



**АГЕНЦИЈА ЗА БАНКАРСТВО РЕПУБЛИКЕ СРПСКЕ**

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**CENTRAL BANK OF THE RUSSIAN FEDERATION  
(BANK OF RUSSIA)  
INTERNATIONAL COOPERATION DEPARTMENT  
12, Neglinnaya Street,  
107016 MOSCOW,  
RUSSIAN FEDERATION  
Attn. Andrey Melnikov**

**Subject: Memorandum of Understanding**

Dear Mr Melnikov,

Please find enclosed a signed original copy of the Memorandum of Understanding between the Central Bank of the Russian Federation (Bank of Russia), the Banking Agency of Republika Srpska and the Banking Agency of the Federation of Bosnia and Herzegovina.

We are very thankful for the cooperation.

Sincerely,



Enclosure:

- Original copy of the Memorandum of Understanding



13.03.2020  
№ 107121



**Memorandum of Understanding between  
the Central Bank of the Russian Federation,  
the Banking Agency of Republika Srpska  
and the Banking Agency of the Federation of Bosnia and Herzegovina**

The Central Bank of the Russian Federation (the Bank of Russia), the Banking Agency of Republika Srpska (the BARS) and the Banking Agency of the Federation of Bosnia and Herzegovina (the FBA) (hereinafter jointly referred to as the “Supervisory Authorities”) for the purposes of effective fulfilment of their functions and strengthening the reliability and stability of banking systems of their respective jurisdictions have reached the following understanding.

This understanding also meets the Basel Committee’s recommendations on the principles of consolidated and comprehensive supervision and cooperation between supervisory authorities as well as the International Standards on Combating Money Laundering, and the Financing of Terrorism & Proliferation (the FATF Recommendations).

**1. Powers of the Supervisory Authorities**

**1.1. Russian Federation**

Under the legislation of the Russian Federation, the Bank of Russia is the body in charge of banking regulation and banking supervision. The Bank of Russia is in charge of state registration of Credit Institutions, keeps the State Registration Book of Credit Institutions, conducts constant supervision so as to ensure that Credit Institutions and Banking Groups adhere to the banking legislation, the Bank of Russia regulations, the Bank of Russia statutory requirements and/or individual limits of the statutory requirements. To fulfil its regulatory and supervisory functions, the Bank of Russia conducts Onsite Inspections of Credit Institutions and their branches, sends them compulsory instructions to eliminate any revealed violations and takes measures as established by Federal Law No. 86-FZ of 10 July 2002 “On the Central Bank of the

Russian Federation (Bank of Russia)” (hereinafter referred to as “the Bank of Russia Law”).

The Bank of Russia regulates the activities of the Credit Institutions in terms of anti-money laundering and countering the financing of terrorism and proliferation (hereinafter – AML/CFT), oversees and supervises their compliance with the applicable AML/CFT legislation.

### 1.2. Republika Srpska

The Banking Agency of Republika Srpska is an autonomous and independent legal entity established for supervising Republika Srpska’s banking system under the Law on the Banking Agency of Republika Srpska, the Law on Banking Activity and other relevant laws. The Banking Agency of Republika Srpska is responsible for regulation, licensing and supervision of Banks and other Banking-System Institutions as well as for bank resolution in Republika Srpska and monitors the Banks’ and other Banking-System Participants’ compliance with the AML/CFT legislation .

### 1.3 Federation of Bosnia and Herzegovina

Pursuant to the Law on the Banking Agency of the Federation of Bosnia and Herzegovina, the Banking Agency of the Federation of Bosnia and Herzegovina (FBA) was established as an independent non-profit institution that is responsible for regulation, licensing and supervision of Banks, microcredit institutions, leasing and factoring companies (hereinafter referred to as Banking-Sector Institutions), and restructuring Banks in the Federation of Bosnia and Herzegovina. The FBA’s main functions are: implementation of the jurisdiction’s banking and other relevant legislation; issuing regulations in this field; banking supervision for the purposes of enhancing the security, quality, legality and stability of the banking system, microcredit institutions, and leasing and factoring companies in the Federation of Bosnia and Herzegovina; promoting AML/CFT in the Federation of Bosnia and Herzegovina, and other functions.

## **2. Definitions set out for the purposes of this Memorandum**

2.1. "Supervised Institution" shall mean a legal entity which has the right to perform banking operations and whose activities are subject to licensing and supervision under the legislation of the Supervisory Authorities' jurisdictions.

