

**Memorandum of Understanding**  
**between**  
**the Central Bank of the Russian Federation**  
**(the Bank of Russia)**  
**and**  
**Banking Regulation and Supervision Agency of Turkey (BRSA)**  
**in the Field of Banking Supervision**

The Central Bank of the Russian Federation (Bank of Russia) and Banking Regulation and Supervision Agency of Turkey (BRSA), hereinafter referred to as the “Supervisory Authorities”, have reached an understanding on the need to exchange information for the effective fulfillment of their functions and assist the reliability and stability of banking systems in their countries. This understanding also meets the Basel Committee recommendations on the principles of conducting consolidated and comprehensive supervision and cooperation between Banking Supervisory Authorities.

The Supervisory Authorities express, through this Memorandum of 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 Supervisory Authorities 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 a cross-border establishment.

The Memorandum of Understanding hereby signed between two Authorities does not have the feature of an international agreement which binds the states of parties 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 parties.

## **1. THE POWERS OF THE SUPERVISORY AUTHORITIES**

### **1.1. The Russian Federation**

Under the legislation of the Russian Federation, the Central Bank of the Russian Federation (the Bank of Russia) is a body of banking regulation and banking supervision. It constantly monitors the compliance by credit institutions and banking groups with banking legislation, the Bank of Russia’s regulations and mandatory standards. To fulfill its regulatory and supervisory functions, the Bank of the Russia conducts on-site inspections of credit institutions and their branches, sends them compulsory prescriptions to eliminate the shortcomings discovered in their work and takes measures to credit institutions established by the Federal Law on the Central Bank of the Russian Federation (the Bank of Russia).

Under the legislation of the Russian Federation and the Bank of Russia's regulations, the reporting of credit institutions, bank groups, banking holdings is submitted to the Bank of Russia.

## 1.2. Turkish Republic

Banking Regulation and Supervision Agency of Turkey is a public legal entity with administrative and financial autonomy established to ensure implementation of Banking Law Nr. 5411 and other relevant legislation, by also issuing regulations pursuant to the Law, to supervise and conclude the implementation to ensure protection of savings, and to carry out other duties assigned, and to exercise its authorities granted by the Law. The Agency is obliged and authorized, to ensure efficient functioning of the credit system, to take any decision and implement any measure in order to prevent any transaction or action that may jeopardize rights of depositors as well as orderly and safe functioning of banks. The Banking Regulation and Supervision Board is the decision making body of the BRSA.

## 2. DEFINITIONS

For the Purposes of this Memorandum:

2.1. "Supervised Institution(s)": is a legal entity authorized to conduct banking operations, whose activities are subject to licensing and supervision in accordance with the legislation of the Russian Federation or Turkish Republic.

### 2. 1.1. In the Russian Federation:

Credit institution is a legal entity which, for the purpose of deriving profit as the principal objective of its activity, has the right on the basis of a special permission (license) of the Bank of Russia to conduct banking operations stipulated by the Federal Law on Banks and Banking Activities. A credit institution is established on the basis of any form of ownership as a business entity.

Bank is a credit institution that has the exclusive right to conduct the following banking operations in their entirety: to take funds on deposit from private individuals and legal entities, lend such funds on its own behalf and at its own expense on the condition that they are returned after a specified period of time with an interest, open and keep individual and corporate bank accounts. Non-bank credit institution is a credit institution that has the right, to conduct individual banking operations stipulated by the Federal Law on Banks and Banking Activities. The permissible combinations of banking operations are established for non-bank credit institutions by the Bank of Russia.

### 2.1.2 In. Turkish Republic:

Bank is a legal entity which is regulated and supervised by the BRSA. For the sake of the agreement, deposit banks, participation banks and development and investment banks are defined as bank in the Banking Law Nr. 5411.

Deposit bank is the institution operating primarily for the purpose of accepting deposit and granting loan in their own names and for their own accounts as per the provisions of the Law No. 5411 and the branches in Turkish Republic of such institutions established abroad. Participation bank is the institution operating primarily for the purposes of collecting fund through special current accounts and participation accounts and granting loan pursuant to the Law No. 5411 and the branches in Turkish Republic of such institutions established abroad. Development and investment bank is the institution operating primarily for the purposes of granting loan and/or to fulfill the duties assigned thereto by their special laws, other than accepting deposit or participation fund pursuant to the Law No. 5411, and the branches in Turkish Republic of such institutions established abroad.

2.2. “Supervised Parent Institution(s)”: is a Supervised Institution incorporated in one of the states, which has a Cross-Border Establishment, located in the other state.

