

MEMORANDUM OF UNDERSTANDING

SECTION I INTRODUCTION

The supervisory authorities of the Republic of Turkey and the Republic of Croatia have reached the following understanding in order to establish an arrangement for the sharing of supervisory information to facilitate the performance of their respective duties and to promote the safe and sound functioning of supervised institutions in their respective countries according to their national legislation.

The supervisors of Turkey and Croatia 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. The supervisors of Turkey and Croatia will use their best endeavors to cooperate in routine supervisory procedures, and to notify and provide to each other relevant information in a prompt and timely manner regarding any material supervisory concerns in respect of cross-border establishments.

The Memorandum of Understanding (hereinafter: Memorandum) hereby signed between two authorities does not have the feature of an international agreement which binds the states of authorities in terms of international law. None of the provisions under this Memorandum shall be interpreted or applied in a way to bear any legal right or obligation for the states of the authorities.

SECTION II DEFINITIONS

For the purposes of this Memorandum,

1. "Supervisor of Turkey" and "Relevant Authority" refers to the Banking Regulation and Supervision Agency of Turkey and the Banking Regulation and Supervision Board as its decision making body.
2. "Supervisor of Croatia" and "Relevant Authority" refers to the Croatian National Bank.
3. "Supervised Institution(s)" means the institutions subject to the supervision or control of the Banking Regulation and Supervision Agency of Turkey and/or the Croatian National Bank.
4. "Cross-border Establishment" is defined to include a branch, a representative office, a subsidiary, an associate or any other supervised institution within respective jurisdictions of these two countries, which gives rise to the need for consolidated supervision.
- 5 "Jurisdiction" means the country, state or other territory, as the case may be, in which a supervisor has legal authority, power and/or jurisdiction by law.
6. "Host Country Supervisor" is the responsible supervisory authority of the country where a Cross-border Establishment is established.

7. “Home Country Supervisor” is the responsible supervisory authority of the country where the head office or the parent company of a Cross-border Establishment is established.

SECTION III SHARING OF INFORMATION

1. The Relevant Authorities of Turkey and Croatia recognize that information should be shared in order to facilitate effective consolidated supervision of Supervised Institutions operating across their national borders.

2. Information-sharing shall include contact during the authorisation and licensing process, supervision of a Cross-border Establishment, the setting up of further Cross-border Establishments, or when there is a change in ownership that is subject to an approval or permission of the Relevant Authority and in case of revocation of a license or an authorisation.

3. In connection with the authorisation and licensing process,

(a) The Host Country Supervisor shall notify the Home Country Supervisor, without delay, of each and every application for approval to establish a Cross-border Establishment in the host Jurisdiction;

(b) Upon request, the Home Country Supervisor shall inform the Host Country Supervisor whether the applicant Supervised Institution or acquirer of a Cross-border Establishment is in substantial compliance with home country banking laws and regulations and whether the Supervised Institution or acquirer of a Cross-border Establishment may be expected, given its administrative structure and internal controls, to manage the Cross-border Establishment in an orderly manner;

(c) The Home Country Supervisor shall inform the Host Country Supervisor about the nature of its regulatory and supervisory system and the extent to which it will conduct consolidated supervision over the applicant Supervised Institution. Similarly, the Host Country Supervisor shall indicate the scope of its supervision and indicate any specific features that might give rise to the need for special arrangements;

(d) To the extent reasonable and permitted by law, the Home and Host Country Supervisors will share information on the fitness and properness of the prospective directors, managers and relevant shareholders of a Cross-border Establishment.

4. In connection with supervision of their Cross-border Establishments, the two supervisors undertake to use their best endeavors to:

(a) Provide relevant information and communicate on their own initiative all essential information to their counterpart regarding material developments or supervisory concerns in respect of the operations of Cross-border Establishments;

(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 about any event which has the potential to endanger the stability of Cross-border Establishments;
 - (d) Inform their counterpart of material administrative penalties imposed, or other formal enforcement action taken against a Cross-border Establishment; and
 - (e) Facilitate the transmission of other relevant and essential information that might be required to assist with the supervisory process.
5. In cases of setting up of a further Cross-border Establishment or a change in the ownership structure that is subject to an approval or permission, by any of the Relevant Authorities, the Relevant Authorities shall notify each other.
6. In cases of licence and authorisation revocation, voluntary or compulsory liquidation and bankruptcy of a relevant Cross-border Establishment or intervention to a Cross-border Establishment that has branches and undertakings abroad, the Relevant Authorities shall promptly notify each other and provide reasons for such action.

SECTION IV ON-SITE INSPECTIONS

1. The Relevant Authorities agree that cooperation is particularly useful in assisting each other in carrying out on-site inspections of Cross-Border Establishments, and they will provide full support to each other in such inspections.
2. The Relevant Authorities will notify each other at least three months in advance of any planned on-site inspection, giving details of the names of the auditors and/or examiners, the purpose of the inspection and its expected duration.
3. The Relevant Authorities may participate in any such on-site inspection carried out by the Relevant Authorities or the auditors and/or examiners commissioned by the Relevant Authorities.
4. A written prior approval needs to be obtained from the Host Country Supervisor for the conduct of on-site inspection.
5. The Relevant Authorities will keep each other informed of the results of on-site inspections to the extent reasonable and in a timely manner.