### **2.1.1. Russian Federation**

"Credit Institution" shall mean a legal entity that, for the purpose of deriving profit as the principal objective of its activities, has the right to conduct banking operations as stipulated by the Federal Law "On Banks and Banking Activities" (as amended by Law No. 17-FZ of 03 February 1996) (hereinafter referred to as the "Law on Banks") on the basis of a special permission (basic or general licence) of the Bank of Russia. A Credit Institution is established as a business entity on the basis of any form of ownership.

"Bank" shall mean a Credit Institution that has an exclusive right to conduct all of the following banking operations: taking funds on deposits from individuals and legal entities; allocation of such funds on its behalf and at its own expense on the condition that they are returned after a specified period of time with an interest; opening and keeping individual and corporate bank accounts. A Bank is may only operate under a basic or universal licence.

"Non-Bank Credit Institution" shall mean a Credit Institution as defined by Article 1 of the Law on Banks.

### **2.1.2. Republika Srpska**

"Banking-System Institutions" shall mean Banks, microcredit institutions, leasing companies, savings and lending institutions established and operating under relevant laws stipulating that the BARS issues licences and permits, conducts operational supervision and fulfils other functions related to such institutions.

"Bank" shall mean a stock company with the head office in Republika Srpska that is licensed by the BARS, whose main activity is to attract bank deposits and other

refundable funds and to extend loans on its own account, and that may perform other kinds of activities in accordance with the Law on Banking Activities.

### 2.1.3. Federation of Bosnia and Herzegovina

“Banking-Sector Institutions” shall mean Banks, Banking Groups, development banks, microcredit institutions, leasing companies, factoring companies, currency exchange institutions and other financial institutions entitled to perform their activities under the FBA’s supervision as stipulated by law.

“Bank” shall mean a stock company with the head office in the Federation of Bosnia and Herzegovina that is licensed by the FBA, whose main activity is to attract bank deposits and monetary funds on a refundable basis, to extend loans on its own account, and that may perform other kinds of activities in accordance with the Law on Banking Activities.

2.2. “Parent Institution” shall mean a Supervised Institution, registered on the territory of one of the Supervisory Authorities and having a Cross-Border Establishment of which is based in another Authority’s jurisdiction.

### 2.3. “Cross-Border Establishment”:

#### 2.3.1. Russian Federation

In the Russian Federation, foreign Credit Institutions (Banks) may participate in Russian Credit Institutions’ authorized capital, may establish subsidiaries whose activities are subject to licensing under Russian legislation, and may open their representative offices.

“Subsidiary Credit Institution” shall mean a legal entity in which a Supervised Parent Institution can determine the decisions being made, either by virtue of holding a majority stake in its authorized capital or in accordance with an agreement concluded between the two institutions, or on other grounds.

“Representative Office of a Credit Institution” shall mean a separate division of a Credit Institution that is situated outside its jurisdiction, and that represents and protects its interests. A Representative Office of a Credit Institution is not a legal entity

and has no right to conduct banking operations. It performs its activities on the basis of the regulations established by the Supervised Parent Institution.

#### 2.3.2. Republika Srpska

“Foreign Bank” shall mean a legal entity whose head office is located abroad, and that is established as a Bank, licensed by the Home Supervisor and included on the relevant register by the relevant home authority.

“Representative Office” shall mean a Bank’s office established in Republika Srpska by a Bank based outside Republika Srpska. A Representative Office is not a legal entity, and the scope of its functions is limited to market research, providing information as well as representation and promotion of the Bank that established it.

#### 2.3.3. Federation of Bosnia and Herzegovina

“Foreign Bank” shall mean a legal entity whose head office is located abroad, and that is established as a Bank, licensed by the Home Supervisor and included on the relevant register by the relevant home authority.

“Representative Office” shall mean a Bank’s office established in the Federation of Bosnia and Herzegovina by a Bank based outside the Federation of Bosnia and Herzegovina. A Representative Office is not a legal entity, and the scope of its functions is limited to market research, providing information as well as representation and promotion of the Bank that established it.

### 2.4. “Banking Group” and “Bank Holding”:

#### 2.4.1. Russian Federation

“Banking Group” shall mean an association of legal entities that is not a legal entity itself, wherein one or several legal entities (Banking Group Members) are under Control or a significant influence of the same Credit Institution (Banking Group’s Head Credit Institution).