### 2.3. “Cross-Border Establishment”

Cross-Border Establishments are:

- a subsidiary credit institution or a representative office of a credit institution registered in the Turkish Republic and operating in the Russian Federation on the basis of a Bank of Russia permit (licence);

- a subsidiary credit institution, branch or representative office of a credit institution registered in the Russian Federation and operating in the Turkish Republic on the basis of the Agency’s permit.

2.4. “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.

2.5. “Home country”: the country in which a Supervised Parent Institution is established.

2.6. “Host country”: the country in which a Cross-Border Establishment is established.

2.7. “On-Site Inspection(s)”: inspection(s) carried out at a Cross- Border Establishment by duly authorized representatives of the Home Supervisor.

### **3. EXCHANGE OF INFORMATION**

3.1. The Supervisory Authorities recognize that information should be shared in order to facilitate effective supervision, including on a consolidated basis, of credit institutions operating across their national borders.

3.2. To ensure and enhance the efficiency of supervision over supervised institutions and their Cross-border Establishments, the Supervisory Authorities express their wish to cooperate and exchange information in the following areas; licensing, on-going supervision, on-site inspections, in the setting up of further branches, when there is a change in ownership that is subject to the permission of the Supervisory Authorities, in case of revocation of a license and operating permission, liquidation of a Supervised Parent Institution or a Cross-border Establishment.

3.2.1. In connection with the authorization and licensing process:

(a) The Host Supervisor shall notify the Home Supervisor, without delay, of applications for approval to establish Cross Border Establishments in the host Jurisdiction;

(b) Upon request, the Home Supervisor shall inform the Host Supervisor whether the applicant complies with the national legislation and regulations and whether the applicant may be expected, given its corporate governance, risk management and internal control system, to manage the Cross- border establishment. In the case of an appeal, the Home Supervisor informs the Host Supervisor on the compliance with qualification requirements of the prospective managers and directors of a Cross-border Establishment to the extent reasonable and permitted by law.

(c) The Supervisory Authorities shall provide each other with information about the natural or legal persons that directly or indirectly, individually or jointly have the material power to influence (directly or indirectly) the decisions taken by management of the supervised institutions requesting permission to open a Cross-border Establishment and/or conducting cross-border operations with supervised institutions in the Russian Federation or in Turkish Republic, respectively.

(d) In case of the opening up by Cross-border Establishments (namely subsidiary credit institutions) of further branches in the Russian Federation or in Turkish Republic, the two supervisors shall notify each other.

(e) In case of revocation of the license and operating permission or liquidation of a Supervised Parent Institution or a Cross-border Establishment the two supervisors shall promptly notify each other.

3.2.2. In case of a change in ownership structure that is subject to the permission of the Relevant Authority:

(a) The Banking Supervisory Authorities shall contact before granting permission with regard to the acquisition of shares (stakes) by a legal entity or private individual or a group of legal entities and (or) private individuals in a Supervised Institution registered in the other country.

(b) For the purposes of this Memorandum, an acquisition signifies the receipt in ownership (or in trust) by a person (or a group of persons) of stakes in the capital of a Supervised Institution registered in the Russian Federation or in Turkish Republic, of a size that will require, under the national legislation of the respective country, preliminary agreement with the respective Supervisory Authority.

3.3. The Supervisory Authorities shall exchange information upon request on the state and development of the national banking sector, the principal banking supervision standards and requirements and significant changes therein.

#### **4. REQUESTS FOR INFORMATION**

4.1. Co-operation within the framework of this Memorandum shall be conducted at the initiative of a Supervisory Authority on the basis of a written request for assistance. The Authorities shall use their best endeavors to fulfill the request.

4.2. Where the supervisory authorities perceive a need for expedited action, requests may be initiated in any form but should be confirmed within 10 working days subsequently in writing.

4.3. 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 the national legislation, provided by the requested supervisor itself.

4.4. Assistance within the framework of this Memorandum may be refused wholly or in part if the requested Supervisory Authority believes that the fulfillment of the request contravenes its national legislation or runs counter to the interests of the state. In this case, the requesting Supervisory Authority shall be notified in writing and given the reasons for the refusal without undue delay.

4.5. Each Supervisory Authority shall do everything to ensure a prompt and fullest possible reply to the request of the other Supervisory Authority or it shall notify the latter without undue delay about the circumstances that prevent or delay the fulfillment of the request.

4.6. Each Supervisory Authority shall bear the expenses that may arise in implementing this Memorandum unless a different procedure is agreed upon.

## **5. ENSURING THE CONFIDENTIALITY OF INFORMATION**

5.1. Information should be shared to the extent reasonable and subject to national legislation provisions, including those restricting disclosure.

