered within Pakistan or Belgium in the amount that requires, under national legislation, preliminary permission (consent) from the appropriate banking supervisory authority.
 7. The requests for information will normally be made in writing in English. However, when there is a need for expedited action, requests may be initiated in any form, including orally, but will be confirmed subsequently in writing. The authority receiving such requests will endeavour to provide the information as quickly as possible. If the authority is unable to provide information against the request for information, appropriate reason may be communicated in writing by that Authority for not being able to provide the information.

Article V

On-site inspections

1. The Authorities recognise that cooperation is particularly useful in assisting each other in carrying out on-site inspections¹ of cross-border establishments in the host country. Prior to deciding whether an on-site inspection is necessary, the home Authority may review any relevant examination reports prepared by the host Authority.
2. The home Authority will notify the host Authority of plans to examine a cross-border establishment or to appoint a third party to conduct an examination on its behalf, and to indicate the purposes and scope of the visit. The host Authority will allow the home Authority to conduct on-site inspections. As may be mutually agreed between the Parties, examinations may be carried out by the home Authority alone, or accompanied by the host Authority. Following the inspection, an exchange of views should take place between the examination team and the host Authority.

Article VI

Crisis Management

1. In connection with cross-border cooperation on crisis management:
 - a. for a cross-border establishment and its head office or parent banking organisation affected by crisis, the home and host Authorities will endeavour to consider together possible issues and barriers that may arise in cross-border cooperation, and seek potential solutions such as (i) the home Authority may hold special meetings with any / all relevant authorities concerning a specific cross-border establishment and its head office or parent banking organisation; (ii) the host Authority may propose to hold special meetings with any / all relevant authorities concerning a specific cross-border establishment and its head office or parent banking organisation;
 - b. the home and host Authorities will endeavour to inform each other on request, on a timely basis, to the extent permissible and appropriate, of the arrangements for crisis management developed for a specific cross-border establishment and its head office or parent banking organisation;
2. The Authorities will endeavour to share, on request, at minimum, information drawn from:
 - a. assessments on systemic impact, liquidity, solvency and contingency funding plans of a specific cross-border establishment and its head office or parent banking organisation;
 - b. other contingency arrangements;
 - c. contingency liquidation arrangements developed by a cross-border establishment in the case of bankruptcy.
3. The Authorities will endeavour to provide their counterparts on request, on a timely basis, with information pertaining to deposits protection arrangements for a specific cross-border establishment under their respective jurisdictions:
 - a. to assist the host Authority responsible for a specific cross-border establishment, the home Authority, on request and where necessary, will, to the extent it is found feasible, endeavour to require the head office of the branch / the parent banking organisation to provide, on a timely basis, its

¹ The words "inspection" and "examination" are used here interchangeably.

- initiatives and solutions for liquidity assistance to as well as other supporting measures for the entity; and,
- b. where permitted by law and confidentiality arrangements, the home and host Authorities will endeavour to provide their counterparts with the aforesaid information within a reasonable time period.

Article VII

Protection of information

1. The Authorities recognize that mutual trust can only be achieved if exchanges of information can flow with confidence in both directions. The Authorities agree to take all possible steps to preserve the confidentiality of the information received. In this regard, employees of the Authorities are bound to hold confidential all information obtained in the course of their duties. Any confidential information received from the other Authority will be used exclusively for lawful supervisory purposes. The materials provided pursuant to this MOU and containing information covered by professional secrecy shall be marked with the following clause solely: "Covered by professional secrecy".
2. An Authority that has received confidential information from the other Authority may subsequently receive a request (not legally enforceable) for that information from a third party, including a third party supervisory authority, who has a legitimate common interest in the matter. Prior to passing information to the third party, the Authority will consult with and obtain agreement from the Authority that provided the information, who may attach conditions to the release of information, including that the third party recipient be bound to hold the information confidential.
3. In the event that an Authority is legally compelled to disclose to a third party, including a third party supervisory authority, information that has been provided in accordance with this MOU this Authority will promptly notify the Authority that originated the information, indicating what information it is compelled to release and the circumstances surrounding its release. If so required by the providing Authority, the Authority will use its best endeavours to preserve the confidentiality of the information to the extent permitted by law. The Authorities will inform each other of the circumstances in which they may be subject to legal compulsion to release information obtained.

Article VIII

Financial Crime

The Authorities intend to co-operate closely when they identify suspected financial crime activities in supervised banks and financial transactions. For the purposes of this MOU, financial crimes are in particular: money laundering, unauthorised banking. Such cooperation will be in conformity with the national laws and statutes governing sharing of such information.

Article IX

Ongoing Coordination

1. The Authorities agree to promote their cooperation through visits for information purposes. In addition, the Authorities agree to pursue areas where the training of staff at either Authority would benefit from input and support by the other Authority in order to reinforce sound banking supervisory practices in both countries.

2. The Authorities will conduct meetings as often as mutually agreed to discuss issues concerning banks that maintain cross-border establishments in the respective countries, and to review the effectiveness of cooperation arrangements.

Article X

Amendment or Modification

This MOU may be amended or modified at any time through mutual written consent of the Parties. The amendment or modification shall enter into force in the like manner as provided in the Article XII of this MOU

Article XI

Annexure A

Annex A will be reviewed at least annually and reconfirmed or amended as necessary to ensure that the information therein remains current

Article XII

Settlement of Disputes

All differences and disputes arising from or concerning with the application or the interpretation of this MOU shall be amicably settled through negotiations between the Parties.

Article XIII

Entry into Force, Duration and Termination

1. This MOU shall enter into force on the date of signature. It shall remain valid unless terminated
2. Either Party may terminate this MOU at any time by giving a notice of ninety (90) days to the other Party of its intention to terminate this MOU
3. The actions taken during the validity of this MOU shall continue to be governed by its provisions till their completion unless the Parties agree otherwise
4. The provisions of Articles VII and XII shall survive the termination of this MOU for a period of _____ years, unless the Parties agree otherwise.

In Witness Whereof, the duly authorized representatives of the Parties have signed this MOU in two originals in the English and any other (national) languages, both texts being equally authentic. In case of discrepancy in texts or divergence in interpretation, the English text shall be taken into account.

On behalf of:

The National Bank of Belgium

By:

Jan Smets, Governor



Place and date: Brussels, 20/02/18

The State Bank of Pakistan

By: 

Tariq Bajwa

Annex A: Contact Persons

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