“Bank Holding” shall mean an association of legal entities (Bank Holding Members) that is not a legal entity itself and that comprises at least one Credit Institution under Control of a legal entity that is not a Credit Institution (Bank Holding’s Head Institution) and may also comprise legal entities other than credit

institutions (if any) that are under Control or significant influence of the Bank Holding's Head Institution) or that belong to Banking Groups of Credit Institutions that are Bank Holding Members, provided that the share of banking activities in the holding's total operations (as calculated under the Bank of Russia's methodology) is no less than forty percent (40%).

#### 2.4.2. Republika Srpska

"Banking Group" shall mean an association of companies that mainly or exclusively comprises financial-sector institutions and wherein at least one Bank has features of a head parent company or a captive company (subsidiary).

"Holding" shall mean a joint-stock company or a limited liability company that owns a stake in the capital or voting rights in Banks or other financial institutions, and controls at least one Bank.

#### 2.4.3. Federation of Bosnia and Herzegovina

"Banking Group" shall mean an association of companies that mainly or exclusively comprises financial-sector institutions and wherein at least one Bank has features of a head parent company or a captive company (subsidiary).

2.5. "Home Supervisor" shall mean the Supervisory Authority of the jurisdiction in which a Supervised Parent Institution is registered.

2.6. "Host Supervisor" shall mean the Supervisory Authority of the jurisdiction in which a Cross-Border Establishment is registered.

2.7. "On-site Inspections" shall mean inspections carried out by duly authorized representatives of the Home Supervisor at Cross-Border Establishments and/or supervised institutions that are Banking Group Members and/or Bank Holding Members.

#### 2.8. "Confidential Information":

##### 2.8.1. Russian Federation

"Confidential Information" shall mean any information obtained by the Bank of Russia over the course of performing its supervisory functions, including information received from foreign banking supervision authorities on the basis of its requests, the

access to which information is restricted and/or which is considered confidential under Russian law, but which is not a state secret or other similar secret under Russian law.

“Bank Secrecy Information” shall mean information concerning clients, transactions, accounts and deposits of Banks’ clients and correspondents.

#### 2.8.2. Republika Srpska

“Confidential Information (Professional Secrets) as Defined by the BARS” shall mean facts, data or other information obtained by a BARS-authorized person during the execution of the tasks and responsibilities within the scope of their functions, or information retrieved by the BARS or submitted to the BARS by a relevant authority, organization, body or another relevant foreign authority, including supervisors established through decisions of the European Parliament and the Council of the European Union, provided that disclosure of such information to a non-authorized person will or may negatively affect the BARS’s objectives and supervisory functions as well as the reputation and interests of Banking-System Institutions and/or persons submitting such information to the BARS.

#### 2.8.3. Federation of Bosnia and Herzegovina

“Confidential Information” shall mean facts, data or other information obtained by an FBA-authorized person during the execution of the tasks within the scope of their functions, and/or information retrieved by the BARS from a relevant foreign authority, including supervisors established through decisions of the European Parliament and the Council of the European Union. Confidential Information is considered to fall under the requirements for professional secrecy. The FBA-authorized persons include the board members, director, deputy director, employees, auditors and other persons who work or worked in the past for the FBA or on its behalf (hereinafter referred to as “Authorized Persons”). Authorized Persons are obliged to protect information obtained in the course of supervisory activities and performing their duties for the FBA following the requirements for protecting Confidential Information.

### 2.9. “Acquisition”:

#### 2.9.1. Russian Federation

“Acquisition” shall mean acquisition and/or receiving in trust management of more than ten percent (10%) of stock (shares) in a Credit Institution following a transaction or several transactions by any legal entity or individual (or a group of such parties).

#### 2.9.2. Republika Srpska

“Qualifying Stake” shall mean ownership by one person on their own or together with an affiliate (affiliates) of a joint stake of ten percent (10%) or more in the authorized capital of a legal entity or their ability to exert significant influence on the entity’s management and/or activities.

#### 2.9.3. Federation of Bosnia and Herzegovina

“Qualifying Share” shall mean direct or indirect investment in a legal entity amounting to ten percent (10%) or more of the entity’s authorized capital (stakes in the entity) and enabling its holder to exert significant influence on the entity’s management.

### 2.10. “Control”:

#### 2.10.1. Russian Federation

“Control” shall mean establishment, by a legal entity or an individual (or a group of such parties), of direct or indirect (through third parties) control over the shareholders (stakeholders) of a Credit Institution holding over ten percent (10%) of its shares (stakes), as a result of one or several conducted transactions.