5.2. Any confidential information received from the other supervisor will be used exclusively for lawful supervisory purposes.

5.3. To the extent permitted by Law, the Supervisory Authorities shall take appropriate measures to ensure the confidentiality of information or documents in keeping, using and passing it to each other, including the transmission of information by any type of communication facilities. In this regard, employees of both supervisory authorities are generally bound to hold confidential all information obtained in the course of their duties

5.4. No supervisory information received by the Supervisory Authorities 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 supervisor that provided this information.

5.5. It is understood that, in certain circumstances, a supervisor in one Jurisdiction that receives confidential information from a supervisor in another Jurisdiction may be legally compelled by a court decision 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 supervisor shall notify the supervisor 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.

5.6. Should this Memorandum be terminated, the supervisory information received within the framework of this Memorandum shall remain confidential.

## **6. CO-OPERATION IN ONGOING SUPERVISION OF CROSS-BORDER ESTABLISHMENTS**

6.1. In connection with the ongoing supervision of their Cross-border Establishments, the Supervisory Authorities undertake to use their best endeavors to:

(a) Inform each other about concerns about the financial soundness of Supervised Parent Institutions having Cross-Border Establishment in the respective other country,

(b) Notify each other of actions and material administrative penalties which they have taken in respect of such a Cross-Border Establishment, if the information in their judgement is likely to be important to the other Supervisory Authority to assist that other Supervisory Authority in the exercise of its functions,

(c) 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,

(d) Inform their counterpart about any event which has the potential to endanger the stability of the Cross-border establishments.

## **7. CO-OPERATION IN CONDUCTING ON-SITE INSPECTIONS**

7.1. The Supervisory Authorities agree that co-operation is useful in assisting each other in carrying out On-Site Inspections of Cross-Border Establishments. The Home Supervisor shall regulate on its own the relations with Cross-Border Establishments in respect to the access of the auditors and/or examiners for the purpose of On-Site Inspections. The Supervisory Authorities will provide full informational and consultative support to each other in such inspections.

7.2. The Supervisory Authorities will notify each other in advance (at least 25 working days before the projected inspection date) about the intention to conduct an On-Site Inspection indicating Cross-border Establishments and giving the names of the inspectors, the purpose of the inspection and its expected duration.

7.3. The Supervisory Authorities shall inform each other on the results of the On-Site Inspections in the framework of the national legislation

## **8. OTHER PROVISIONS**

8.1. The arrangements outlined in this Memorandum are intended to enhance the existing working relationship, but they are not restrictive.

8.2. The supervisory authorities may make amendments to this Memorandum of Understanding by mutual agreement and by a written notice specifying the reasons behind such action.

8.3. If necessary, the Supervisory Authorities shall meet to discuss and settle matters relating to supervision of Supervised Parent Institutions and Cross-border Establishments, The issues relating to the implementation of this Memorandum may also be discussed at such meetings.

8.4. In addition, the supervisory authorities in the two countries would pursue staff training programs that would incorporate input and support from both their supervisors and would reinforce sound supervisory practices in both countries.

8.5. To ensure the practical implementation of co-operation after this Memorandum comes into force, the Supervisory Authorities shall exchange lists of contact persons (with full names, job titles, telephone and fax numbers and e-mail addresses).

8.6. Information on the Bank of Russia, banking system, laws and regulations of the Russian Federation may be found on the Bank of Russia website at [www.cbr.ru](http://www.cbr.ru) Information on the Banking Regulation and Supervision Agency of Turkey, banking system, laws and regulations of the Turkey may be found on the website at [www.bddk.org.tr](http://www.bddk.org.tr) The Bank of Russia and the Supervisory Authority of the Foreign State shall not object to placing this Memorandum on their websites.

8.7. This Memorandum shall come into force as of its signing and it will remain effective until one of the Supervisory Authorities notifies in advance the other in writing about its decision to terminate, it. In this case, this Memorandum shall remain in effect for 30 days after the notification date. Requests for assistance made before that date shall be fulfilled if possible by the Supervisory Authorities in compliance with the terms and conditions of this Memorandum.

8.8. This Memorandum is done in two original copies both texts being equally authentic, in the English language.

On behalf of  
The Russian Federation

On behalf of  
The Republic of Turkey

Central Bank of the Russian Federation

Banking Regulation and Supervision  
Agency

Sergey M. IGNATIEV  
Chairman

Tevfik BILGIN  
Chairman

Signature \_\_\_\_\_  
Date 30/09/2010  
No БР-Д-15-7-2/537

Signature \_\_\_\_\_  
Date