

MEMORANDUM OF UNDERSTANDING

BETWEEN THE

NATIONAL BANK OF BELGIUM

AND

THE BANQUE DU LIBAN (BDL)

Represented by

The "Banking Control Commission of Lebanon" (BCCL)

CONCERNING MUTUAL COOPERATION

1. The National Bank of Belgium (NBB) and The Banque Du Liban (BDL) (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 "financial institutions").
2. 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).
3. The BDL 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:
 - a. the operations of the cross-border establishments of Banking organisations under their respective Jurisdictions are prudently conducted;
 - b. the head offices and parent banking organisations exercise adequate and effective control over the operations of their cross-border branches and subsidiaries; and
 - c. 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.

The Authorities

4. 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.
5. The BDL is responsible for the licensing of banks, financial institutions, money dealers, brokerage firms and leasing companies operating in Lebanon in accordance with the Code of Money and Credit of 1st August 1963. The BDL issues regulations, directives and circulars that ensure safety and soundness of the financial sector.
6. The Banking Control Commission of Lebanon was established, within the BDL, in 1967 by virtue of Law no.28/67. It is not a legal person. Its function is to supervise banks, financial institutions, money dealers, brokerage firms and leasing companies in Lebanon as set out in the Basel Committee's Concordat and Core Principles for Effective Banking Supervision. The BCCL is independent in exercising its supervisory functions, but in close cooperation with the Governor of the BDL. The BCCL performs its duties through periodic on-site and off-site examinations and evaluates financial soundness of regulated entities.

Definitions

7. For the purpose of this MOU:
 - a. "Authorities" shall mean the BDL and the NBB;
 - b. The "banking supervision authorities" are the National Bank of Belgium (NBB) and the Banking Control Commission in Lebanon (BCCL);
 - c. "Banking organisation" shall mean (i) in Lebanon, an institution licensed by the BDL pursuant to the Code of Money and Credit whose activities include banking business and the business of taking deposits from general public and for the supervision of which the BCCL is responsible, and (ii) in Belgium, an institution licensed by the NBB pursuant to the Law of 22 March 1993 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;
 - d. "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 banking supervision authority in that Jurisdiction, and which gives rise to the need for consolidated supervision;
 - e. "Jurisdiction" shall mean the country, state or other territory, as the case may be, in which the BCCL or the NBB has legal authority, power and/or jurisdiction by law;

- f. "Home Authority" shall mean the Authority of the Jurisdiction where the head office or parent banking organisation of a cross-border establishment is established;
- g. "Host Authority" shall mean the Authority of the Jurisdiction where the cross-border establishment is established;
- h. "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 would include concerns that arise from actions of cross-border establishments.
- i. "Requested Authority" shall mean the Authority to whom a request is made pursuant to this MOU; and
- j. "Requesting Authority" shall mean the Authority that makes a request pursuant to this MOU.

Scope and General Principles

- 8. The provisions of this Memorandum of Understanding are not legally binding obligations and do not supersede domestic laws.
- 9. 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.
- 10. The Authorities recognise the importance and desirability of mutual assistance and exchange of information on a reciprocal basis. Information would be shared to the extent reasonable and subject to any relevant statutory provisions, including those restricting disclosure under applicable domestic laws, namely Lebanon's Banking Secrecy Law dated 3 September 1956. In addition, the provision of or request for information under this understanding may be denied on the grounds of national security or when disclosure would interfere with an ongoing investigation. Where a request for assistance is denied, or where assistance is not available under domestic law, the requested Authority will provide the reasons for not granting the assistance.
- 11. Requests for assistance will be made in writing by designated employees of the 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 should be confirmed subsequently in writing. The request for information should indicate the sensitivity of the information contained in the request. The request should also indicate the urgency of the request, or the desired time period for the reply.

Sharing of information

12. Information-sharing includes contact during the authorisation and licensing process, in the supervision of the on-going activities of financial institutions and in the handling of problem institutions.
13. 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 approved applications to establish offices or make acquisitions in the host jurisdiction;
 - b. upon request, the home banking supervision authority should inform the host banking supervision authority whether the applicant bank 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 banking supervision authority should also, upon request, assist the host banking supervision authority with verifying or supplementing any information submitted by the applicant;
 - c. upon request, the home banking supervision authority should inform the host banking supervision authority about the nature of its regulatory system and the extent to which it will conduct consolidated or group-wide supervision over the applicant bank. Similarly, the host banking supervision authority should inform the home banking supervision 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 banking supervision authorities should share information on the fitness and properness of prospective managers of a cross-border establishment.
14. In connection with the ongoing supervision of their cross-border establishments, the banking supervision authorities intend to:
 - a. Provide, upon request, 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 their counterpart of material administrative penalties imposed, or other formal enforcement action taken, against a cross-border establishment. Prior notification shall be made, as far as practicable and subject to applicable laws. Furthermore, the banking supervision 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.
 - e. exchange information under this article according to the terms stipulated in article 10 of this understanding.