A group of persons (legal or natural persons) is defined in accordance with the criteria established by Federal law No. 135-FZ of 26 July 2006 “On protection of competition”.

Pursuant to Bank of Russia Instruction No. 146-I of 25 October 2013, “On the Procedure for Obtaining Bank of Russia Permission to Acquire Shares (Stakes) in a Credit Institution”, Control is defined in accordance with the criteria set by International Financial Reporting Standard 10 (IFRS 10) “Consolidated Financial Statements” and IFRS 11 “Joint Ventures”.

Significant Influence is defined in accordance with the criteria set by International Accounting Standard (IAS) 28 "Investments in Associates and Joint Ventures".

#### 2.10.2. Republika Srpska

"Controlling Interest" shall mean a block of shares that provides its holder on their own or together with their affiliate (affiliates) with direct or indirect ownership of at least fifty percent (50%) of authorized capital and voting stock in a legal entity, enabling its holder to elect/appoint at least a half of the board members or members of another governing or managing body of the legal entity, or to otherwise exert decisive influence on the legal entity's management.

#### 2.10.3. Federation of Bosnia and Herzegovina

"Controlling Participation" exists when a person:

- 1) on their own or with affiliate (affiliates) manages a legal entity directly or indirectly through their ownership of fifty percent (50%) or more of the legal entity's voting stock, i.e. the person owns fifty percent (50%) or more of the legal entity's capital directly or indirectly; or
- 2) is entitled to elect at least a half of the Supervisory Board's members; or
- 3) exerts another kind of decisive influence on the legal entity's management by means of their ownership, as a stakeholder or a shareholder or under agreements concluded in accordance with the Company Law.

### **3. Exchange of information**

3.1. To ensure and enhance banking supervision of Parent Supervised Institutions and Cross-Border Establishments, the Supervisory Authorities intend to exchange information in the following areas: licensing, supervision of ownership structures, banking supervision of Supervised Institutions' ongoing activities including On-site Inspections, Supervised Institutions' insolvency (bankruptcy) procedures, financial resolution of Supervised Institutions, and AML/CFT issues.

The Supervisory Authorities shall exchange information on the state of and the developments in their jurisdictions' banking sectors, on the main standards and requirements in banking supervision, and on any significant amendments to them.

3.2. In the Russian Federation, the process of information exchange with foreign supervisory authorities is regulated by the Law on the Bank of Russia. Under Article 51 of the Law on the Bank of Russia, the Bank of Russia is entitled to contact a foreign central bank and/or another supervisory authority in charge of banking supervision to request information and/or documents, including those containing banking secrecy, received, in their turn, from Credit Institutions, Banking Groups, Bank Holdings and any other associations during execution of the authorities' supervisory functions, including On-site Inspections.

The Bank of Russia is also entitled to provide a foreign central bank and/or another supervisory authority in charge of banking supervision with information and/or documents required for performing their supervisory functions, including documents containing banking secrecy, with the exception of information constituting state secrecy, received, in its turn, from Credit Institutions, Banking Groups, Bank Holdings and any other associations involving Credit Institutions during execution of the authorities' supervisory functions, including On-site Inspections.

### 3.3. Republika Srpska and the Federation of Bosnia and Herzegovina

3.3.1. In Republika Srpska the information exchange between the BARS and foreign institutions in charge of supervision over Banks and other Banking-System Institutions is regulated by the Law on the Banking Agency of Republika Srpska. In accordance with Article 32 of the above Law, the BARS is entitled to enter into confidential disclosure agreements with relevant authorities under the following conditions:

- a valid cooperation agreement between the BARS and the relevant authority has been signed containing confidentiality requirements that are at least equal to those stipulated by the Law on the Banking Agency of Republika Srpska;

- the only objective of the information disclosure is monitoring, supervision or discharging of the relevant authority's other functions.

3.3.2. In accordance with Article 42 of Law on the Banking Agency of the Federation of Bosnia and Herzegovina, the FBA is entitled, within its competence, to enter into confidential disclosure agreements with authorities in charge of supervising financial institutions under the following conditions:

- a valid cooperation agreement between the FBA and the relevant authority or person has been signed containing confidentiality requirements that are at least equal to those stipulated in the Law on the Banking Agency of the Federation of Bosnia and Herzegovina,

- the only objective of the information disclosure is monitoring, supervision and discharging of the relevant authority's or person's other functions.