SECTION V REQUESTS FOR INFORMATION AND INSPECTIONS

1. Upon receipt of a written request, the Relevant Authority will use its best endeavors to provide the requested information or process the request for on-site inspections of Cross-border Establishments of a Supervised Institution.

2. Requested information normally would not include customer account information unless this is of particular relevance to the supervisory concern prompting the request and if this is the case, such customer account information shall be collected and, to the extent permitted by law, provided by the Relevant Authority itself.
3. Requests for information shall be made in writing. However, where the Relevant Authorities perceive a need for expedited action, requests may be initiated in any form but should be confirmed subsequently within 10 working days in writing.
4. Where one Relevant Authority has information that will assist the other Relevant Authority in the performance of its regulatory and supervisory functions, the former may provide such information, or arrange for it to be provided, on a voluntary basis even though the other Relevant Authority has made no request.
5. Each Relevant Authority will do its best in compliance with its legislation, although the Supervisor of Turkey is not responsible for dealing with financial crime issues, to cooperate in the prevention of money laundering and struggle against terrorism financing, as well as in the case of suspicion of illegal banking activity.

SECTION VI PROTECTION OF INFORMATION

1. Information should be shared to the extent reasonable and subject to relevant statutory provisions, including those restricting disclosure.
2. Any confidential information received from the other Relevant Authority will be used exclusively for lawful supervisory purposes.
3. To the extent permitted by law, each Relevant Authority shall hold confidential all information obtained and documents received from the other Relevant Authority. In this regard, employees of both Relevant Authorities are generally bound to hold confidential all information obtained in the course of their duties.
4. It is understood that, in certain circumstances, the Relevant Authority in one Jurisdiction that receives confidential information from the Relevant Authority in another Jurisdiction may be legally compelled by a public prosecutor or criminal court decision within the scope of criminal investigation and prosecution or by the provisions of relevant legislation, to disclose that information to a third party supervisory authority or an appropriate government agency. In such a case, the Relevant Authority will notify thereof the Relevant Authority that originated the information prior to passing it to a third party and also indicate what information it is compelled to release and the circumstances surrounding its release.

5. No supervisory information received by either Relevant Authority in accordance with this Memorandum, where the disclosure is not legally compelled, shall be passed to a third party without the prior and written consent of the Relevant Authority that provided this information.

SECTION VII ONGOING COORDINATION

1. The Relevant Authorities agree to promote their cooperation through visits for informational purposes and through exchanges of staff.
2. In addition, the Relevant Authorities may organise staff training programs to incorporate input and support from both their supervisors and reinforce sound supervisory practices in both countries.
3. The Relevant Authorities may meet as often as appropriate to discuss issues of supervisory concern.

SECTION VIII OTHER PROVISIONS

1. The arrangements outlined in this Memorandum are intended to enhance the existing working relationship, but they are not restrictive.
2. The Relevant Authorities may make amendments to this Memorandum by mutual agreement, specifying in writing the reasons for such action.
3. If any of the Relevant Authorities refuses to meet a request for information or to make an on-site inspection, it shall notify the Relevant Authority concerned, without undue delay, of the reasons behind such action.
4. If it appears that either of the Relevant Authorities would incur substantial costs in responding to a request for assistance under this Memorandum, the Relevant Authorities will establish a cost-sharing arrangement before responding to such a request.
5. The Relevant Authorities shall continue to honor the terms of this Memorandum until one of the Relevant Authorities requests its termination. In such a case, this Memorandum will stay in effect until the expiration of thirty days after either Relevant Authority has given written notice to its counterpart indicating its intention to terminate this Memorandum. However, the last and existing request for assistance made prior to such notification shall be honored by the Relevant Authorities, if possible under the conditions set forth under this Memorandum.
6. In the event of termination of this Memorandum, information obtained under this Memorandum will continue to be treated confidentially.
7. Both Relevant Authorities shall designate contact persons for carrying out the provisions of this Memorandum. The Relevant Authorities shall exchange lists of contact persons with full contact details. The list will be updated regularly.

8. In the case that one of the Relevant Authorities merges with another authority or agency or their competence is transferred to another authority or agency within their Jurisdiction, the provisions of this Memorandum shall continue to apply, unless otherwise determined.

9. The Relevant Authorities may inform the public about the principles and procedures of the Memorandum.

10. This Memorandum is written in English in two original copies, both texts being equally authentic and each party obtaining a copy.

11. This Memorandum comes into force as of the date of the last signature.

Republic of Turkey

For the

Banking Regulation and
Supervision Agency

Republic of Croatia

For the

Croatian National Bank