15. 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.
16. In carrying out the undertakings stipulated above in the case of Belgian or Lebanese Banking organisation 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 would be mutually advantageous. The Authorities will endeavour to communicate such information as would 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.

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 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 Lebanon or Belgium in the amount that requires, under national legislation, preliminary permission (consent) from the appropriate banking supervision authority.

17. Requests for information under this article should 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 should be confirmed subsequently in writing. The authority receiving such requests will endeavour to provide the information as quickly as possible.

On-site inspections

18. The banking supervision 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 banking supervision authority may review any relevant examination reports prepared by the host banking supervision authority.
19. The home banking supervision authority should undertake to notify the host banking supervision authority two months prior to the commencement of a scheduled on-site inspection in the host country, of its 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, schedules, scope of the visit and the list of contact persons involved in the on-site inspection indicating their full names, job titles, telephone and fax numbers and their e-mail addresses. The host banking supervision authority shall notify the banking supervision authority, upon the receipt of notification of the scheduled on-site inspection of a cross-border establishment, of the involvement of its representatives in the on-site inspection, indicating their full name, job titles, telephone and fax numbers and their e-mail addresses, as well as agree on the

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

purposes and the terms of the on-site inspection. Following the inspection, an exchange of views should take place between the examination team and the Host banking supervision authority.

Crisis Management

20. 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 their counterparts 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;

The Authorities will endeavour to share on request, at minimum, information drawn from:

- assessments on systemic impact, liquidity, solvency and contingency funding plans of a specific cross-border establishment and its head office or parent banking organisation;
 - other contingency arrangements; and,
 - contingency liquidation arrangements developed by a cross-border establishment in the case of bankruptcy.
- c. 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;
 - d. 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 initiatives and solutions for liquidity assistance to as well as other supporting measures for the entity; and,
 - e. 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.

Protection of information

21. The Authorities recognize that mutual trust can only be achieved if exchanges of information can flow with confidence in both directions as stipulated under Article 10 of this understanding. The Authorities agree to take all possible steps to preserve the confidentiality of the exchanged information. In this regard, employees of both

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 Memorandum of Understanding and containing information covered by professional secrecy shall be marked with the following clause solely: "Covered by professional secrecy".

22. 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 supervision 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 a written approval from the Authority that originated the information, who may attach conditions to the release of information, including that the third party recipient be bound to hold the information confidential, strictly use it for the purposes it was provided for and not share it with any other party without obtaining the prior written consent from the Authority who originated the information.
23. 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 understanding, this Authority will promptly notify the Authority that originated the information prior to its disclosure to a third party, indicating what information it is compelled to release and the circumstances surrounding its release. If so required by the providing Authority that originated the information, the Authority will use its best endeavours to preserve the confidentiality of the information to the extent permitted by law. The Authorities will inform one another of the circumstances in which they may be subject to legal compulsion to release information obtained.

Ongoing Coordination

24. 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 agency would benefit from input and support by the other agency in order to reinforce sound banking supervisory practices in both countries.
25. The Authorities will conduct meetings as often as appropriate to discuss issues concerning banks that maintain cross-border establishments in the respective countries, and to review the effectiveness of cooperation arrangements.
26. Each Authority shall independently bear the expenses associated with its on-site inspections and requests for assistance.

Modifications and Term

27. This understanding shall continue indefinitely subject to modification by the mutual consent of the Authorities or termination by either party with 30 days advance notice in writing. After termination, the confidentiality provisions shall continue to apply to any information provided under this understanding prior to termination.

28. Any revision or amendment of this MOU shall only become valid after such revision or amendment was accepted in writing by both Authorities.

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

On behalf of:

The National Bank of Belgium

By:

Dated: 16.5.2014

Luc Coene, Governor



On behalf of:

The Banque du Liban

By:

Dated: 11-JUNE-2014

Usama Mikdashi

Chairman of BCCL who holds a delegation from BDL to sign on its behalf

Annex A: Contact Persons