3.4. Cooperation under this Memorandum shall be carried out upon a Supervisory Authority's request for assistance (hereinafter a Request).

3.5. A Request shall be made in writing and sent via any means of communication that would ensure the confidentiality and integrity of the information.

3.6. Should any differences arise with regard to the definitions set out for the purposes of this Memorandum by Part 2 hereof, the definitions provided for the requesting Supervisory Authority shall be used when exchanging information.

3.7. A Supervisory Authority may fully or partially refuse to provide assistance under this Memorandum if it believes that fulfilment of a certain Request contravenes the jurisdiction's legislation or national security interests. In such cases, the Supervisory Authority that has made the Request shall be notified in writing accordingly and provided with reasons for refusal.

3.8. Each Supervisory Authority shall take every measure at its disposal to ensure that when responding to a Request from another Supervisory Authority, the provision of information is prompt and as complete as practicable. It shall also notify the other Authority of any circumstances that may prevent or delay the fulfilment of the Request.

#### **4. Ensuring the confidentiality of information**

4.1. The Supervisory Authorities shall take appropriate measures in accordance with their jurisdictions' legislation to ensure confidentiality of any information and (or) documents stored, used or exchanged.

##### **4.1.1. Russian Federation**

Under Article 51 of the Law on the Bank of Russia, with regard to information and/or documents received from a foreign central bank and/or another supervisory authority in charge of banking supervision, the Bank of Russia is obliged to comply with the requirements for information disclosure and provision of documents established by the laws of the Russian Federation giving due consideration to the foreign jurisdiction's legal requirements.

The Bank of Russia provides the information, data and/or documents listed in Item 3.2 of this Memorandum to a foreign central bank and/or another supervisory authority in charge of banking supervision on the condition that the level of protection of the information, data and/or documents provided (confidentiality requirements) stipulated by the legislation of this foreign state at least matches the protections stipulated by Russian law. If such exchange of information, data and/or documents is regulated by certain international treaties, confidentiality and protection of information, data and/or documents shall be ensured in accordance with these treaties. The information provided shall not be disclosed to any third parties including law-enforcement bodies without a prior written consent of the Bank of Russia, except for the cases of court orders to provide information for criminal proceedings.

Information and/or documents received by the Bank of Russia from a foreign central bank and/or another supervisory authority in charge of banking supervision may only be disclosed to third parties, including law-enforcement bodies, upon a written consent of the providing central bank or and/or another supervisory authority in charge of banking supervision or following a court decision made under criminal proceedings.

##### **4.1.2. Republika Srpska**

In accordance with Article 32 of the Law on the Banking Agency of Republika Srpska, information submitted to the BARS by a foreign supervisory authority or obtained by the BARS through direct monitoring of a foreign bank's subsidiary may only be disclosed to a third person or an authorized body upon a prior consent of the supervisory authority that provided it and only to use it for the purposes that are specified in the consent.

However, in accordance with Article 29 of the Law on the Banking Agency of Republika Srpska, the BARS is entitled to disclose information submitted by a foreign supervisory authority or obtained through direct monitoring of a foreign bank's subsidiary in the following cases:

- a) information is necessary for a legal procedure or investigations, provided that there is a written request or an order issued by a court in the relevant jurisdiction;
- b) information should help persons and bodies in charge of monitoring and supervising financial institutions perform their functions;
- c) disclosing the information serves the interests of the BARS in legal proceedings;
- d) information is disclosed for insolvency or liquidation proceedings of Banks or other Banking-System Institutions except for information concerning other institutions involved or interested in the financial resolution or reorganization of such Banks or other Banking-System Institutions.

#### 4.1.3. Federation of Bosnia and Herzegovina

The FBA is entitled to disclose Confidential Information submitted by a foreign supervisory authority only upon a prior consent of the providing authority and only for the purposes specified in such consent.

The above disclosure prohibition does not apply in the following cases:

- a) Confidential Information is necessary for court proceedings;
- b) Confidential Information is necessary for eliminating the lenders' outstanding debt in the course of insolvency or liquidation proceedings of Banks and other Supervised Institutions, as well as for other purposes related

to insolvency and liquidation of Banks and other Supervised Institutions, civil-procedure cases concerning such proceedings, which is to be provided following the procedures described above in Section a) hereof. The only exception are cases concerning third parties that are involved in the resolution or reorganization of such Banks or Supervised Institutions.

4.2. Confidential Information provided under this Memorandum shall not be used for any purposes other than those for which it was requested and provided, and shall not be used without a prior written consent of the Supervisory Authority that provided it.

4.3. In each particular case Confidential Information or documents may only be disclosed to a third party following a prior written consent of the Supervisory Authority that provided it, except for court orders to provide information for criminal proceedings. Confidential Information provided by the Bank of Russia may be exchanged between the BARS and the FBA only upon prior written consent of the Bank of Russia.

4.4. In the event of termination of this Memorandum, any supervisory information obtained under this Memorandum shall remain confidential.

## **5. Licensing**

5.1. Supervised Parent Institution's application to the Host Supervisor for licence (permit) to open a Cross-Border Establishment (hereinafter the Application) shall be considered within the timeframe and in accordance with the requirements set by the laws of the host jurisdiction.

5.2. Upon receipt of an application, the Host Supervisor shall inform the Home Supervisor about its contents under the procedure established by the relevant jurisdiction's legislation. Once the Host Advisor completes processing the application, it shall advise the Home Supervisor in writing about the results.

5.3. Based on a written request from the Host Supervisor, the Home Supervisor shall inform the Host Supervisor whether the applicant (Supervised Parent Institution

acquiring more than 10% shares (stakes) of a Cross-Border Establishment, or being its shareholder/stakeholder, or establishing/exercising Control over its shareholders/stakeholders) complies with banking legislation and shall provide information on its financial standing, organizational structure, internal controls and ownership structure.

5.4. When assessing candidates for managerial positions in Supervised Institutions as a part of their supervisory functions and upon written requests, the Home and Host Supervisors shall exchange relevant information on candidates' compliance with business reputation, qualification and other requirements for taking positions in management bodies of Banks (Supervised Institutions) as well as available information on Supervised Institutions that is necessary for considering requests for direct or indirect Acquisition of shares (stakes) in a Supervised Institution.

For this purpose the Supervisory Authorities shall exchange information concerning:

- compliance of board members (members of the supervisory board) and candidates for these positions in a Cross-Border Establishment as well as compliance of managers and any other officials of a Cross-Border Establishment (its branches) as required by law and candidates for these positions, with business reputation and/or qualification requirements; as well as information on the financial standing and business reputation of:

- legal entities and individuals establishing Control over shareholders (stakeholders) that own more than ten percent (10%) of shares (stakes) in a Cross-Border Establishment, and business reputation of the sole executive body of such legal entities,

- legal entities (groups of legal entities) that acquiring (owning) more than ten percent (10%) of shares (stakes) in a Cross-Border Establishment, as well as legal entities that exercise Control over such owners, and business reputation of the sole executive bodies of such legal entities as well as business reputation of any individual

(group of individuals) acquiring (owning) more than ten percent (10%) of shares (stakes) in a Cross-Border Establishment,

- legal entities and individuals that are acquiring (own) less than ten percent (10%) of shares (stakes) in a Cross-Border Establishment but belong to a group of persons that is acquiring (owns) more than ten percent (10%) of shares (stakes) in the Cross-Border Establishment, its controllers and sole executive bodies.

## **6. Cooperation on monitoring ownership structure**

6.1. The Supervisory Authorities, if necessary, may consult each other before granting permit to set up a Cross-Border Establishment or prior (subsequent) consent to an Acquisition of shares (stakes) in a Supervised Institution by a legal entity or an individual (or a group of such parties), as well as to conduct transaction(s) aimed at establishing Control over shareholders (stakeholders) owning more than ten percent (10%) of shares (stakes) of a Supervised Institution registered in the jurisdiction of another Supervisory Authority.

6.2. The Supervisory Authorities shall exchange available information for the purpose of assessing information on ownership structure provided by Supervised Institutions or Cross-Border Establishments, and shall exchange it in accordance with the procedures established by this Memorandum.

## **7. Cooperation on off-site supervision of Supervised Parent Institutions' and Cross-Border Establishments' day-to-day operations**

7.1. The Supervisory Authorities shall discuss any information concerning Supervised Parent Institutions and Cross-Border Establishments in compliance with the jurisdictions' legislation, if they believe such information to be of importance for the other Supervisory Authorities or to raise their concerns.

In particular, the following issues can be discussed:

- financial stability of a Supervised Parent Institution or a Cross-Border Establishment (failure to meet capital adequacy or other financial requirements, significant financial losses);

- issues revealed in the course of banking supervision, both on case-by-case and consolidated basis, specifically as a result of On-site Inspections, auditing reports, meetings and any other communications with a Supervised Parent Institution or a Cross-Border Establishment;

- incomplete reporting provided (violation of requirements for the contents of reporting);

- failure to comply with business reputation requirements by the following persons: individuals managing a Cross-Border Establishment, board members (supervisory board members), other officials as required by the jurisdictions' laws, owners of more than ten percent (10%) of shares (stakes) in a Cross-Border Establishment, individuals and/or legal entities exercising Control over such owners of a Cross-Border Establishment, persons acting as a sole executive body of a Cross-Border Establishment and as persons exercising Control over the owners of a Cross-Border Establishment.

- failure to comply with financial standing requirements by the following entities: legal entities owning more than ten percent (10%) of shares (stakes) in a Cross-Border Establishment or exercising Control over shareholders (stakeholders) owning more than ten percent (10%) of shares (stakes) in a Cross-Border Establishment, and (if provided by the jurisdiction's law) legal entities acquiring (owning) less than ten percent (10%) of shares (stakes) in a Cross-Border Establishment if such entities belong to a group of persons that owns more than ten percent (10%) of shares (stakes) in the Cross-Border Establishment or persons exercising Control over such persons.

7.2. If one of the Supervisory Authorities has any doubts with regard to reliability of information provided by a Supervised Institution and concerning cross-border transactions involving Supervised Institutions under jurisdiction of other

Supervisory Authorities, this Supervisory Authority shall render assistance necessary to verify the reliability of the information in question.

### **8. Cooperation on conducting On-site Inspections**

For the purposes of conducting On-site Inspections, the Supervisory Authorities have agreed as follows:

8.1. The Supervisory Authorities recognize the importance of collaboration and mutual assistance in conducting On-site Inspections. The Supervisory Authorities shall do everything in their power to provide full informational and consultative support to one another when conducting On-site Inspections in accordance with the jurisdictions' legislations.

8.2. A Home Supervisor is entitled to inspect the operations of Cross-Border Establishments located in a host jurisdiction as well as host-jurisdiction-based Supervised Institutions belonging to Banking Groups or Bank Holdings.

8.3. For a Home Supervisor to gain access to premises of Cross-Border Establishments located in a host jurisdiction and host-jurisdiction-based Supervised Institutions belonging to Banking Groups whose parent institutions are Banks based in the home jurisdiction, as well as access to information on their activities, these establishments (institutions) need to give their consent in writing.

8.4. A Home Supervisor shall notify the Host Supervisor in writing (as a rule, at least 25 business days before the scheduled On-site Inspection, except for urgent On-site Inspections that allow for shorter notice) of its intent to conduct an On-site Inspection, indicating the name of the Cross-Border Establishment (or the Supervised Institution that is a member of a Banking Group, Bank Holding or financial conglomerate), the reasons and timeframe for conducting the On-site Inspection, period subject to the On-site Inspection, and information on the authorised representatives assigned to conduct the On-site Inspection.

8.5. When exchanging summarised information on the facts related to a Cross-Border Establishment that have been uncovered by an On-Site Inspection, the Supervisory Authorities shall comply with requirements to confidentiality, disclosure of information and sharing of documents as set by Part 3 “Exchange of information” and Part 4 “Ensuring the confidentiality of information” hereof.

**9. Cooperation on financial resolution of Supervised Parent Institutions and Cross-Border Establishments, and procedures of Supervised Institutions’ insolvency (bankruptcy)**

9.1. The Home and Host Supervisors shall provide each other with information on financial resolution measures devised for a Cross-Border Establishment and/or its parent institution, under the procedures for exchanging information as stipulated in this Memorandum.

9.2. The Supervisory Authorities shall cooperate when performing insolvency (bankruptcy) procedures for Supervised Institutions.

9.3. The Home and the Host Supervisors, as promptly as practicable, shall inform each other of the measures that are aimed at ensuring the integrity of deposits with a Supervised Parent Institution or a Cross-Border Establishment and that are taken in accordance with the laws of both the home and the host jurisdictions.

9.4. In order to assist the Host Supervisor exercising supervision over a Cross-Border Establishment, the Home Supervisor, if necessary, shall inform the Host Supervisor about any measures to provide a Cross-Border Establishment with liquidity as well as other supporting measures developed by a parent institution.

9.5. The Home and the Host Supervisors shall as promptly as practicable provide each other with the above information if it does not contravene the jurisdictions’ legislations, including the confidentiality regulations. If a Supervisory Authority does not provide the requested information on time, the requesting Supervisory Authority shall have the right to take financial resolution measures at its discretion in order to protect the national financial market.

## **10. Cooperation on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Issues**

10.1. In order to fulfil their supervisory functions, the Supervisory Authorities shall exchange information in connection with:

- national AML/CFT laws and regulations;
- practices adopted by Supervised Institutions in identifying and verifying customers (KYC) , their representatives, beneficiaries and beneficial owners;
- compliance with the applicable national AML/CFT legislation by Supervised Institutions, including Parent Institutions and their Cross-Border Establishments;
- money-laundering and terrorist-financing (further – ML/FT) schemes, that the Supervisory Authorities have knowledge of, suspicious transactions identified, subsequent flow of funds and persons involved in such schemes, transactions and practices in order to improve the efficiency of risk-based supervision and prevent the exploitation of Supervised Institutions for ML/FT purposes;
- AML/CFT measures implemented by Supervised Institutions that are members of banking groups and bank holding companies and their Cross-border Establishments, specifically internal control and customer identification policies and procedures and any other relevant information, including for consolidated supervision purposes. For AML/CFT purposes, the Supervisory Authorities will use information received from one another to implement appropriate supervisory enforcement measures.

10.2. The Supervisory Authorities will where necessary exchange further information, hold joint events and make concerted efforts to prevent the exploitation of Supervised Institutions for the execution of suspicious transactions.

10.3. While exchanging information pursuant to paragraphs 10.1 and 10.2 of this Memorandum Supervisory Authorities fully comply with confidentiality requirements.

## **11. Other provisions**

11.1. The Supervisory Authorities shall meet whenever necessary to discuss and settle banking supervision issues with regard to Supervised Institutions. Issues relating to the implementation of this Memorandum may also be discussed at such meetings.

11.2. The Supervisory Authorities, whenever necessary, shall arrange expert meetings to exchange information and experience in the field of banking supervision.

11.3. To ensure practical cooperation once this Memorandum enters into force, the Supervisory Authorities shall exchange lists of contacts (indicating full names, titles, emails addresses, telephone and fax numbers).

11.4 Information on the Bank of Russia as well as the Russian the banking system, laws and regulations can be found on the Bank of Russia website: [www.cbr.ru](http://www.cbr.ru).

Information on the Banking Agency of Republika Srpska as well as Republika Srpska's banking system, laws and regulations can be found on the BARS web page: [www.abrs.ba](http://www.abrs.ba).

Information on the banking system of the Federation of Bosnia and Herzegovina as well as the banking system, laws and regulations of the Federation of Bosnia and Herzegovina is available on the FBA website: [www.fba.ba](http://www.fba.ba).

The Bank of Russia, the BARS and the FBA have no objections to publishing of this Memorandum on their websites.

11.5. This Memorandum shall become effective as of the date of its signing and remain effective until one of the Supervisory Authorities gives an advance written notice of termination of its participation to other authorities. In that case, the Memorandum remains effective for 30 more days immediately following the date of the notice. All requests for assistance made before the date of the notice shall be fulfilled in accordance with the respective provisions of this Memorandum.

11.6. This Memorandum is not an international treaty and is not intended to create any rights or obligations regulated by international law.

11.7. By mutual agreement the Supervisory Authorities can make amendments and supplements to this Memorandum. These amendments and supplements shall be

formalized as separate protocols constituting an integral part of this Memorandum and becoming effective immediately after their signing.

11.8. Each Supervisory Authority shall bear its own expenses that may occur during implementation of this Memorandum, unless agreed by the parties otherwise.

11.9. This Memorandum is signed in three (3) original copies, in the English language.

For the Central Bank of  
the Russian Federation



Dmitry Tulin

First Deputy Governor

Date

26.02.2020

For the Banking Agency  
of Republika Srpska

  


Rade Rastoka

Director

Date

05.03.2020.  
BROJ: 01-349/20

For the Banking Agency  
of the Federation of  
Bosnia and Herzegovina

  


Jasmin Mahmužić

Director

Date

06.03.2020.  
BROJ: 01-801/20.